

Sustaining Small-scale Sugarcane Cooperatives in South Africa through Clustering, Collaboration, Goal Alignment and Record-keeping.

Sibiya TG¹ and Hurly KM²

¹ CANEGROWERS, P.O. Box 888, Mount Edgecombe, 4300, KwaZulu-Natal, South Africa
E-mail: tsibiya@canegrowers.co.za

² CANEGROWERS, P.O. Box 888, Mount Edgecombe, 4300, KwaZulu-Natal, South Africa
E-mail: khurl@canegrowers.co.za

Abstract

The South African sugar industry faces a challenge of declining numbers of and sugarcane tonnage produced by small-scale sugarcane farmers. It was found that these farmers lack business skills, have no aspirations to commercialise, were not organised, had no 'best practice mindset' and were not fully integrated into the sugar value chain. Despite support provided by industry organisations and government, small-scale farmers have not been able to improve their production. The decline in numbers of small-scale farmers means loss of their important livelihood. In order to address this problem CANEGROWERS launched the Phakamisa Project, a multi-stakeholder initiative aimed at improving the productivity, competitiveness and the sustainability of small-scale sugarcane cooperatives. Continuous improvements tools and skills were transferred to cooperatives through a dedicated Cluster Productivity Champion. The project has benefited farmers through giving them access to specialised skills, expertise, coaching and support. The project has faced challenges but overall it is changing the mindset of small-scale farmers about the importance of productivity in an agricultural enterprise.

Keywords: productivity, clustering, sugarcane, cooperatives, competitiveness, small-scale farmers.

Introduction

The South African sugar industry is one of the world's cost competitive producers of high quality sugar and makes an important contribution to employment, particularly in rural areas, to sustainable development and to the national economy. It is a diverse industry combining the agricultural activities of sugarcane cultivation with the manufacture of raw and refined sugar, syrups, specialised sugars and a range of by-products (South African Sugar Association (SASA), 2011a).

According to SASA (2011a), the cane growing sector comprises of approximately 35 300 registered sugarcane growers who are represented by CANEGROWERS. More than 33 700 of the 35 300 sugarcane growers are small-scale growers (SSG), of whom only 14 445 delivered cane last season (2010/11), producing 8.4 % of the total sugarcane crop. A small-scale grower is a grower who during the immediately preceding 3 years delivered an average of 450 tons Recoverable Value (RV) or less (CANEGROWERS, 2011).

The purpose of this paper is to present challenges faced by small-scale farmers in South Africa and to introduce a continuous improvement initiative implemented to ensure the productivity, competitiveness and sustainability of these farmers.

Materials and Methods

Grower and Production Statistics

The industry has seen the decline in the number and tonnage of the small-scale growers (SSG). In 2005 there were 50 000 small-scale sugarcane farmers in South Africa (Eweg, 2005). This number has declined to 33 700 (SASA, 2011a). There are many reasons that explain this decline. One such reason is low productivity which is a concern of sugar industries in the Southern African Development Community (SADC). This is becoming increasingly important in the context of liberalised markets (Eweg, 2009). The International Sugar Organisation (2008) identifies lack of finance, small farm size, poor infrastructure, poor education and limited skilled labour as challenges facing small-scale farmers.

Figure 1 and 2 show a ten-season decline in both sugarcane and tons Recoverable Value (RV) produced by small-scale sugarcane farmers. The South African sugar industry uses the Recoverable Value (RV) cane payment system. RV is a measure of the value of the sugar and molasses that will be recovered from the sugarcane delivered by the individual grower (SASA, 2011 b). Declining sugarcane and tons RV produced means less funds moving into sugarcane farming rural areas where most small-scale farmers operate.

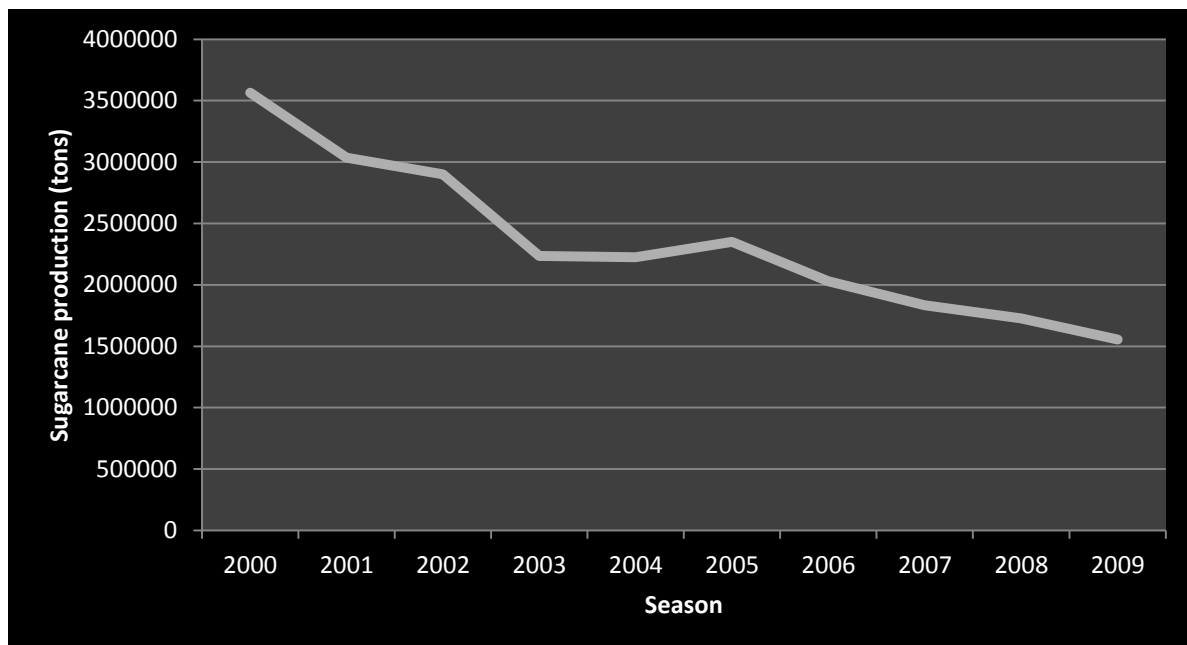


Figure 1 : Tons Cane delivered by small-scale growers from 2000/1 to 2009/10 season.

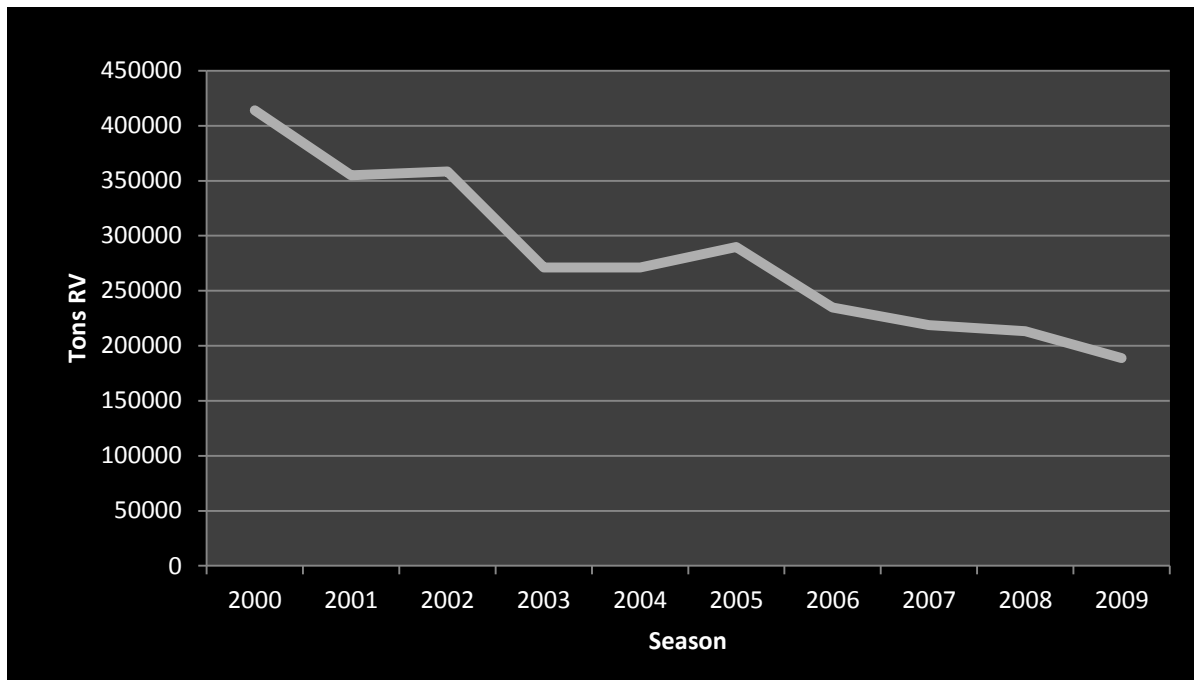


Figure 2: Tons RV graph for small-scale growers from 2000/1 to 2009/10 season.

Productivity Improvement: The Phakamisa Project

Although small-scale sugarcane farmers are supported by many sugar industry organisations, which include CANEGROWERS, South African Sugar Research Institute in partnership with the KwaZulu-Natal Department of Agriculture, Environmental Affairs and Rural Development; various sugar millers which have dedicated personnel supporting small-scale sugarcane farmers, as well as having access to various industry and government incentive schemes, they are yet to improve their sugarcane production.

CANEGROWERS conceptualised the Phakamisa Project in 2006 with the aim of improving the productivity, competitiveness and sustainability of small-scale farmers. Armitage et al (2009) had noted that small-scale farmers:

- Lack of business skills and inadequate technical skills and resource base;
- Farmers lacked collective capacity to organise themselves and lacked collective representation at the sugar industry structures level, acting in the marketing and in dealing with government;
- These farmers often lacked aspirations and had no “best practice” mind-set;
- Lack of cohesiveness and integration across agriculture and agro-processing in broad sense.

CANEGROWERS partnered with Productivity SA (www.productivitysa.co.za), a government agency that seeks to improve levels of productivity in South Africa. R2,800 000 was raised from the National Development Agency (90 %) and SASA (10 %), to implement the Productivity SA’s Work Place Challenge with the small-scale farmers. Productivity SA’s

Work Place Challenge is a means for South African organisations to improve their competitiveness. The programme predominantly works with industrial clusters, under the guidance of a dedicated WPC Change Facilitator, and involves small groups of enterprises in a process of implementing the basic principles of Continuous Improvement. Although Continuous Improvement techniques were initially aimed at the manufacturing environment, they are increasingly being applied in other sectors like public sector (Dobbs, 1994), food production (Engelund et al, 2009), and in health (Erfan, 2010) and now to agriculture.

Project Framework

Phakamisa Project was planned to be implemented in three phases over a period of four years (Hurly and Sibiyi, 2011). Small-scale farmer clusters were established in the Zululand South Region, KwaZulu-Natal. A Steering Committee would act as an overseer during implementation. Expert industry resources would support the process. Only small-scale clusters are discussed in this paper but there is a land reform cluster which is also supported by this project (Hurly and Sibiyi, 2011).

Clustering

A cluster is a socio-economic concept first described by the nineteenth century English economist, Alfred Marshall, and has been popularised by a Harvard University professor, Michael Porter, with his seminal work in the development of the Cluster Theory. A cluster refers to enterprises belonging to the same sector grouping together in the same geographical area in order to optimise their business activities (Gascon et al, 2010).

There is a wealth of research and initiatives relating to clusters in general, little attention has been paid to clusters in the agricultural sector. This might be because the notion of cluster is closely related to competitiveness and innovation, and thus it has been traditionally applied to sectors that focus on innovation as a core value, such as information technology, electronics, car manufacturing, biotechnology, and oil and gas industries (Nogales, 2010). Nogales (2010) further asserts that agriculture in the twenty-first century is reinventing itself as a new global business which is being reshaped by globalization, standardization, high-value production, massive growth in demand, retail and packaging innovations, and a ramp up in efficiency. Faced with constant productivity and market pressures, the “new agriculture” needs new tools to enhance its competitiveness and innovation capacity. The Phakamisa project is therefore a well-conceptualised initiative in light of the preceding comments by Nogales (2010).

Figure 3 shows clusters that were formed as discussed and the connecting role of a Cluster Productivity Champion that was employed to facilitate, support and coach individual cluster members to continuously improve their productivity. Phakamisa would be implemented by CANEGROWERS, a commodity organisation with a good reputation for managing externally-funded farmer development projects. Auditing and reporting would be done on an annual basis to ensure compliance with corporate governance guidelines. During the period of four years, the small-scale farmers would move through the phases of the project which are the orientation phase, the formalisation phase and the competitiveness phase. The idea was to move these farmer clusters from the survivalist stage of the business cycle to the reorganised stage where they are reconfigured to grow and sustain themselves as well as being competitive. The orientation, formalisation and competitiveness stages are discussed below.

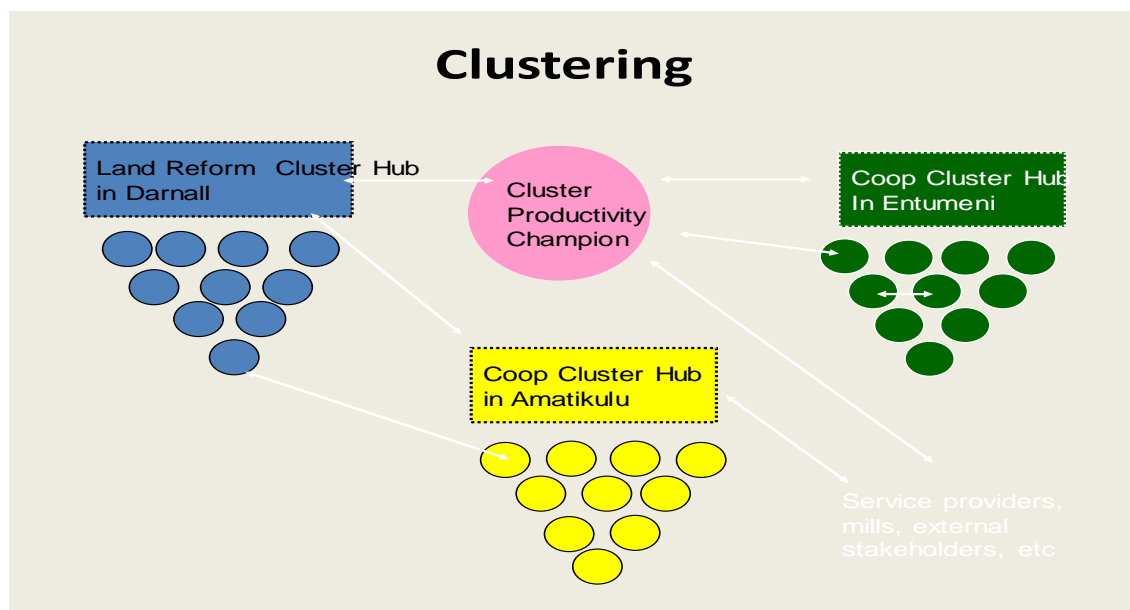


Figure 3: NFG and SSG Clusters

The Orientation Phase

This phase began in 2008 (Hurly and Sibiya, 2011). A Steering Committee to govern the project was set up and the criteria for the selection of clusters were developed. Willing cluster participants were recruited. A cluster development framework was devised to guide the future work content for development of the clusters. This phase was planned to run for six months but ended up taking a year to complete.

The Formalisation Phase

During this phase, cluster members formalised their business enterprises and processes, and cluster hub was established to house shared services and information sharing workshops. Computers have been acquired for cluster members and basic computer training has been provided. Visual management will be used to track progress of each cluster. Clusters are implementing key management and accounting systems. Good housekeeping practices have been developed through Goal Alignment and 5S's modules from Productivity SA. These modules involve setting long-term goals for the business and putting in place strategies for making business processes cost-effective and efficient. Processes are being evaluated on an on-going basis. Small-scale farmers have progressed slowly through this phase and learning from the phase will be discussed later on.

The Competitiveness Phase

Once clusters have gone through the Orientation and Formalisation phase, they enter the Competitiveness phase. This phase instills a continuous improvement mindset in cluster members and provides the tools for continuous improvement in productivity and competitiveness. It includes industry benchmarking and information sharing on good practices. Capacity building and institutional training is undertaken with a strong focus on

experiential learning. Each active cluster is encouraged to embark upon collective acquisition and to secure funding for business development and new business activities. Clusters move towards being self-sustaining. Small-scale farmers are yet to enter this phase.

Member Responsibilities

In order to ensure the success of the project, each participant committed to the following:

- They agreed to full participation in the project by signing a contract;
- Eagerness to improve productivity and competitiveness;
- Devote the necessary time to the project;
- Agreed to share information and experiences for the duration of the project.
- Agreed to capture farm records to the field level;
- Committed to use the farm management Plan-Ahead software and attend training sessions;
- Agree to develop secondary enterprises that would support their businesses.
- Agreed to a regular monitoring and evaluation assessment.

Results and Discussions

Grower Benefits

Growers have benefited from the project in that:

- They have access to specialised training and support which other cooperatives do not have. During the lifetime of the project, cooperatives receive computer training, they are linked to CANEGROWERS' bookkeeping service, gain access to a farm management Plan-A-Head software and support which helps them manage their cane operations better.
- Growers are encouraged to collect information and keep farm record which they need to analyse to see if their productivity is improving. Since attending the Productive Capacity Building Programme training in 2010, cooperatives are now being assisted by a CANEGROWERS Grower Support Officer and the Cluster Productivity Champion to start calculating ratios like efficiency, utilisation, wastage, labour turnover and absenteeism.
- Growers are encouraged to implement good governance practices. Cooperatives are encouraged to hold regular elections and appoint governing boards as required by the Cooperatives Act. They are also encouraged to consult and report back their members.
- Growers are learning about the importance of formulating long-term goals and plans for their enterprises. They are currently set up as primary cooperatives, some with limited land to farm. They are now looking at acquiring more land to capitalise on the economies of scale. They are not only looking at expanding their land size, they are also looking at forming secondary cooperatives which will help them with support services like contracting, bookkeeping, input supply and lobbying.

- Growers are learning to work together in clusters and to share experiences.

Challenges

Some of the challenges facing the project are:

- Funding for the project is for a limited period. The project needs to continue beyond the funded phase. Alternative sources of funding need to be explored.
- Productivity has to become a life style and a daily practice of the growers. Growers need to adopt continuous improvement as their modus operandi. Positive signs are evident that growers are realising that they have been conducting their businesses in a manner that opens leakages in their businesses finances in the form of uncontrolled costs. They are now learning different ways of doing things, which on its own takes time.
- Low levels of literacy are a big challenge for the project. Some ideas and concepts dealt with in the project are high level compared to education level of some participants. Some training has to be done more than once to make sure they grasp the concepts well.
- Some cooperatives do not see what they do as a business that needs the same level of record keeping and professionalism like a commercial enterprise. The project has to deal with the rural culture of not keeping records.
- Staff change or reassignment does affect the project in that growers take time to get used to a new person. The new person also needs to adjust to the project.
- Timelines set for the project have not been followed strictly because realities on the ground end up dictating the pace of the project.
- Some growers are still struggling to understand how the project is going to benefit them and therefore tend to drag their feet in terms of participation.

Conclusion

This paper has highlighted challenges faced by the small-scale sugarcane farmers and the reason for conceptualising the Phakamisa project. The project has introduced thinking that was previously foreign to the small-scale sugarcane growing sector but is now expected to become their thinking framework.

Many small-scale growers have gone out of business because they could not keep up with the costs of doing sugarcane farming business on small plots. This project has put to the centre the importance and the value of cooperatizing to capitalise on the economies of scale. While there are many cooperatives being formed, this approach is unique in that it transfers skills and tools that help growers set goals for their businesses and then determine measurements and targets that will be used to indicate improvements.

The project has provided a valuable lesson in dealing with the social side of the community farming ventures. While there is a project schedule in place, it is important to move at the pace of the people who are involved in the project. The project drivers may have taken time thinking about the project, by the time they go to people they are ready to implement. People on the other hand still need to understand how the project will benefit them. Project implementers must therefore not push people beyond what they are able to take at a particular point in time.

Whilst quantitative productivity measurements has not been done yet with the small-scale farmers, it is important to appreciate that at this stage growers' attitudes are changing and they realise the importance of productivity in any business enterprise. Changing the mindset and attitudes about productivity is, on its own, a major milestone for the project. In future, trends will be established as baseline data is in place, to benchmark and compare performance.

Overall the paper has shared a framework for improving productivity, competitiveness and sustainability of sugarcane farming in the small-scale sugarcane farming sector. Continued support will be provided beyond the scope of the project and beyond the original clusters as CANEGROWERS will ensure that their staff is trained in this framework to provide continued support to growers.

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