

THE SUGAR INDUSTRY : A CASE STUDY IN RURAL AGRICULTURAL DEVELOPMENT AND EMPOWERMENT

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INTRODUCTION

It is for me a very pleasant opportunity to convey to a very important body of people gathered at the 37th Annual General Meeting of the Fertilizer Society of South Africa, a few simple actions taken by the South African sugar industry to enhance the position of the smaller scale farmer within the South African farming sector.

While these actions may not have resulted in a dramatic increase in the sale of fertilizer products to smaller scale farmers situated in the communal areas of KwaZulu-Natal, Mpumalanga and the North Transkei (East Cape), I believe that by facilitating the involvement of smaller scale farmers in the sugar industry had resulted in a unique development of people. This was aptly brought out in a quote by Wilson Luthuli, past Chairman of the KwaZulu Cane Growers' Association when he said: *"Small grower cane development in the rural areas has brought more than money, infrastructure and facilities; it has engendered new life and a will to persevere - this is the attraction, bringing people back from the cities."*

My presentation focuses on the three actions, namely:

- the establishment of the Financial Aid Fund (FAF)
- the restructuring of representative structures
- the formation of the Small Grower Development Trust (SGDT).

These three actions, to my mind, have been the most significant in the rural development and empowerment of smaller scale farmers in the sugar industry. Before focusing on these actions, the following background to the South African sugar industry is necessary.

THE SOUTH AFRICAN SUGAR INDUSTRY

Production Data

The first sugar cane planted on the Natal North Coast was by Sir Edmund Morewood in 1848. The production data of the South African sugar industry, some 148 years later, is shown in Table 1.

Facilities and Services

The industry has also invested in the following facilities

Table 1:

Growers	51 000	49 000 (Smaller Scale) 2 000 (Larger Scale)
Hectares	404 000	332 000 (Rainfed) 72 000 (Irrigated)
Sugar Mills	16	
Average Production:	Cane Sucrose Sugar Molasses	19,5 m tonnes 2,5 m tonnes 2,1 m tonnes 0,75 m tonnes
Annual Turnover	R3,6 bn	
Investment	R9,0 bn	4,0 Milling 5,0 Growing
Employment	142 000	12 000 Milling 130 000 Growing

which are largely funded by the milling and growing sector and administered by the South African Sugar Association (SASA).

- **Experiment Station** at Mount Edgecombe provides the industry with research, development and technical support necessary to maintain economic sugar cane production. Key activities include: biotechnology and plant breeding, yield optimisation and control of pests and diseases, extension and training services.
- **Industrial Training Centre** provides technical training to meet the requirements of the milling and refining sector.
- **Bulk Sugar Terminal & Warehouse** at Durban harbour for storage and handling of export sugars and has a capacity to store over 500 000 tonnes sugar.
- **Bulk Sugar Depot** at Germiston for the bulk storage and supply of sugar to the domestic market.

Constitutional Frame

The S A Sugar Association (SASA) was constituted in terms of the Sugar Act of 1936 which granted the sugar industry statutory powers of self government. The Act provided for an agreement to regulate the affairs of the sugar industry binding upon all those who grow sugar cane (The Growers) and produce sugar and associated products (The Millers and Refiners).

The Sugar Industry Agreement, first promulgated in 1936, had been amended on many occasions. The latest amendments which came into effect in 1994, involved streamlining administrative procedures and the introduction of a deregulation process which involved freer access to the industry (subject to available milling capacity) and the phasing out of the two-tier quota system.

SASA was therefore a non-profit governing body and comprised two members, the South African Cane

Growers' Association (SACGA) and the South African Sugar Millers' Association Ltd (SASMAL).

SASA's administrative activities and organisations are financed by the Growers and Millers through a levy on sugar sales. SASA had not in the past received any direct or indirect funding from the South African Government.

With the above overview of the S A sugar industry, I now wish to focus specifically on smaller scale growers and the actions which had helped in their development and empowerment.

SMALLER SCALE GROWING SECTOR

Data

Prior to the early 1970s the smaller scale growing sector of the S A sugar industry was relatively insignificant. There were less than 4 000 registered small growers and annual cane production barely exceeded 300 000 tonnes.

The current smaller scale data profile can be seen in Table 2.

Factors Influencing Change

Factors that had led to this growth in sugar cane production in the smaller scale growing sector of the industry included:

- **Suitable crop:**
Sugar cane as a crop was a highly suitable and resilient crop for production by smaller scale farmers.
- **Available land:**
Within the communal land areas of KwaZulu-Natal, Mpumalanga and North Transkei there was between 90 000 and 100 000 ha high potential land suitable for sugar cane production. Some of this land required adequate irrigation to sustain production.

Table 2:

Growers	49 000 smaller scale growers registered	
Hectares	87 000	78 000 (Rainfed) 9 000 (Irrigated)
Production & Value:	<u>Cane</u> (m ton)	<u>Value</u> (Rm)
1994/95	2,16	226
1995/96	2,41	254
1996/97	2,70	280

- **Milling facilities:**

Most of the suitable land was situated within reasonable distances of existing milling facilities. In general the milling capacity could be expanded to receive additional cane.

- **Access to marketing structure:**

Within the context of the S A sugar industry, the additional sugar production was marketable under an established marketing structure.

- **Access to technical and logistical support:**

Within the sugar industry structures there already existed technical and logistical support through the Experiment Station research and extensions services and the respective Milling Company support agencies.

- **Access to production credit:**

Up until 1973 the provision of credit to smaller scale farmers especially those situated in communal areas was the missing ingredient to development. In 1973, the Financial Aid Fund (FAF) was established by the sugar industry.

It is in FAF, the Small Grower Development Trust (SGDT) and representative structures that I now wish to focus attention.

FINANCIAL AID FUND

Origins

FAF came into being in 1973 with a loan of R5 million from SASA. Leaders in the sugar industry believed that the industry had a role to play in the wider social and economic development of rural communities neighbouring the sugar industry.

In the communal areas of KwaZulu-Natal some 80 000 ha of high potential land was not being used. In consultation with Government it was agreed to issue mandates for sugar cane development to small farmers situated in these areas. Because communal land could not be offered as surety, commercial banks were unwilling to lend money for sugar cane development. The sugar industry established FAF in order that finance could be made available for the production of sugar cane on the surety of the crop.

Mission and Objectives

From the outset FAF was committed to provide finance to smaller scale growers whose expected production was not likely to exceed 150 tonnes sucrose (later adjusted to 200 tonnes) and who did not have access to normal sources of agricultural finance.

The range in plot sizes would therefore be from one

hectare to about 20 hectares (irrigated) and 40 hectares (rainfed)

Objectives include:

- Securing financial facilities at lowest possible rates so as to be able to meet loan requirements of its borrowers.
- Ensuring that its resources were managed efficiently and an efficient service was provided to borrowers.

Nature of Assistance and Terms

The nature of assistance include the following forms:

- Loans for the development and/or re-establishment of sugar cane (land preparation, fertilizer, seed, cane, weed control, etc);
- Loans for financing ratoon maintenance;
- Provision of a system whereby small growers could contribute to a retention scheme for the purpose of maintaining production.

The terms and conditions under which financial assistance was granted was through loans, recoverable over a period not exceeding eight years from the cession on proceeds of sales of sugar cane to mills.

The interest rates on loans were initially set at low levels of between 3 and 5%. Rates had since been adjusted to more market related rates ranging from 12,5% for loans advanced before 1993 to 16,5% for current advances.

Farmer Support Programmes

There was also recognition that FAF could not merely provide finance for cane establishment without becoming involved in the development of people by facilitating the provision of technical training and back-up where needed by the smaller scale grower. Therefore in addition to financial assistance, FAF facilitated access to machinery, extension services, training, transport etc. Infra-structural necessities such as access roads, loading zones, fertilizer depots, bridges and main haulage routes etc had also been facilitated through milling companies and government authorities by securing funding through Government development corporations in KwaZulu-Natal, Mpumalanga and the Development Bank of South Africa (DBSA). The DBSA had played an important role in funding infra-structural development within smaller growing communities.

The Successes and Road Ahead

Since 1973, over R130 million had been lent to small-

er scale growers. Production in small grower communities now exceeded 2,5 million tonnes cane on some 87 000 hectares. The gross annual earnings within the smaller grower sector was expected to exceed R280 million in 1996. While there had been bad debts, these had been limited. The bad debt that had arisen was mainly attributable to the drought periods of 1981 - 1983 and 1992 - 1995.

While cane development in the rainfed areas had been very significant and rural communities had enjoyed considerable increases in supplementary earnings, the small size of cane plots in the communal areas ranging from one to about five hectares had detracted from the development of full-time sustainable smaller scale grower as an independent farmer. Most of these growers were forced to supplement family earnings from alternative activities.

The most successful small scale farmer projects had been those developed under irrigation and funded by FAF in conjunction with other financing agencies. These included irrigation projects along the Umvoti River at Glendale, and three similar projects in Zululand. With the completion of the new mill at Komatipoort further irrigation development had taken place along the Komati and Lomati Rivers in Mpumalanga where over 3 000 hectares had been developed in recent years. This development was expected to double during 1996 and 1997 when a further 500 to 600 farmers were expected to be settled on irrigation plots ranging from 5 to 10 hectares. Much of the irrigation development of smaller scale growers in the Komati and Malelane mill areas would be further stabilised by the completion of the Driekoppies Dam currently being erected on the Lomati River.

SMALL GROWER DEVELOPMENT TRUST

In a survey undertaken in 1990 on behalf of the sugar industry, it was found that sugar cane production, was an important source of income from small farmers producing sugar cane. The survey highlighted severe problems regarding the small growers organisational structure and communication within the sugar industry. Also of significance was the fact that the average productivity of smaller scale growers was considerably less than that achieved by the industry as a whole. While many reasons had been advanced for this lower production, research and experience had shown that for smaller farmers to develop successfully, required two basic prerequisites, namely:

- the creation of a socio-economic climate which fostered the development of both, the small farmer and an effective grass roots administration, and

- the provision of necessary motivation which was in turn a function of:

- (i) the production of a crop which was economically viable, and
- (ii) being encouraged and permitted to make one's own decisions.

The three aspects to small grower development therefore involved:

- Institutional and community development
- Agricultural and economic extension and
- Financing of cane development.

The latter two of these aspects were already being addressed, albeit not entirely effectively.

Financing of cane development was being produced through the Financial Aid Fund.

Agricultural and economic extension was being addressed through the Department of Agriculture, SASA Experiment Station, the Milling Development agencies and the SA Cane Growers' Association. Lacking, however, was institutional development and administration at the grass roots level.

The shortcoming in the S A sugar industry development programme for smaller scale growers was highlighted by two prominent small grower representatives who had attended an international conference in Canada in 1989 and learnt of a successful small-scale farmer Self Support Scheme in Mexico.

The small-scale grower representatives proposed that the Mill Cane Committees (MCC) which had been formed at each mill to represent the smaller grower should be funded to enable them to employ full-time administrative officers and assistance to improve the functioning of small grower structures at grass roots level. A more effective local administration would more effectively address the issues inhibiting improved productivity and the low levels of small grower income.

Substantial on-going funding was needed to sustain such a programme and in 1992 the Small Grower Development Trust (SGDT) was founded.

Primary Aims

The primary aims of the SGDT were:

- to establish more effective local structures through the employment of suitable administrative and secretarial staff to support and assist small growers in

Table 3: Number and cost of participants on training courses : April 1993 - 14 January 1996

Mill Cane Committee	Institutional Training			Tractor Learner Driver	Impl Sett	Boom Spray Calib	Ele, Tractor Mech	Senior Super-visor	Cane Cutting	Mech Ferti-lizer	Herb Spray Oper.	Induna Hand Plant	Induna Hand Ferti	Sprinkler Irrig	Arc Weld-ing	Cane Ident-ification	Tractor Maint	Budget Plan	Sugar Cane Crop
	MCC	LA	FCL																
Amakulu	13	121	15	63			8	7							24				
Entumeni	12	94	11	91			22		28	7	99	51	39	29	41			3	
Felixton	18	149	17	104	11			11	10					298	22			32	
Gledhow	23	38		21							49				1	40	7	4	
Glendale	31	150	24	16							11	44		245	2				
Ilovo	30	100	13	166	18		27		20		48	12	23	24	24		8	12	
Komati	10											122		177					
Madstone	26	331	29	26					21		68	15	6			22	34	9	
Makralini	15																		
Malelane	60									31	66	106	181	100		179	3		112
Mt Edge	8										7								
Noodsberg	32	45		2				6	8						12	26		12	
North Pond	31					3			34		21		46		6				
Sezela	23	163	23	9			7								6				
Umtfolosi	19	34													17		1		
Umzimkulu	9																		
NCGA				5															
TOTAL																			
14-01-96	360	1225	132	503	29	3	64	24	121	38	369	350	295	873	155	267	53	72	112
COST (R)																			
14-01-96		476044		160068	6504	459	49852	6608	5663	2803	39975	38273	27155	104859	116451	14353	22893	6947	4450
Total			14-01-96	Cost															
Institutional Training			Numbers	R 476 044															
Cane Husbandry			1 717	R 607 513															
			3 328	R 1 083 557															
			5 045																

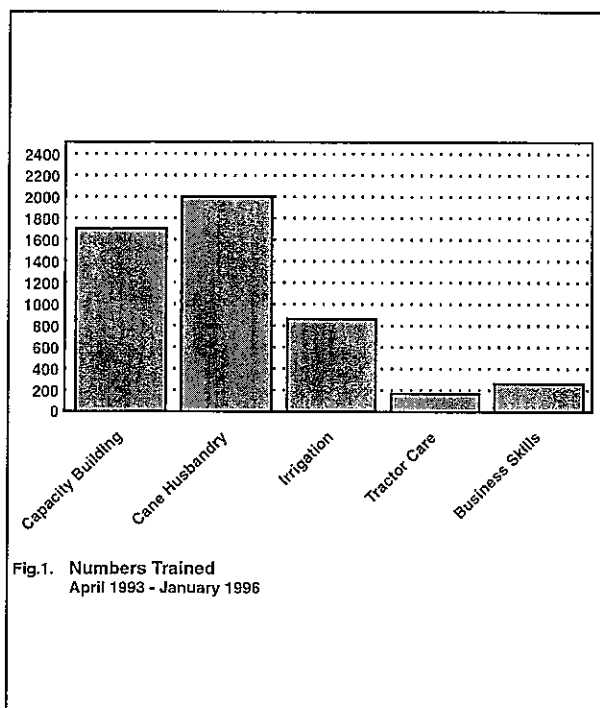


Fig.1. Numbers Trained
April 1993 - January 1996

a variety of spheres;

- to facilitate the provision of appropriate training in agricultural and business skills to small growers and small private contractors who operate in the small grower field;
- to enhance small grower knowledge of the sugar industry and other support institutions and organisations through good communication.

Funding

It was the aim of the Trust to raise about R75 million, primarily for appropriate training. The S A Sugar Association had committed some R20 million over five years to the SGDT and an extensive campaign had been launched to raise additional funds. To date the response had been very encouraging with many donors linking their support to specific training projects. For example a generous grant from the United States Agency for Development (USAID) had been targeted at the institutional training of some 360 members of the 14 Mill Cane Committees representing small growers throughout the industry. This institutional training had now been extended to members of local Farmers' Associations.

The Development Bank of S A had provided a grant and a long-term low interest loan targeted at the erection and equipping of service centres where the ongoing institutional and capacity building training could be carried out.

Ultimately in order to sustain the administrative and secretarial support of local structures, the small grow-

ers themselves would impose voluntary levies.

Training

Training to date had focused on the following:

The number of trainees who to date had participated in training funded by the SGDT are listed in Table 3 and shown in Figure 1.

• Institutional Building:

This training was targeted at:

- Mill Cane Committees
- Administrative Officers/Secretaries
- Representatives of Local Farmers' Associations
- Facilitators and
- Trainers

The Trust had commissioned an experienced trainer to carry out this aspect of training. Most of this institutional training was being carried out at locations close to the communities.

• Capacity Building:

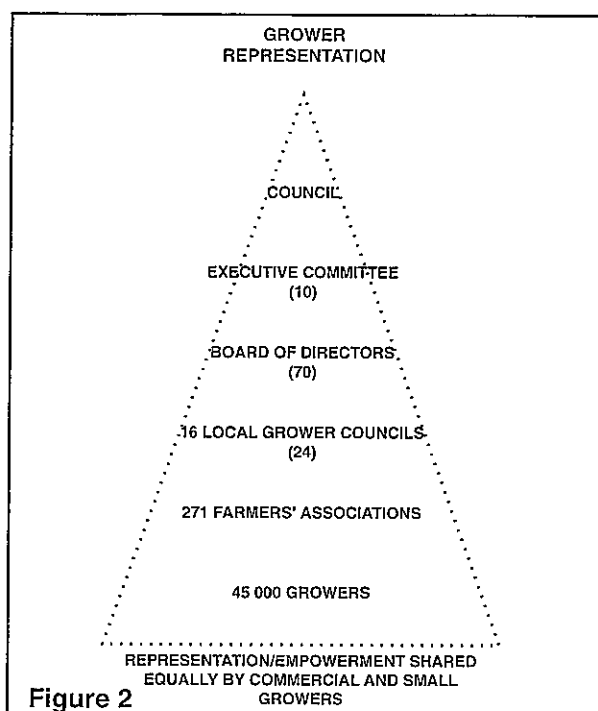
Capacity Building courses are to provide training which would develop the smaller scale growers to a stage where their general business skills and cane husbandry knowledge would enable them to farm correctly and thereby improve productivity and profitability.

Besides key growers, small grower contractors who fulfil a very important function in small farming communities would be encouraged to attend. The training covers a variety of elementary courses common to cane husbandry practices such as irrigation, nutrients, variety diseases and weed control requirements. A series of general courses covering budget planning, tractor maintenance, cane cutting and welding had also proved popular.

The SGDT had arranged for various appropriate training institutions to fulfil these training functions, however the bulk of the training was being done by the SASA Experiment Station's Training Department through its mobile training unit.

REPRESENTATIVE STRUCTURES

While the South African Cane Growers' Association (SACGA) had always represented the overall interests of all cane growers who were affiliated through member organisations to the Association, representation on the Association's main policy formulation and communication body, the Board of Directors had been on a production basis. Member organisations (Mill Cane Committees) representing smaller scale growers therefore enjoyed limited representation despite the



fact that they represented a large number of growers.

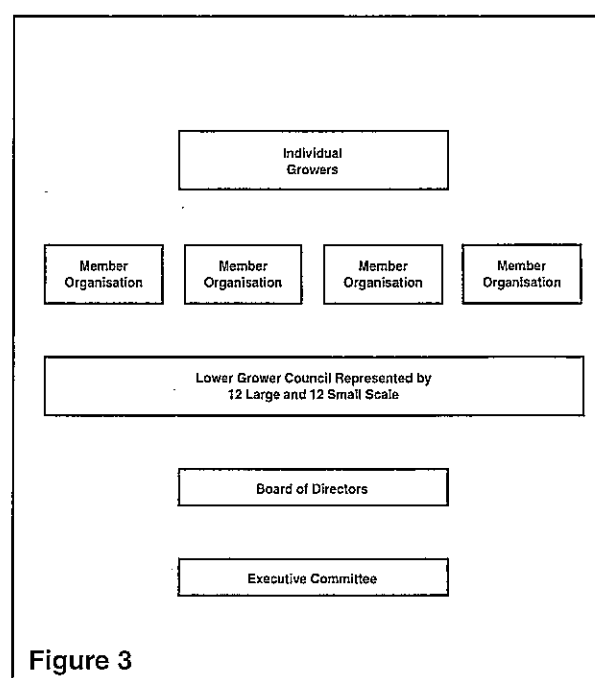
While this traditional concept of representation was common in producer organisations, the Association recognised in 1991 that it was not fulfilling the communication function effectively and the Board was clearly not representative of all growers in the Association.

New Structures at Local Level

In April 1992 the Association's constitution was amended to provide for the principle of regionally based representation of member organisations and the establishment of a new structure at local level known as local Grower Council. Each Member Organisation at the local level was entitled to representation on the local Grower Council with the proviso that there should be equal representation between larger and smaller scale growers on each Grower Council.

The new Grower Council therefore provided a forum at a local level which brought together representatives from the larger scale growers (predominantly White) and smaller scale growers (predominantly Asian and Black) to deal with common problems.

Appointments to the Board of Directors of the Association are made by the local Grower Council in each mill area. The local Grower Council was also responsible for the appointment of grower representatives to any local committees or bodies where grower representation was required, such as Mill Group Boards, Cane Quality, Soil Conservation, Infra-struc-



ture (Roads and Water), Research-Extension etc. In this way all Member Organisations participate fully in the appointment of representative on the policy making body of the Association and other committees which dealt with grower affairs.

Enlarged Policy Making Body

The Board of Directors, which is the main policy formulation and communication body of SACGA, was enlarged to ensure equal representation from each of the 16 local Grower Councils. To ensure more effective communication each local Grower Council was allowed to appoint four representatives to the Board, with the proviso that there should be equal representation between large and small growers.

The diagram illustrates the typical structure of the Association in a mill area. The full representative structure of all cane growers is set out in Figure 2.

CONCLUSIONS

The sugar industry was well aware that much more still needed to be done in addressing the welfare needs of farming communities situated within the sugar cane growing areas of KwaZulu-Natal, Mpumalanga and north-eastern part of the Eastern Cape.

While the establishment of the Financial Aid Fund in 1973 had played an enormous role in developing sugar cane in the communal areas adjacent to the commercial growing sector and milling facilities, a

range of new economic and financial services were now needed to sustain this development programme. The structure of FAF, was being reviewed to address the more flexible new financial needs of small grower communities.

Having developed a large number of new cane growers in the sugar industry, it became essential that their needs be more effectively represented in a more sustainable representative structure. The enlargement of the Growers' Association Board of Directors and the introduction of another structure at the grass roots level with the formation of 16 local Growers Councils had gone some way in accommodating new aspirations. The task now was to ensure that the structures introduced in 1992 continued to be effective in providing a two-way communication channel and in bringing all growers together at a local level. Ongoing institutional type training and education was a prerequisite to the success of this process.

Finally, the formation of the Small Grower Development Trust, by the growers themselves, had provided a vehicle for the raising of funds needed to support local administration and the various educational and training programmes essential in addressing the socio-economic development of people situated in the cane growing communities.

What can you do as a Fertilizer Society?

Sugar cane needs the right fertilizer in the right quantities, accessible at the right place at the right time in order to achieve the right yields to ensure the right incomes which will ultimately contribute to the right sustainable development of people. I believe you as a Society can make an enormous contribution in ensuring that the **right things are done right**.