SA FARMERS DEVELOPMENT Association

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MEDIA STATEMENT

FOR IMMEDIATE RELEASE

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SAFDA CALLS FOR URGENT ACTION TO AVERT ECONOMIC BLOODBATH IN THE SUGAR INDUSTRY

The South African Farmers Development Association (SAFDA) calls for urgent action to avert a looming crisis of biblical proportions that is already hitting our small-scale farmers badly in sugar industry, caused by the challenges of milling capacity that is squeezing our farmers out. The sugar industry used to have 14 sugar mills, recently two mills have been shut down in Port Shepstone and Darnall in KwaZulu-Natal. This has created a big problem of not having enough milling capacity to crush the sugarcane crop that farmers produce per season. Sections 119 to 121 of the Sugar Industry Agreement 2000 talks about ratable deliveries wherein a farmer gets given an allocation of the quantity of sugarcane that they can deliver to the sugar mill during the season. The deliveries are broken down into daily, weekly and monthly allocations that make up the total seasonal allocation. The allocations are based on estimated sugarcane crop that each farmer will harvest in a given season. The Mill Group Boards manage these allocations.

There has always been a perennial problem with this system, in that it doesn't recognize the fact that small-scale farmers produce small tonnages as individuals, which cannot be broken down to small ratable deliveries. It's a prejudicial system that was designed to manage sugarcane deliveries for big commercial farmers. The Mill Group Boards (MGBs) are not alive this reality and ignore it as they are themselves dominated by big commercial farmers who serve their own interests, using the Sugar Regulations that favour them. We have raised this issue before but somehow it fell through the cracks and was never addressed when the Sugar Regulations were amended in 2018 and in 2020. The situation has now been made worse by the closure of two sugar mills. Small-scale farmers are now faced with the bleak situation that threatens their survival, will undermine, and nullify their ability to benefit and enjoy Transformation Initiatives of the industry, and make the Premium Price set to be paid in January 2022, of no consequence.

Zooming in on the Amatigulu (Gingindlovu) and Felixton (Empangeni) mill areas, at the beginning of the 2021/2022 season, Tongaat Hulett Sugar (THS)'s 'first estimate' crush before diversions was 5 446 822 tons of sugarcane and after diversions, 5 446 527 tons of sugarcane.
In other words, in accepting these estimates, a contractual obligation arises in terms of clause 106 of the Sugar Industry Agreement 2000 for the growers included in this estimate to deliver their sugarcane to the relevant sugar mill and likewise a contractual obligation on THS to crush this cane.

SAFDA understands that the sugarcane crop of 5 446 822 tons estimated at the beginning of the season is still there; however, the THS crush rates thus far this season have been such that the official estimated crush has now dropped to 4 721 661 after diversions; a drop of 724 866 tons. It is likely that this shortage

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of milling capacity will increase further. Access to milling capacity is now being rationed by the miller and Mill Group Boards without any regard to the disastrous impact of this biased rationing on small-scale farmers. What it means is that farmers delivering to THS mills will forego this year collectively roughly R500 million in income, constituting about 15% of their collective revenue. However, within this universe, some SSGs will lose 100%, (not 15%) of their income given their scale of operation and the way access to milling capacity is being rationed.

The answer to this looming crisis has to be that THS, and all other mills, must honour their obligation to crush all of the small-scale grower sugarcane SSG sugarcane as per *tacit* contract of submitting and accepting sugarcane crop estimates. The MGBs must see to it that this happens. Although this would lift the commercial grower carry over cane slightly, it would certainly be more manageable for them financially than in the case of small-scale growers who might be losing 100% of their income. It would not be the first time that small-scale growers found themselves in such a predicament. Last year, in certain mill areas, small-scale growers, in total, lost millions of rands due to runaway fires. It should be noted that for most small-scale sugar growers, the sugar cane proceeds are what stops them from falling below the poverty line.

With 12 weeks left to close the crushing season, we call for urgent action to compel sugar mills to act and protect small-scale farmers and not use Sugar Regulations against them. Without urgent action, there will be an irreversible disaster for many small-scale farmers, many of whom have already suffered during the July 2021 Civil Unrest. At the end of this season there is likely to be about 2 million tons of sugarcane that will not be crushed, which is more than what small-scale growers deliver per season. The further potential is the loss of the crop in case of accidental/arson fires during the off-season.

The looming crisis will not only affect individual growers but also secondary beneficiaries like contractors, employees and their families. With the country still reeling from the economic impact of COVID-19 and the recent unrest, the country can ill-afford this looming calamity. It is a well-known fact that while the economy, in general, stagnated in recent years, agriculture has been one of the few beacons of hope for a besieged people. In the coming season, we call for the amendment of s121 of the Sugar Industry Agreement 2000 to include all small-scale grower sugarcane under the Special Delivery Allocations and for this not to be left to the discretion of untransformed Mill Group Boards that bulldoze decisions against the views and the will of our farmers.

ISSUED BY THE OFFICE OF THE EXECUTIVE CHAIRMAN

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