

## REPORT ON PROFIT, PEOPLE AND PLANET. HOW DOES THE SOUTH AFRICAN SUGAR INDUSTRY REACT?

By

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### Abstract

THE ISSCT Executive Committee has initiated a study to assist affiliates to deal with the increasing calls for sustainable production systems. Sustainability refers to the triple bottom line or the people, planet and profit philosophy. Most of the ISSCT's endeavours of recent history have been directed at improving the profit component of that philosophy in both field and factory. The people and planet have not enjoyed as much attention. The Executive Committee decided to appoint a Task Force to report on sustainability and this report provides the results of the study in the South African Sugar Industry. Field and factory activities, which identified the Industry's actions in respect of the stewardship of both people and the planet, were established after dialog with both the miller and grower fraternities in South Africa. Views on the successes and shortcomings are highlighted and research needs identified. In the context of the profit component, a report on the macro economics of issues such as total production, total revenue earned, grower's total income and total numbers of employees is given.

### Introduction

The South African sugar industry is diverse, combining the agricultural activities of sugarcane cultivation with the manufacture of raw and refined sugar, syrups, specialised sugars and a range of by-products.

The cane growing sector comprises approximately 42 300 registered growers farming predominantly in Kwa Zulu-Natal, with a substantial investment in Mpumalanga and some farming operations in the Eastern Cape. Sugar is manufactured by five milling companies with 14 sugar mills operating in these cane growing regions.

The industry produces an estimated average of 2.3 Mt of sugar per season. About 60% of this sugar is marketed in the Southern African Customs Union (SACU), member states being Botswana, Namibia, South Africa, Lesotho and Swaziland. The remainder is exported to markets including those in Africa, Asia and the Middle East (South African Sugar Association, 2008).

### Profit component in the triple bottom line

The South African sugar industry makes an important contribution to the national economy, given its agricultural and industrial investments, foreign exchange earnings, its high employment and its linkages with major suppliers, support industries and customers.

### Revenue

Based on revenue generated through sugar sales in the SACU region as well as world market exports, the South African sugar industry is responsible for generating an annual estimated average direct income of R7 billion. This constitutes R4.5 billion in value of sugarcane production.

### Market competitiveness

Governments strategic support for the South African sugar industry recognises the distorted nature of the world market for sugar and the severe impact of producer support measures on price

determination on the global market. Based on these considerations government support includes intervention in the following three areas: Tariff protection against disruptively low world sugar prices; provision for the establishment of equitable export obligations for millers and growers; and the Sugar Co-operation Agreement between the members of the Southern African Development Community (SADC). Member states of SADC being Democratic Republic of Congo, Tanzania, Angola, Zambia, Malawi, Mozambique, Zimbabwe, Botswana, Namibia, South Africa, Lesotho, Swaziland, Mauritius, Seychelles and Madagascar.

### **Tariff protection**

The industry is protected through a dollar-based reference price tariff system that is based on the long-term average world price for sugar, adjusted for distortions, which only delivers protection when the world price drops below this level.

### **Equitable export obligations**

The South African sugar industry exports approximately 40% of its production to the world market at prices substantially below the domestic sugar price. In order to distribute exposure to the world market equitably among growers and millers, a redistribution of proceeds is effected via the South African Sugar Association. The Sugar Act and the Sugar Industry Agreement provide regulatory support for the redistribution of proceeds.

### **The Southern African Development Community Sugar Co-operation Agreement**

The main objectives of the SADC Sugar Co-operation Agreement are:

- To promote, within the region, production and consumption of sugar and sugar-containing products according to fair trading conditions and an orderly regional market in sugar for the survival of the sugar industries in all sugar producing member states, in anticipation of freer global trade;
- To create a stable climate for investment, leading to growth and development of sugar industries in the member states;
- To improve the competitiveness of the sugar producing member states in the world market;
- To facilitate the sharing of information, research and training with a view to improve the efficiency of growers, millers and refiners of sugar in 7 member states;
- To facilitate the development of small and medium sugar enterprises; and
- To create stable market conditions in the member states so as to encourage the rehabilitation and development of all sugar industries with a view to facilitate direct foreign investment and the creation of employment opportunities.

### **People component in the triple bottom line**

#### **Employment**

The South African sugar industry falls under the Sugar Industry bargaining council and all wages and salaries are negotiated accordingly for the entire industry. Direct employment within the sugar industry is approximately 77 000 jobs, which represent a significant percentage of the total agricultural workforce in South Africa.

Indirect employment in sectors such as fertiliser, fuel, chemical, transport, food and services is estimated at 350 000. Approximately one million people depend on the sugar industry for a living. Sugar mills typically employ in the region of 450 people per mill. Growers typically allocate 1 labourer per 1000 tons cane.

The sugar mills provide a diverse and intensive technical employment field and career opportunities. The skills base includes engineers and artisans, accountants, cane supply staff, human resource support, training and development staff. Involvement with local schools offering career guidance and work shadow opportunities for learners.

### **Social obligations**

The industry's initiatives in the areas of economic transformation could best be summarised under its commitment to Broad-based Black Economic Empowerment (BBBEE), with focus on land reform, farmer support services, employment equity and enterprise ownership.

#### ***Agricultural land made available to black growers***

The industry has set a target of 30% black ownership of freehold sugarcane land by 2014. In order to achieve this, an independent land reform entity called INKEZO Land Company has been formed to help streamline the process.

#### ***Agricultural support services***

The industry has a long history of promoting and supporting small-scale farmers on tribal land. Building on the extensive infrastructure and network of the growers and millers, the industry has been able to engage effectively in ongoing delivery related projects. The South African Cane Growers Association provides technical skills training for new and emerging cane growers via the Agiseta scheme, mentorship programs, accounts and financial management workshops, regional economic advisors, a grower support service officer and assistance with special VAT and diesel dispensation for small-scale growers. The milling companies provide extensive support services in support of the cane growing operations of small-scale, medium-scale and large-scale black growers. The South African Sugar Association trains emerging medium-scale growers, provides in-field training to small-scale growers, offers certificate courses to users in sugarcane agriculture, technology transfer and extension initiatives and various community outreach programs.

#### ***Employment equity***

All participants in the industry promote compliance with the Employment Equity Act and have integrated Employment Equity and Skills Development Plans in place that are monitored and updated annually. These have targets for recruiting, developing and promoting people from designated groups.

#### ***Ownership profile***

Substantial progress has been made towards improving the ownership profile of the industry. Initiatives embarked upon by major South African milling companies have resulted in black ownership of manufacturing activities being 12% and of refining activities being 7%.

#### ***Social investment***

The incidence of HIV and AIDS impacts directly upon the industry and its workforce. Meeting the challenge of this disease is a priority. Activities include school education awareness programs and funding home-based care initiatives for individuals and households infected and affected by HIV and AIDS. Individual grower groups and millers have and are funding clinics and orphanages in the rural areas.

In 1965 the industry launched the Sugar Industry Trust Fund for Education (SITFE). SITFE has provided bursaries to more than 9000 students, financed school building projects, given assistance to tertiary institutions and worked closely with community based educational authorities.

#### **Relevant social legislation**

Basic Conditions of Employment Act, 75 of 1997.

Companies Act, 61 of 1973.

Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

Competition Act, 89 of 1998.

Employment Equity Act, 55 of 1998.

Extension of security of Tenure Act, 62 of 1999.

KwaZulu Natal Heritage Act 10 of 1997

Labour Relations Act, 66 of 1995.

Land Reform (Labour Tenants) Act, 3 of 1996  
Medical Schemes Act, 131 of 1998.  
National Heritage Resources Act, 25 of 1999  
National Qualifications Framework Act, 67 of 2008.  
Occupational Health and Safety Act, 85 of 1993.  
Pension Funds Act, 24 of 1956.  
Promotion of Equality and Prevention of Unfair Discrimination Act, 4 of 2000.  
Skills Development Act, 97 of 1998.  
Skills Development Levies Act, 9 of 1999.  
Unemployment Insurance Act, 63 of 2001.

### **Planet component of the triple bottom line**

The South African Sugar Association (SASA) actively promotes sound and sustainable environmental practices within the industry in line with national legislation and international requirements. This is achieved through its support for Local Environmental Committees (LEC) located in the sugar producing areas and also through active involvement in promoting sustainable resource management through a Memorandum of Understanding with WWF South Africa.

The industry is involved in a Southern African Development Community wide initiative aimed at establishing a guide on environmental best management practices for the regional sugar industries.

Individual grower groups have adopted the Sustainable Sugarcane Farm Management System (SuSFarMS), an environmentally friendly farming system developed by growers in conjunction with WWF South Africa. The system is currently being rolled out to other grower groups in the industry and has been endorsed by SASA.

The various milling companies have adopted environmental management systems such as the ISO 14001 and similar local derivatives.

The industry demonstrates a very high level of environmental awareness and practices (McCarthy, 2008) and has:

- Cut back on planting in estuaries and delicate ecosystems and is now often actively leading local conservation and awareness organisations;
- Cut back on burning of cane at harvest especially where it impacts negatively on adjacent land use and has reintroduced green cane harvesting in several areas;
- Reduced the use of more harmful chemicals in weed control;
- Reduced the emissions from milling factories to the atmosphere and impacts on run-off and stream quality.

### **Relevant environmental legislation**

Agricultural Pests Act, 36 of 1983.  
Conservation of Agricultural Resources Act, 43 of 1983.  
Environment Conservation Act, 73 of 1989.  
Fertilisers, Farm Feeds and Agricultural and Stock Remedies Act, 36 of 1947.  
Genetically Modified Organisms Act, 15 of 1997.  
Hazardous Substances Act, 15 of 1973.  
KwaZulu Natal Nature Conservation Management Act, 9 of 1997.  
National Environmental Management: Biodiversity Act, 84 of 1998.  
National Environmental Management Act, 107 of 1998.  
National Environmental Management Amendment Act, 8 of 2004.

National Forest Act, 84 of 1998.  
Natal Nature Conservation Ordinance 15 of 1975  
National Road Traffic Act, 93 of 1996.  
National Roads Amendment Act, 24 of 1996.  
National Veld and Forest Fire Act, 32 of 1998.  
National Water Act, 36 of 1998.  
Sugar Act, 9 of 1978.

### **Short comings**

The current short comings of the South African sugar industry in relation to its ability to conform to present day sustainability are:

- Input costs are high resulting in lower profits.
- The industry is heavily reliant on natural weather conditions; global warming could have a negative effect.
- Land claims and the loss of sugarcane supply to the mills.
- Loss of sugarcane land to township development schemes.
- Loss of labour due to HIV and AIDS.
- Lack of adoption of international energy norms within the sugar mills in order to improve factory operating efficiencies and reduce fuel bills.
- Disagreement between millers and growers.

### **Research requirements**

The industry will require the following research to ensure it will have the tools to be fully sustainable:

- Transport methods and supply chain efficiency.
- Need to bring national government on board to implement a suitable long term sustainable electricity tariff that facilitates and promotes the sugar industry to produce and export electricity into the national grid.
- Alternative uses of sugarcane.
- Ethanol production.
- Reducing input costs.
- Improved crop nutrition and water use efficiency.
- Land usage planning.
- Integrated pest management and bio-security.
- Farming systems in relation to environmental management.

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## RAPPORT SUR LE PROFIT, LES POPULATIONS ET LA PLANETE. COMMENT REAGIT L'INDUSTRIE SUCRIERE SUD AFRICAINE?

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**MOTS-CLES: Durabilité, Protection,  
Environnement, Social, Recherche.**

### Resumé

LE COMITE exécutive de l'ISSCT a initié une étude afin d'aider ses membres à faire face à l'augmentation de demandes concernant les systèmes de production durable. La durabilité se réfère aux trois principes philosophiques de base, les populations, la planète et le profit. La plupart des efforts de l'ISSCT dans son histoire récente a été orienté sur l'amélioration de la composante « profit » de cette philosophie tant au niveau du champ que de l'usine. Les populations et la planète n'ont pas jouis de la même attention. Le comité exécutif a décidé de former une équipe renforcée pour réaliser un rapport sur la durabilité et ce rapport donne des résultats sur l'étude de l'industrie sucrière Sud-Africaine. Les activités au champ et à l'usine qui ont guidés les actions de l'industrie dans le respect des intérêts des gens et de la planète, ont été établies après un dialogue avec les associations fraternelles d'usiniers et planteurs en Afrique du Sud. Les points de vue sur les succès et les défauts ont été soulignés les besoins en recherche identifiés. Dans le contexte de la composante « profit », un rapport sur les aspects macroéconomiques des questions majeures telles que la production totale, les gains économiques totaux, le revenu total du planteur et le nombre total d'employés est donné.

## REPORTE SOBRE GANANCIAS, GENTE, Y EL PLANETA. CÓMO REACCIONA LA INDUSTRIA DEL AZÚCAR SUDAFRICANO?

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Investigación Social, Medio Ambiente.**

### Resumen

EL COMITÉ Ejecutivo de ISSCT ha iniciado un estudio para ayudar a los afiliados para que puedan responder a las exigencias cada vez mayores de sistemas de producción sostenible. Sostenibilidad se refiere a la triple cuenta de resultados o la filosofía de gente, planeta y ganancias. La mayoría de los esfuerzos recientes de la ISSCT han sido dirigidos a mejorar el componente de ganancias de esa filosofía tanto en campo y como en fábrica. Los componentes de gente y el planeta no han disfrutado de tanta atención. El Comité Ejecutivo decidió nombrar a un grupo de trabajo para informar sobre la sostenibilidad, y este informe proporciona los resultados del estudio en la industria azucarera de Sudáfrica. Las actividades de campo y de fábrica, las cuales identificaron las acciones de la industria con respecto a la administración de la gente y el planeta, fueron establecidas después de diálogos con las organizaciones de ingenios y cultivadores en Sudáfrica. Se resaltan puntos de vista sobre los logros y deficiencias, y se identifican necesidades de investigación. En el contexto del componente ganancias, se da un informe macro económico en cuestiones tales como la producción total, total de los ingresos ganados, los ingresos totales del productor y número total de empleados.