SUGAR IMPORTS – WHAT A BITTER MESS

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 in South Africa.

There are three sugar mills in close proximity to Pietermaritzburg. Illovo Eston (4o km to the South), Illovo Noodsberg (60km 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 the complete range of products all 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 uses and retail outlets. The combined activity of growing sugarcane, transporting, milling, refining and warehousing sustains approximately 15 280 permanent jobs and using the rural multiplier of 5 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 held belief is that farming sugarcane does not contribute to food security, 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 sugarcane and 44% of total income was expended on food. Sugarcane in these areas forms the major part of the multi enterprise mix for small scale farmers which include other crops such as maize, beans, sweet potatoes and cattle. Sugarcane 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 productions. 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 6 largest sugar producers globally- the European Union, Brazil, USA, India, Thailand and Australia are on average subsidised at the rate of 20% of the value of production at farm gate, more specifically USA -66%, Brazil – 27% and EU 18 %.

Sugar is a politically charged crop as evidenced by India's dumping of 5 million tonnes of subsidised sugar only the world market which immediately dropped the world price by 36%. The action by India was in breach of World Trade Organization regulations. Brazil meteoric rise in sugar production has come with massive support from their 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 – 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 currently been 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. Sugarcane farmers do not have short term options. What is not understood is that attached to a sugarcane 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 are at risk and this same risk applies to all rural communities on the north and south costs of Kwa Zulu 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 bitter mess is clearly demonstrated by entrepreneurs in Pietermaritzburg who totally legitimately seize the opportunity to buy cheap sugar that was produced in Thailand, sent to Dubai for refining, shipped to Durban a distance of 15000km, or direct from Brazil (9000km) to Durban, loaded onto a truck to travel up the already congested N3 to be off loaded into a warehouse probably only 1km 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 considerable loss to our industry.

The district of Table Mountain and Bishoptowe is a real 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 can be held as an example of 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 i.e. *sustainable land reform.*

The sugar industry is not perfect and there is work to be done in areas of land reform, transformation, efficiencies and rationalization, 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.