



World Business Council for  
Sustainable Development

## Case study

2004

# Sugar Industry

## A sustainable livelihoods approach to industry challenges

The South African Sugar Industry has been involved in numerous initiatives to improve the agricultural domain in which it operates. Its geographical focus extends from North Pondoland in the Eastern Cape through KwaZulu-Natal to Mpumalanga in the north.



SUGAR INDUSTRY  
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### South African Sugar Industry stakeholders

Milling Companies	Grower Structures	Support Organizations
Tongaat-Hulett Sugar Limited	SACGA Board of Directors	South African Sugar Association
Illovo Sugar Limited	SACGA Executive Committee	Mill Group Boards
Transvaal Suiker Beperk	Mill Area Local Councils	Sugar Milling Research Institute
Union Co-operative Limited	Local Planters Associations, Mill Cane Committees and Mill Group Associations	South African Sugar Technologists' Association
Ushukela Training		South African Sugar Industry Agronomists' Association
		Sugar Manufacturing and Refining Employers' Association
		National Bargaining Council for the Sugar Manufacturing and Refining Industry

### Initiatives for small-scale sugarcane farmers

There are approximately 50,000 registered sugarcane farmers, of which 2,000 large-scale commercial farmers are producing 80% of the production. There are 48,000 small-scale sugarcane farmers on communal land of which 30,000 deliver sugarcane to mills in a typical growing season. More than half of these growers are women and generate an income of R450-600 million (US\$ 65-105 million) for rural and impoverished areas.

There are numerous support initiatives for small-scale sugarcane farmers including the Umthombo financing scheme for small, medium and micro-enterprise (SMME). The South African Sugar Association's (SASA) joint venture with the provincial departments of agriculture has made remarkable strides over the past 8 years in building an effective and well coordinated extension service for small-scale farmers. Mentorship in business skills, workshops on cane growing, grassroots leadership, and business and functional training sessions are but a few other areas of industry support initiatives. This is in addition to capacity-building development programmes in the training and acquisition of technical skills. [Annex 1](#) gives a summary of activities.



In considering a holistic view of the Sugar Industry's relationship with small-scale growers, the main impact of its interventions were identified as follows:

- Wealth creation in agricultural and rural areas;
- Increased sustainable employment;
- Improved farming production and efficiency;
- Support programmes for black farmers;
- Improved stability of rural communities;
- Promotion of land reforms.

The Department of Agriculture defined these areas as priorities and the Sugar Industry has initiatives in place to impact on them.

### **The Sugar Industry's sustainability vision**

The South African Sugar Industry intends to remain a valuable contributor to the economy in which it operates, and a relevant and valued component of society, as well as to contribute to a vibrant, healthy and skilled civil society where all have an equitable opportunity to participate.

Within this context the Sugar Industry seeks to be an industry that:

- Acts ethically with integrity, purpose and responsibility to all stakeholders;
- Plays a facilitating role in forging cooperation for development within sugar producing countries in the South African Development Community (SADC);
- Promotes the advancement and development of skills to ensure the international competitiveness of the South African Sugar Industry, and shares this research and development with SADC sugar groups on a user-pays basis;
- Promotes the development of small-scale growers and emergent growers;
- Creates opportunities for revenue earning in subsistence farming areas;
- Uses its position as a rurally based industry to promote socio-economic development in these under-resourced areas.

The Sugar Industry's main development focus areas are:

- Land Reform – facilitating land claims and restitution through validating outstanding claims and providing capacity support, as well as opening lines of communication;
- Emerging and/or small-scale farmers – creating mentorship programmes with established commercial farmers to help small growers pool their land into cooperatives to increase yields and revenues;
- Education and training – using demonstration plots allows growers to observe the performance of selected sugar cane varieties under local conditions and specific practices, thereby creating awareness that the cultivation of sugarcane can be successful when the correct agricultural practices are followed;
- Social investment – using the Trust Fund for Education (SITFE) to:
  - Produce suitable professional skills for the science, agriculture and engineering fraternity in sugar producing areas;
  - Strengthen tertiary institutions in sugar producing areas;
  - Promote skills in rural areas in order to increase capacity;
  - Create opportunities to correct racial and gender imbalances;
- Black economic empowerment - enabling historically disadvantaged individuals to own and operate their own commercial sugar farms.

Specific efforts in these areas are illustrated on the Sugar Industry development website at [www.sugarindustrydev.co.za](http://www.sugarindustrydev.co.za)



## Developing a sustainable livelihoods approach

Due to production and financial constraints sustainability is a key concern, as reflected in the Sustainable Livelihoods Approach (SLA) being piloted in Komati, Sezela and Maidstone regions where sugarcane is grown. This response is in line with Sugar Industry small-scale farming development objectives, which can be summarized as follows:

“The South African Sugar Industry commits itself in a public-private partnership with central and local government to the strategic nurturing and facilitation of sustainable small-scale sugarcane farming communities as a means to rural development, empowerment, poverty alleviation and improvement in quality of life in rural sugar cane areas.”

## Initial steps

Processes undertaken to facilitate the introduction of the SLA:

- Leadership vision and buy-in -- understanding that small-scale sugarcane farmers are vulnerable to economic and climatic shocks and, as a stakeholder, need support beyond their direct function as a supplier of sugarcane.
- Development of literature surveying practices in promoting livelihoods in other areas of the world.
- Initial scoping as a bottom-up approach in three diverse pilot areas to assess the receptiveness and potential of the sustainable livelihoods approach. The Institute of Natural Resources (INR) was awarded a tender to undertake initial scoping with a primary reflection on the assets and constraints in communities.
- Supply feedback on outcomes to leadership and pilot stakeholders with an invitation to take forward a planning process to address opportunities.
- In response to requirements, define institutional support requirements and partnership opportunities.

## Defining a common approach

While this initiative is at a very early stage, the following positives have emanated:

- Environmental and social assessment has created awareness of the reality in operational area, such as the extent of unemployment. SLA initiatives will help the industry respond to the need to be a good citizen in South Africa.
- Realization by Sugar Industry leadership for the need to be partners in responding to the holistic development of the sugarcane farming community, and to promote local solutions championed by local leadership.
- Opportunities for diversification of income in a community have become evident, such as promoting agri-business development and alternative income streams to promote financial independence.
- Increased awareness amongst all stakeholders, including business, local government, and the community, with a focus on gender and all age groups.

## Recognizing challenges early ...

As rural sugar producing communities are vulnerable to climatic and economic influences there is a need to anticipate future challenges while also responding to those previously identified. This requires a plan.

- Identify visionary champions with an entrepreneurial passion for success -- people that can dream and think about tomorrow when it is difficult to survive today.
- When attempting new initiatives and solutions, be honest in evaluating the successes and let go of ideas that do not work. The ability to accept that not all initiatives will



succeed is important. Develop the ability to assess and benchmark against success rates of similar initiatives.

- As a sugar business model, to assist those small-scale farmers to diversify or move to other more viable income generating options.
- Developing viable models of farm ownerships, such as group consolidated farming initiatives and cooperative buying and farming. There is a tendency not to cooperate, exacerbated by a lack of title to land on communal land.

### **... And identifying opportunities to work together**

Nevertheless, this situation presents an opportunity to build the profitability of rural poor businesses through optimizing capital investment at every level (e.g. milling factories, research centers). Hence there is potential to explore possible synergies in respective companies' needs and create win-win opportunities by utilizing each other's infrastructure, thereby using infrastructure to maximum benefit and not develop it for a single commodity only.

Recognizing the interrelationship in respect to the future of the rural poor and the sustainability of the Sugar Industry creates a win-win model. Aggregating assets/capital (i.e. environmental, social, physical, economic and human), which sees each individual's struggle as an opportunity for development, will provide maximum returns given these finite resources.

It is evident that the scars of oppression, for rural communities in particular, will only be repaired when we as an industry are in a position to do what we can to uncover and discover the potential that is within people. Partnerships are hugely dependent on individual personalities, and these often get in the way of the business objective.



## Annex 1

### Summary Matrix of Agricultural Support Services Targeting Small-Scale Growers (SSGs)

Services Targeting SSG		Programme of Work	Budget (2002/03)
South African Sugarcane Research Institute (SASRI)	Extension	<ul style="list-style-type: none"> <li>Partnerships and Relationship-building</li> <li>New Initiatives and Special Projects</li> <li>Research Projects</li> <li>Demonstration Plots</li> <li>Training the Trainers</li> <li>Transferring Information to the SSGs</li> <li>Accountability to Growers</li> <li>Resources Through other Partnerships</li> </ul>	R15,500,000
	Training	<ul style="list-style-type: none"> <li>Sugarcane Husbandry</li> <li>Applied Business Principles</li> </ul>	
Shukela Industrial Training Center	SSG Activities	<ul style="list-style-type: none"> <li>A new focus area in the 2003/4 training programme and not in the period under review.</li> </ul>	
External Affairs	Environment	<ul style="list-style-type: none"> <li>Environmental issues addressed via the SSG extension service</li> </ul>	
	Grower Development Account	<ul style="list-style-type: none"> <li>Contractor's Support Programme (CSP)</li> <li>Intercropping Trials</li> <li>Small-Scale Grower Extension Service</li> <li>Extension Poster Series</li> <li>RV Subsidisation Initiative</li> </ul>	Project budgets to UAF, SGGT and special projects  2,000,000
	Sugar Industry Trust Fund for Education	<ul style="list-style-type: none"> <li>Direct budget and gearing through partnerships.</li> </ul>	R5,310,000
External Affairs (cont'd)	KwaZulu Water Development Fund	<ul style="list-style-type: none"> <li>750 Water Schemes</li> <li>Cholera Programme</li> <li>Plan to work with 'Working for Water'</li> </ul>	R78 000
	Community Based Programmes	<ul style="list-style-type: none"> <li>Siyakha &amp; IDT Programme – 112 projects and 64,000 labour days of employment. R 21 million (1992-1997)</li> </ul>	R0
	Communications	<ul style="list-style-type: none"> <li>New SSG Sugar Journal reaches those SSGs for 2003/04.</li> </ul>	R0
	Project Preparation Fund	<ul style="list-style-type: none"> <li>Accessible if a viable project with potential third party funding is identified. R 1,3 million revolving fund available.</li> </ul>	
	Social Investment Budget	<ul style="list-style-type: none"> <li>Broadly allocated to projects in sugar areas but limited in its current 'link' to SSG community.</li> </ul>	R1,200,000
South African CANEGROWERS-SGDT  Small Grower Development Trust (SGDT)		<p><b>Value of Small-Scale Sugar Farming</b></p> <ul style="list-style-type: none"> <li>85,000 ha with 3 million tons annual production</li> <li>R 498 million current annual turnover</li> <li>Contracting: R 67 million turnover per annum</li> <li>Umthombo Agricultural Finance Loans.</li> <li>New Freehold Grower Settlement</li> <li>15,000 ha with 750,000 tons</li> <li>R 113 million expected turnover in 2003/04</li> <li>Value of Investment – approximately R 190 million in total</li> </ul>	R574, 000



## Annex 1 (continued)

### Summary Matrix of Agricultural Support Services Targeting Small-Scale Growers

Services Targeting SSG		Programme of Work	Budget (2002/03)
South African <b>CANEGROWERS- SGDT</b>		<b>Training: Small Grower Development Trust</b>	R4, 200, 000
		<ul style="list-style-type: none"> <li>• Mill Cane Committee Leadership Training</li> <li>• Mill Cane Committee Staff Training</li> <li>• Small Scale Grower Technical Training</li> <li>• Others: ITC Sugar Leadership.</li> <li>• Extension and Technology Transfer</li> <li>• Joint Venture Agreement</li> <li>• Publications</li> <li>• Demonstration Plots</li> <li>• Other</li> </ul>	
<b>Small Grower Development Trust (SGDT) (cont'd)</b>		<b>Business Management Advice and Farm Accounts</b>	R2, 500,000
		<ul style="list-style-type: none"> <li>• Regional Economic Advisory Service</li> <li>• Farm Accounting and VAT</li> </ul>	
<b>South African Sugar Millers</b>		<ul style="list-style-type: none"> <li>• 120 new Freehold farmers on 12,000 hectares.</li> </ul>	
<b>Umthombo Agricultural Finance (UAF)</b>		<ul style="list-style-type: none"> <li>• Umthombo Agricultural Finance Loans- approximately R 250 million loans granted to small-scale growers R9million per annum.</li> <li>• Loans</li> <li>• Retention Savings</li> </ul>	R4,300,000
		<b>Estimated Total</b>	<b>R49,900,000</b>

For more information, visit [www.sugarindustrydev.co.za](http://www.sugarindustrydev.co.za)

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#### About the National Business Initiative (NBI)

The NBI is a leading non-profit organisation using business leadership and resources to meet the challenges of a country and a nation in transition. The NBI, as a voluntary coalition 150 foremost companies representing South Africa's top business leadership, the NBI acts at the intersection of the private and the public sector to contribute to political, ecological and socio-economic stability and to enhance the country's competitiveness as a key to sustained growth. The NBI is the WBCSD's regional partner in South Africa.

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#### About the WBCSD

The World Business Council for Sustainable Development (WBCSD) is a coalition of international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. Our members are drawn from more than 35 countries and 20 major industrial sectors. We also benefit from a Global Network of 40 national and regional business councils and partner organizations involving more than 1,000 business leaders globally.

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