ANNUAL REVIEW 2019

SA FARMERS DEVELOPMENT Association

Thriving rural communities
Thriving rural economies

Company name:

South African Farmers Development Association

Registration number:

163-564 NPO

Nature of business:

Development of sustainable black farmers and the transformation of rural industries and rural economy

Directors:

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Bankers:

First National Bank

Auditor:

Mfuyi Business Services

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THE REASON WE EXIST

VISION

Thriving rural communities

Thriving rural economies

MISSION

To work towards farmer driven partnerships for transformation, development and sustainability of all farmers and the enhancement of rural economies

VALUES

- Co-operation
- Diversity
- Integrity
- Honesty
- Profitable Partnership
- Accountability
- Efficiency and Reliability
- Respect

NOTE FROM THE EXECUTIVE CHAIR

I can hardly believe that Safda has achieved so much is such a short space of time. I can still clearly remember attending the first industry Council meeting as a Safda delegate at the start of the season – even though Safda had a voice but no vote at that stage.

It was a mixture of feelings, excitement and happiness but also concern and nervousness. Excitement and happiness because we were making progress after at least three years of hard work and sacrifice. Concern and nervousness because there's so much still to be done.

We knew full well that there was a lot to be done to assist our small-scale and land reform farmers and the deep rural communities and economies where we grew up. There was a desperate need for a Safda and a lot of pressure to start meeting the needs of a section of the population that has long had to deal with a number of injustices.

Today, looking back at the past season, I can proudly say that we have met and often exceeded expectations. From the start of conversations on the R172 million short-term transformation interventions to the current discussions on the five-year transformation plan, Safda has stayed on course.

There is no doubt in my mind that the interventions have made a big difference in the lives of our small-scale farmers. It has reduced the cost of production and provided some breathing room for the most vulnerable small-scale farmer.
In addition, Safda's expertise and experience has ensured that every rand was stretched to ensure the maximum value possible. This is clear from the roll-out of the Safda fertiliser programme and Safda logistics services.

While this was happening, we had to figure out how to become a professional organisation while maintaining the passion of our activist roots. This remains very close to my heart.

Small-scale farmers have very few options in terms of production and income. Often, as a result, their voices are not heard. With Safda around, this is no longer the case. Over the past season we have interacted with our farmers in all mill areas, taken the time to listen to the struggles they face on a daily basis and together have looked at solutions.

This is the Safda way. No one person can have all the answers but together we can come up with ways to keep food on the table for these farmers, their families and communities. This is exactly why Safda is continuously looking at ways to reduce operating costs and I believe that we have certainly made a solid contribution to this over the past season – and we will continue to focus on this in the coming season.

So, those feelings that I had at the very first Council are still with me every day. I feel the concern and nervousness when I hear the desperate requests for help from our farmers and think about all that we still have to do as Safda.

But I also feel the excitement and happiness of our farmers when they receive their fertiliser and see the Safda-branded trucks driving past.

The one big difference from that first Council meeting at the start of the 2018-2019 season, is that I now know that we are not travelling this road alone. Now we have a voice and an equal vote.

With farmers, employees, government, industry and various other stakeholders supporting us and by working together, I am confident that we will achieve our vision of thriving into the future.

Siyabonga Madlala
Executive Chairperson
South African Farmers Development Association

STRATEGIC OVERVIEW

During the year under review, Safda began with the germination and establishment phase of the organisation's five-year strategy – it has certainly been an eventful year.

The strategy, starting during the 2018-2019 season, initially envisaged Safda's growth as a linear process, yet the second half of the season saw almost all the projected phases of growth kicking into motion at the speed of light.

Some of the objectives set for the second and third year of the strategy were realised during the period under review. Safda business entities, namely, Safda Fertilizer, Safda Logistics and Safda Farm Management Services were registered and became operational, kicking into gear in the last quarter of the year under review.

The Memorandum of Understanding (MoU) signed in November 2018 and the subsequent Service Level Agreement (SLA) signed early in 2019 saw the Safda bulk buying strategic pillar being catalysed. This was also the realisation of a new business model for farmers, who were able to use their numbers – under the umbrella of Safda, to realise better prices for fertiliser, fuel and transport costs.

At sugar industry level, the transformation interventions, also known as "Sharing the Pain", were rolled out. Safda-blended fertiliser, procured from the Intervention 2 allocation of R35 million, was distributed to farmers through the first fleet of Safda trucks – serving as another catalyst for the logistics wing.

On the Human Resources side, the organisation had to rapidly build capacity in virtually every business unit. In the coming season, more work will be done to cement new business processes for both business units and entities. It is expected that this will result in a change management process, with a review of job descriptions, realignment of business units and ultimately, building a new organisational culture.

Over the past 12 months, management engaged various stakeholders including government departments to promote its value proposition.

A first for black farmers

Safda's business model is one that needs continuous review while simultaneously adapting to a rapidly changing external environment. As with all organisations, especially a young, innovative one like Safda, there will always arise organisational hygiene issues. The issues are the pains of growth which can build organisation resilience.

Not all stakeholders will immediately appreciate the vision and the business model. Some areas of work still require new systems and procedures to guide day-to-day activities. Management must continuously provide efficient and effective support to the regions and make available critical tools of trade.

Looking at the year ahead, management will remain firmly focused on the next level of growth – much wiser than the previous year.

Safda's footprint is likely to extend to non-sugar producing provinces.

The future of the organisation lies in improved services and products to members, addressing bread and butter issues on a daily basis, looking after the welfare of employees – as they are the most valuable assets – and in diversifying Safda's value proposition through collaboration with strategic partners who share our vision.

RECOGNITION AND TRANSFORMATION

The South African sugar industry is governed by the Sugar Act, No. 9 of 1978 (as amended), as well as subordinate legislation, viz. the Sugar Industry Agreement (SIA) and the Sasa Constitution.

Until recently, the South African sugar industry structure comprised the South African Sugar Association, the South African Cane Growers Association (Sacga) and the South African Sugar Millers' Association (Sasma).

Following a meeting between the Parliamentary Portfolio Committee (PPC) on Trade and Industry and Safda on October 12, 2017, where Safda highlighted its concerns regarding lack of transformation in the sugar industry, it was resolved that the SIA and Sasa Constitution be amended. This would allow Safda to become an official grower representative organisation within Sasa and all decision-making regional structures.

On October 9, 2018, the then Minister of Trade and Industry, Rob Davies, published Transitional Provisions in respect of the:

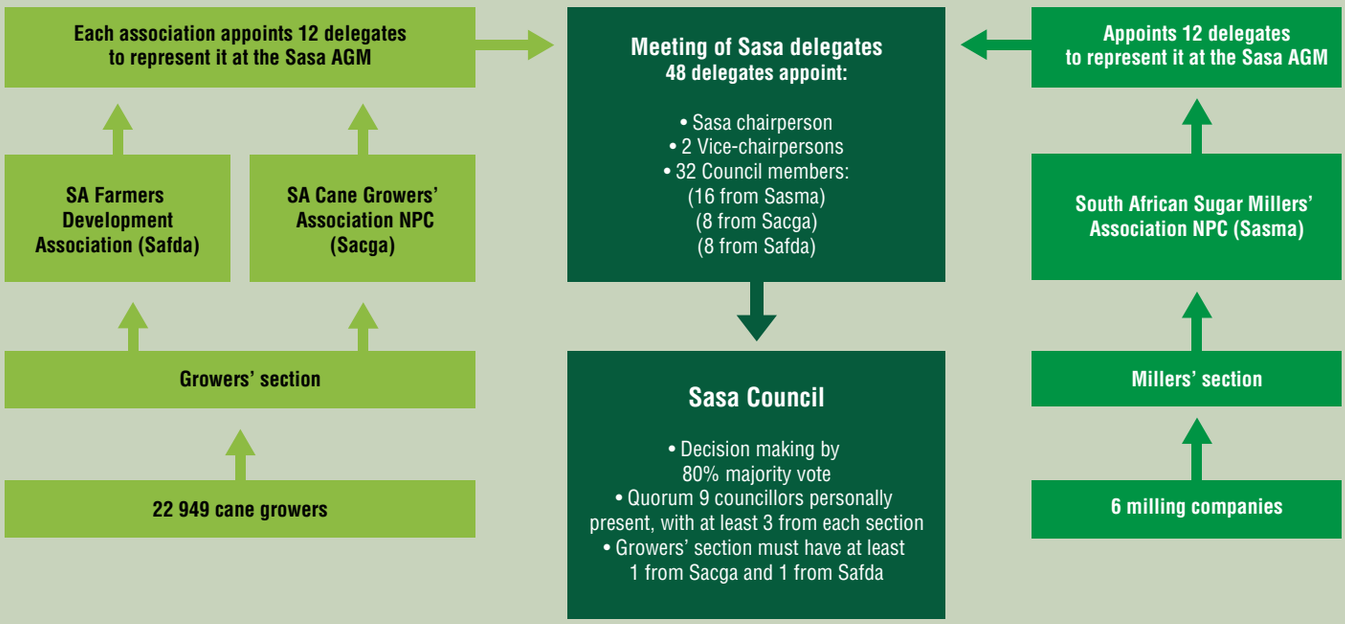
- Constitution of the Sasa; and
- SIA, 2000.

The Transitional Period applies from 1 April 2018 to 31 March 2020 – with the right to extend it.

As a result, Safda was officially recognised by the industry during the period under review – and became active and equal members of the Sasa Council, with both a voice and a vote.

Prior to this, at the start of the season, Safda had a voice but no vote on the Sasa Council, under what was then termed interim provisions.

In addition, in October 2018, shortly after the dti gazetted changes to subordinate legislation that allowed Sasa to officially recognise Safda as a farmer representative organisation,



New industry structure

the sugar industry celebrated another milestone – the appointment of its first black female vice-chairperson Lindiwe Hlubi (Safda vice-chairperson).

Timeline: PPC meetings

6 February 2019:
Committee focuses on factors affecting the industry including the Health Promotion Levy, imports and extended drought.

5 December 2018:
Sugar industry tables transformation report and Safda expresses its concern at the slow pace of transformation in the sugar industry.

10 October 2018:
Committee acknowledges publication of Notice in the Government Gazette No 41967, effecting agreed changes to the Sasa Constitution and the SIA to recognise Safda as an official grower representative organisation.

Safda presents its strategic programme aimed at ensuring the sustainability of farmers, highlighting the five pillars of transformation viz. land reform and small-scale farmers, grower capacity development, grower financing, and bulk buying, diversification and value chain participation.

13 September 2018:
The dti provides a briefing on the sugar regulations and the status of Safda's recognition within the sugar industry – noting the need to increase black participation in the sugar industry.

4 September 2018:
Committee looks at sugar tariffs, with Itac providing context on the dollar-based reference price (DBRP). MPs also discussed the reciprocity arrangement undertaken by the sugar industry of R1 billion over five years specifically aimed at transformation initiatives.

14 June 2018:
Committee finalises report on its sugar industry oversight visit for submission to the National Assembly, receives the first plan for immediate transformation actions and sets a timeframe for amendments to sugar industry regulations.

12 June 2018:
Committee considers sugar tariffs and the sugar industry's short-term action plan to transform.

24 April 2018:
The dti presents a sugar industry intervention report, which includes support for Safda.

VALUE CREATION

As soon as it was recognised by the South African sugar industry at the start of the 2018-2019 season, Safda started delivering on its transformation objective – even though at that stage it only had a voice but not a vote on the industry's Council structure.

This took the form of eight transformation interventions by the industry, which would see tangible measures being taken to address the inequalities of the past by reducing the cost of production for black farmers, many of whom are unable to achieve economies of scale due to factors beyond their control.

The immediate transformation interventions were largely driven by Safda, and assisted the industry in adhering to the Parliamentary Portfolio Committee on Trade and Industry's instruction for short, medium and long term transformation plans.

The short-term interventions, with a total value of R172 million, began at the start of the season under review.

The majority of interventions were agreed and implemented, with a few being carried over to the 2019-2020 season – there is little doubt that Safda's unique understanding of small-scale and land reform grower challenges has been invaluable in ensuring that the industry remained on track to deliver on transformation requirements.

As a result, despite reservations from some stakeholders, there is a general understanding that the industry's contribution to transformation is an investment for the long-term sustainability of the industry and in alignment with the national imperatives of the agricultural sector and the country.

This was further entrenched through the industry's commitment to allocate R1 billion over five years for the benefit of black farmers – as part of a reciprocity agreement with government – starting in the 2019-2020 season.

In addition, the industry engaged transformation expert Vuyo Jack to assist in developing a five-year transformation plan.

INTERVENTIONS	AMOUNT	R/ton cane
Intervention 1: Increase in premium cane payment for black small-scale sugarcane farmers - based on local market sugar pricing	R 60m	R32
Intervention 2: Establishment of a premium cane price for black sugarcane farmers (who do not qualify as small scale farmers)	R 35m	R23
Intervention 3: Subsidisation of black small-scale sugarcane farmers' cane transport costs	R 20m	R8
Intervention 4: Access to seed cane of the appropriate varieties for black small-scale sugarcane farmers	R 20m	R11
Intervention 5: Subsidisation of black small-scale sugarcane farmers' membership levies	R 7m	R4
Intervention 6: Institutional capacity building subsidy to fund start-up costs of new emerging black sugarcane farmer associations	R 10m	R3
Intervention 7: Allocate additional funding for the training of black sugarcane farmers via the Grower Development Account (GDA)	R 10m	R4
Intervention 8: Creation of Sugar Industry Job Creation Accelerator Programme for black youth and women	R 10m	
TOTAL	**R172m**	

NB: The original wording is noted here and may have been amended since

Discussions are currently under way and key highlights are:

- Safda aims for 51% of cane to be delivered by black cane farmers in five years' time (2023);
- In respect of the R1 billion commitment, R142 million per annum will be committed to the remedying of inequalities experienced by black growers plus a minimum of R58 million towards other transformation initiatives. This equates to 0.5% of local market notional sugar revenue. In future, the industry hopes that local market revenues will increase and it will be able to maintain the contribution at 0.5% of local revenue subject to a minimum of R58 million per annum;
- The expenditure by Sasa in this regard is to be claimed by individual millers and cane farmers for their respective Agri-BEE scorecards;
- Members of Sasma aim to improve their current consolidated Agri-BEE baseline recognition of level 6 to level 3 by the end of the five-year period;
- The cane farming sector has committed to establishing a consolidated Agri-BEE baseline or to achieving at least a level 4 minimum by the end of the five-year period.
- The industry will keep track of progress and report at least annually to the PPC on Trade and Industry and the dti.

Bulk buying and logistics

Safda's innovative approach to the implementation of the intervention 2 benefit caused a stir in the value chain, particularly among traditional input suppliers.

Following a number of consultations with farmers eligible for the benefit, Safda received a mandate to bulk procure fertiliser thereby reducing the cost of sugarcane production.

In an extremely short space of time, Safda supplied in excess of 500 tons of fertiliser at much less than market average cost – thereby disrupting the traditional value chain.

In addition to the bulk procurement of fertiliser, the logistics cost was also greatly reduced as Safda used its own transport.

Diversification

A key focus area for Safda is to ensure full participation in the sugar value chain, thereby accessing new markets and maximising revenue for farmers.

This is underpinned by maximising beneficiation of sugarcane, biomass and agro-waste streams, diversification into other products and other agricultural commodities.

During the season under review, the organisation has participated in policy engagements on renewable energy and diversification (mainly related to cogeneration and biofuels).

Safda aims to capitalise on existing global and regional expertise, technology advancements and build strategic partnerships to breathe a new era into existence for the black small scale and land reform farmer beyond that of sugarcane and sugar alone.

Industry mobilisation: Tariff

Safda made history in June 2018 – leading the sugar industry's drive to ensure tariff protection for farmers in KwaZulu-Natal and Mpumalanga by galvanising small-scale farmers and other sugar industry roleplayers in a show of support.

On June 12, 2018, about 60 Safda farmers braved a 20-hour bus trip to Cape Town to show their support for Safda and its leadership who were presenting before the Parliamentary Portfolio Committee on Trade and Industry.

That was only the start of Safda's mobilisation of small-scale farmers. Less than a week later, from June 18-22, 2018, a number of dedicated black small-scale growers staged a week long picket outside the International Trade Administration Commission (Itac) offices in Pretoria.

This was to ensure that the plight of black small-scale farmers remained top of mind for regulators reviewing the tariff.

A few days later, on June 26, 2018, well over 30 bus loads of sugarcane farmers arrived at the Pretoria Art Museum in the early hours of the morning in preparation for a sugar industry march against imports.

Under the tagline #stopsugarimports, over 2 000 Safda members joined the rest of the industry in bringing traffic to a standstill as they marched from the Pretoria Art Museum to the Itac offices.

Director General at the Department of Trade and Industry Lionel October and representatives of political parties, sugar millers and sugarcane growers all had an opportunity to address farmers.

There's no doubt that Safda was the driving force in achieving a US$680 dollar-based reference price for the sugar industry during the period under review.

Stemming imports remain high on Safda's agenda, in order to ensure that imported sugar does not displace local sugar in the South African market.

South African Farmers Development Association - SAFDA
FELIXTON
South African Farmers Development Association - SAFDA
PONGOLA
South African Farmers Development Association - SAFDA
DARNALL
South African Farmers Development Association - SAFDA
PONGOLA

GROWER SUPPORT SERVICES

During the 2018-2019 season, the organisation set out to provide support to growers to assist in improving efficiencies and profitability.

Objectives for the year were crafted around the following, which evolved into the Safda basket of services that guided implementation focus:

- Agronomic and business skills development;
- Institutional support;
- Social facilitation;
- Bookkeeping support;
- Land reform support;
- Project implementation support; and
- Grower representation.

The key aim of these interventions is to assist the organisation to achieve its five-year objective of increasing black grower production in the sugar industry – from 12% currently to at least 40% in the short to medium term.

Grower representation

The first step taken once Safda was officially recognised by the sugar industry in October 2018 was to ensure that growers were appropriately represented in all industry structures. The organisation facilitated the appointment of grower representatives on industry structures. Safda growers have representatives in forums including mill group boards, pest, disease and variety control committees, Sasa Council and all other industry committees.

Agronomic, business skills development

In total, 521 growers received training on agronomic skills courses offered by the industry's Shukela Training Centre and the South African Sugarcane Research Institute (Sasri), including the Junior and Senior Sugar Cane Agronomy Courses.

Social facilitation

The establishment of Mill Area Committees (MACs) had the potential for conflict as some former Mill Cane Committee (MCC) leaders were resistant to transformation.

The type of interventions to facilitate migration had to be decided on a case-by-case basis with due consideration being given to grower politics in the area.

Skills courses	Applied Business Management	Arc Welding & Gas Cutting	Business Orientation	Boom Spray Operator	Cane Husbandry	Cane Yield Estimate	Disease Identification	Elementary Tractor Mechanics	First Aid Level 1	Fire Fighting and Cane Burning	Fertiliser (Mayfield Spreader)	Fertiliser (Ordinary Worker)	Health & Safety Reps	Junior Supervisor	Knapsack Spray Operator	Safe Handling of Chemicals	Soil Sampling	Tractor Learner Driver	Bell Loader Training	Total No. Of Growers
Entumeni						4	7	1				5		2	6		7			**32**
Sezela		2			21	6				9		13	4		30		22	3		**110**
Umzimkulu					6							9			4		12			**31**
Eston		2	10		16			4	6							3				**41**
Noodsberg			9		20				4				10			3				**46**
Darnall																				**0**
Maidstone					16				6	9		3	9				10			**53**
Amatikulu		2			10			2		11		11	10	2	11	3	6			**68**
Felixton		4			27				2	2		6	5			3	4	5		**58**
Umfolozi																		3		**3**
Pongola					4		4				4				4					**16**
Malalane																				**0**
Komati			7			7			10			8								**32**
Makhatini		12			6								5		5		3			**31**
otal No, Of Growers	**0**	**22**	**26**	**0**	**126**	**17**	**11**	**7**	**28**	**31**	**4**	**55**	**43**	**4**	**60**	**12**	**64**	**11**	**0**	**521**

Junior and Senior certificates	Entumeni	Sezela	Umzimkulu	Eston	Noodsberg	Darnall	Maidstone	Amatikulu	Felixton	Umfolozi	Pongola	Malalane	Komati	Makhatini	Total No. Of Growers
Junior certificate courses				**2**	**2**	**1**			**1**		**1**		**3**		**10**
Senior certificate courses		**2**				**1**		**1**					**1**		**5**

Training during the 2018-2019 season

The majority of mill areas took a unanimous decision to migrate. However, where this did not take place, in areas like Komati, Umfolozi and Amatikulu/Entumeni, the Safda team had to facilitate a smooth split negotiated by Safda and Sacga-aligned leaders.

The Safda team facilitated growers' decisions on the disbursement of Intervention 2 of the industry transformation interventions.

This social facilitation intervention by Safda ensured that growers were assisted to complete resolutions giving Safda permission to receive monies and bulk purchase fertiliser.

A similar exercise was carried out when facilitating small-scale growers' collective decision to receive their additional supplementary payment fund (SPF), part of intervention 1 of the industry's transformation interventions, in January 2019.

Institutional support

Migration of former MCCs into Safda MACs was carried out.

With the exception of Umfolozi, Malalane and Amatikulu MCCs, all other growers simply migrated their structures to Safda within the 2018-2019 season. In instances where full migration did not take place, growers affiliated with either the Safda MAC or the Sacga MCC.

Budget provision was made to provide financial support to Safda MACs.

In addition to co-ordinating their own business, financial support to mill area-based grower institutions has assisted them to participate in industry committees at local and Sasa level.

Technical and advisory support is provided on an ongoing basis.

Bookkeeping support

The organisation set out to assist growers with bookkeeping services. This was done to enhance growers' financial management efficiency, profitability and compliance with SARS.

Safda employed six junior bookkeepers using the industry's youth job opportunity enhancement transformation intervention. The youth were deployed to the various mill areas to initially assist MACs, groups of growers and individual growers with financial record keeping.

Land reform support

The organisation set out to provide support to land holding entities and land reform growers. A service level agreement (SLA) was signed with the Department of Rural Development and Land Reform (DRDLR) in November 2018.

Funding proposals and business plans were submitted and processed to assist land reform farmers with ratoon management costs.

Actual land reform funds were delayed due to additional administration requirements, resulting in the process being carried over into the new season.

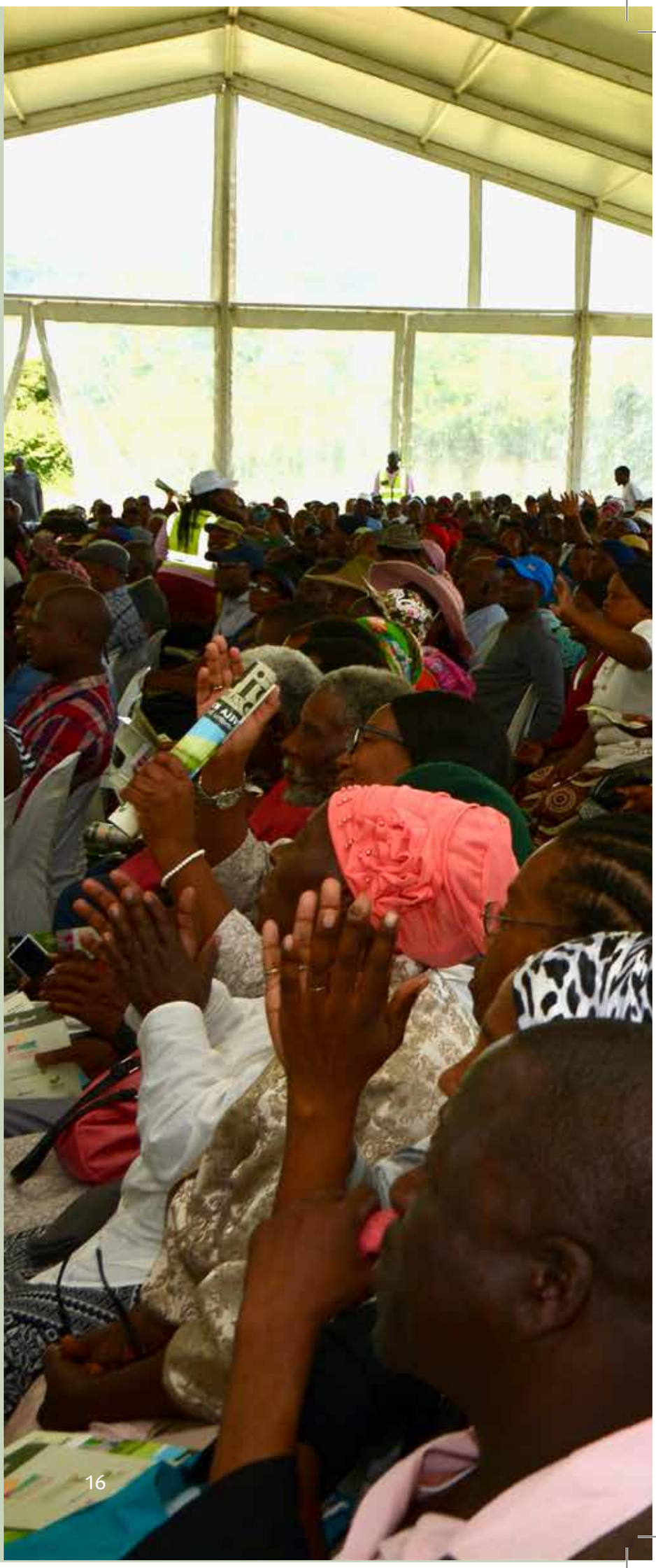
Similar funding for small-scale growers was received and implementation is under way.

In addition to ratoon management, the support will also be directed towards the establishment of farmer production support units (FPSUs).

Project implementation support

The intervention 2 bulk fertiliser procurement and timeous distribution marked an important highlight of the 2018-2019 deliverables.

Further to the assistance with completion of growers' resolutions, the Safda team assisted with actual deliveries and ensured timeous application of input.



ECONOMIC SERVICES

During the period under review, the unit developed working cost guidelines on replant and ratoon management as well as mechanisation to facilitate service provision to farmers by regional employees; capacity building; provision of financial and statistical data support; and representation on industry and external stakeholder platforms.

At the heart of its mandate is the interpretation of data to deliver a meaningful service to the organisation and ensure that the interests of farmers are nurtured, especially black farmers. This requires data collection from various sources, both internal and external, including direct collection from farmers, e.g., farming costs and income.

The data is analysed and used to inform strategic formulation of services to farmers and to substantiate the position of the organisation during various engagements.

Simply put, data explains what is happening and assists in gathering information that can assist in finding customised solutions. Without comprehensive data, Safda would not be in a position to fully understand the cost structure of farmers, and how it differs among categories of farmers. This extends to other challenges, prioritisation and finding appropriate solutions.

During the season, budgets compiled for some growers by regional employees were used to estimate average operating costs of irrigated and dryland small-scale growers.

The analysis showed that small-scale growers expected to spend R650 and R700 per ton in dryland and irrigated areas, respectively, which was well above the expected cost of large-scale growers of about R500 per ton. It is also estimated that a straight-line equation, using cane haulage transport data collected by regional employees, showed that growers had an average distance to the mill of 30km - compared to the 25km average for commercial farmers.

However, analysis of small scale alone showed that they were relatively distant from the mill. In general, the analysis confirmed that small-scale growers experience high operating costs, in comparison to large-scale growers.

The dataset has informed some of Safda's innovative contributions to the industry in relation to restructuring of interventions and revision of rules for the upcoming 2019-2020 season.

Growers are urged to submit their 2018-2019 season cost and income (financial statements or trial balance), especially those operating less than 150 hectares, when requested. The analysis will be useful when the industry reapplies for tariff adjustment.

HUMAN RESOURCES

With grower and industry needs increasing at an extremely fast pace during the season, Safda realised the crucial need for employees with the relevant skills and experience.

This necessitated a review of the organisational structure and departmental requirements, which took place in mid-2018. A key outcome of this workshop was to ensure that resources were aligned with Safda's strategic priorities and five-year plan.

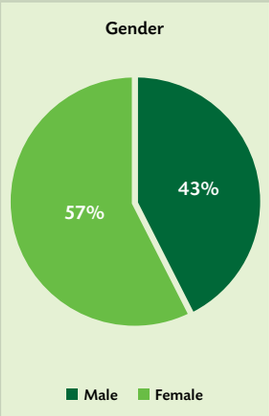
Management and business were supported in this process, with job descriptions and related key performance areas being a key deliverable for the Human Resources (HR) department. In line with its office bearer structure, these were then presented to the Central Executive Committee. A process has been implemented for management to report on KPAs and deliverables on at least a quarterly basis.

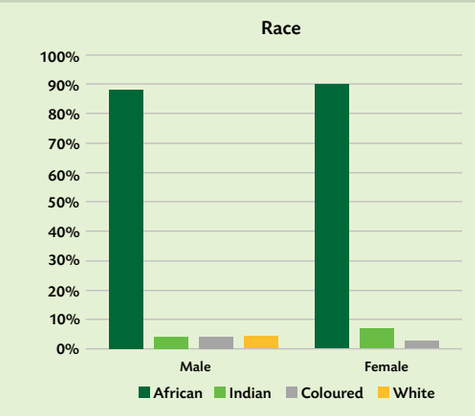
Identified employees received intensive training at the Institute of Directors South Africa, among other recognised training providers, in line with the requirements of their roles and the needs of the organisation.

It is generally accepted that agriculture requires more youth participation and in line with this Safda undertook two large youth-focused recruitment and skills training projects.

The first was under the industry's short-term transformation interventions, Intervention 8 specifically being the Job Creation Accelerator Programme for black youth. HR was instrumental in placing 10 youth in Safda's Grower Support division. Under this programme, which includes a mix of graduates and matriculants, youth will receive on the job experiential training for two years.

For the second youth programme, Safda partnered with the National Rural Youth Services Corp (Narysec) where 50 youth were recruited under a 24-month programme. This programme gives matriculants from rural areas the opportunity to gain skills and work readiness experience. Safda aims to boost their knowledge through agricultural research and development training.





VALUE CHAIN PARTICIPATION

The financial year 2018-2019 saw Safda forge many beneficial relationships with various stakeholders, chief to this being Coca-Cola Beverages SA (CCBSA), under the Mintirho Foundation.

The foundation was formed to promote the development of historically disadvantaged farmers and small suppliers of inputs in the CCBSA value chain through the funding of sustainable businesses.

When the foundation put out a call to assist black sugarcane farmers and those participating in the sugar value chain, Safda was given a mandate to engage the foundation on behalf of its growers, the majority of whom would not have been able to access assistance on an individual basis, due to the onerous application requirements.

Safda has often noted that the two biggest cost drivers of any cane farming operation is transport and fertiliser; therefore financial interventions should aim to address these two cost drivers.

Initial discussions with the Mintirho Foundation focused on providing farmers with fertiliser. As discussions progressed, the opportunity of buying into an existing fertiliser manufacturing plant arose. This concept was looked upon favourably by the Mintirho Foundation as it would ensure sustainability of the project.

The hard work, research, due diligence requirements and ongoing discussions with the foundation would result in Safda blending its own fertiliser through its own plant at the start of the new season – thereby making sustainable inroads into full participation in the value chain.

The second project with the foundation was for the purchase of trucks and trailers.

The pilot part of the project kicked off at the start of the 2019-2020 season and its effectiveness in addressing the logistics challenges faced by small-scale growers will be monitored – with the aim being to catalyse the full roll out of Safda Logistics.

Safda continues to engage with financiers such as Ithala and The Land Bank to find solutions to one of the greatest challenges faced by black growers: access to finance.

This is a very real challenge and not one that can be easily addressed.

Nonetheless, Safda will continue to seek innovative ways of addressing the matter to ensure that growers' financing needs are addressed.

Safda Farm Management Services

As part of its five-year strategic plan, Safda aimed to establish a Farm Management Services company. However, given the low cane price and the urgent need to lower the costs of production, the establishment of the entity was expedited.

As a result, Safda Farm Management Service Company (Pty) Ltd was registered in November 2018. Offices were secured and the entity was capacitated with five employees.

The following programmes relating to ratoon management, harvesting, haulage and fuel and recapitalisation of restitution farms were initiated.

Safda DRDLR partnership:

- A Service Level Agreement was signed in November 2018;
- The focus for the 2018-2019 season was on ratoon management, restitution and Farm Production Support Units (FPSUs);
- Seven business plans for ratoon management for small-scale growers were approved across Mpumalanga and KwaZulu-Natal and R133 million was provided in March 2019.

  The project will be rolled out from April 2019 to March 2020; and
- Four land reform business plans were submitted to support ratoon management for land reform projects.

  The Mpumalanga business plan was approved, and the KwaZulu-Natal business plans were updated and re-submitted at the end of March 2019.

Harvesting and haulage

FMSC has developed regional offerings for harvesting and haulage. Contracts were secured for Glendale, Kearsney, Jozini, Amatikulu and Umzimkulu. This service to growers is expanding rapidly given Safda's competitive rates. Safda is also progressing with potential partnerships in Mpumalanga mill areas.

Database on land reform projects

A database of transferred land reform projects is now functional.

Spatial information (maps) of transferred land reform projects has been produced for both sugarcane-growing provinces.

MEDIA, BRAND & COMMUNICATION

Safda has a large and widely spread geographical membership base, and therefore embraces a number of communication methods.

For the period under review, two imbizos were held in KwaZulu-Natal and one in Mpumalanga. Thousands of small-scale and land reform sugarcane farmers attended as well as key government, industry and private sector stakeholders.

It is during these imbizos that all sugar-cane farmers have the opportunity of engaging with Safda, better understanding its focus areas, how Safda has already improved the lives of black farmers and the inroads it is making into transformation of the sugar sector, including participation in the value chain and ensuring value creation.

Safda also uses a multilingual approach to communication, with three issues of its in-house publication *Izigi Zabalimi* being produced during the 2018-2019 season.

The print newsletters clearly focused on issues critical to sustainability of the black sugarcane farmer, including Safda's fight for representation in the South African sugar industry, milestones of the young organisation as well as detailed information on the industry's R172 million immediate transformation interventions, which have provided some relief to cash-strapped black farmers.

Due to the poor telecommunications infrastructure in rural areas, WhatsApp has also been successfully used as a communication tool.

This has been particularly useful in ensuring that farmers are kept abreast of meetings, progress on implementation programmes like fertiliser roll-out and also as a way to alert the organisation to challenges being faced in the region.

Through this real-time communication platform, Safda employees are able to address matters quickly and ensure that it delivers on its mandate.

The Safda Facebook page has also witnessed quick growth and serves as a both a news and engagement platform for employees, sugarcane farmers as well as the general public.

In a short space of time, the Safda Facebook page has built a loyal following and keeps members and the public informed of events, milestones and media coverage as well.

The Safda website remains a useful tool for the public to better understand the organisation and its focus areas.

It also serves to update members on the RV price and serves as a repository of information on the regional and head office representation of Safda.

High value media coverage

Safda has certainly made its presence felt in the media, in particular with regard to transformation in the sugar industry as well as the need for tariff protection in the industry.

For the period under review, Safda generated over R8 million in media coverage. This was done through radio, television, online and print media.

Safda has featured prominently in both community and national media spaces, covering a vast array of trade, mainstream and industry channels.

This has certainly boosted Safda's reputation in the public sphere and has ensured that the Safda brand has become highly recognised in an extremely short space of time.

Furthermore, during the period under review, Safda's opinion has been sought on a number of related national matters, including land reform, agriculture and diversity.

Brand

A brand architecture was developed during the 2018-2019 season, as Safda and its entities started to quickly address farmer needs.

Within this context, the Safda Fertilizer, Safda Logistics and Safda Farm Management Services logos were developed.

The objective was to ensure that Safda entities could clearly be identified as being part of the core Safda brand.

Issue 3, October 2018

Izigi ZABALIMI

The official NEWSLETTER of SAFDA

RV PRICE OCT. 2018: R4 019.94 (R202.84 higher than Sept. 2018 price). D Factor 0.369780.

SAFDA ushers in sweet transformation

Government Gazette Staatskoerant

SAFDA was legally recognised as a key player in the South African sugar industry, when regulations were gazetted by the dti on 9 October 2018 – recognising SAFDA's drive for transformation over the last three years.

"We, as black farmers who are categorised as small-scale and land reform, know first hand the challenges that are faced on the ground. We live and grew up in the deep rural communities and understand very well that we are not on an equal footing with our commercial white counterparts.

"This is not because we do not know how to farm, but because we have not had a real opportunity to fairly participate and represent ourselves at industry level," explains Siyabonga Madlala, Chairman of SAFDA.

With the official recognition of SAFDA and the gazetting of transitional arrangements, which will be in place until March 2020, the sugar industry has a unique opportunity to set the benchmark for other commodity organisations by harnessing the knowledge of black South Africans.

"Although it has been a long road to get this far, with some very difficult times being faced in the last three years since our formation, I believe that our struggle was not in vain. There have been many detractors along the way and even attempts to ruin our personal reputations. But we have remained steadfast in our cause, which is just and fair," Madlala added.

What this means

The sugar industry is regulated by apartheid-era legislation of 1978. The Sugar Act, which gives rise to the Sugar Industry Agreement and the Constitution.

The gazetting of the transitional arrangements means the traditional set up, which has been in place for over 90 years, has changed. Historically, the industry has only recognised the South African Cane Growers Association as the sole representative of sugarcane farmers.

Now, with the official recognition of SAFDA, black farmers who have been at the periphery will have a central role to play in ensuring their own sustainability.

"Recognition means that black growers have 50:50 representation on all decision-making structures in industry as well as in each of the mill areas," he explained.

Black small-scale farmers represent about 90% of the sugar industry, but are only able to contribute about 10% of sugarcane production.

This is clearly a concern and at the heart of SAFDA's focus areas of: Transformation, Land Reform and Small-scale Farmers, Grower Capacity Development, Grower Financing and Bulk Buying, Diversification and Value-Chain Participation.

"SAFDA's primary focus is to grow the industry subject to meaningful participation by black growers in the value chain and diversification into ethanol, co-generation and bio-based products, among others. Meaningful participation means ownership, management and control of a diversified sugar industry," Madlala explained.

"I thank our farmers, government and its officials for remaining true to its commitment to transformation. Without the focus of the Parliamentary Portfolio Committee of Trade and Industry, the dti and a few other key stakeholders who believed in the SAFDA vision, we would not have made the progress that we have made," he concluded.

Issue 4, November 2018

Izigi ZABALIMI

3RD ANNIVERSARY SPECIAL ISSUE

The official NEWSLETTER of SAFDA

WE'VE COME A LONG WAY
3rd Anniversary

SCENARIO 1 SCENARIO 2 SCENARIO 3

PERPETUATING INEQUALITY SUSTAINING INEQUALITY ADDRESSING INEQUALITY

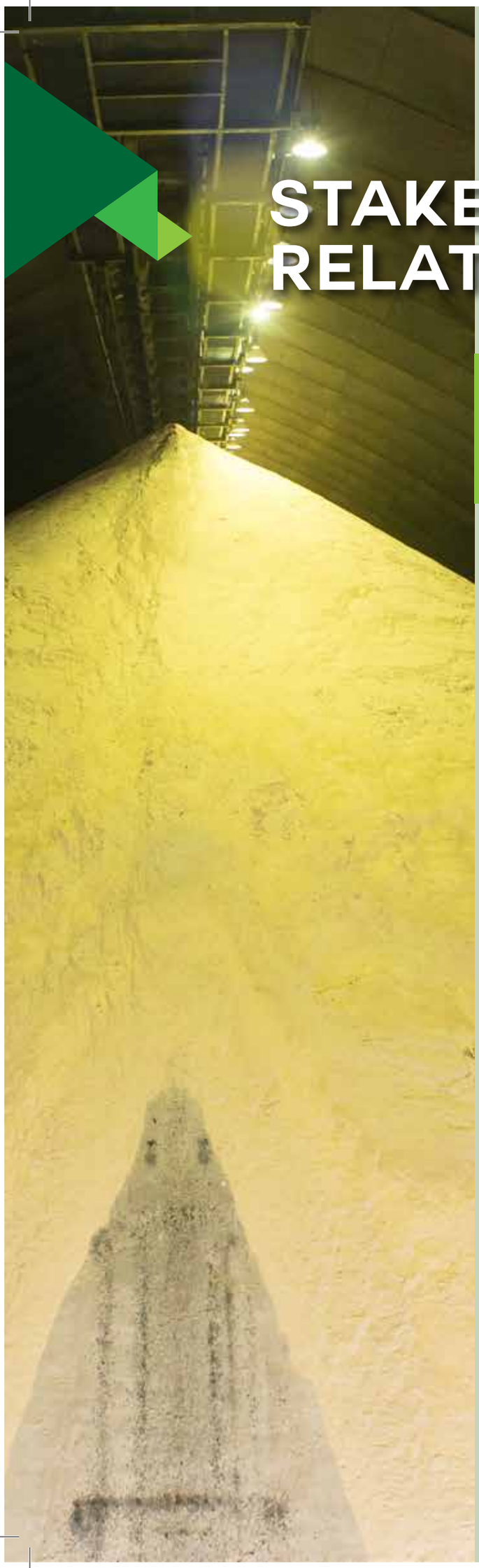
The basis of SAFDA's struggle

'Inequality is when you treat that which is not equal equally'

The South African sugar industry has always treated black growers (small scale and land reform) as equals to white large scale commercial growers – even though the latter have always enjoyed the spoils of apartheid legislation governing land ownership and finance.

All that SAFDA has ever asked for was for the sugar industry to recognise that black growers have different requirements and therefore we need to have our own voice.

SA FARMERS DEVELOPMENT Association



STAKEHOLDER RELATIONS

The key responsibilities for Stakeholder Affairs are the formulation, implementation and management of the stakeholder management strategy. It is also the interface between Safda and the various components of the sugar industry, ensuring that the organisation is adequately represented and effectively participates in all industry structures.

The portfolio deploys Safda members to Sasa structures from delegates and councillors to committee members, working groups and task teams – and ensures compliance with industry requirements at regional levels.

Stakeholder Affairs is also responsible for the association's governance, which includes structures like the Central Executive Committee (CEC), Annual General Meeting (AGM), Board and executive committee meetings.

Industry Affairs

A related portfolio, in terms of sugar industry matters, is the Industry Affairs department. The relationship between and among stakeholders within the industry is regulated by the Sugar Act and its subordinate legislation.

The regulations provide guidelines for the creation and sharing of value for designated sugarcane products between millers and farmers. Farmers receive payment in the form of the Recoverable Value (RV) calculated in terms of an agreed formula.

Industry Affairs is involved in the calculation of the RV, ensuring that Safda farmers receive fair value for their cane. It also advises and investigates areas of value leakage and where it can be created or enhanced by interrogating sugar sales, impact of imports, pricing of molasses and compliance with competition legislation, among others.

The portfolio also provides education and support to members of the organisation on industrial matters.

SUIKER

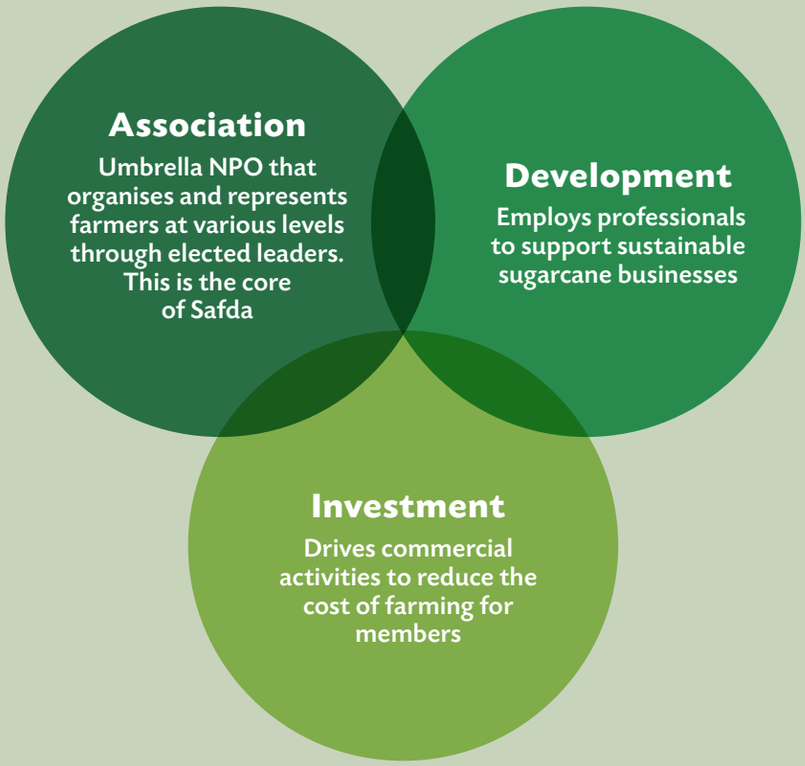
GOVERNANCE

From left: *Vice-chairperson Lindiwe Hlubi, Executive Chairperson Siyabonga Madlala, Vice-chairperson Sphiwe Sithole*

Safda was established as an activist organisation in 2015. While the political dust of fighting for recognition was starting to settle during the year under review, the organisation began a review of its operating model and strategy.

It was necessary for Safda to transition from an elementary activist structure to a well-structured outfit geared for service delivery and in line with the core reasons for Safda's formation.

Following a comprehensive review, it was noted that Safda followed a three-in-one framework.



AGM 2018

Safda has overhauled its governance framework during the course of the 2018-2019 financial year. When the organisation was established, the thinking at the time was to meet the basic requirements to have a Constitution as a voluntary organisation.

Safda has since consulted with governance experts and lawyers to improve its governance and bring it in line with best practice for comparable organisations.

The dynamics of the environment, organisational strategy and company vision were all taken into consideration, resulting in amendments to the Safda Constitution.

A consultation process was undertaken prior to the Annual General Meeting (AGM) on November 23, 2018, where the amended Constitution was adopted.

Outcomes of the AGM included the:

- Appointment of a second vice-chair. Siphiwe Sithole from Mpumalanga was elected to this role, joining the incumbent Vice-Chairperson Lindiwe Hlubi from KwaZulu-Natal;
- Introduction of a Transitional Period of five years until 2023-2024. During this period:
  - o Non-elective AGMs would be held;
  - o Siyabonga Madlala would serve as Executive Chairperson;
  - o Members of the Central Executive Committee would continue their term of office;
  - o Local structures and representatives would remain.

A key objective for the items under the organisation's Transitional Period provisions was to ensure consistency and oversight over the transformation process within the sugar industry and to successfully implement the organisation's five-year strategy.

STRUCTURE	FUNCTION
Central Executive Committee (CEC)	• Highest governance and decision-making body of the organisation. It agrees all policy and structural changes. • Elected at an elective AGM by delegates in good standing from all Safda regions. • Office bearers are the chairperson and two vice-chairpersons. • Powers are contained in Section 1 of the Safda Constitution. • Delegates certain powers to the Board to allow for the effective running of the organisation. • There are four standard meetings per year, and special meetings can be called on an ad-hoc basis. • During the 2018-2019 season, there were six CEC meetings, inclusive of ordinary meetings, special meeting, Constitutional workshop and the AGM.
Board of Directors	• Prior to the 2018 AGM, Safda operated through an informal Board under the Management Executive Committee (MEC). • Post the 2018 AGM, a Board structure was established in line with the Constitution as contemplated in Section 18. • Comprises office bearers of the CEC and members of the executive eommittee, plus independent members who may be co-opted. • In terms of segregation of duties within the three-in-one model, the Board provides corporate governance of the organisation, and presides over the Development organisation. **Responsible for:** o Steering the organisation and setting its strategic direction; o Approving policy and planning; o Overseeing and monitoring implementation; and o Ensuring accountability for organisational performance by means of, among others, reporting and disclosure. During the year under review, there were six formal meetings, including three MEC meetings.
Executive Committee (Exco)	• The executive management and administration of the organisation is vested here • Constituted by the chief executive officer, the chief financial officer and the head of grower affairs • Oversees the creation, management and control of any subsidiary companies, in the furtherance of the objectives as set out in the Constitution. • Meets regularly to make day to day decisions and monitor the implementation of projects and programmes as well as the performance of subsidiary companies.

FINANCE AND ADMINISTRATION

The 2018-2019 season was the first full year of operation for Safda, as it was officially recognised by the industry during this period.

Safda's annual financial statements are audited as per the requirements of the Non-Profit Organisations Act (2007), by black-managed and controlled chartered accounting firm Mfuyi Business Services Group.

Revenue for the financial year 2018-2019 was R61.343 million, which was received from Sasa in the form of industry levies and an institutional capacity building grant. This was against the R9 million industry levies for the 2017-2018 season. The organisation had no other source of revenue in the year under review.

B-BBEE

Broad- based black economic empowerment (B-BBEE) aims to ensure that the economy is structured and transformed to enable the meaningful participation of most of its citizens and to further create capacity within the broader economic landscape at all levels.

There are seven key elements through which this is viewed under the Agri-BEE charter, viz. ownership, skills development, socio- economic development, preferential procurement, employment equity, enterprise development and management control.

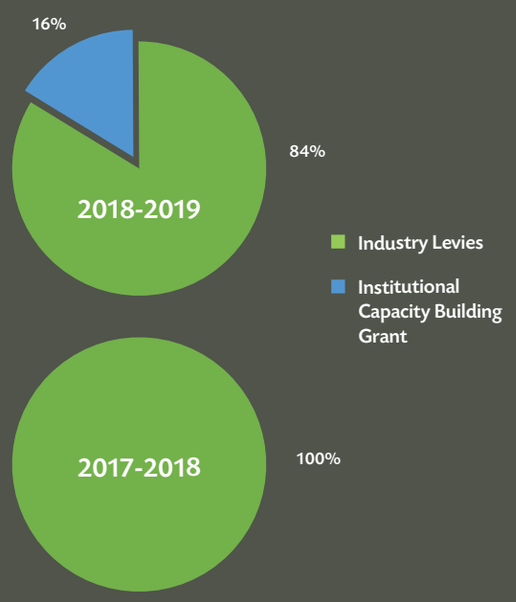
The South African Farmers Development Association is currently a level one B-BBEE contributor.

Board of Directors

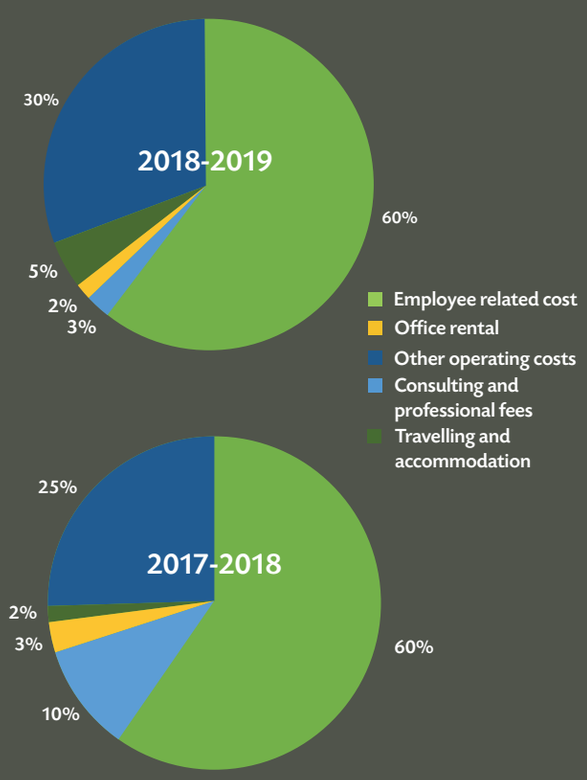
Siyabonga Madlala: Executive chairperson
Lindiwe Hlubi: Vice-chairperson
Sphiwe Sithole: Vice-chairperson
Sifiso Mnguni: Executive member
Mduduzi Dube: Executive member
Thandokwakhe Sibiya: Permanent invitee*
Mduduzi Shabane: Permanent invitee*

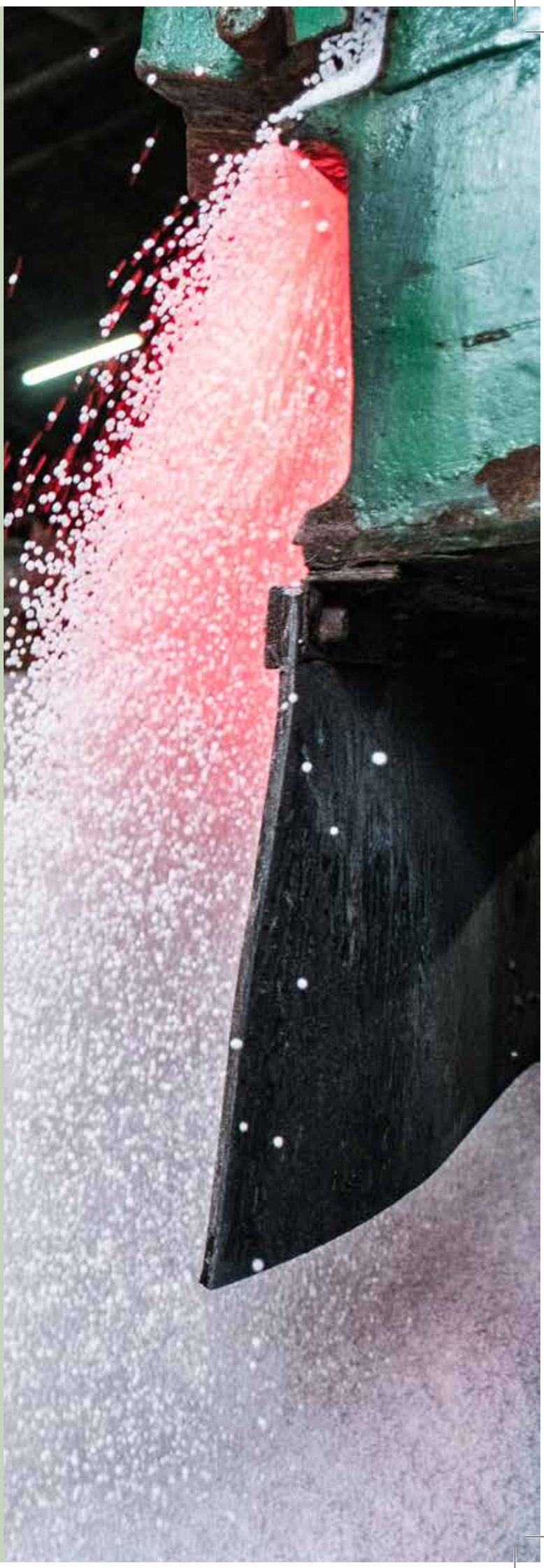
** Appointed December 13, 2018*

Revenue type



Operating expenses





ABBREVIATIONS

AGM: Annual General Meeting
B-BBEE: Broad-based Black Economic Empowerment
BEE: Black Economic Empowerment
CCBSA: Coca-Cola Beverages South Africa
CEC: Central Executive Committee
DBRP: Dollar-based Reference Price
DRDLR: Department of Rural Development and Land Reform
Exco: Executive Committee
FPSU: Farmer Production Support Unit
FMSC: Farm Management Services Company
HR: Human Resources
ICB: Institutional Capacity Building
ITAC: International Trade Administration Commission
Km: Kilometres
MAC: Mill Area Committee
MCC: Mill Cane Committee
MEC: Management Executive Committee
Narysec: National Rural Youth Services Corp.
NPC: Non-profit Company
NPO: Non-profit Organisation
PPC: Parliamentary Portfolio Committee
R/ton: Rand per ton
RV: Recoverable Value
Sacga: South African Cane Growers Association
Safda: South African Farmers Development Association
SARS: South African Revenue Service
Sasa: South African Sugar Association
Sasma: South African Sugar Millers Association
Sasri: South African Sugarcane Research Institute
SIA: Sugar Industry Agreement
SLA: Service Level Agreement
SPF: Supplementary Payment Fund
The dti: The Department of Trade and Industry

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Disclaimer: *While every effort has been made to ensure the credibility of the data and information provided in this report, the South African Farmers Development Association and its representatives can not be held liable for any misinformation contained within.*

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