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The Development of Small Cane Growers in the South African Sugar Industry

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THE DEVELOPMENT OF SMALL CANE GROWERS IN THE SOUTH AFRICAN SUGAR INDUSTRY

Paper by A.L. Schaffer

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This paper describes the South African Sugar Association's programme for the development of small cane growers.

A. ESTABLISHMENT OF THE SMALL CANE GROWERS' FINANCIAL AID FUND

1. For some time the South African Sugar Association has recognised that it has a special obligation to its developing members and on the 30th April, 1973, it established a trust fund of R5 million to promote their advancement. The amount of R5 million was obtained from the proceeds of the 1972/73 crop. The staff to administer the fund was appointed at the beginning of 1974. The fund was named the Small Cane Growers' Financial Aid Fund and I shall refer to it simply as the Fund.

2. The term "developing member" is an inexact expression and it was necessary for the Association to state in precise terms whom the Fund would assist. It decided that the money should be used to benefit small cane growers and it defined a small cane grower as one whose average deliveries to a mill over the preceding two seasons had not exceeded 1 000 metric tons of cane and who has no access to normal credit facilities.

3. The Association also resolved that the Fund should be operated as a revolving credit. In other words, although the Fund is a non-profit organisation, financial assistance to individuals is made available on a loan basis only and interest and redemption will be utilised to provide further assistance. This is especially necessary because of the high potential for new development particularly in KwaZulu (see Section C.3). Interest on loans is at the rate of 3% per annum for the first four years and at the rate of 5% per annum for the following six years. All loans must be redeemed within ten years.

4. The recovery of loans is effected by the deduction by millers as agents of the Fund of the interest and redemption due by borrowers from the proceeds of cane delivered by them to the mills over a period of ten years. All the existing mills in the industry have agreed to perform this service without charge to the Fund or to the grower.

5. It was always intended that the main beneficiaries from assistance provided by the Fund would be African, Indian and Mangete growers and before the Fund was formally established the South African Sugar Association discussed the concept with and received the approval and support of the KwaZulu Government, the Natal Indian Cane Growers' Association and the Mangete Cane Growers' Association. (The Mangete growers are descendants of the late John Dunn).

6. It was apparent from the outset that a rigid, centralised administration from the South African Sugar Association's office in Durban was neither practical nor desirable. Mill group local committees, comprising both grower and miller members, were therefore formed to administer the Fund in mill areas. The members of these committees have voluntarily given their time and their

-/- knowledge to .....

knowledge to promote the objectives of the Fund. Mill group local committees have the benefit of the advice of local committees nominated by the KwaZulu Government, the Natal Indian Cane Growers' Association and the Mangete Cane Growers' Association. The members of these committees are prominent persons in their own communities and they also serve without remuneration.

7. The costs of administering the Fund are paid by the South African Sugar Association and are not a charge against the Fund i.e. the Fund incurs no expenditure on its administration.

8. In KwaZulu the Fund is permitted to operate only with the approval of the KwaZulu Department of Agriculture and Forestry. This Department prescribes what areas of KwaZulu may be used for sugarcane farming and it has agreed to construct and to bear the cost of necessary soil conservation works, contour banks and access roads subject, of course, to the limitations of its own budget.

B. EDUCATION, TRAINING AND EXTENSION SERVICES

1. Paragraph 5 of the preamble to the Fund's administrative rules reads:

> "It is envisaged that ultimately the Fund will ensure maximum benefit for the developing sections of the Sugar Industry and the creation of improved living standards, opportunities for training, and the assumption of full responsibility for the management of their own affairs at the earliest opportunity".

The Fund is consequently more than a provider of low-interest credit: it is essentially a development agency and its main objective is to change the recipients from dependence upon financial assistance to self-reliance.

2. If there is expenditure on physical development, there should be a proportionate development of the human resources. If small farmers are to respond to the new opportunities, they require a higher level of training and agricultural knowledge. The South African Sugar Association recognised from the outset that extension services are an essential complement to financial assistance and, in consultation with the KwaZulu Government, it resolved to construct three farmers' centres in KwaZulu where farmers' days, seminars, courses in sugarcane husbandry and agriculture, bookkeeping and the economics of agriculture, instruction in the servicing and maintenance of tractors and farm equipment, and so on, will be held. Educational programmes should be for the whole family and appropriate courses will be given for farmers' wives and for members of the community: for example home economics, child care, music, arts and crafts and family relations.

3. The three farmers' centres were completed and equipped by the beginning of this (1976) year at a cost of approximately R650 000 and were then

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donated by the Association to the Government of KwaZulu which staffs, administers and maintains them. They are in daily use. The centres also provide a suitable venue for conferences of non-agricultural organisations and for meetings with officials and it is probable that they will develop into community centres in addition to their primary function as the centres of gravity of the agricultural sector.

4. For the Indian and the Mangete small farmers the Fund has established a mobile extension service which visits each community in its own area.

5. On 1st September, 1974, Mr K. Govindasamy, an Agricultural Assistant in the Agronomy Department of the South African Sugar Association's Experiment Station, was appointed as the Fund's first Indian Extension Officer to work amongst the Indian sugarcane growers. The appointment of a second Indian Extension Officer is now being considered.

6. As part of its educational programme, the Fund made provision in its estimates for travel and study grants to leaders, potential leaders and civil servants who are especially interested in agricultural and rural development, to visit other countries to see what is being done elsewhere for the development of rural communities. Last year the Fund made travel grants to the following persons in the KwaZulu Department of Agriculture and Forestry to enable them to visit the United States of America, Puerto Rico, the United Kingdom and Italy for this purpose:-

The Hon. Chief S.O. Sitole, Executive Councillor for Agriculture and Forestry,

Mr C.N. Smit, Director of the Department of Agriculture and Forestry,

Mr A.V.R. Dicks, Chief Professional Officer (Planning)

and Mr B.V. Simamane, Agricultural Officer

7. The Swaziland Government, the Commonwealth Development Corporation and a number of overseas agencies are engaged in agricultural and rural development in Swaziland. The Fund was informed that Swaziland was well worth visiting and the Secretary of the Fund arranged and conducted an educational tour by a group of KwaZulu officials and chiefs to Swaziland to study development methods there.

C. STATISTICS

1. In the tribal areas the majority of the people have a direct interest in the land and agriculture has a major role to play. On the coastal belt of Natal and Zululand sugarcane appears to be the only major agricultural crop that is able to provide the financial returns which can make farming a safe investment: there is an expanding market; there is a one-channel marketing organisation viz. the South African Sugar Association. Sugar is

also the one crop that offers a large agro/industrial package: there appear to be no other agricultural development options.

2. This table reflects the number and the productivity of Zulu, Indian and Mangete growers for the 1973/74 and 1974/75 seasons:-

1973/74	Number of registered growers	Extent of their farmlands in hectares	Tons of cane delivered	Average yield per hectare in tons	Percentage of growers who delivered cane to mills
Zulu	4 280	14 861	367 047	24,7	78%
Indian	1 844	25 722	838 100	32,6	84%
Mangete	57	1 578	32 019	20,3	72%
1974/75					
Zulu	4 741	17 048	418 784	24,6	74%
Indian	1 841	26 028,5	913 600	35,1	84,7%
Mangete	57	1 355	29 968	22,1	77%

N.B. (a) Some of the Indian farmers are not "small cane growers" as defined in the rules.

(b) The average industrial yield is 50 tons sugarcane per hectare per annum and small growers' deliveries are included in calculating the industrial average. Zulu and Mangete small growers' productivity is therefore a little less than half of the industrial average.

3. The following is a summary of the approximate potential of KwaZulu for the production of sugarcane:-

	Hectares
Total area within the climatic limits for sugar production	1 307 833
Arable land with sufficient rainfall	159 155
Arable land with sufficient rainfall as a percentage of the total area	12%
Makatini Flats - total suitable arable land ...	30 000 - 40 000
Area under cane in KwaZulu as at 1st May, 1972	13 576
High potential cane land over and above that planted 1972	51 620
∴ it may be assumed that high potential land area is	65 196

Registered quota land as at 1st May, 1976 ..	21 332
∴ High potential land still to be planted may be assumed to be (65 196 - 21 332) ...	43 864
Block development land which is available ..	17 850
∴ there is a further 26 024 (43 864 - 17 850) hectares of high potential lands (excluding block development) and 93 959 (159 155 - 65 196) hectares of land which could produce sugarcane	
To develop the remaining high potential land, 43 864 hectares, it would cost: (the present day price, excluding infrastructure costs, is ± R600,00 per hectare)	R26 318 400,00
Assuming that all the high potential land were producing 50 tons/hectare/annum the yield would be (excluding Makatini Flats)	3 259 800 tons
which would represent, with a price of R12,00 per ton of sugarcane, a gross income of (excluding Makatini Flats)	R39 117 600,00
KwaZulu produced 415 708 tons of sugarcane which at an approximate price of R12,00/ton grossed (1975/76)	R 4 988 496,00
which is approximately 12% of the potential income (excluding Makatini Flats)	

4. The estimated establishment costs of sugarcane lands, the ratoon cane maintenance costs and the costs of harvesting and transport for 1976/77 are reflected below.

Estimated Establishment Costs for the 1976/77 season

	Rand per hectare
Land preparation	90,00
Planting	66,00
Fertiliser	156,00
Seedcane	134,00
Weed control	72,00
Sundries	22,00
	540,00
Management and Return on Capital	90,00
	R630,00

Ratoon Cane Maintenance Costs	Rand per hectare
Fertiliser	84,00
Weed Control	60,00
Sundries	24,00
	R168,00

N.B. A farmer who does his own weeding will save R60 per hectare

Harvesting and Transport costs per ton cane cut	Rand per ton
Cutting	2,00
*Transport	2,50
	R4,50

N.B. A farmer who cuts his own cane saves R2 per ton

*Transport includes infield and road transport and transhipment.

5. If a full-time small grower who receives aid from the Fund benefits from extension services and improved "inputs" (fertilisers, heat-treated seedcane and herbicides), his productivity should increase and there is no reason why he should not attain the industrial average yield as his management skills improve. The following tables indicate his income and expenditure on a sugarcane crop taken to the 4th ratoon (i.e. five cuttings over ten years) from a 10-hectare farm.

Estimated income and expenditure over ten years

	Yield of 41 tons cane per hectare per annum R	Yield of 50 tons cane per hectare per annum (Industrial average) R
Interest and redemption of loan of R6 400 (maximum)	7 938	7 938
Cane maintenance costs	6 720	6 720
Harvesting and transport costs	18 452	22 500
Total Costs	33 110	37 158
Tons cut	4 100	5 000
Gross income @ R12 per ton	49 200	60 000
Net income	16 090	22 842
Average annual Net income	1 609	2 284

Notes (i) Loan R640/hectare and cane price R12 per ton.
(ii) The grower will cut 5 hectares each year.
(iii) All costs calculated at estimated 1976/77 average.
(iv) KwaZulu farmers have the right to use the commonage.
(v) In KwaZulu the Government constructs infield roads and contours.

D. OBSTACLES TO DEVELOPMENT

1. A general restraint upon improved productivity for all small growers is their lack of equipment to prepare their canelands and to transport the harvest from the lands to the mill or loading zone. It is uneconomic for a small grower to purchase and to maintain a tractor, a trailer and heavy machinery. A solution to the problem of land preparation, harvesting and transportation may well lie in co-operative action and the Fund encourages groups of farmers and farmers' associations to pool their resources in order to provide essential services for their members. Where a properly constituted farmers' association or co-operative desires to provide necessary agricultural services for its members but is unable to do so due to lack of money, the Fund has agreed to consider the provision of the financial assistance required.

2. Where co-operative action has not been possible in KwaZulu, the Fund has asked the Bantu Investment Corporation to finance Zulu contractors to enable them to acquire the tractors, implements and machinery necessary to provide essential contractual services. To support the Zulu contractors whose establishment it encouraged, the Fund has given a directive that where a Zulu contractor is available and is capable of providing an efficient and economic service, preference should be given to him for the performance of contractual services in KwaZulu.

3. Small growers (and this applies especially in KwaZulu) frequently have inadequate roads and the absence of bridges to contend with. In KwaZulu the Fund may only perform a supporting role and the construction of roads and bridges is a sphere in which the government will have to and does give assistance.

4. In KwaZulu, settlement in defined areas and the rapid increase in population coupled with the traditional right of a married man to an arable holding for each of his houses, has overburdened the land and agricultural allotments have become uneconomic in size and their yields inadequate. Fragmentation of the land is, of course, not confined to KwaZulu and has caused problems throughout Africa. Nevertheless, such a system is basically unsound and militates against the development of full-time, bona-fide farmers and should not be entrenched. When the Fund was established 32,6% of Zulu growers occupied canelands which did not exceed 1,5 hectares in extent; 15,3% had lands which varied in extent from 1,6 hectares to 3,0 hectares; the lands of 44,8% of the growers were between 3,1 hectares and 4 hectares in size and only 7,3% of the growers occupied lands larger than 4 hectares. These areas do not necessarily reflect the full extent of a grower's arable

allotment as many peasant farmers have a small patch of land under maize, beans and/or madumbis (a root crop). As the Fund's policy is to assist in the establishment of full time farmers on viable land units, it issued a directive that where an applicant for financial assistance has a small allotment and uses it merely to augment his income from his permanent profession, occupation or employment, his application should (in the absence of exceptional circumstances) not be granted. The KwaZulu Department of Agriculture and Forestry supports this policy and is itself endeavouring gradually to establish larger land units by augmenting the existing allotments of good farmers and, in the case of new development, by allotting larger lands. The Fund's main objective in KwaZulu is to assist the KwaZulu Government to establish confident, self-reliant, full-time farmers on viable land units with security of tenure who are able to make a good living from the land and who do not have to supplement their incomes by working in the towns and industrial areas. If full-time farmers are to be established, the disparity between the income of the farmer and the earnings of the worker in commerce and industry must be eliminated. This means that the farmer must have a land unit which is large enough to provide such an income. The extent of an economic unit will vary from area to area but in present circumstances in an average locality in the cane belt 10 hectares would probably constitute a viable unit bearing in mind that a peasant farmer in a tribal area also has the right to use the commonage for his livestock.

5. A system has arisen in Africa in which those who occupy large parts of the land seek and obtain much of their living elsewhere. A majority of employees in commerce and industry and other urban occupations are migrant males who have rights to and retain an interest in the tribal areas. The migrant labourer cannot and, indeed, does not have to be a good farmer. The migration takes a disproportionate number of the most able-bodied and active men from the tribal areas leaving behind a largely consumer population. The social problems that result from the system of migratory labour are too well known to require repetition. But, from the agricultural point of view, there are aspects which are often overlooked; a serious handicap is the brain drain from agriculture and the fact that very few young men enter the agricultural sector. The Fund does not know what percentage of his earnings a migrant worker sends home but, from discussions with workers themselves and with their families and with extension officers, it is a fair conclusion that remittances are rarely more than just enough for the maintenance of the family at home and that there is insufficient to provide working capital for agriculture such as the purchase of fertilisers.

6. Migratory labour is inseparable from rural land tenure and usage. A satisfactory alternative to the system of migratory labour should be found. Those who have to work in the urban and industrial areas should have their homes there and sever their ties with the land. Then it may be possible to establish an urban community with loyalty to their towns. In the rural areas the objective should be to establish bona fide farmers with security of tenure who do not have to supplement their incomes by working in the cities and in the industrial areas.

7. If it is essential for the economic future of KwaZulu to introduce a farming system where productivity is high, then it is necessary to change from traditional agricultural practices to modern agricultural methods and to encourage

-/- capital investment ....

capital investment in the agricultural industry. This cannot be expected unless the farmer has a viable land unit and security of tenure : viable land units, security of tenure and capital investment imply the introduction of freehold tenure in KwaZulu or, at the least, occupation on long lease.

8. A change from the traditional system of land tenure to one based on the ownership of viable units on freehold conditions of tenure could only be introduced at the present time on a small scale but would probably be feasible on farms purchased by the South African Bantu Trust for inclusion in KwaZulu. The reason for this statement is that the introduction of freehold tenure (or long lease) on a large scale could necessitate large scale resettlement from rural areas and, unless work opportunities are provided for the people displaced from the land, a very serious social problem would be created.

9. A number of other objections to freehold tenure have been expressed. It has been stated that the grant of land under freehold title will undermine the institution of chieftainship. While there is an element of truth in this, it is not the whole truth because the system whereby a chief is used as an instrument of the administration has already involved him in difficult situations. The chief's dilemma is that he must serve two masters - the government and his own tribesmen. Some Africans already give support to the popular, nationalistic leader in preference to the chief and the institution of a system of freehold tenure should not make a chief's position less secure. On the other hand, it may remove him from a field in which his position is often difficult and embarrassing. In any case, land administration is not the only basis for the institution of chieftainship.

10. Freehold tenure implies the right to buy and sell and it has been said that some individuals will then acquire more land at the expense of those who are inefficient farmers and that the rich will get richer and the poor will get poorer. The statement that "there is no surer way of depriving a peasant of his land than to give him title to it" may be true. However, the growth of a class of land barons could be prevented by legislation and by administrative action.

11. A proposal to change from the traditional system of land tenure to one based on the ownership of viable land units on freehold conditions of tenure could develop into a political issue and is unlikely to be acceptable to some African leaders. They are often critical of western patterns and values and a society based on competition. They frequently maintain that the land belongs to the Nation and consequently favour a form of communalism although, at the most, a system of long lease may be acceptable. In these circumstances an alternative to freehold tenure should be investigated.

12. There are other ways of introducing a farming system for the small farmer where productivity is high and which have a co-operative or communal basis. These do not have to follow exactly the patterns for communes or co-operatives established elsewhere and can be varied to suit local circumstances. Phase 1 of the Fund's programme (the provision of low-interest credit to individual farmers coupled with facilities for education and

-/- training) is, ...

training) is, from its very nature, a slow process and cannot make a dramatic and instantaneous contribution to the economy. Phase 2 was conceived to encourage co-operative agriculture and to accelerate development. Phase 2 is a programme to provide the finance for the establishment on large unpopulated or thinly populated tracts of land, of agricultural settlements of full-time, viable farmers who occupy their own homes and their own arable lands and who have their own livestock and light farm implements but where transportation, heavy machinery, settlement infra-structure, communal services and community social facilities will be managed by the settlers co-operatively. In view of the pressure on the Fund's resources, advances to finance Phase 2 development will be obtained from the South African Sugar Association's Development Fund on a short-term, low-interest (3% p.a.) loan basis repayable from the proceeds of a project's first cane crop. In proposing the establishment of such settlements of full-time farmers under Phase 2, it was envisaged that settlers selected for projects would be employed in the process of development as labourers at industrial rates of pay and that they would receive simultaneous training and instruction in sugarcane husbandry. Suitable blocks of land totalling ± 17 850 hectares would appear to be available for this purpose in KwaZulu and the KwaZulu Department of Agriculture and Forestry has accepted the proposals in principle but requires each project to be submitted for separate consideration.

13. Incidentally, the Fund contemplated an agro/industrial project for approximately 30 000 hectares of high potential cane land on the Makatini Flats in Northern Zululand on the basis of sugarcane farming and the manufacture of sugar. The proposals envisaged a partnership between the Zulu Development Corporation and a selected miller to be sponsored by the Government of KwaZulu and the South African Sugar Association in which the mill would be allocated a nucleus estate (say 4 000 hectares) to ensure the minimum economic "through-put" and the balance of the land would be allotted on a viable entity basis to Zulu sugarcane farmers, these farmers to share in the profits of the enterprise in proportion to their deliveries of cane to the mill. In this project, the Fund would act only as a catalyst. When the Fund ascertained that an extraneous organisation was involved in a feasibility study in the area, it shelved its proposals.

14. "Imposed decisions" is frequently given as an obstacle to development. The Fund has not had experience of this aspect in the two years of its existence but it is generally true that development programmes for rural communities have succeeded only where they have been successful in arousing a public sense of responsibility - only where the community has associated itself with the action taken. Technical know-how without social knowledge is unlikely to achieve development in a tribal area and it seems clear that a different and a more sensitive approach by administrators may be necessary. It has been said that the economic philosophy in developing areas should be to leave decision-making to the private sector and a government should play a supporting role by providing the infra-structure and social services. While one does not doubt the bona fides of the public sector and the ability and the dedication of many public servants, the public sector does not have the staff, the structure, the flexibility and the research facilities to carry out meaningful development within a short time without the active

-/- assistance and ....

assistance and participation of the private sector and the universities.

15. The question has been asked whether conservatism in the tribal areas is not an obstacle to development. The Fund's answer is that it has not experienced any resistance to change from Zulu farmers. It is not obligatory for any grower to ask for aid and the Fund's contact would consequently be with those people who desire and are prepared to participate in development and, of course, people absorb change to the extent to which they participate in it. In any case, the majority of Blacks are today dependent upon a Western economy : they have had to and are prepared to learn and to perform new skills and to conform to new conditions.

16. Some Indian growers have problems which do not apply to other small farmers : land available to Indians is so limited that it has a scarcity value and it is not unusual for an Indian to pay an excessive amount for cane land. Many raise a bond on the land to pay the purchase price. Interest and redemption payments absorb so much of his income that the landowner is left with little working capital. In many cases the Fund has made ratoon management loans (working capital) limited to R150 per hectare for fertilisers and weedicides available to these growers.

17. Small Indian growers experience labour problems. They allege that they have difficulty in employing a stable labour force because they cannot provide adequate accommodation and they consequently rely upon casual workers whom they hire on a daily basis.

18. Special circumstances applied to the Mangete growers. Their lands were known originally as the Dunn Grant and later as the Dunn Reserve, upon which the descendants of John Dunn, a White settler who intermarried with the Zulu people, are settled. The Mangete area was a Scheduled Bantu Area and the Mangete people felt that their future was insecure. The result of the atmosphere of instability was a drain of young people from the region. The situation was aggravated by an influx of squatters. However, the area was excised from the Scheduled Bantu Area by Proclamation No. 118 of 1974 and the government will compensate and resettle the squatters and will fence the boundaries of the area. The development of the Mangete area may be retarded pending decisions on land claims. Nevertheless, the Fund has not withheld assistance from those Mangete growers who qualified for it.

19. Finally, the Fund itself may have a financial problem at some time in the not too distant future. Its development programmes co-incided with a period of rapid inflation. When the Fund was created the cost of new development and the re-establishment of canelands was approximately R300 per hectare and R106 per hectare was then sufficient to meet the charges for fertilisers and weedicides for ratoon management. The Fund's programme was designed on the basis of these costs. New development now costs over R600 per hectare and ratoon management has risen to R150 per hectare. The real value of the Fund has consequently decreased in proportion to the escalation in costs. To meet the demands which future development will make upon it, it may become desirable for the Fund to seek financial support outside the sugar industry.

-/- E. CONCLUSION ....

E. CONCLUSION

1. The Fund has been operating for two years. By the 30th April, 1976, it had granted 1 357 applications for financial assistance amounting in all to R1 460 425. The physical development that has taken place with financial aid from the Fund is:-

New development
and re-establishment : 2 043,6 hectares

Ratoon management : 861,2 hectares

2. The Zulu, the Indian and the Mangete cane farmers will make little progress until they obtain an appreciable increase in productivity. This they will have to do largely through their own efforts. As sugarcane is an 18 months - 22 months crop, any increase in the productivity of small growers resulting from the Fund's assistance will not become evident before the end of the 1976/77 season and it is consequently difficult to predict what will be achieved.

3. Development is never as rapid as one hopes it will be. Nevertheless, the Fund has stimulated the interest of small growers to the extent that they wish to take advantage of the opportunities now made available to them and it is from this attitude that the greatest benefit may be derived.

Durban
15th June, 1976.