



Thursday, 21 February 2019

Honourable Ms JL Fubbs  
Chairperson: Parliamentary Portfolio Committee on Trade and Industry  
P.O. Box 15  
Parliament  
Cape Town, 8000  
Phone : 021 403 3822/3776  
Fax : 021 403 33309  
E-mail : [jfubbs@parliament.gov.za](mailto:jfubbs@parliament.gov.za)

Dear Honourable Chairperson Fubbs

### **Drought issues, sugar prices, tariff and government partnerships**

I wish to comment on issues addressed in the letter penned by the Director-General of the Department of Trade and Industry responding to certain issues that were raised in that august house as referenced in the DG's letter.

#### **1. Drought conditions**

We are aware of and are experiencing the impact of the drought that has been experienced in our province in the past three seasons. Our farmers have had to deal with this natural disaster. We are not aware of the drought relief funds alluded to. We cannot agree with or deny their disappearance. We hope our government will look into the matter. We continue to engage with the provincial and national government departments in search of partnership opportunities to implement comprehensive farmer support for our members. We have made some strides to this effect.

#### **2. Depressed sugar prices**

SAFDA joined the industry at the end of 2017 after engagements with and intervention of the PPC on Trade and Industry. We immediately joined a call by other industry stakeholders for an increased import tariff in order to tone down the impact of cheap imports.

Thank you, Chairperson, and your PPC members for fighting gallantly with us for an increased import tariff. As a result, the **Dollar-Based Reference Price (DBRP)** was increased to \$680 per ton from \$566 per ton.

South African Farmers Development Association  
Registration number 163-564 NPO  
KwaShukela, 170 Flanders Drive 031 508 7283  
Mt Edgecombe, KwaZulu-Natal [info@sa-fda.org.za](mailto:info@sa-fda.org.za)  
P.O. Box 1769  
Mt Edgecombe Country Club, 4301 [www.sa-fda.org.za](http://www.sa-fda.org.za)



We have seen how the increased tariff protection has gradually reduced imports during the course of 2018 to very minimal insignificant levels. The tariff was agreed and gazetted in August 2018. The season was already underway and some imports had already been flowing into the country from the beginning of the year.

The tariff also allowed for some price increase, giving our farmers some relief. Sadly there are other factors impacting the price, one of which is the **Health Promotion Levy** that has emerged as one of the key threats to the sugar industry. The Health Promotion Levy led to sugar sales plummeting by about 200 000 tons during the 2018/19 season because of reformulation by sugar beverages producers. We are planning to engage the PPC on this battle in order to stop this blood bath.

### **3. Inadequate tariff protection**

While the tariff was awarded at lower than the requested level of \$856 per ton, a figure that we had calculated as an effective protection against imports, our situation would have been much worse had the tariff protection stayed at the same level of \$566 per ton.

We have highlighted to the PPC that we will do need increased protection and for the ITAC to reconsider the impact of the application of the **Real Effective Exchange Rate (REER)** in calculating the Import Duty, for our industry to be sustainable. We hope that engagements with the PPC will continue in the new term to look at these matters closely together with ITAC and DTI.

We appreciate the hard work of the PCC and your intervention in fast-tracking the review of the DBRP in 2018. Had it not been for your significant contribution in the tariff process, our plight would have been much worse.

### **4. PPC Oversight Report**

We wish to confirm Chairperson that a lot of engagements have happened between SAFDA and government departments relevant to our work, since your first visit to the industry and SAFDA and your call made for them to assist and support us. We have signed a **Service Level Agreement (SLA)** with the Department of Rural Development and Land Reform (DRDLR). This SLA will allow us to implement farmer support programmes in KwaZulu-Natal and Mpumalanga provinces with new sugar projects likely to be established in North Pondoland, Eastern Cape. The SLA with DRDLR was celebrated at our Third Anniversary Imbizo in December 2018. Honourable Members of the PPC witnessed that. We also had support shown by the Department of Agriculture, Forestry and Fisheries Deputy Minister and the KZN Department of Agriculture and Rural Development MEC at that event.

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*Registration number 163-564 NPO*

KwaShukela, 170 Flanders Drive  
Mt Edgecombe, KwaZulu-Natal  
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Mt Edgecombe Country Club, 4301

031 508 7283  
info@sa-fda.org.za  
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We are yet to engage meaningfully with the Department of Energy on diversification and value-add opportunities that will allow us to use sugarcane to generate **bioethanol, bioelectricity, bioplastics** and other products, enabling our farmers to benefit fully from the value of a stick of sugarcane they produce.

We have employed a Diversification Specialist within SAFDA, Dr Marilyn Govender, who will use her experience working in the energy space, to unlock all these new exciting possibilities for our farmers.

We are grateful that key government Departments have headed the call of the PPC to work with us. We look forward to seeing more support flowing our way and commitments made, becoming tangible.

Yours for a transformed, inclusive and sustainable South African sugar industry.



**Siyabonga Madlala**

*Executive Chairman* | South African Farmers Development Association

[smandlala@sa-fda.org.za](mailto:smandlala@sa-fda.org.za) | 031 508 7283 | 071 216 7974

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