

EXECUTIVE DIRECTOR'S STATEMENT



The vagaries of the world sugar market, currency fluctuations and climatic conditions were clearly evident during the 2009/10 season.

World sugar prices reached a 28 year high during the period, trading at a range of between US14c/lb and US29c/lb. However, the financial benefit of improved sugar trading conditions was offset to an extent on export market proceeds by the impact of the strengthening of the Rand.

Climatic conditions played their part in presenting challenges for growers. The cane crop estimate dropped throughout the season as dry conditions took a toll on the initial favourable cane delivery expectations. The level of the crop was, ironically, further depressed as heavy rains in many of the cane-growing regions at the tail end of the cutting season impeded the harvesting and transport operations, bringing the crushing season to a premature close.

The overall face of the sugar milling sector to which growers delivered their cane in 2009/10 has changed season-on-season. The most prominent of such changes being the streamlining of a major milling company's South African operations, with the sale of its mills at Pongola, to another established milling company, and at Umfolozi, to a mainly Grower consortium, together with a newly established joint venture, that includes grower participation, to operate the mill at Gledhow. As noted in previous years, unless growers have the realistic prospect of fairly sharing in the total revenue generated from the processing of the cane plant, cane farming into the future will be difficult to sustain.

As anticipated, input cost increases were not at the same year-on-year high level as experienced during 2008/09. While this provided some relief to growers, the negative effect of the abnormally high cost increases of that season will take more than one "better than average" year to work its way out of the cost

structures. Although initial indications are that growers, on average, have recovered costs of production and interest charges during the past year, it is noted that this is at a time that export sugar prices were at their highest level in nearly three decades.

The signals that the industry must seriously embark upon a strategy of product diversification, in line with most of the other world market export-orientated sugar industries, are strong. Growers, millers and government must jointly develop and embrace a policy framework that can enable the opportunities presented by renewable energy to be implemented for the benefit of the country and the industry.

The resolution of the land claims process continues to be a major consideration for CANEGROWERS. With in excess of 52% of the area under cane subject to claim and with less than 9.2% of these having been resolved, the impact that the uncertainty of this situation has on the sentiment of landowners and claimants alike, is significant. CANEGROWERS is supportive of the land reform process and will endeavour to play a meaningful and constructive role so that the objectives of the land restitution and redistribution programmes can be achieved in the cane-growing regions.

It is clear that the South African sugar industry is currently at a crossroad. The direction taken during the near future will set the foundation for it to operate at a new and exciting level. It will be necessary to change mindsets, revisit past practices and break the boundaries that currently constrain its progress. CANEGROWERS is determined that cane growers will meaningfully and constructively participate in shaping the future sugar industry so that it remains an important contributor to the rural and national economies and, in partnership with millers, achieves a united and prosperous environment for growers and millers to operate and grow their businesses.



BOARD OF DIRECTORS 2009/10



GOVERNANCE

The Board of Directors, which is the policy making body of CANEGROWERS, currently comprises 54 Directors. The election process for Board members takes place at the local level where each Member Organisation appoints delegates to the Local Grower Council, which in turn appoints members to the Board of Directors. The Board elects annually a Chairman, Vice Chairman and an Executive Committee. This transparent democratic process ensures equitable representation of all growers, irrespective of the size of the cane growing enterprise. Newly elected Board members undergo an induction process where their fiduciary responsibilities are highlighted.

The setting of policy of CANEGROWERS begins at the grassroots level, where issues raised at the local Member Organisation level are considered by the Local Grower Council, which provides mandates for its

representatives appointed to the Board. Local Grower Councils generally meet at least quarterly and the Board of Directors meets five times a year. Between Board meetings, the Executive Committee, which oversees the implementation of the policy approved by the Board, meets, on average, twice per month. In addition, Grower representatives participate in the many sugar industry committees which make recommendations to the Council of the South African Sugar Association (SASA).

During the 2009/10 season, Board meetings were held on 13 May 2009, 17 June 2009, 16 September 2009, 11 November 2009 and 10 February 2010.

The Remuneration of Officers Committee decides on the remuneration of office bearers of CANEGROWERS. These amounts are considered by the Board and put to the Annual General Meeting for approval.

The salary mandate for the remuneration of staff of CANEGROWERS is approved by the Administration and Procedures Sub Committee.

Representatives of CANEGROWERS also participate on the following organisations and fora:

- AgriMpumalanga
- AgriSA
- International Society of Sugarcane Technologists
- Kwanalu
- KZN Donor Forum
- Land Bank Provincial Advisory Forum
- Provincial Land and Agrarian Reform Forum
- Road Transport Management System (RTMS)
- Rural Road Transport Committee
- Southern African Development Community (SADC) Technical Committee on Sugar
- World Association of Beet and Cane Growers

CORPORATE RELATIONS

Stakeholder engagement is recognised as an essential component of CANEGROWERS' business plan.

Communication activities provide a platform for the organisation to be recognised within the broader sugar industry context as the independent, credible and professional organisation representative of all cane growers in South Africa. Recognising that communicating with such a diverse and widespread audience presents challenges, a strategy is in place to ensure that consistent and relevant messages are conveyed and understood by the various stakeholders. Communication with individual growers and Grower representative structures is conducted mainly through the Local Grower Councils and the Board of Directors.

Communication platforms include the production of the annual Report of the Board of Directors, the monthly newsletter "The Cane Grower", distribution of an aide-memoire following Board meetings to assist report back to individual growers, media releases, television and radio, website, a bi-monthly "What's Happening" within the sugar industry and various presentations made at conferences, symposia and meetings. An essential communication tool are the annual Regional Meetings, where a review of the past season is made, as well as prospects for the forthcoming season and challenges facing cane growers. The proposed estimates of expenditure for CANEGROWERS for the new season is also presented to growers at these meetings.

Given the wide geographic distribution of cane growers and grower groups, communication is made easier with the employment of CANEGROWERS' staff that are based in the 10 regional offices and serve as a dedicated resource to cane growers. Stakeholder management is an important aspect of business, especially with regard to corporate citizenship and reputation. During the forthcoming season, emphasis will be placed on brand engagement and stakeholder relations, with a focus on internal communications and employee engagement and ensuring that its communication efforts encompass appropriate corporate governance requirements.



SUGAR INDUSTRY AFFAIRS

Review of the Sugar Act (1978) and Sugar Industry Agreement (2000)

There has been little progress with the Sugar Act and Sugar Industry Agreement review process since Growers and Millers made separate submissions to the Department of Trade and Industry (dti) in June 2007. This was done on the understanding that the dti would collate this information into a single document for submission into the parliamentary process. CANEGROWERS stands firm in its commitment to seek ways to grow industry revenue through the industrial partnership arrangements, and to protect growers' rights of freedom of association.

It is encouraging to report that during the season under review, Growers and Millers have re-engaged in new discussions to seek common ground and to ultimately develop a legislative framework for a sustainable industry. This review process will continue to be a focus of CANEGROWERS during the forthcoming season.

Division of proceeds

The final adjustment in respect of the division of proceeds, which was reviewed between Millers and Growers towards the end of 2004/05, was implemented during the 2009/10 season. In terms of this review, Growers receive 64.3675% of the sugar industry proceeds and hence contribute 64.3675% of the costs of the activities of SASA. Adjustments implemented in terms of the review, are indicated below:

Season	DOP Change	Grower share
2006/07	+0%	63.7675%
2007/08	+0.3%	64.0675%
2008/09	+0%	64.0675%
2009/10	+0.3%	64.3675%

Crop production

The 2009/10 season yielded a cane crop of 18 655 089 tons, representing a 3.12% decrease of 600 000 tons compared with the 2008/09 season. Total sugar production was 2 187 542 tons, representing a 3.59% decrease of 81 545 tons season-on-season. Cane quality declined slightly with the industry average recoverable value percent cane decreasing from 12.48% in 2008/09 to 12.45% in 2009/10.

Southern African Customs Union (SACU) Market

The SACU market comprises South Africa, Botswana, Lesotho, Namibia and Swaziland. South Africa and Swaziland are the only sugar producers in SACU and together produce in excess of the region's sugar demand, which was estimated at 1.92 million tons in 2009/10. Access to the market is regulated by the Southern African Development Community Sugar Co-operation Agreement. Duty-paid imports continued to play a significant role in the supply of sugar into the SACU market in the 2009/10 season, although higher world market prices did constrain imports for a short period.

The unadjusted SACU demand in 2009/10 showed a growth of 0.01% over 2008/09, but South African sugar sales for the period grew by 1.3%. The higher growth in South African sales is attributable mainly to the lower supplies by Zimbabwe into the SACU market in 2009/10. Further, sugar imports declined by 19.2% compared with 2008/09, mainly because of the higher world market sugar prices during the latter half of the season.

The review of tariff protection for sugar was concluded in July 2009 by the International Trade and Administration Commission and the Dollar Based Reference Price for sugar was increased from US\$330 per ton to US\$358 per ton.

World Sugar Market

Despite the decline in South African sugar production, supply within the SACU market exceeded demand during the 2009/10 season, enabling 766 177 tons to be exported, which was lower than the 821 657 tons of export sugar in the previous season.

The 2009/10 sugar exports represent 35% of total production, of which only 22 806 tons benefited from access to the preferential market in the USA, with the balance being exposed to the volatile New York Board of Trade #11 world market bulk raw sugar price.

World market sugar prices reached a 28 year high during 2009/10 as a result of the supply shortage brought about primarily by the low Indian crop. This resulted in an increase in the average sugar price achieved for SASA's world market exports, with 16.47USc/lb (inclusive of preferential US market prices) being achieved, compared with 12.55USc/lb during the previous season. This represents a 31% increase. The R/US\$ exchange rate was forward covered at an average exchange rate of R8.14 to the US Dollar. This was lower than the average exchange rate of R8.35 achieved in the 2008/09 season. Despite the reduced exports volumes and the firmer R/US\$ exchange rate in 2009/10, the higher world market price resulted in a 15% increase in export revenue, being R2.3 billion in 2009/10, compared with R2.0 billion in 2008/09.



Net Industry Proceeds and the final Recoverable Value (RV) price

Net Industry Proceeds increased to R8.36 billion in 2009/10, from R7.6 billion in 2008/09. Factors contributing to the increased revenue were the higher export market proceeds, the sustained domestic demand for South African sugar and improved local market pricing. Year-on-year the RV price increased by 13.6%, with the final RV price for the 2009/10 season being R2 284.20 per ton.

Cane Quality and Mill Performance

Cane quality, in the form of RV percent cane, was recorded at 12.45%, which is lower than that of the previous season of 12.48%. The overall lower quality in the 2009/10 season can partly be attributed to the wet conditions towards the end of the harvest, which impacted negatively on cane quality. The consequences of the weather conditions were lower sugarcane yields, marginally lower sucrose and RV % cane, lower fibre and ash % cane and lower mixed juice purity. Factory performance on an industrial scale in 2009/10 declined marginally when compared with 2008/09. Extraction, boiling house recoveries and overall recoveries in the 2009/10 season was lower than comparative performance measures in 2008/09. The lower factory performance was evident in the reduced time efficiency level compared with 2008/09.

Cane Quality Data

	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
RV% Cane	11.80	11.85	12.54	12.46	12.28	12.49	11.68	12.27	12.48	12.44
Sucrose% Cane	13.08	13.11	13.58	13.58	13.52	13.74	12.92	13.47	13.69	13.68
Fibre% Cane	14.98	14.97	14.80	14.81	14.84	14.66	14.95	14.86	14.95	14.87
Mixed Juice Purity	85.03	85.92	87.31	85.01	84.49	85.59	85.58	86.03	86.49	86.14
Ash% Cane	1.43	1.74	1.57	1.62	1.78	1.68	1.93	1.95	1.80	1.79

Mill Performance Data

	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10
Extraction(corr.reduced)	97.79	97.59	97.73	97.64	97.79	97.79	97.71	97.61	97.38	97.18
Boiling House Recovery	88.96	88.18	89.11	88.14	88.00	88.25	87.51	87.56	88.05	87.88
Overall Recovery	87.00	86.19	87.29	86.26	86.23	86.52	86.51	85.65	85.94	85.63
Time Efficiency	79.44	80.45	83.97	82.72	82.40	82.90	76.47	77.46	78.66	76.88
Cane:Sugar Ratio	8.75	8.81	8.33	8.44	8.53	8.37	8.99	8.63	8.46	8.50
Sugar% RV	96.81	95.55	95.76	95.09	95.31	95.36	94.40	94.29	94.43	94.23

Source: SASA and SMRI



SURVEYS

Large-Scale Grower Cost Survey: 2008/09 Season

This survey annually monitors the cost trends of Large-Scale Growers (LSG). Growers support the survey by returning the survey forms that are mailed to them during the course of each season. A total of 321 survey forms, financial statements and CaneFarms year end reports were received and analysed for the 2008/09 financial year. This represents 19% of the 1 663 registered LSG's and 29% of the 303 615 hectares of LSG area under cane as at 1 April 2008.

Figure 1 depicts a summary of the cost survey results from 2000/01 to 2008/09. Real (inflation adjusted) Gross Income (GI) per hectare increased by 19.5% and real Operating Expenditure (OE) per hectare increased by 19.6% in 2008/09. Growth in real GI/ha is attributed to an 18% increase in the RV price for that season, together with a small increase in sample yield per hectare. The increase in OE/ha is attributed primarily to an 82% increase in per hectare expenditure on fertilizer and a 35% increase in per hectare expenditure on fuel and lubricants. The combination of these factors caused a significant increase in real Net Operating Income (NOI) of 24.0% in nominal terms, or 19.0% in real terms. Despite favourable growth in real NOI/ha, the estimated profitability of sugarcane farming in the 2008/09 season remains low relative to the 10-year average.

Figure 2 represents the proportions of operating expenditure measured for the 2008/09 season. Significant variability in mechanical expenditures amongst survey respondents was evident, reflecting various methods used by the survey respondents to account for mechanical activities. In general, survey respondents with relatively higher per hectare expenditure on contractor services, tend to have lower per hectare expenditure on cane transport, mechanical maintenance and fuel.

Figure 1: Cost Survey Results: 2000/01 – 2008/09

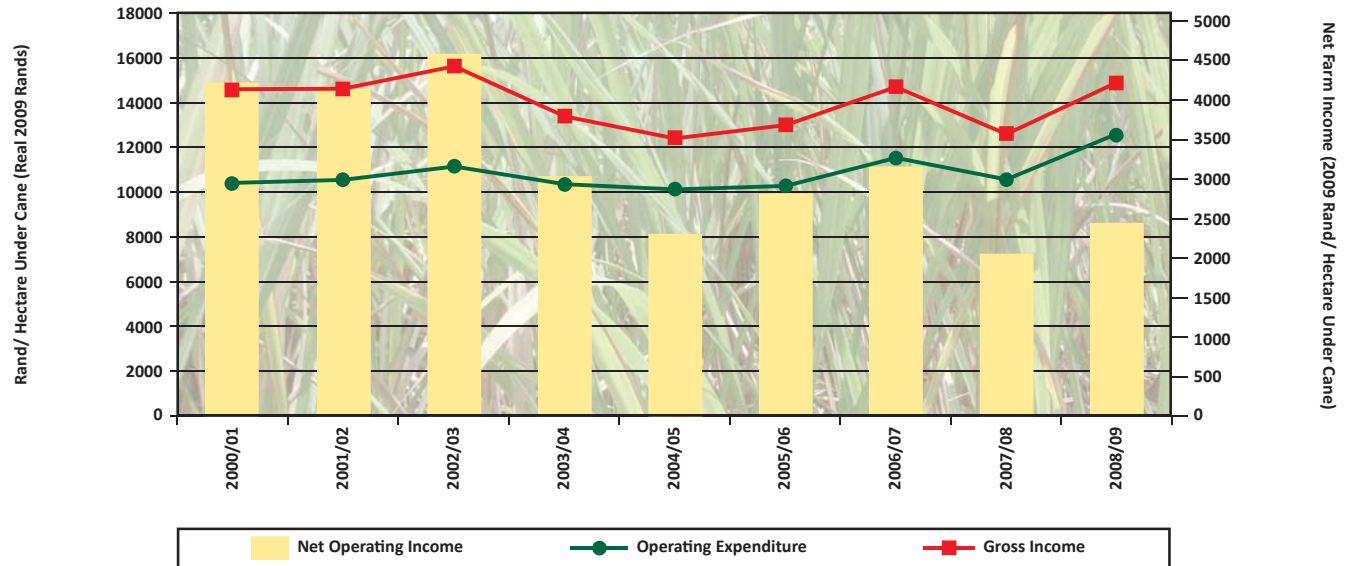
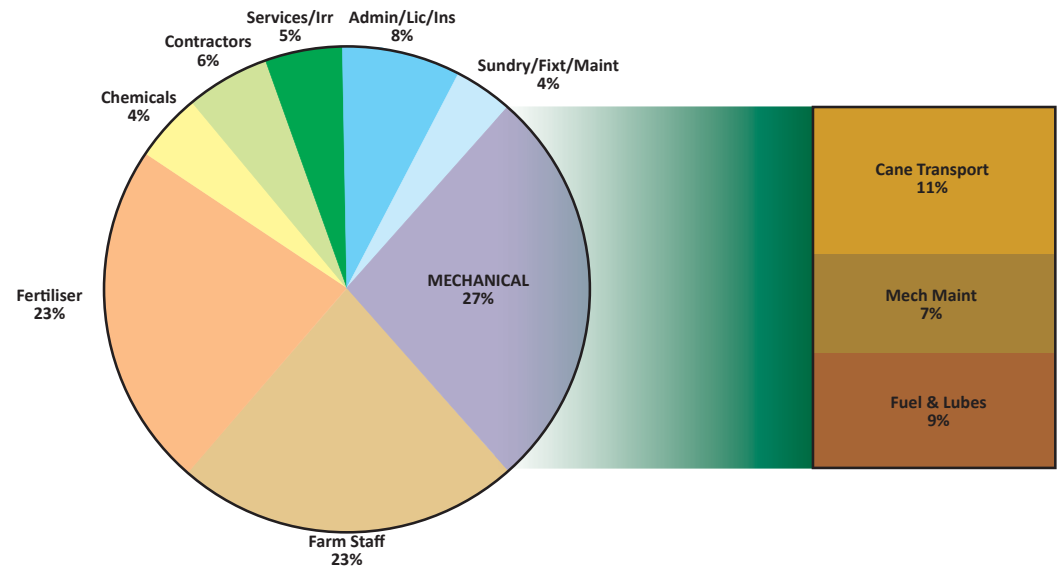


Figure 2: Cost Survey Proportions of Operating Expenditure: 2008/09



Farm Staff and Mechanical costs continue to dominate the average grower's budget, together accounting for 50% of OE. This overall proportion is relatively unchanged from 2007/08. Fertilizer expenditure, however, has grown from 16% to 23% of operating expenditure. Although per hectare expenditure on chemicals increased in real terms, expenditure on chemicals as a proportion of total expenditure declined marginally compared to 2007/08. Likewise, expenditure on contractors as a proportion of total expenditure declined from 6.5% in 2007/08 to 5.6% in 2008/09.

Labour Productivity Survey: 2008/09 season

The Labour Productivity Survey is undertaken on an annual basis and a sample of 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.

Estimated total employment increased from 67 600 in 2007/08 to 84 870 workers in 2008/09. 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 reversed and is once again increasing.

Figure 4 shows the trend in labour productivity from 1999/00 to 2008/09. It is evident from the graph that cane yield is an important determinant of labour productivity. In the short-term, a decline in yield is associated with an increase in the number of workers per 1 000 tons (i.e., a decline in labour productivity). However, despite a trend of declining cane yield amongst the survey respondents over the 10 year period (the dashed green line), the trend in labour productivity (the dashed red line) is not significant. This indicates that in the long-run, growers adjust the size of their labour force in response to changes in expected yield.

Figure 3: Estimated total employment on commercial sugarcane farms: 1988/89 – 2008/09

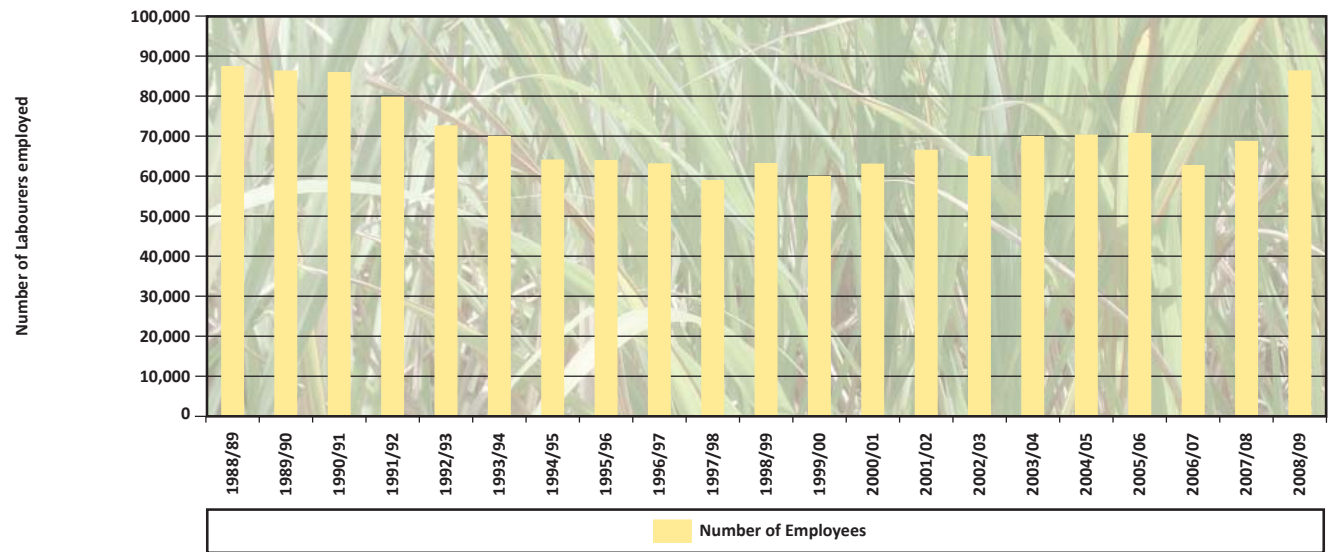
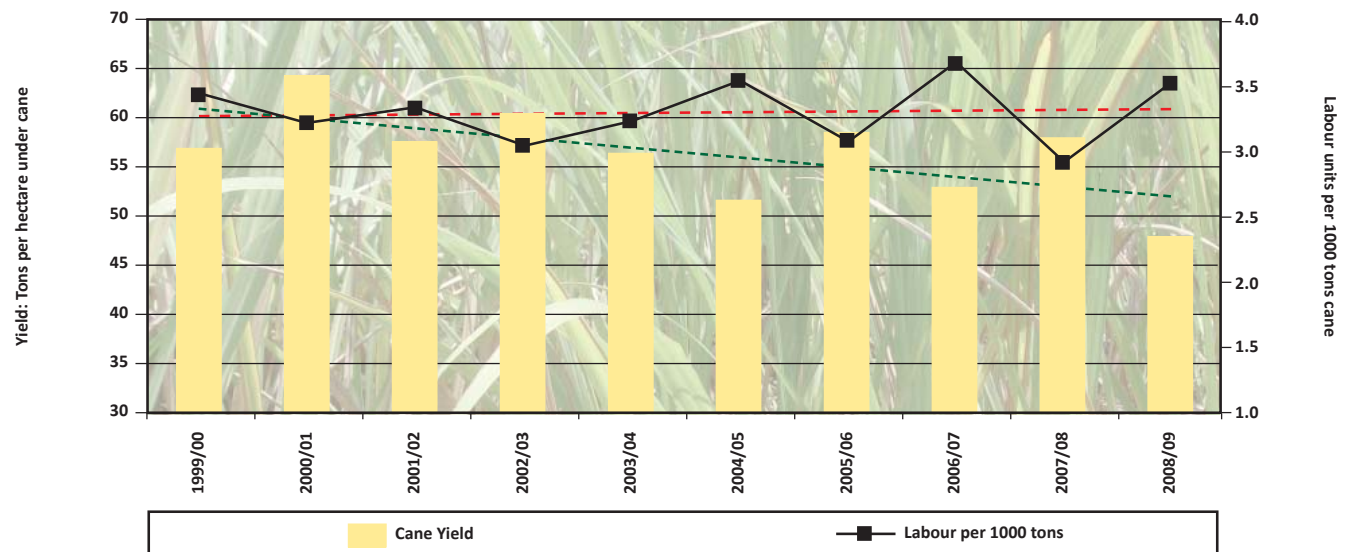
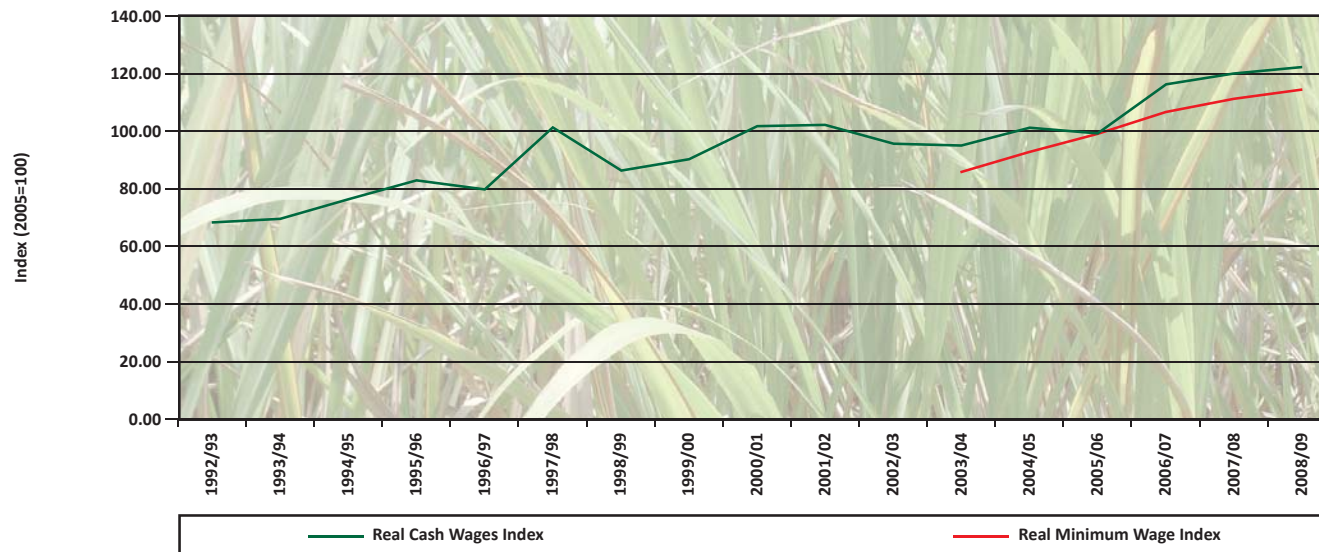


Figure 4: Cane and labour productivity measures



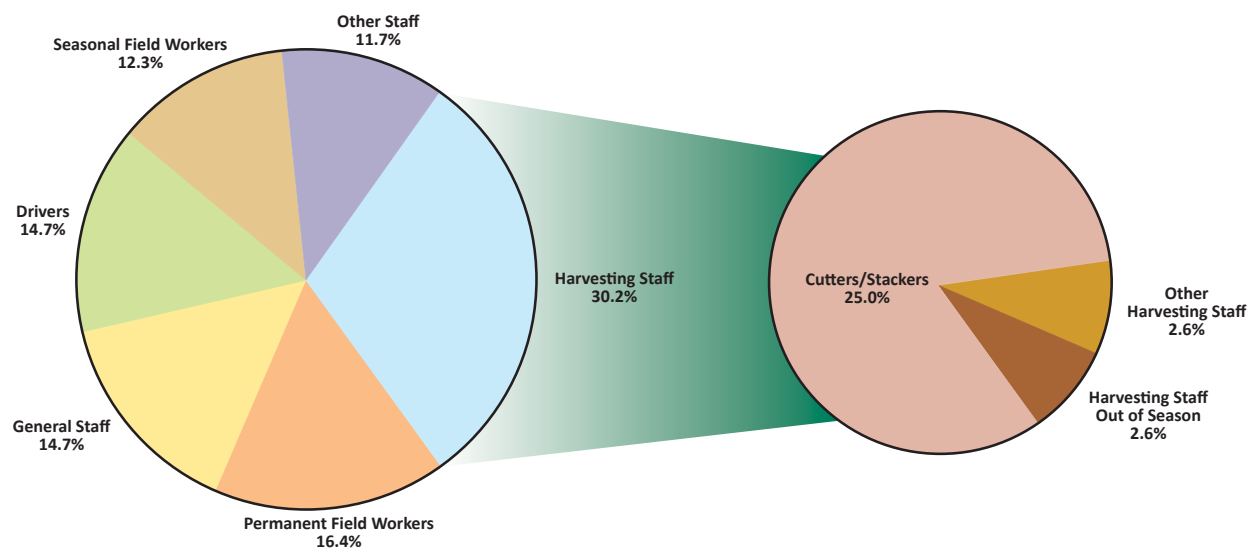
An index of average real cash wages earned by farm workers is graphed in Figure 5. Because the index is adjusted for the effects of inflation on the purchasing power of money, the slope of the index indicates the rate of change in average cash wages relative to the inflation rate. A positive slope indicates that the purchasing power of the average cash wage increased, a 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 2008, real average farm wages increased by 58%. 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 to 2008/09. 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 2008/09.

Figure 5: Trends in real average cash wage earnings and the minimum wage



The proportion of the monthly wage spent on each labour category is shown in Figure 6. Harvesting staff account for 30.2% of the wage bill, followed by permanent field workers (16.4%) and general staff (14.7%). General staff include mechanical maintenance, clerks, indunas and section managers. Although fewer of these types of staff are hired, they generally receive a higher level of wage, resulting in a relatively high proportion of wages spent. Seasonal field workers, drivers and other staff make up the remaining 38.7% of expenditure on wages. Other staff includes cooks, domestics, security, builders and general staff.

Figure 6: Proportion of wage spent per staff type: 2008/09 season



As a high proportion of grower costs are spent on labour, increasing and maintaining high levels of labour productivity is an important objective for commercial farm businesses. A change in the efficiency and productivity of farm labour can significantly impact on a farm's profitability.



SUSTAINABILITY OF THE CANE GROWING SECTOR

Sustainability of the cane growing sector is one of the key focus areas of CANEGROWERS. Its many training and development projects are aimed at meeting the needs and aspirations of growers, thereby ensuring a viable future generation of cane growers. Many of these projects are funded through the Grower Development Account (GDA), administered on behalf of the sugar industry by SASA. Through the division of proceeds mechanism, cane growers fund 64.3675% of the costs of SASA and, as such, any discussion on the sustainability of the sugarcane grower includes the activities of both CANEGROWERS and SASA.

CaneFarms

During the season under review, CaneFarms continued to provide bookkeeping, Value Added Tax (VAT) and Pay as you Earn (PAYE) preparation services for its clients. In

addition, CaneFarms has improved the controls around EMP 501/IRP5 reconciliations, which is now a focus of the South African Revenue Services (SARS). CaneFarms works closely with accounting firms to ensure compliance with statutory requirements.

Beneficiaries from the land reform process continue to engage the services of CaneFarms. During the 2009/10 season, 25 new clients joined the service, bringing the total CaneFarms client base to 151. CaneFarms also works with communities of growers and projects, such as CANEGROWERS' Phakamisa project. The CaneFarms Client Liaison Officer mentors new clients using training programmes aimed at increasing the knowledge and awareness of cane growers with respect to bookkeeping and financial management as part of the cane growing enterprise.



Value Added Tax (VAT) Flat Rate and Diesel Rebate

Small-scale growers who are not registered as VAT vendors, continue to receive the benefit of the VAT Flat Rate and Diesel Rebate which is determined based on CANEGROWERS' costs of production data. Confirmation in writing of the approval from SARS for the 2008/09 and 2009/10 rates, as well as notification of the conditions attached to the approval, was received on 8 September 2009. As payment had been made using the 2007/08 rates, growers were reimbursed retrospectively for these adjusted approved rates. The table below indicates the rates for the previous season, as well as the newly approved rates:

	Approved Rates			Actual Rates Paid during the season			
	VAT Flat Rate	Diesel Rebate	Total	VAT Flat Rate	Diesel Rebate	Total	Diff.
2006/07	15.38	2.74	18.12	15.38	2.74	18.12	0.00
2007/08	16.45	3.14	19.59	16.45	3.14	19.59	0.00
2008/09	22.25	3.53	25.78	16.45	3.14	19.59	(6.19)
2009/10	24.14	4.75	28.89	16.45	3.14	19.59	(9.30)

Submissions made on behalf of cane growers

Electricity

The electricity tariff increases proposed by Eskom during the season under review caused much consternation for affected growers, particularly to small-scale growers and those in the irrigated regions. CANEGROWERS presented two written submissions to the National Energy Regulator of South Africa (NERSA), one for the original proposed 45% increase per annum for three years and the other for the revised proposed increase of 35% for the same period. These submissions were made on 30 November 2009 and



12 December 2009 respectively. In these submissions, CANEGROWERS focused mainly on the effect this increase would have on the social well-being of growers in the sugar industry and that such an increase would result in the decline in profits to an unsustainable level. This would in turn affect job losses, predominantly in the rural areas.

The ripple effect on areas such as Nkomazi and Pongola, where the town and surrounding areas depend economically on the sugar industry, was highlighted, as was the effect on the rural communities that the industry supports. In addition, it was highlighted that it was not only farmers, millers and their employees that would be affected by farm and mill closures, but also the supplementary services which support the sugar industry.

In addition to the two written submissions, CANEGROWERS also attended and presented at the NERSA public hearings which were held in Mpumalanga and KwaZulu-Natal. The opportunity was taken to engage directly with NERSA management regarding the proposed Eskom tariff increases. CANEGROWERS also requested the opportunity to discuss mechanisms that Eskom could consider to support the agricultural sector and the sugar industry. Finally, CANEGROWERS requested the opportunity to engage with NERSA and Eskom regarding the potential for the sugar industry to provide renewable energy to support South Africa's electricity requirements.

Air Quality Management

CANEGROWERS made submissions to Government on the draft Air Quality Management by-law. This resulted in a favourable response from Government which will assist cane growers with the administration that may be required should this By-law be implemented by municipalities.

Road Transport

Submission was made to the Department of Transport on the proposal to reduce the axle mass from 9 ton per axle to 8 ton per axle. This would have resulted in an average payload reduction of 0.512 tons affecting about 77% of the vehicles transporting cane to the mills. CANEGROWERS' staff continues to participate in the Road Transport Management System (RTMS) forum.

Property Rates

Submissions continue to be made by Regional Services to various municipalities highlighting the economic consequences of poor implementation of the Municipal Property Rates Act. At the same time, CANEGROWERS continues to foster good relationships with all the municipalities within the areas in which it operates.

Support for small-scale growers

Many of the sustainability interventions approved by Growers and Millers at an industrial level are aimed at providing relief for 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. Some of these interventions include the continuation of the approximately R31 million per annum Supplementary Payment Fund (SPF) for an additional five year period. Through the SPF, all small-scale growers will receive financial support based on a sliding scale according to cane tonnage delivered to a mill.

The sugar industry's Umthombo Agricultural Finance (UAF) continues to provide small-scale growers with the ability to save a portion of their proceeds that can



be used to fund farming operations in the following season. During 2009/10, this opportunity was further extended to include small-scale grower contractors. A pilot project is planned whereby a commercial bank will provide the same service for land reform beneficiaries and contractors. This additional service will assist land reform beneficiaries to set funds aside to pay VAT, fund farming operations and save towards the cost of purchasing farms within the context of Government's proactive land acquisition strategy.

Significant funding was received during the year to address concerns with respect to small-scale grower sustainability. A R4.819 million project aimed at investigating new ways of achieving better institutional structures and a modernized land tenure system was funded by the SASA GDA for the Mpumalanga Cane Growers Association's small-scale grower sustainability project.

The National Development Agency provided R2.576 million funding towards the CANEGROWERS' Phakamisa project. This project uses the well-respected cluster approach of the dti/Productivity SA's 'workplace' challenge and redesigning the modules associated with improving productivity and competitiveness for sugarcane. Project participants include land reform beneficiaries and 12 small-scale grower co-operatives in the Amatikulu/Entumeni cane supply areas. Goal setting and establishing a clear vision are key in enabling both clusters to improve their sugarcane enterprises. Defining a future and setting a course towards that future is enabled by identifying and monitoring key performance indicators.

Training and Development

During the season under review, 814 small-scale growers participated in various training courses facilitated by CANEGROWERS at an investment of R787 969. The most popular attended courses included

knapsack operation, cane cutting, occupational health and safety, sugarcane husbandry and first aid. CANEGROWERS has developed a comprehensive database which will improve the monitoring and evaluation of training activities, as well as ensuring that successful growers can be targeted for training on a range of courses rather than ad hoc training activities, thereby supporting the sustainability of this sector.

The 2009/10 season began with institutional training for all small-scale grower structures in which the Grower leadership was trained on business skills. These courses focussed on good governance and assisted small-scale grower leadership to better understand their responsibilities as members of the CANEGROWERS' Board of Directors and as sugar industry committee members.

Large-scale growers continue to use the training opportunities provided through the SASA Shukela Training Centre. This supports the view that better trained farm staff are more motivated and effective, resulting in a positive impact on farm productivity.

The GDA continued its funding provision for the administration costs of CANEGROWERS' small-scale grower Member Organizations for a further three year period. This annual support of R1.620 million is used specifically on activities related to the small-scale grower sector in each region, for example, the employment of administrative assistants, to pay for meeting attendance and to enhance communication with growers.

Certified seedcane is the corner-stone of all sugarcane enterprises and presents a particular challenge for



small-scale growers. Seedcane schemes, which have been motivated through CANEGROWERS and funded through the GDA, have formed the bulk of development initiatives during the season. A total of R6.458 million was allocated towards the establishment of seedcane schemes, thereby ensuring that better and newer varieties of certified seedcane is readily available at a reduced cost in the deep rural areas.

Regional support

The Regional Services division of CANEGROWERS provides support to cane growers who are operating in local, regional and industrial environments. Grower Support Officers provide dedicated assistance in the management of the local structures and also assist in implementing CANEGROWERS' development and training strategic plan. Economic extension to land reform beneficiaries and small-scale growers relies on the regionally-based Economic Advisors, backed up by the CaneFarms bookkeeping services. Regional Managers support Local Grower Council/Association activities across one, two or three cane supply areas. In terms of the Sugar Industry legislation, all cane supply areas have certain obligations. To support growers, Regional Services also provides a monitoring and advisory role on the Mill Group Board, Local Pest Disease and Variety Control, Local Environment, Efficiency/Transport, Development and/or Land Reform Committees. Regional Services is also involved in the analysis of mill performance and efficiencies and, together with the South African Sugarcane Research Institute (SASRI) Extension, addresses any local cane supply problems.

Regional Services relies on the support of CANEGROWERS' head office when issues need to be elevated to an industrial level where growers' interests are represented on the more than 41 industrial committees and working groups.

Land Reform

The slow pace of land reform and, in particular, the land restitution process, continues to impact on the sustainability of the cane growing sector. This is evident through the lowering of grower morale and disinvestment in farming activities, which translates into a loss of cane supply. During the course of the season, the independent Inkezo Land Company was closed and its activities reviewed and incorporated within SASA structures. It is expected that this will provide impetus in unlocking some of the current land reform bottlenecks. AgriSETA funded R273 600 towards training of new land reform restitution beneficiaries to improve their understanding of the agronomic side of the cane-growing business. Funding by the National Department of Agriculture, Forestry and Fisheries for the R1.1 million commodity mentorship programme came to end during the season. Beneficiaries from this programme included 85 cane growers and 11 of the mentors were Black master mentors. It was unfortunate that funding for this successful programme was not continued and CANEGROWERS will endeavour to source further resources for such initiatives in the future.

Sustainable Farming Practices

The principles of sustainable farming are supported through the SASA/World Wide Fund (WWF) Memorandum of Understanding. Through the sugar industry structures, CANEGROWERS supports this initiative and has agreed that the sustainable farming management system developed in the Noodsberg area and known as SuSFarMS, be rolled out to interested cane growing areas in 2010. CANEGROWERS will be working with SASRI on the roll-out of this project to other cane growing regions.

HUMAN RESOURCES

Staff Training and Development

The Annual Training Report 2008/09 and the Workplace Skills Plan 2009/10 were submitted to AgriSETA in June 2009. A total of 45 CANEGROWERS' staff received training over the period 2008/09 in the three priority areas which were identified for that season as Management and Leadership Development, Technical Specialist Skills and AIDS Awareness and Ethics.

For the season under review, CANEGROWERS' management identified Leadership and Ethics, Technical Sugarcane Production and Financial and Accounting Skills as critical learning programmes.

CANEGROWERS' staff participates in an annual staff day where, through this initiative, staff are exposed to sugar processing factories, cane farms and learn about the sugar industry and the challenges facing their customers. In October 2009, staff went to the Shongweni Dam for a Personal Development Course where they took part in activities promoting self esteem and unity within the group. In addition, Regional Office staff participated in two three-day industrial training sessions.



Recruitment

A total of 23 new recruits, which included the nine newly created posts of Grower Support Officer in the Regional Services division, were appointed between 1 April 2009 and 31 March 2010. Of the new appointments confirmed, 70% were African. Over the same period, eight staff members terminated their services with the organisation. CANEGROWERS is proud to have qualified and competent members of staff who will strengthen its existing professional team enabling a more effective and efficient service to the cane-growing community.

Employment Equity Statistics

The workforce profile for CANEGROWERS as at 1 April 2010, reflects 50% African, 2% Coloured, 12% Indian and 36% White employees. The Employment Equity Act aims to achieve equitable representation of the designated groups according to the Economically Active Population (EAP). CANEGROWERS will continue to endeavour to appoint suitably qualified applicants from the designated groups in order to achieve the goals set in its Employment Equity Plan.

Total number of employees as at 1 April 2010 Inc. All Permanent, Temporary and Contract Workers														
African			Coloured			Indian/Asian			White			Total		
M	F	D	M	F	D	M	F	D	M	F	D	M	F	D
14	11	0	1	0	0	1	5	0	6	12	0	22	28	0
28%	22%	0	2%	0	0	2%	10%	0	12%	24%	0	44%	56%	0
50%		0	2%		0	12%		0	36%		0	Grand Total: 50		
In the table above: M=Male, F=Female, D=Person with disability														

FINANCE

A budget to meet the administrative and operational requirements of CANEGROWERS is compiled internally and subjected to a rigorous approval process. For the sake of transparency, at the annual Regional Meetings an overview of the budget is presented for information prior to approval at the Annual General Meeting.

An Audit Committee is in place which has oversight of the external audit process. During the period under review, the Audit Committee met four times.

The 2009/10 year ended with a surplus of funds of R3 072 022. Based on an estimated levy requirement of R28 701 753 for the year ahead and the initial cane delivery estimates for 2010/11, the cost of operation and administration of CANEGROWERS equates to approximately 0.5% of the projected final RV price for the season.

CONCLUSION

Cane growers have once again shown their resilience and ability to steer through adverse climatic and financial conditions. However, it is abundantly evident that there are growing levels of frustration amongst growers at the apparent inability of the sugar industry partnership to determine and agree the future strategic direction of the industry that enables meaningful participation by both sectors in opportunities to maximize the revenue from cane. Unless and until this nettle is grasped, certain cane-growing regions will continue to see a decline in cane production and grower numbers.

The time and opportunity is now upon Grower and Miller leadership to tackle the challenges required to take the industry past the realms of sugar and molasses and into a new diversified product mix. This will need the commitment and dedicated involvement of all parties within the sugar industry, as well as government. It is during times such as these that a cohesive and strong Grower voice is vital to ensure that the overall long term objectives for a transformed and sustainable sugar industry are achieved.

The Board records its appreciation to all growers and their elected representatives for their continued support and to the staff of CANEGROWERS for their unswerving commitment to serving the needs and interests of growers.



ST Naidoo: Chairman



DB Wayne: Secretary

27 May 2010



LOCAL GROWER COUNCIL REPORTS

AMATIKULU

Chairman: T Majosi

Vice-Chairman: CJ Alexander

Secretary: K Archibald

Opening estimate tons	1 690 522
Tons cane produced	1 481 245
Outward diversion	197 449
Inward diversion	4 713
Total tons cane crushed	1 288 509
RV%	12.16
Sucrose%	13.44
Non Pol%	1.34
Cane to sugar ratio	8.31
Mechanical efficiency%	93.86
Fibre%	15.6
Mixed juice purity%	84.9

The Amatikulu growers faced a difficult 2009/10 season which included a mill control room fire that stopped the mill crushing, for six weeks, over a high sucrose period. The growers managed to divert approximately 46% of their allocation deliveries to either the Felixton or Darnall mills. The Amatikulu Local Grower Council has communicated appreciation to the local miller for its quick response in correcting the problem, as well as to the Felixton and Darnall growers who agreed to accommodate additional cane in what eventually proved to be a difficult finish for the region in light of heavy December rains. This resulted in approximately 60 000 tons of additional carry-over cane.

There has been an increased awareness of Thrips in the area, although levels of Thrips may not necessarily be higher than previous years. Ratoon Stunting Disease was also a problem in the Eshowe and Entumeni areas,

with the Melmoth area showing particularly high levels with field recordings reaching 18%. Inland Eldana levels still remain lower than previous years as growers continue to adopt the use of FASTAC in the Entumeni Pest and Disease control area.

There was also welcome relief in the reduction of the Potash price over the months of June through to December 2009. These seemed in line with reductions of other fertilizer prices in prior months.

The Phakamisa Project continued to assist small-scale grower co-operatives with bookkeeping training and business compliance advice. Various new freehold growers received Comprehensive Agricultural Support Programme (CASP) funding for input purchases. A local grower, Mr Moses Gumede, was proudly first runner up in the 2009 Toyota New Harvest Emerging Farmer of the

Year Competition. This recognised his continued success as an up-and-coming, previously disadvantaged grower.

Funding for the Vuselela Project was approved and the local miller has started planting 474 hectares of small-scale grower cane land in the Amatikulu cane supply area.

Since the heavy rains in December 2009, the Amatikulu coastal area has experienced a relatively dry summer, whilst inland growers continue to see good rains. This may impact on the 2010/11 crop, although high carry-over levels may counter-act this situation. It is anticipated that milling operations will run smoothly in the coming season and that RV levels will improve as growers look to benefit from an anticipated higher RV price.



DARNALL

Chairman: GP Naidu
Vice-Chairman: N Msweli
Secretary: A Jagessur

First estimate (tons cane)	1 234 435
Guaranteed estimate	1 148 755
Tons cane crushed	1 144 455
Tons cane delivered	1 125 936
Outward diversion	2 619
Inward diversion	21 138
Sucrose%	13.26
RV%	12.02
Cane to sugar ratio	8.31
Tons RV	135 375

Growers were optimistic at the commencement of the 2009/10 season of reaping a bountiful crop. However, as the season progressed, estimates dropped. Nevertheless, there was a 1.0% increase when compared with the 2008/09 season.

Small-scale grower deliveries amounted to 93 652 tons. When compared with the previous season (62 899 tons), there has been an increase of 49%. This is attributed to the Gijima Project which came to an end in February 2010. An area of 354 hectares has been rehabilitated involving 72 growers.



During the 2008/09 season, 24 growers and one community based group of Land Redistribution for Agricultural Development (LRAD) beneficiaries were assisted by government CASP funding of R4.465 million for ratoon management. During the 2009/10 season, eight individual growers and two community groups qualified for ratoon management and replanting grants to the value of R5.540 million.

The miller also provided further assistance in the form of an interest free fertilizer loan scheme. Applicants qualified for a loan of R400.00 per hectare. Ninety growers took advantage of the scheme. Growers also benefited from a free seed scheme to develop new cane lands.

The local miller has also embarked on a major cane rehabilitation programme with the Mangete community. An area of 800 hectares has been earmarked, of which 500 hectares have already been planted to sugarcane and which will be harvested in the 2010/11 season.

The Working for Water programme continues to function. Clearing of alien weeds in the Zinkwazi Catchment and the area surrounding the mill was undertaken. The Roads Committee is in constant contact with the local Department of Transport in regard to maintenance of roads within its jurisdiction.

Growers have seen an improvement in turn-around time and pay load efficiency due to the implementation of FREDD, whilst the overload rejection scheme has to some extent reduced overloading.

The Strategic Plan Committee will be meeting with the miller to set a way forward in terms of a working document prepared by an independent consultant.

Despite below average rainfall at the beginning of the year, growers expect a good 2010/11 season enhanced by recent change of land ownership and improved farming methods.

ESTON

Chairman: G Stainbank
Vice-Chairman: MP Shange
Secretary: J Gurney

The 2009/10 year will be remembered for the devastating hail storm which occurred on 3 January 2009, negatively affecting some 5 000 hectares. In some cases, cane was completely destroyed. Although affected growers were given priority at the start of the season, the resultant poor cane quality did little to alleviate the losses incurred. Some of the damage to young cane will only be realized in the 2010/11 season. Eston growers delivered 1 371 049 tons of cane with an average RV% of 12.73%, the lowest cane quality achieved in the region for several years. Eston mill crushed 1 207 697 tons, with 168 639 tons being diverted to the Sezela and Noodsberg mills. The mill performed well with an LTA of 2.85%.



Self regulation on overloading continued during the 2009/10 season, with overloads being reduced to 2 426 tons over the season, or 0.2% of deliveries. The penalty system is constantly re-evaluated in order to improve efficiencies and adhere to legal obligations. Considerable under loading is a concern, leading to increased transport costs.

Property rates have now been introduced throughout all the municipalities in the Eston cane supply area. Land claims, along with proposed Eskom servitudes for new power lines and an oil pipeline through the district, have provided additional challenges to growers. Mill Group Board rules were updated and introduced at the start of the season.

Small-scale growers received a grant of R76 000 from the GDA for the establishment of approximately 160 x 0.1ha seedcane plots. This is the first stage in a three-year project. It is anticipated that this will reverse the trends of a decline in small-scale grower production in the region.

Growers are expecting a higher quality, but a lower tonnage cane crop for the 2010/11 season.



FELIXTON

Chairman: R Jenkinson
Vice-Chairman: M Makhathini
Secretary: N Kok

First estimate (tons cane)	1 602 010
Guaranteed estimate	1 460 514
Tons cane crushed	1 642 987
Tons cane delivered	1 422 956
Outward diversion	308 420
Inward diversion	88 389
Sucrose%	13.41
RV%	12.07
Cane to sugar ratio	8.79
Tons RV	198 383

The Felixton mill crushed a disappointing 1.643 million tons of cane in 2009/10, which was one of the smallest crops ever achieved in the region. Of this, family cane made up 1.423 million tons. Cane supply continues to be a major concern for this mill area.

The crop was crushed in just over 32 weeks at an average crush rate of 50 000 tons per week, which is below the mill's crushing capacity of 78 000 tons per week.

The untowards brix and pol factors at Felixton remain a concern for growers, although an agreement is now in place which compensates growers for a high brix minus pol factor difference, as well as for a low pol factor.

The Felixton Outreach Committee continues to operate well with the meetings now split into land reform/freehold farms and small-scale grower/seedcane projects. This committee has also facilitated training and mentorship for new growers.

The 2010/11 Felixton family cane estimate has increased to 1.5 million tons, largely due to new areas planted to cane, especially in Nkwaleni, as well as more favourable weather conditions. No diversions are planned from Amatikulu at this stage.

GLEDHOW

Chairman: MP Finch
Vice-Chairmen: D Naidoo, GC Heenan
Secretary: R Jeevanath

First Estimate (tons cane)	1 313 089
Guaranteed Estimate	1 201 383
Tons cane delivered	1 148 733
Add Inward Diversions	7 417
Less Outward Diversions	1 339
Tons cane crushed	1 154 811
Tons Sucrose	151 919
Tons RV	137 249
RV%	11.88
Cane to sugar ratio	8.74

The poor rainfall in mid to late summer, which has been something of a pattern these last few seasons, adversely affected cane yields during the season under review.

This past season saw the formation of the Gledhow Sugar Company through a unique partnership



comprising the Sokhela Family Trust, Illovo Sugar Limited, the Growers' Trust and Sappi. This certainly bodes well for the long term future and sustainability of all participating growers. This past season also saw the unification and amalgamation of all the various member organizations into one unified body, namely the Gledhow Farmers' Association. This has been an exciting and historical season for the region.

The GDA provided R1 million which was used to plant 65 hectares in the Glendale Valley. A total of R5.75 million was approved for various projects in the small grower areas. The projects focus on sustainable production and will boost cane supply from this sector of growers.

Land claims continue at a lethargic pace much to the frustration of landowners and claimant communities.

MAIDSTONE

Chairman: S Sharma
Vice-Chairman: R Crowe
Secretary: U Hemraj

First Estimate (tons cane)	1 234 000
Guaranteed Estimate	955 000
Tons cane delivered	890 783
Add Inward Diversions	1 517
Less Outward Diversions	1 945
Tons cane crushed	890 355
Tons Sucrose	119 629
Tons RV	108 139
RV%	12.15
Cane to sugar ratio	8.54

The mill crushed one of the lowest tonnages recorded. The 2009/10 crush is comparable to the tonnage crushed in the drought affected 1993/94 season. Since then it had never crushed below 1 million tons. On the positive side, a more favorable RV% was achieved. The past two seasons have yielded the highest mill average RV% since the inception of the RV system.

The Maidstone mill suffered a large loss of cane supply when a group of growers migrated to the Gledhow mill. This home cane will return to Maidstone mill in the short to medium term which will ease the poor cane supply situation exacerbated by unfavorable economic conditions during the growing season. In the longer term, sustainability of cane growing and milling operations is key to the region and new cane supply areas will need to be developed. An example of new cane development is the revival of cane areas within Ndwedwe as part of the R52 million Operation Vuselela project funded mainly by the Department of Economic Development and the local miller. This will boost cane supply by more than 250 000 tons over the next three seasons.

The development of the new international airport in the region necessitated a review of burning code of practice. This resulted in the establishment of a Fire Protection Agency which will be in place in the next season. Airports Company South Africa co-operated fully in this process which will provide for cane burning and crop spraying on a more controlled basis.

The first estimate for the 2010/11 season is 1.1 million tons cane.

Photo courtesy of the Gledhow Sugar Company



MPUMALANGA

Chairman: F Potgieter

Vice-Chairman: S Mashaba

Secretary: V Enslin

	KOMATI	MALELANE
Tons cane	2 280 798	1 656 846
RV% cane	13.08	13.27
Sucrose% cane	14.22	14.25
Overall time efficiency	79.65	88.81

Mpumalanga Cane Growers' Association (MpCGA) forms the Local Grower Council for independent growers in the Malelane and Komati regions.

Due to the ongoing Sugar Act Review discussions taking place between Millers and CANEGROWERS, a decision was taken to renew Cane Delivery Agreements (CDA) on an annual basis pending resolution of the review. During the 2009/10 season, agreement was reached with the mill to sign a three-year extension to CDA's, while ensuring that if the Sugar Act Review process is concluded, MpCGA and the miller will enter into discussions to renegotiate the CDA's.

In order to ensure that all growers are aware of their responsibilities and compliant with the National Veld and Forest Fire Act No 101 of 1998, MpCGA has developed and adopted a comprehensive Cane Burning Protocol. MpCGA has negotiated with the Lowveld and Escarpment Fire Protection Agency for all growers to gain membership of the Fire Protection Agency with its associated benefits.

Growers in Mpumalanga are in a unique position given the extensive biodiversity evident on many farms and within the broader region. SuSFarMS offers an opportunity to introduce a comprehensive farm management system incorporating both compliance issues and best management practices for on farm sustainability. MpCGA has identified five farms for initial

trial purposes to ensure SuSFarMS appropriate adaption for irrigated farming.

MpCGA has signed a Memorandum of Understanding with the mill to enable the formation of the Sugar Forum. The Sugar Forum addresses issues that affect the sustainability of the region. The Sugar Forum has been strengthened by the incorporation of representatives from the Pongola Local Grower Council since the region's miller's purchase of the Pongola sugar mill.

MpCGA approached the miller, through the Sugar Forum, for assistance in co-ordinating a rehabilitation project to ensure the sustainability of small-scale grower production. An international consultancy has been appointed as the project manager, with a locally based development organisation appointed in the field as the social facilitator to enable growers to make the

changes to their farming operations and structures to encourage sustainability. Significant grant funding has been sourced to fund the project and encouraging changes are becoming evident from the irrigated projects.

The Ligugulethu Co-operative, a wholly grower owned co-operative, is an equal equity partner with the miller in Akwandze Agricultural Finance (AAF). AAF is a fund manager and has successfully entered into an agreement with Khula Enterprise Finance Limited to create Khula/Akwandze Fund (KAF). KAF has approximately R100 million available for small-scale grower loans over the next three years. AAF is in discussions with SASA-MAFISA for a further R25 million funding and has entered into discussions with the Land Bank Development Fund to provide finance for land restitution joint ventures.



NOODSBERG

Chairman: LJ Harries

Vice-Chairman: B Hirschowitz

Secretary: I Lutge

Tons cane delivered	1 407 159
Tons RV	182 057
RV%	12.65
Sucrose%	13.87

The crop estimate of 1 407 159 tons was achieved at 12.65% RV. Small-scale grower production received a boost with assistance from Gijima for an additional 165 hectares replant area in the Swayimani tribal area. It is hoped that the Government's newly established Agricultural Development Agency will assist the new freehold growers with replanting programmes, as well as attend to land reform issues and manage certain grower projects.

Pest and disease matters were high on the agenda during the year under review, with Eldana steadily spreading throughout the district and found in all the eco zones. Fortunately, numbers are generally low, except for the Eldana 'hot spots' where numbers as high as 65 Eldana per 100 sticks have been found. Ratoon Stunting Disease continues to spread and is prevalent on a number of new farms. To further improve seedcane supply and quality, the region has embarked on a project using Nova Cane speedlings in a formalised seedcane scheme to ensure 100% true to type and disease free seed. The first speedlings are expected to be planted out in September 2010. The local milling companies assisted with the initial outlay for this project.

During the season, the trade mark for SuSFarMS was relinquished and will be handed over to SASA during the 2010/11 season.

Challenges that will continue to impact on the Noodsberg cane supply area include competition for cane supply, the proposed Eskom power line route, uMshwathi City development plans and compliance proposals. Good co-operation between the miller and growers has resulted in constructive debate on a number of issues.

A joint generation of electricity initiative with timber grower stakeholders and the region's millers was abandoned due to the exclusion of bagasse in the latest Eskom REFIT tariffs, which was exacerbated by the cost of harvesting, baling, transporting and processing of green cane. An investigation highlighted that the Midlands region has a considerable amount of biomass which could be utilized in the future.

The estimated cane crop for the 2010/11 season is 1 400 000 tons.



PONGOLA

Chairman: W Visser

Vice-Chairman: M D Myeni

Secretary: D Bosman

Tons cane delivered	1 144 754
Tons RV	135 670
RV%	12.07
Sucrose%	13.29

The Pongola growers delivered 1.145 million tons of cane in 2009/10, which was again lower than the previous season's crop. Of the total tonnage, 1.127 million tons was crushed at Pongola, with a net amount of 18 300 tons diverted to and crushed at Umfolozi and Felixton. Pongola cane quality was slightly down on the previous season and ended at 12.07% RV. The brix minus pol factor problem experienced in previous seasons has been resolved and the difference ended up at an acceptable 1.58.

One of the most significant events in Pongola's history took place this season with the sale of the mill. The new miller took over milling operations midway through the season.



SEZELA

Chairman: E Koekemoer

Vice-Chairmen: RM Ncwane and A Naidoo

Secretary: W Gillham

First estimate (tons cane)	1 920 000
Tons cane delivered	1 776 629
Non Sucrose %	2.52
Fibre %	16.29
RV %	12.20
Sucrose %	13.49

What promised to be a high RV season was spoilt by wet climatic conditions during the last five weeks of the season. Cane deliveries were also negatively affected.

2009/10 Season Highlights

- The election of Rejoice Ncwane as Chairman of the Sezela Cane Growers' Association (SCGA). This heralds the first female and first Black chairman of the organisation and is indicative of the maturity, trust and collective will which exists within SCGA.
- Negotiation of better transport rates resulting in massive savings for many small-scale and new freehold growers.
- Negotiation of a special supplementary payment from the millers' downstream operation at an estimated additional R30 million over the next five years to all Sezela growers.
- Encouraging the local miller to hold discussions with respect to grower shareholding in its South African operations.
- Together with the miller, providing assistance for the procurement of 70% grant funding for some 680 hectares of sustainable new cane development

for small-scale growers which should result in an overall annual income of some R12 million to this sector.

- Together with the miller, securing R2 million funding towards the establishment of small-scale grower seed-beds for free or low cost seed for some 1 080 hectares of replant or new development.
- Involved in the government fertiliser scheme for growers producing up to 5 000 tons cane, ensuring accountability and quality assurance of the implementation of this scheme, once again in partnership with the miller.
- Involved in the motivation and management of CASP funding for beneficiaries of land redistribution farms,

together with the miller and other stakeholders.

- Involvement in a joint grower, miller and haulier effort to find an inbound logistics solution to the Sezela supply chain.
- Involvement, together with all stakeholders, in the setting up of structures to ensure sustainable land reform and successful post restitution and redistribution models. Sezela has one of the best working and most advanced models in the province.
- Motivation to the Government for flood relief.
- Promoting visionary thinking and enabling strategic direction to CANEGROWERS.



2009/10 Season Challenges

Sezela small-scale production has declined some 55% in the past 10 years. Sadly, some new freehold growers who have acquired farms through the restitution and redistribution programmes in the Sezela area, have shown an accelerated decline in production of an estimated 25% over the last 3-5 years. Factors compounding the shrinking production on these farms are lack of replant, poor husbandry and areas previously under cane reverting back to fallow land. Political in-fighting and lack of capacity within recipient communities is a further cause for poor performance. The impact of the exponential increase in input costs in the 2008/09 season played a major role in this decline.

However, there is a turn-around plan to stabilise and then reverse the declining cane supply in the Sezela mill area. The plan is a two-pronged rehabilitation programme for small-scale and new freehold growers and is a carefully managed implementation of a sustainable, long-term solution to ensure the viability of the Sezela region. The small-scale grower intervention will be to 'jump-start' that sector with free seed, grower own contribution, a partial government grant and an incentive, sought from the miller to encourage the participation of commercial growers and contractors in the rehabilitation implementation.

The new freehold grower and post restitution and redistribution intervention will also be a joint effort by such growers, commercial growers and contractors using available loan funding and an incentive to be sought from the miller, to encourage the participation of commercial growers and contractors in the implementation. The idea of this combined mentorship/self-help approach is to ensure that any assistance to these growers is managed and monitored in a responsible manner which again will ensure sustainability.

A post restitution model for seamless and sustainable transition between commercial growers, the miller and recipient communities is already a reality in several of the land claim communities in the Sezela area.

The above intervention should grow the small-scale grower cane production by 60% over the next 10 years. The new freehold grower intervention should see cane production by this sector growing some 35% over the same period. The overall impact of this growth in production would create some 1 000 new jobs and once again place the Sezela mill on or about a sugar make of some 270 000 tons, which exceeds the break-even production required to ensure the long term viability and profitability of the mill.



UCL Company Limited

Chairman: C Klipp

Vice-Chairman: M Meyer

Secretary: S Love

The Midlands experienced a much milder winter with little frost. A three-year comparison is shown below.

Year	Total tons	Tons /Ha	RV %	Purity %	Ash %	Non-suc%
2007	859 186	83	13.07	86.28	1.30	2.26
2008	743 871	79	12.78	86.10	1.35	2.26
2009	786 305	84	12.66	86.08	1.38	2.23
Average	796 454	82	12.83	86.15	1.34	2.25

Although the mill achieved a good crush for the season it was still below the target of 800 000 tons. This can be attributed to a number of reasons, not least being the amount of time stopped for 'no cane' because of heavy and frequent rain at the end of the season. No cane stops amounted to some 391 hours compared to 122 hours the previous season – an increase of 220%.

Whilst the 2009/10 season saw a marginal decrease in cane area harvested from 9 428 hectares to 9 323 hectares, tons cane crushed increased by 42 434 tons – from 743 871 tons to 786 305 tons. This increase is attributed to improved yields achieved in 2009 of 84 tons per hectare over the previous season of 79 tons per hectare. The quality of cane produced in terms of RV% and Ash% continues to be of concern. This is an area that will once again be focused on strongly in the 2010/11 season.

The UCL pol and brix factors were of particular concern this past season. It is encouraging that much effort has been spent on finding the cause of these irregular results. The start of the new season is eagerly awaited in anticipation of the resolution of this issue.



Cane deliveries have been problematic mainly due to the increase in spiller deliveries accompanying the trend towards mechanical harvesting. UCL does not work on a 24 hour scheduling system at present and may well be faced with this reality in future. Spiller versus Bundle percentage is tabled below.

	Spiller	Bundle
2007	28%	72%
2008	38%	62%
2009	45%	55%
2010 (expected)	30%	70%

The Midlands Pest and Disease Committee has continued its important work in the region, particularly in light of the increasing threat of Eldana and Mosaic. Much progress has been made with the planning and implementation of a seedcane scheme this past year. A roll out programme will be initiated in the next two years aimed at supplying all growers in the various zones with disease free seed.

Growers continue to make considerable strides towards reducing overloading on roads. RTMS was introduced in late 2007 and implemented in the 2008 season. Growers started with a 5% overload warning, reduced to a 2% warning a few months later. This was followed by a 2% rejection on overload. UCL topped the list for the least number of overloads for the 2009/10 season. A number of consignments were rejected for being over the 2% limit with an average overload per consignment over the 2% tolerance of 1.367 tons for the season.

In an attempt to save costs, many farmers took advantage of organic fertilizers this past season. With the reduction of fertilizer and fuel costs and an anticipated increase in the RV price, we look forward to the challenges of the year ahead.

UMFOLOZI

Chairman: A Russell
Vice-Chairman: MJ Mhlanga
Secretary: J Viljoen

Umfolozi region had a relatively poor crop in 2009/10, although the mill's cane supply was boosted by the inclusion of cane from two new large scale suppliers. Umfolozi home growers delivered a total of 1.106 million tons of cane. Despite the additional cane, the Umfolozi mill had one of its worst crushing performances ever and took over 37 weeks to crush just over 1.066 million tons cane (at less than 29 000 tons per week). This was largely attributed to poor maintenance leading up to the sale of the mill and it is hoped that the recent off-crop maintenance program will significantly improve the mill crush rate in 2010/11.

The decline in small-scale grower cane production continues to remain a concern, with this group delivering only 100 000 tons, the smallest crop in over 10 years. The on-going drought conditions and rising inputs costs are contributing to this decline. There is excitement amongst the Umfolozi small-scale growers as they have agreed to levy themselves so as to start raising funds to buy a 7.5% stake in the Umfolozi mill. This investment will serve to encourage small-scale cane production, as well as to assist in securing the future of the mill at Umfolozi.

The Development Committee continues to function well with representatives from the Departments of Agriculture and Land Affairs (DLA) attending meetings. All DLA farms are being carefully monitored and the beneficiaries trained and mentored. A small-scale grower seedcane project will be initiated in the coming season and various options for small-scale grower funding will also be explored.

The first grower estimate for the 2010/10 season is 1.2 million tons.

UMZIMKULU

Chairman: JP van Tichelen
Vice-Chairman: B Peckham
Secretary: E Berry

Tons crushed	1 054 882
Tons delivered	1 070 485
Outward diversion	16 304
Cane: Sugar ratio	9.99372
Overall time efficiency	83.00
RV%	12.74
Sucrose%	13.93
Fibre%	15.10
Non-sucrose%	2.37

Umzimkulu growers experienced a good cane quality season. Growers can be commended for their cane deliveries over the 34 week season, with no-cane stops down 50% from the 2008/09 season. For the year from April 2009 to March 2010, 1 003 mm of rainfall was measured at Umzimkulu. Below average rainfall was experienced from April to August 2009, with a very wet September to December 2009. A lack of solar radiation hampered crop growth.

The Land Reform Operational Committee continues to meet on a regular basis with the primary objective of maintaining the production on recently transferred farms. Over the past season, approximately R12 million has been made available to resuscitate farms that have already been transferred. The successful implementation of these rehabilitative efforts has been, in large part, due to the effective teamwork demonstrated by all stakeholders.

CANEGROWERS' regional office, in collaboration with the local miller, made presentations to the Agricultural Development Agency officials and submitted project



proposals and business plans in this regard, totalling an amount of R5.09 million for next year. Out of the initial proposals, an amount of R2 million has provisionally been approved for replant and ratoon maintenance initiatives.

The resolution of land claims in the area have been slow. The Mavundla Claim, approximately 6 500 hectares in extent, was challenged in the High Court by a group of 27 land-owners. The case was won by the landowners, with costs, on the basis that the research presented to the court proved that the claim was invalid. The Local Land Claims Commission was given 30 days to de-gazette the claim.

The UGU District Municipality, in collaboration with the Development Bank of Southern Africa, are conducting a Sugar Industry Assessment study. This study will focus on understanding the impact of the local sugar industry within the UGU district, as well as identifying opportunities to grow or assist the sugar industry in areas that will have greater impact on the local economy.

The Gijima KZN project to rehabilitate 340 hectares of cane land for small-scale growers was completed at the end of March 2010. A second project which involves an area of 205 hectares of small-scale grower land in need of re-establishment in the Madlala tribal area, was approved for funding by Gijima KZN.

It is estimated that at least 40 people will eventually be employed harvesting 10 000 tons cane annually. All labour required for this replant project will be sourced locally and will create work for 22 people on a daily basis. In addition, extra cane production will enhance the sustainability and viability of the local Umzimkulu Mill. The GDA assisted with funding for the development of 40 hectares of seedcane for this project.

The Hibiscus Coast Fire Protection Association has been registered in terms of the National Veld and Forestry Act, 1998 (Act No. 101 of 1998). This is a joint venture with the Local Municipality. Growers were able to negotiate a no-fee structure for the Association.

The main focus of the Umzimkulu Local Grower Council in the 2010/11 season will be on the future of the mill. The cane estimate for the 2010/11 season is 1 115 993 tons.



DIRECTORATE

Executive Committee

Chairman: Naidoo ST

Vice-Chairman: Murray TJ

Finch MP
Grantham EJO
Linda BN
Mhlanga MJ
Potgieter F
Robert PY
Sharma S
Stainbank G
Visser W

Executive Director: Wayne DB

Director : Regional Services: Hurly KM

Director : Economic Services: Finnemore OCM

Corporate Relations Executive: Zimu TE

Board of Directors

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Vice-Chairman: Murray TJ

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Gumede MS
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Heenan GC
Hohls C
Koekemoer E
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Makhathini MM
Mashaba S
Masinga BW
Mbhele DC
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Moolla I

Myeza J
Naidoo D
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Naidu GP
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Taylor GW
Van Tichelen JP
Visser W
Voigts AM
Wiseman JA

Appointees to the South African Sugar Association Council

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Finch MP
Grantham EJO
Mhlanga MJ
Murray TJ
Naidoo ST

Potgieter F
Robért PY
Sharma S
Stainbank G
Visser W
Wayne DB

Alternates:

Finnemore OCM
Hurly KM
Zimu TE

Observer:

Ferguson JA

