

The Cane Grower

The Newsletter of the South African Cane Growers' Association

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84th Annual General Meeting (AGM)

CANEGROWERS', the national organisation representing in excess of 29 000 sugar cane growers, held its Annual General Meeting on 15 June 2011 at KwaShukela, Mount Edgecombe. At the Board of Directors' meeting held following the Annual General Meeting, TJ Murray was elected as Chairman and ST Naidoo as Vice Chairman of CANEGROWERS for the 2011/12 season.

Highlights of the 2010/11 Season

Crop Production—The 2010/11 season yielded a cane crop of 16 015 649 tons, representing a decrease of 2.64 million tons (14.1%) compared with the 2009/10 season. Total sugar production was 1 909 236 tons, representing a decrease of 278 306 tons season-on-season. Cane quality, improved slightly with the industry average recoverable value percent cane increasing to 12.89% from 12.45% in 2009/10.

Climatic conditions once again played havoc on the crop. Many cane growing regions in KwaZulu-Natal experienced the worst drought conditions reported in the past 15 years. The initial favourable prospects associated with relatively good early summer rainfall did not materialize as extreme dry conditions prevailed in most areas from mid-January to October 2010. These adverse climatic conditions saw the cane crop drop consistently throughout the season. The extremes of weather experienced in recent years must surely draw into reckoning the impact of global warming on our climatic patterns.

Grower Revenue—The final RV price for the 2010/11 season was R2 572.14 per ton representing a 12.6% increase year-on-year. Although the RV price showed a reasonable increase year-on-year, it is important to note that the overall grower revenue decreased year-on-year as a result of the lower crop. Whilst input costs did not increase at the exorbitant rate of two years back, the results of the past eight seasons' cost squeeze are taking

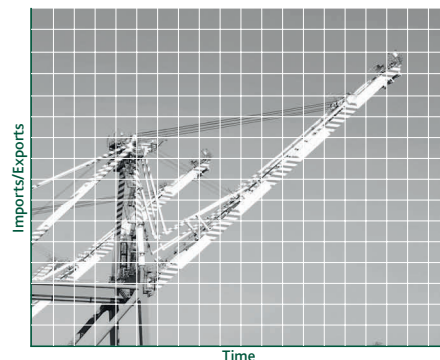
their toll on growers and any improvement in grower revenue comes off a low base and the pressures on sustaining a cane growing business remain. Net industry proceeds decreased to R8.29 billion in 2010/11 from R8.36 billion in 2009/10. Cane growers share of these net industry proceeds was R5.34 billion.

Sustainability of the Cane Growing Sector—This is one of the key focus areas of CANEGROWERS. Sustainability in the cane growing sector takes many forms. During the past season, much emphasis has been placed on the objectives of the Sugar Industry Development Plan (SIDP).

The objective of the SIDP is to establish an environment that will create the correct incentives for growers and millers to 'grow the pie' to increase the revenue base of the industry that growers and millers can share on an equitable basis. The SIDP have been presented to

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government, where it has been enthusiastically received. For the SIDP to be meaningful, requires extensive government participation. There is synergy between the impact that the sugar industry has in the rural economies in which it operates and the objectives of the government's 10 point plan as outlined in its Medium Term Strategic Framework (2009). The sugar industry and cane growing communities have always made substantial contribution to the deep rural economies of the region in which cane is grown and can, to a greater or lesser degree, deliver on each of the 10 points which government seeks to achieve. It goes without saying that there is scope for a beneficial Public/Private Partnership arrangement with government for a sustained development of our country and its people.

Land Reform—Land reform policies and processes continue to challenge the cane growing sector and the sugar industry. CANEGROWERS is fully committed to and supports the objectives of our country's land reform policy and programmes. However, the constructive endeavors to help achieve the targets set by government and the willingness of growers to re-invest in their cane farms has been hampered by the slow progress in finalizing the land claims instituted in terms of the land restitution pillar of the land reform programme. Given that approximately 54% of freehold land under cane in Kwa-Zulu Natal has been gazetted as land claims, but that only approximately 7% of this has been settled, a climate of uncertainty in investment and production decisions has been created. This must be speedily addressed through a fair, equitable and transparent process in order for us to maintain yields and mill capacity utilization.

CANEGROWERS has been invited by the national Department of Rural Development and Land Reform to participate in a 'think-tank' process to establish creative ways of addressing the challenges faced by land restitution. Through the industry's Memorandum of Understanding with the KwaZulu-Natal Agribusiness Development Agency, CANEGROWERS will contribute to the development of a sugar industry funding model for land reform and farmer development and mentorship programmes.

Support for Small Scale Growers—Many of the sustainability interventions in the sugar industry are aimed at providing relief and assistance to small scale growers who are a vital component of rural areas and who do not have the ability to expand their farming entities mainly due to the traditional land tenure system. The small scale sector is currently operating below potential. Some of these interventions include the continuation of the approximately R31 million per annum Supplementary Payment Fund. Small scale growers who are not registered as Value Added Tax vendors continue to receive the benefits of the VAT Flat Rate and Diesel Rebate. During the 2010/11 season these rebates amounted to some R34 million.

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Labour Productivity Survey: 2009/10 season

By Dr SD Ferrer—Manager: Economic Research

The Labour Productivity Survey is undertaken on an annual basis, and a sample of Large Scale Growers (LSG) is surveyed for this purpose. The respondents to the survey receive a benchmark report of comparative statistics showing their farm relative to the mill average as well as relative to other farms of similar size. A total of 36 suitable responses were received for the 2009/10 Survey, representing less than 3% of the population of LSGs. The sample represented 3.7% of the LSG population Area Under Cane (AUC) and 3.9% of the population tonnage.

Estimated total employment declined from 84 870 in 2008/09 to 68 888 workers in 2009/10. Estimated employment on Large Scale sugarcane farms since the 1988/89 season is presented in Figure 3. It is apparent that the trend of declining employment during the 1990s has ceased and employment has stabilised at approximately 70 000 workers.

Figure 4 shows the trend in labour productivity from 2000/01 to 2009/10. It is evident that although the number of workers per 1000 tons of cane yield has fluctuated during the ten-year period, there is no statistically significant trend in labour productivity over time.

Figure 5 shows an index of average real cash wages earned by farm workers. As the index is adjusted for the effects of inflation on the purchasing power of money, the slope of the index indicates the rate of change in average cash wages relative to the inflation rate. A positive slope indicates that the purchasing power of the average cash wage increased, zero slope indicates that the purchasing power of the average cash wage remained constant, and a negative slope indicates that the purchasing power of the average cash wage declined. The general positive slope of the index reflects that from 1994 to 2009 real average farm wages increased by 76%. Similarly, the positive slope of the real minimum wage index shows that the purchasing power of the minimum wage has increased each year from 2003/04. Although the graph does not provide for a direct comparison of the absolute magnitudes of real average cash wages and the real minimum wage, it is evident that real average cash wages have tended to increase at a similar rate to the real minimum wage from 2003/04 to 2009/10.

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Figure 3: Estimated total employment on large scale sugarcane farms, 1988/89 – 2009/10

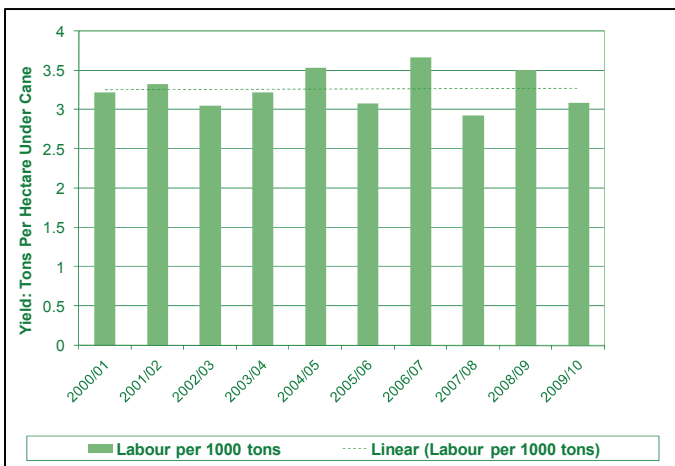


Figure 4: Labour productivity measures, 2000/01 to 2009/10

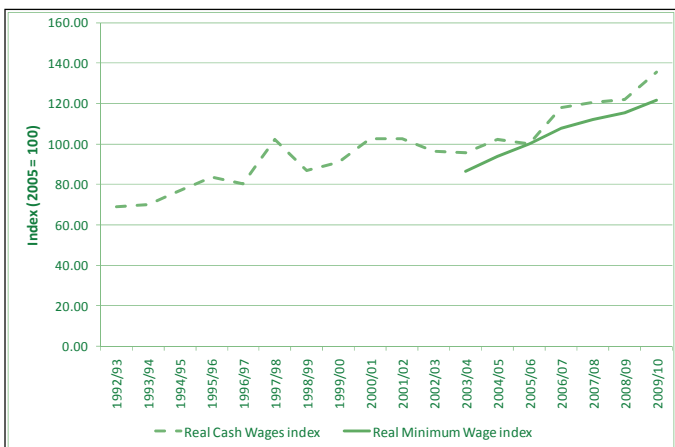


Figure 5: Trends in real average cash wage earnings and the minimum wage 1992/93 – 2009/10

DISCLAIMER

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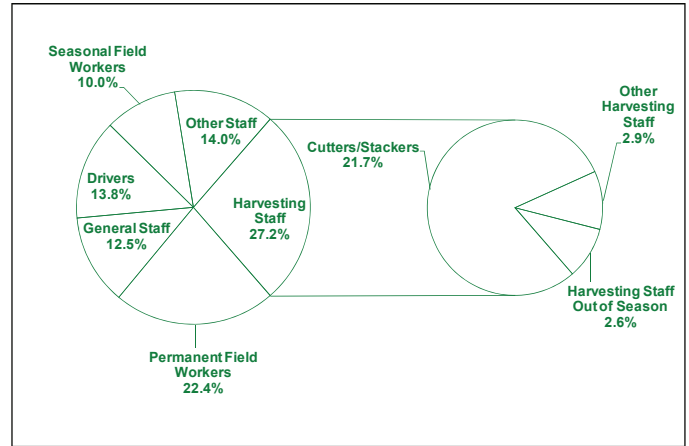


Figure 6: Proportion of wage spent per staff type, 2009/10 season

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The proportion of the monthly wage spent on each labour category is shown in Figure 6. Harvesting staff account for 27.2% of the wage bill, followed by permanent field workers (22.4%), drivers (13.8%) and general staff (12.5%). General staff include mechanical maintenance, clerks, indunas and section managers. Seasonal field workers and other staff make up the remaining 24% of expenditure on wages. Other staff includes cooks, domestics, security and builders. ●

TAX DEBT: Settling or Compromising

By TG Sibiyi—Land Reform & Development Manager

For various reasons and at various times, farmers find themselves indebted to the South African Revenue Service (SARS). In the case of land reform farmers, being indebted to SARS for tax and penalties, could jeopardise qualifying for some government incentive schemes, as a requirement could be to prove tax compliance or arrangements made to pay monies due.

Recently, the Land Reform and Development Manager, at the request of land reform farmers, hosted SARS Compliance Specialists in Mount Edgecombe, who addressed farmers on how to deal with outstanding tax monies. Some points are summarised below.

It is the duty of the Commissioner for SARS to assess and collect all tax debts due to the state. This stringent rigid basic principle often needs to be tempered if the right circumstances exist. Section 91A of the Income Tax Act No. 58 of 1962, read together with the Regulations - which were published in April 2007 in the Government Gazette, prescribes circumstances under which the Commissioner may write-off or compromise any amount of tax or penalty.

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Where tax payers owe SARS amounts of money and, in terms of their financial conditions find themselves unable to pay the amount, there is an opportunity to enter into what is termed a 'compromise' with SARS, where the Commissioner or his delegate will accept not to pursue recovery of the balance of the debt. An amount from a farmer which is less than the original debt in full settlement of the debt will be accepted. The balance of the debt is then motivated to be written off in terms of applicable procedures. The sum that the farmer is able to pay may be settled via a lump sum or arrangements can be made to pay it off in agreed instalments. The amount written off is normally not re-raised even if the financial condition of a farmer improves subsequent to the 'compromise'.

According to SARS, requests for settling a debt must be in writing and accompanied by the following:

- a detailed statement of assets and liabilities
- a detailed statement of all income (present and future) and their sources
- a detailed statement of all expenditure and details of how these expenditure are funded if they are more than the income
- current financial statements should be submitted that reflects a farmer's situation for at least the past six months
- all the above information for family members (if necessary)
- reasons for applying for settlement of the debt with evidence supporting that the tax cannot make full payment e.g. loan refusal
- a completed Collection Information Statement for individual and/or business.

SARS will need to satisfy themselves that accepting a settlement or compromise is going to benefit them more than if alternative courses of collection are followed. Debt collection officers may accept or decline a settlement or compromise proposal if the taxpayer does not satisfy one or more of the requirements of the policy. Once an agreement has been reached with SARS, a memorandum of agreement, drafted by SARS' attorneys, setting out all necessary conditions is entered into between SARS and the taxpayer.

The importance of farmers keeping proper financial records cannot be over-emphasised. These records are extremely useful when faced with a difficult financial situation and where you need to motivate your case to the authorities.

It was proposed that CANEGROWERS take these discussions to local levels where we can talk to farmers about their tax problems and get the relevant persons at SARS to assist. If you would like to discuss this further, contact Thandokwakhe Sibiyi at 031-508 7200 or 071 854 2050 or visit your nearest SARS offices. ●

Price of Recoverable Value (RV) in Cane

JUNE 2011 RV PRICE FOR 2011/12 SEASON

The Sugar Association has declared the June 2011 RV price for cane delivered in **May 2011**:

RV PRICE: R2 844.23 per ton of RV
"d" factor 0.373072

The price is based on a crop of **16 733 438** tons of cane which converts to **1 937 918** tons of sugar at a cane to sugar ratio of **8.63**. The average RV content is **12.21%**.

EXTENSION LEVY

The average regional levy (excl. VAT) payable by participating growers for Extension Services for cane delivered during the 2011/12 season is:

R0.71 per ton of cane

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CANEGROWERS provided the vital link for growers to access recapitalization and development funds and compiled 80 business plans which will see support to the value of approximately R100 million being made to the affected growers.

Many of the grower development and training projects are funded through the sugar industry's Grower Development Account (gda) which is administered on behalf of the sugar industry by SASA. Through the division of proceeds mechanism, cane growers fund 64.3675% of the costs of the gda.

For further information contact Jayne Ferguson, CANEGROWERS' Communication Manager 031 508 7200 or 083 381 3990 JFerguson@canegrowers.co.za ●

2011/2012 Office Bearers

At its meeting held on 15 June 2011, the Board of Directors elected the following persons as office bearers of CANEGROWERS for 2011/12:

Chairman	:	Tim Murray
Vice Chairman	:	Suresh Naidoo
Chairman of SASA	:	Bongani Linda
Executive Committee	:	
		Martin Finch Ed Grantham
		Jackonia Mhlanga Ferdie Potgieter
		Roy Sharma Graeme Stainbank
		Rex Talmage Walter Visser