Cane farmers need protection

An illogical trade agreement threatens the livelihoods of SA's sugarcane farmers

ANT EDMONDS

PIETERMARITZBURG, oddly enough, is a perfect example of the absurdity and illogical chain of commercial events that have arisen due to the importation of large quantities of sugar to South Africa.

There are three sugar mills in close proximity to Pietermaritzburg — Illovo Eston (40 km to the south), Illovo Noodsberg (60 km north-east) and Union Co-Op Pty Ltd (50 km north). Illovo Noodsberg produces refined sugar at its on-site refinery and Union Co-Op produces brown sugar. The sugar needs of the region are thus comprehensively met, with a complete range of products produced on our doorstep. In addition, Illovo recently invested in a state-of-the art warehouse in Willowton to store sugar to be distributed inland for industrial use and retail outlets.

Sugarcane fields on a Tongaat Hulett farm in Shongweni. The sugar needs of the region are comprehensively met on our doorstep.
PHOTO: REUTERS

The combined activity of growing sugar cane, transporting, milling, refining and warehousing, sustains about 15 280 permanent jobs and using the rural multiplier of five, sustains 76 400 people in the immediate surrounds of our city. (South Africa's unemployment rate was 27,2% in the last quarter and youth unemployment is a staggering 53,7%).

A common belief is that farming sugar cane does not contribute to food security, but this is not the case at all. A detailed research project conducted in the Swayimane, Gqugguma and Ozwatini areas occupied by small-scale sugar-cane farmers supplying the Noodsberg mill near Dalton, showed that 45% of household income was derived from sugar cane and 44% of total income was expended on food. Sugar cane in these areas forms the major part of the multi-enterprise mix for small-scale farmers which includes other crops such as maize, beans, sweet potatoes, and cattle. Sugar-cane cultivation provides access to finance, inputs and technical support for small-scale farmers.

The global sugar industry is heavily subsidised, this results in an over-production of sugar driving global prices down to a level way below the cost of production. South Africa ranks in the top 15 of 120 sugar-producing nations in terms of cost effectiveness, which is confirmation that local farmers and millers operate very efficiently by global standards.

The six largest sugar producers globally — the European Union, Brazil, U.S., India, Thailand and Australia — are on average subsidised at a rate of 20% of the value of production at farm gate. More specifically, the U.S. at 66%, Brazil at 27% and the EU at 18%. Sugar is a politically charged crop as evidenced by India's dumping of five million tons of subsidised sugar on the world market, which dropped the world price by 36%. The action by India was in breach of World Trade Organisation regulations. Brazil's meteoric rise in sugar production has come with massive support from the government ($1,76 billion per annum) particularly in the area of biofuel and co-generated energy; the environmental cost of this unbridled expansion has no price tag.

The European Union has lifted restrictions on sugar production and is set to produce 21 million tons of sugar (South Africa's production is between 1,8 million to 2,1 million tons per annum) from the cultivation of sugar beet. Ironically, this change in policy has constrained access to European Union markets previously enjoyed by our neighbours in Eswatini (Swaziland). South Africa has an import tariff in place. However, this tariff is not at a level high enough to give stability to the industry, let alone yield a return on investment. South African sugar farmers are now being paid the same price they were paid in 2014!

A question frequently asked by those outside the industry is why farmers don't switch to more lucrative crops. Grain farmers have the flexibility to plant maize, soya bean or sunflowers. Sugar-cane farmers do not have short-term options.

What is not understood is that attached to a sugar cane area is a massive capital investment in a mill and refinery.

A sudden change in land use would result in the implosion of the rural economy that is sustained by that particular mill, along with all the secondary industries associated with it. It is abundantly clear that the welfare of the rural communities surrounding our city is at risk and this same risk applies to all rural communities on the North and South coasts of KwaZulu-Natal and the lowveld of Mpumalanga. The playing field is by no means level and the industry, which is the backbone of the rural economy in our province and Mpumalanga, needs a tariff that will maintain jobs, sustain livelihoods and encourage investment in the long term.

The mess is clearly demonstrated by entrepreneurs in Pietermaritzburg who legitimately seize the opportunity to buy cheap sugar that was produced in Thailand, sent to Dubai for refining and shipped to Durban (a distance of 15 000 km), or sent directly from Brazil (9 000 km) to Durban, then loaded onto a truck to travel up the already congested N3 to be off-loaded at a warehouse probably only one kilometre away from the local sugar sitting in the Illovo warehouse in Willowton. To make matters worse, the surplus local sugar created by these cheap imports has to be trucked down the N3 to the Durban terminal to be exported at a considerable loss to our industry.

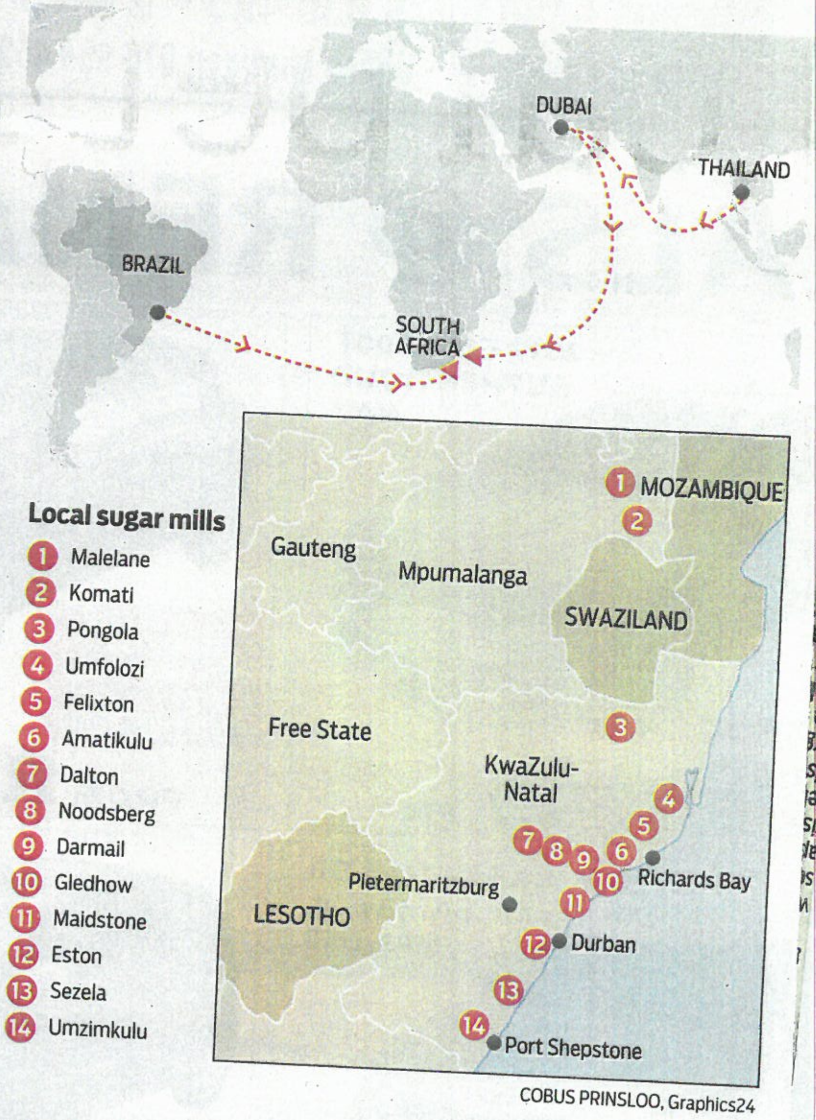
The district of Table Mountain and Bishopstowe is an example of land reform at work. Farms have been acquired, farms have been returned to claimant communities, farms have been totally reformed, and workers have acquired land. And all of the above within the sugar industry and assisted in many ways by industry role-players.

This district has been transformed into a land ownership pattern totally different to prior 1994, and although not perfect, it can be held up as an example of the exciting potential of land reform. All these great strides are under threat of economic collapse due to the inadequate protection of the very industry that has underpinned and supported what is part of the national agenda — sustainable land reform.

The sugar industry is not perfect and there is work to be done in areas of land reform, transformation, efficiencies and rationalisation, however, this is no time to allow this illogical economic transaction to prevail which has huge benefit for a few importers and has a massive negative impact on our local economy, threatening the economic viability of farms and mills, and adding to our already unacceptably high rate of unemployment.

• Ant Edmonds is a farmer in the Pietermartizburg area.

Sugar of shame



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Cheap sugar imports flood the market and destabilise the local economy.