Agriculture - Sugar

1997
**Reducing Cyclicality**

A year ago, when recovery of SA's sugar industry was on track, the FM considered Illovo Sugar's share, then R6,50 on a P/E ratio of 11, as cheap (Companies January 5).

The price has since gained R2, or 31%, but the share is still looking undervalued. Prospects for the industry, and particularly Illovo, SA's largest sugar producer, appear sound.

The industry should produce a record crop this season (which runs to March

By-products, notably furfural, are becoming an important part of the Illovo equation. Sugar's contribution to total turnover growth of 12% was an increase of 11,7%, to R1,53bn. By-products, however, grew by 13,5%.

By-products' contribution to operating profit has grown from 14,9% of the total in financial 1994 to 16,8% in 1995 and 29,4% last year.

MD Don MacLeod says a R26m expansion project at the Sezela furfural plant will lift capacity by 15%. Furfural earnings are on a strong growth path due to high export prices and the weaker rand, making Illovo the world's lowest cost producer and third largest producer of furfural.

Significant capacity expansion has also taken place at the sugar mills. Taylor says the company will soon be capable of producing around 1,2 Mt of sugar, consolidating its position "as the biggest sugar manufacturer in SA with a market share of around 43% ."

But he also notes scope for further expansion within SA is limited. Illovo has therefore taken the first steps of what it calls a "strategy to ensure that future growth in earnings will not be solely dependent on the SA market," though it will remain the mainstay of earnings.

The first two moves are into Kenya and Mozambique. Taylor says Illovo has secured a contract to design and project manage a US$5m refurbishment to expand capacity at the South Nyanza Sugar Company mill (in Kenya) to about 78 000 t. Illovo may acquire an equity interest in the venture.

In Mozambique, Illovo has acquired a 50% interest in the Maragra sugar mill and estates. It plans to restore 6 200 ha of land to cane production, which should give the mill an initial output of about 57 000 t of sugar.

Capital spending, mainly on capacity expansion and the R190m relocation of the Eston mill, has not strained the balance sheet.

Borrowings are declining and gearing is at its lowest this decade.

In addition, MacLeod says when the sugar industry acquires all stocks at the end of March, Illovo should have surplus cash of about R40m (R5,4m at year-end), after financing the Eston mill and other expansions from internal resources.

As a second-half company, interim results should give a clear indication of full-year earnings potential. With conditions now back to normal, Illovo is coming off a relatively high base. Still, EPS growth of at least 25% should be achievable this year. Shaun Harris.
Illovo endorses share scheme

STUART RUTHERFORD

Durban — Shareholders in Illovo Sugar, the subsidiary of CG Smith Foods, gave their blessing to the first Illovo employees’ share purchase scheme at the company’s annual meeting in Durban last week.

Employees can acquire a maximum of 5,000 shares by making contributions from their salaries. The company will add to the amount contributed by 10 percent and then hand over the money for the purchase of shares at market value.

Don MacLeod, Illovo’s managing director, said: “I think that people themselves know the best way to do things better. So we should empower them to do that and when we get the benefits then they should share in them.”

In the chairman’s address, Glyn Taylor said Illovo was on track to achieve its forecast 30 percent improvement in profit for the half year to March 31.

He said the production estimate for the 1996/97 season had dropped below 1 million tons of sugar, but if exceeded last year’s output by 23 percent.

Illovo’s share of the industry remained at 44.2 percent.

“Shareholders will recall that 29 percent of last year’s profits were represented by downstream by-products and I am happy to report that so far this year, plant efficiencies and sales of furfural products and alcohol are ahead of budget,” he said.

The R26 million expansion project at Sedge was on schedule. This would bring about a 15 percent improvement in capacity when the new plant was commissioned at the beginning of April.
SASA free to pursue markets

SASANews

SHIRLEY JONES

Durban – The South African sugar industry was free to pursue markets and opportunities of its choosing for the first time, Tony Ardington, the chairman of the South African Sugar Association (SASA), said yesterday.

He said the healthy sugar crop of 2.25 million tons to March 31 this year had produced an export surplus. The industry exported to 27 countries, earning foreign exchange of more than R1 billion.

This was in marked contrast to the three offshore customers to which the industry sold sugar during the sanctions years.

“We could have sold a lot more this year if we had produced more,” Ardington said.

He was optimistic that favourable weather conditions would continue, and next year’s season (April this year to March next year) would yield an even bigger crop.

This would allow the sugar industry to expand its interests in East and West Africa and the Middle East, he said.

However, recent successes do not mean all is well in the sugar sector’s backyard.

Ardington, like other industry leaders, is reluctant to discuss issues closer to home, particularly competition from Swazi sugar, which, it is claimed, has lost the industry more than R230 million in sales.

More importantly, it is feared that the war between the South African and Swazi sugar industries could have even more serious repercussions within the Southern African Customs Union.

Ardington said Swaziland had effectively breached an existing, but rudimentary, protocol within the customs union.

Other neighbouring countries could follow suit.

For this reason, industry leaders have unofficially welcomed the hard line taken by Alec Erwin, the trade and industry minister.

Last week, Erwin warned that there was no future in South African Development Community countries expanding their sugar industries at others’ expense, which was effectively a null-and-void.

The only option was a regional sugar protocol, he said.

Ardington agreed. The Swazi’s “are batting for their own self-interest and are undermining the southern African sugar industries’ prospects of expanding production to meet growing opportunities on the world market”.

In contrast, the South African sugar industry, which is the largest industry in southern Africa, was batting for the survival of the industry in the region, he said.

Ardington pointed out that within the South African sugar industry, all producers had an obligation to export surplus sugar, which meant the benefits of protective tariffs were distributed equally.

It also meant that the risks of competing within the unprotected world market were shared.

“However, in tariff-protected countries in which all producers do not face the world market to an equal extent, the benefit of the tariff is competed down to a point where the price falls below the world price, causing a collapse of those industries,” he warned.

Ardington said the Swazi saga had nothing to do with the relative costs of production but with manipulation of risk.

Some of the neighbouring countries that presented a threat to the South African industry similar to that posed by Swaziland were actually higher-cost producers.

He said Swaziland had effectively minimised the risk by exporting 205 000 tons of its 480 000 to 500 000 ton production into preferential markets at two to three times more than the world price, and off-loaded the remainder of its production into the Southern African Customs Union market, which is protected from volatile world prices sugar by a tariff.

“You don’t have to be a genius to see that you will do better by redirecting sales from the world market to the higher-priced customs union market,” Ardington said.
US announces R2.8 m grant for SA

THE United States Trade and Development Agency yesterday announced it would make available US$645 000 (nearly R2 838 000) in grants for feasibility studies into improving the transport at Johannesburg International Airport and to investigate the viability of a new sugar mill in KwaZulu-Natal.

The announcement was made during US Vice President Al Gore's three-day visit to South Africa to attend the third summit meeting of the US-South Africa bi-national commission.

Some US$345 000 (nearly R1 518 000) of the money was made available to the Airports Company for a study, to be undertaken by a US firm, to evaluate transport options for linking the main terminal with a planned satellite terminal, the TDA said.

Another US$150 000 (nearly R60 000) has been offered to partially fund a feasibility study to evaluate options for linking the airport with mass transport systems in the Johannesburg metropolitan area.

The final US$150 000 (R60 000) will partially pay for a US$200 000 (R880 000) feasibility study of the establishment of a sugar milling facility in Makatini in KwaZulu-Natal.

The study, which will take four months, will also be done by a US firm. - Sapa
Closed sugar mill to move across border

SHELLEY JONES

Durban — Tongaat Hulett will relocate the mill at Mount Edgecombe, near Durban, which it closed just over a year ago, to one of the Southern African Development Community countries soon, said Bruce Dunlop, the managing director of Tongaat Hulett's sugar division, yesterday.

Dunlop said he was not at liberty to disclose exactly where or to put a price to the upcoming project. The mill was on standby as the company investigated opportunities in the region. The final stages of a feasibility study had been reached, he said.

Dunlop's disclosure, and Illovo's move into Mozambique late last year by a 50 percent stake in the Maragro sugar estate near Maputo, put a question mark against the opinion of industry leaders. Their view is that the South African sugar industry's cross-border involvement is philanthropic, investments will not be material and returns will be marginal.

Tony Ardington, the chairman of the South African Sugar Association, said sugar production in Mozambique would increase in proportion to the growth within the region as a whole. He stressed that the Mozambican market was small and growth would be off a low base within a poor country.

The opposite opinion, held by industry commentators, is that companies would not proceed while ignoring their responsibility to their shareholders and a commitment to long-term profitability.

They pointed out that South African sugar companies would do well to look at cross-border ventures. Neighbouring countries were among the world's lowest-cost producers, and expansion opportunities within the South African market were small.

The land which could still be put to cane within South Africa is minimal, and Tongaat Hulett's and Illovo's strategies to sell off local estates to small and medium growers could prove the ideal means of raising capital to exploit cross-border opportunities.

Don McLeod, the managing director of Illovo, has acknowledged that most opportunities to expand his company's sugar interests lie outside South Africa. Both McLeod and Glynn Taylor, Illovo's outgoing chairman, have stated that Illovo would pursue opportunities as part of a strategy to ensure that future earnings growth was not solely dependent on the South African market.

Dunlop said Tongaat Hulett had also taken a long-term view. Although cross-border operations would add considerable value, this would not be immediate. The company intended establishing cane estates to feed the mills it would rehabilitate. "Mozambique has had a profitable industry before. It is not as if we are breaking new ground."

He admitted that in comparison with its South African neighbour, which had the capacity to produce 2,4 million tons of sugar a year, Mozambique's capacity was negligible. However, his company had not been disappointed with the performance of the mill near Beira, which it had administered over the past year.

It had delivered 30 000 tons out of Tongaat Hulett's 500 000 total for 1996/97, but had the potential to increase capacity to over 100 000 tons. The company was looking at taking on a second mill with similar potential. "Then it starts to get quite meaningful."

He said Tongaat Hulett was reviewing options in other countries. Already it owns Triangle Sugar in Zimbabwe and it opened Consolidated Sugar Industries, a packaging and distribution firm in Namibia, with partner Tate and Lyle in October 1996. This now accounts for 90 percent of the Namibian market, while an operation in Botswana boasts a 100 percent market share.
Sugar estimate reduced

SA would produce 2.37-million tons of sugar in the 1996/97 season, down from the previous estimate of 2.37-million tons, industry officials said last week.

The latest crop estimate from the SA Canegrowers Association shows an estimated 20.95-million tons of cane would be crushed in the season which would yield an estimated 2.37-million tons of sugar. "That estimate will be very close to our final production," an official said.

Most sugar mills have finished crushing cane for the season and most deliveries have been completed. Officials said the drop in estimated production could be attributed to bad weather conditions and production problems at some mills.

But even with the smaller crop, it would be the best in several years.

SA produced only 1.67-million tons in the 1996/97 season and was just emerging from five years of drought which the industry said cost it millions of rands in lost revenue. — Reuters.

Ed. 24/12/97
Cane farmers expect improved turnover after good rains

Durban - Better crops, and better quality, would result in improved turnovrs for growers, Brian Sugden, the director of agricultural economics for the South African Sugar Association said in the Sugar Journal this month.

Sugden said in most regions growers were optimistic that the crop prospects for 1997-98 would exceed the good crop of the 1996-97 season which had marked a dramatic recovery from the drought of the previous four seasons.

"Areas expected to show marked crop improvements include the irrigated areas of Mpumalanga and the KwaZulu Natal midlands. Growers are also optimistic that the quality will be better than that produced in the last four seasons," he said. — Shirley Jones
Analysts retain soft spot for Illovo Sugar
Rains bring sweet success for Illovo

Nicola Jenvey

DURBAN — Illovo Sugar lifted attributable income 28% to R68.7m in the six months to March, as an abnormally rainy summer season resulted in record sugar production volumes, MD Don MacLeod said yesterday.

Headline share earnings rose to 41,7c from 33,6c and a 14,5c (1996: 11,5c) interim dividend was declared.

MacLeod said the company continued to evaluate potential new investments in the rest of Africa — including Lonrho Sugar — and the privatisation of the sugar industries in Kenya and the Ivory Coast. Shareholders would be advised about new developments.

The rehabilitation of the mill and estates at Maragra in Mozambique, in which Illovo has a 50% interest, had started and production was expected in July 1998.

Turnover grew 17% to R974.3m as sugar production in the 1996/97 season increased by 189 362 tons to an Illovo record of 995 136 tons. The company accounted for 44% of industry production in the season.

MacLeod said industry sugar sales were 5.6% higher than in the previous season with growth coming almost entirely from the industrial sector.

Operating profit improved to R102.6m (R90.7m), while profit before tax increased 22% to R92.2m. Illovo paid R23.5m (R21.6m) in tax.

MacLeod said record productions of furfural, furfuryl alcohol, diacetyl and

Continued on Page 2

Illovo

Continued from Page 1

potable alcohol were achieved, leading to downstream products contributing 31.5% of profit.

Strong cash generation contributed to net financing costs declining to R12.1m from R15.3m, interest cover improving to 8.7 times (6.1 times) and net average gearing decreasing to

18.7% (26.1%).

MacLeod said that in the financial year to September, Illovo would bring to account the first half of the 1997/98 sugar season with estimated production for the season of more than 1.1 million tons. This had been achieved through the good cane growing conditions in the KwaZulu-Natal sugar belt during summer. Illovo expected the rate of growth in headline earnings for the full year to be similar to that in the first six months.
Illovo grows into a world sugar leader

Shirley Jones

Durban — Illovo Sugar announced yesterday that it had purchased 94,26 percent of British-based Lonrho Sugar for R1,637 billion, creating Africa’s largest sugar group and one of the world’s lowest-cost producers.

The new company will have a combined market capitalisation of R3,156 billion and will not only have the lion’s share of the South African sugar market through Illovo’s 44 percent market share and the acquisition of Glendale Sugar, but will control Malawi’s entire sugar output as well as a substantial portion of production in Swaziland and Mauritius.

Don MacLeod, Illovo’s managing director, who was still in London yesterday after the negotiations, welcomed the deal, saying it was in line with Illovo’s move into sub-Saharan Africa.

Illovo recently expanded its sugar interests into Mozambique and concluded a contract to rehabilitate and run a mill in Kenya.

The tie-up with Lonrho is expected to have substantial benefits for Illovo. The two companies enjoy complementary expertise in milling, refining, packaging and growing of sugar.

“The acquisition of Lonrho sugar meets all of Illovo’s investment criteria. It is a globally competitive, low-cost producer with a wide geographic spread of assets. Its sugar production has negligible exposure to the world market price and the sugar estates have excellent water supplies and irrigation,” MacLeod said.

More than 33 percent of revenue is expected to be earned through exports, with only 16 percent of revenues subject to the vagaries of world market prices, because most of Lonrho’s sugar exports to the US and the European Union are under preferential quotas.

Illovo expects the enlarged group to be a strong cash generator, enabling it to finance its working capital requirements and to expand production in line with forecasts of growth in regional demand for sugar. In addition, the increased production available to Illovo through the acquisition of Lonrho is expected to boost its production of downstream products.

Illovo expects the acquisition to prove neutral on headline earnings a share during the financial year to September 1997.

Assuming normal weather conditions, Illovo expects 1998 headline earnings to show substantial growth.

The companies said that R1,103 billion of the purchase price would be financed through an underwritten subscription of 129,764,706 new Illovo shares at a price of R2,50 each. CG Smith Foods, which owns 63,1 percent of Illovo, has agreed to acquire 37,647,659 of the new Illovo shares to maintain its 51 percent holding in the company.

Existing Illovo shareholders will be entitled to acquire up to 16,693,076 of the new Illovo shares, with the balance going to institutional investors. The balance will be funded from Illovo’s existing cash resources and through the issuing of R160 million in new preference shares.

Illovo’s offer to minority shareholders is R3,50 a share.
Lonrho deal seals Illovo’s sugar grip

SUGAR company Illovo Sugar is set to consolidate its leading position in southern Africa following the acquisition of Lonrho’s sugar division for more than R1.5-billion.

Analysts say the acquisition, which almost doubles Illovo’s market capitalisation, is indicative of the company’s core strategy to expand into the southern African region — one of the lowest-cost sugar producers in the world.

The deal will create Africa’s biggest sugar group with interests ranging across southern and eastern Africa. Lonrho Sugar has operations in South Africa, Mauritius, Malawi and Swaziland. Illovo, which has a 44% domestic market share, owns seven sugar mills in Kwazulu-Natal and has operations in Mozambique and Kenya.

Lonrho Sugar had sales of R1.05-billion in the year to end-March 1997, while Illovo’s turnover was R974-million in the half-year to end-March, 1997.

Illovo managing director Don MacLeod says the new group will be strongly cash-generative. He expects the purchase to be neutral on earnings for the current financial year, but contribute to real growth in 1998. He says Illovo identified pre-tax merger benefits of at least R28-million a year. The link with Lonrho Sugar will create one of the world’s lowest-cost sugar producers.

"The acquisition of Lonrho Sugar is consistent with our strategy to focus on sugar, downstream products and expansion into Africa," says MacLeod.

Analysts say the acquisition will give Illovo a more strategic position within the regional sugar industry.

"Prior to this deal, Illovo was pretty much focused on Natal dry-land cane. By buying Lonsugar they have immediately captured a more secure strategic positioning within the whole southern African region," Investec Securities analyst Carolyn Windsor says.

She says Illovo paid a premium for the Lonrho sugar division but it will probably sell the hotel interests of Lonrho’s Mauritius-listed company Mon Tresor Maun Desert.

The enlarged group will earn 35% of revenues from exports, but because of preferential agreements only about 10% of revenues will be subject to world market sugar prices.

The deal is expected to halve Lonrho’s debt to around R248-million, and pave the way for a sweeping restructuring involving the de-merger or sale of its African trading business. It is understood that Lonrho now plans to apply any spare cash within the group to the development of the core mining business. In particular, it wants to buy out the 27% of Lonrho Platinum controlled by SA mining group Gencor.

In terms of the deal Illovo will buy Lonrho’s 94.25% stake in Lonrho Sugar for R12.99 a share. Illovo says R1.3-billion of the purchase price will be raised via a rights offer with the remainder in cash and through preference shares.

— Reuters, Financial Times
Ilovo Sugar's Lonrho move welcomed

Tibiyosi Taka-Ngwane, Swaziland's national investment trust, had welcomed Ilovo Sugar's acquisition of a controlling stake in Lonrho Sugar as a positive move that was likely to enhance the development of the country's sugar industry, a spokesman for the trust said at the weekend. Tibiyosi Taka-Ngwane is a national investment trust set up by the late King Sobhuza II to encourage the meaningful participation of indigenous Swazi in the country's economy.

Tibiyosi's investments include 40 percent of Ubombo Ranches in which Lonrho Sugar owns the other 60 percent. The trust also owns a stake in various industrial and mining ventures. Mlumiko Mambu, Tibiyosi's general manager, said Lonrho Sugar had "shown real interest" in investing in the country's sugar industry. "We cannot claim to have seen any tangible benefits to our arrangements with Lonrho Sugar," Mambu said. — Ncaba Hlophe, Johannesburg
Lonsugar purchase makes strong team

ILLOVO Sugar has produced 995,000 tons in the year to March while Lonrho Sugar's operations in Malawi, Swaziland, SA and Mauritius produced 512,000 tons.

Their combined output makes Illovo a formidable player, one which could become more so. In the 130-million-ton a year world of sugar, it is still a small player — but it has the potential to grow. One analyst notes the scope for the group to expand into other African countries, citing Lonsugar's knowledge of operating in Africa as a key benefit of the deal.

Illovo MD Don MacLeod says both parties have technical expertise, in irrigated cane developments as well as in milling, refining and packaging, and he does not rule out ventures into new countries in time. But there is plenty of expansion potential in SA, Swaziland and Malawi and Illovo's immediate priority is to digest its new acquisition.

"We would envisage merging the businesses if possible," MacLeod says.

Illovo has identified $28m a year in potential merger benefits. The enlarged Illovo's strengths are its status as a low cost producer (Malawi, Swaziland and SA are among the world's five lowest cost producers) and its access to preferential markets covered by the Lomé convention or US quotas.

Sugar markets are highly protected worldwide. Only about a fifth of global sugar production is traded on world markets, which tend to be "dump" markets. That is where Illovo's SA exports go, but almost all of Lonsugar's exports go into the preferential markets which make up only a tiny proportion (about 3-million tons) of world sugar trade.

Longer term, the General Agreement on Tariffs and Trade/WTO organisation discussions may result in lower levels of protection which would boost export markets and prices. Low-cost southern African producers would be well placed to benefit.

Other African sugar shares such as Tate & Lyle and Hippo are trading at prices which are 11.5 to 12 times September 1998 forecast earnings. Illovo is at 9.5 times — at least one analyst sees scope for rerating. The success of Illovo-Sugar's R1.6bn bid for Lomé Sugar throws an interesting sidelight on the role being played by new entrants to SA's banking market.

On price, the two other contenders, Tongaat-Hulett and HLB/Rembrandt, were apparently close to Illovo, but they had access to cash resources Illovo did not, which is where its investment bankers came in.

ING Barings underwrote the R1.1bn Illovo rights offer used in funding the acquisition, selling out its shares to institutions on Thursday, as the deal had been done.

Investment banks often finance deals this way elsewhere but ING Barings director Martin McWilliam believes it is the first time the method has been used — certainly on this scale — in SA. Usually, companies without necessary cash have made conditional offers, or taken bridging loans which are later refinanced with an equity offer.

McWilliam says his bank, which was backed by the strength of parent ING's $250bn balance sheet, was "pleasantly surprised" by the interest in both the deal and in SA. Applications were received for more than twice the number of shares it had available.

UK and European institutions took up about 50%. ING Barings was at risk for about R760m of shares — Illovo's parent CG Smith had already agreed to take R320m worth, diluting its stake in the sugar group from 68.1% to 51.4%.

There is also an R1.18bn offer to Illovo minorities, Illovo will fund the rest of the purchase price with R371m in cash and a R150m redeemable preference share issue.

McWilliam says SA groups are likely to make increasing use of underwriters in financing deals, especially foreign acquisitions. The usual underwriting fee of 2.5% compares favourably with taking bridging loans and refinancing those with an international equity issue costing about 5.5%.

Illovo bought Lonrho's 94% of Lomé Sugar at R13.50 a share, a 14% discount to the R15.80 ruling before news of the deal (after which it dropped to R14.20). Because both Lonrho and Lomé Sugar are listed on the Johannesburg Stock Exchange, payment will be made (on May 20) in rand, UK-based Lonrho is entitled to remit the proceeds in sterling.

Illovo's production is expected to rise

Nicola Jenvey

DURBAN — Industrial food group Illovo Sugar's annual southern African production was expected to reach 1.5 million tons in two years, of which nearly a third would benefit from preferential trade agreements through Lomé and the US. Illovo MD Don MacLeod said earlier this week.

The estimations followed Illovo's announcement last week that it had bought 94.25% of Swaziland-based Lomé Sugar (Lonrho) for R1.6bn or R13.50 a share, effectively creating Africa's largest sugar producer.

MacLeod said Illovo's SA sugar production would be 1.2-million tons before 2000. Illovo SA is producing 1.1-million tons of sugar in SA.

MacLeod said Illovo was not considering disposing of the noncore business interests acquired from Lonrho, including two hotels, crocodile farms and other tourist attractions in Mauritius, despite Illovo's stated policy of concentrating on sugar cane production and sugar manufacturing.
No development projects planned'

Jacob Dlamini

CAPE TOWN - The SA Sugar Association (Sasa) would not participate in community-based public works initiatives this year, following a government decision to radically change its approach to public works programmes.

Sasa community development manager Joy Mills said the new approach proposed by the public works department was inappropriate for the association’s community involvement.

Mills said the department’s proposal of a time frame to ensure that all public works programmes were completed and evaluated by March 31 next year would hamper the association.

She said its programmes were dependent on multiyear funding and that community participation in development and the introduction of short-term time frames were incompatible.

The association supported the new approach but would need time to evaluate its programmes and to see if the communities involved in them would be able to adjust to it.

She said the association would consider involvement in community development initiatives once it had assessed the implications of the new approach.

Mills said Sasa’s new approach to job creation and community development in sugar-producing provinces would need to be phased in gradually to succeed.

The new approach will be introduced this year in an attempt to promote efficiency, financial prudence and accountability.

Mills said Sasa, which represents cane growers and sugar mills association, had undertaken 118 projects in the last financial year through Siyakha, a partnership between government and the sugar industry.

The programme, which initially began as a crisis drought relief scheme before it was changed to cater for public works and development, began in June 1995.

It had resulted in 136 community facilities, six environmental projects and nine domestic water provision facilities. It had generated 63,000 labour days, employing 13 persons temporarily for about 55 days each.

Mills said Siyakha had provided life and technical skills training to more than 105 people in KwaZulu-Natal.

He said that the KwaZulu Training Trust had provided training and certification.

Mills said the R12.5m allocated to Siyakha by the public works department had been boosted a R2.1m contribution from the sugar industry. The association would consider involvement in community development initiatives once it had assessed the implications of the new approach.
Swazis cry foul over Illovo-Lonrho deal

The Swaziland National Business Council has condemned the deal between Illovo, the South African sugar company, and Lonrho, in terms of which Illovo acquired Lonrho's sugar interests.

These include a 60 percent stake in Ubombo Ranches, one of Swaziland's oldest sugar operations. Jabavu Mpfu, a consultant to the council, said yesterday that the deal denied Swazis full participation in the sugar industry.

"This development shunts Swazis to a position of mere spectators as the giants make off with millions from an industry regarded as gold in Swaziland." Mpfu said people in the Swazi sugar industry were disappointed that they were given no opportunity to bid for a stake in Ubombo. Illovo could not be reached for a comment at the time of going to press. — Ncaba Hlophe, Johannesburg
Trade war may hurt Swazi sugar industry

Louise Cook

The trade war between SA and the US has significant implications for Swazi sugar exporters, as it may disrupt the flow of exports to the US, a major market for Swaziland sugar, leading to potential job losses and reduced revenue for the country's sugar industry. The recent increase in sugar prices in SA could be a result of the trade tensions, as sugar producers try to maintain their profitability in the face of increased costs. The Swazi government and sugar industry stakeholders are closely monitoring the situation to make informed decisions to mitigate the impact on the local economy.

Source: South African Sugar Association

The sugar industry in Swaziland is a significant contributor to the country's economy, providing employment and foreign exchange earnings. With the trade war adding to the uncertainties, it is crucial for the industry to adapt and find ways to diversify their markets to ensure long-term sustainability.
Sugar, property expected to boost Tongaat’s profit

A BUMPER sugar harvest twinned with profit from its property unit were expected to sweeten year earnings at diversified industrial firm Tongaat-Hulett Group, analysts said yesterday.

After soaking summer rains, the group’s mainstay sugar operation is seen propelling earnings more than 30%, in line with its forecast at half-year.

Results for the year to end-March are due for release today.

"Sugar is a lot better than last year," said Société Générale Frankel Pollak analyst John Moses.

Tongaat last July raised its crop forecast to 940 000 tons — a 63% improvement on the previous season when drought conditions cut into the harvest.

Tongaat’s sugar operations outside SA were also seen strong, analysts said.

"There is also growth from dividend accounting from the Zimbabwean sugar operations, Triangle," said Investec Securities analyst Carolyn Windsor.

Analysts polled forecast the group’s headline earnings a share rising to between 460c and 482,1c with consensus at 468,1c a year ago, an increase of more than 31%.

They expected the total dividend to come in a range of 164c and 175,5c, averaging out at 170,2c from 130c previously.

The group, which owns extensive cane farming lands, is also involved in developing residential and industrial land mainly in the area north of Durban.

"The great thing about their property is that they have no holding costs. As Durban expands they can just convert the cane fields into property developments," said another analyst who asked not to be identified.

A turnaround is expected from Tongaat’s building materials division, Corobrik, as it rises off a low base, offsetting an expected pedestrian performance from the consumer foods unit, CPC Foods.

But the group’s aluminium division, Hulett Aluminium, is seen under pressure, hurt by lower output from the country’s packaging sector and following a massive R2,4bn expansion at Tongaat’s rolled products plant announced in June last year.

The expansion, which will raise capacity to 160 000 tons from 50 000 tons a year, was financed by a combination of internal funds. — Reuters.
Huge sugar beet project set to sweeten economy of E Cape

BY HOPEWELL RADEBE
Provincial Reporter

XHORI 26/9/97

East Cape has undertaken to start a massive sugar beet plantation, which will bring revenue of about R200 million, to the government, according to Economic Affairs MEC Sibusisiwe Nkonyana.

Launching the project on Friday, he said the sugar beet would be planted next year and would be ready to be processed in a Cookhouse factory from 1999.

The project has the potential to create more than 4 000 jobs. He said arrangements had been made for 1 500 emerging farmers and 200 commercial farmers to plant the vegetable, and the East Cape Sugar Beet Company to harvest and process the crop.

East Cape Agriculture Co-operative managing director George Ward accepted a R500 000 cheque from Nkonyana for the study work conducted to assess and promote the project.
The world gets a taste for SA sugar

Durban — Countries around the world were clamouring to buy South African sugar now that the country was back in the world sugar market after political transformation and four years of crippling drought, the South African Sugar Association said last week.

"The South African sugar industry is world class. Our problem, when it comes to exporting, is that we have to almost ration our sugar," said Andrew Barr-Sim, Sasa's export manager.

Barr-Sim said the April 1996 to March 1997 season, which had seen the South African sugar industry return to the global fold with a healthy 2,269 million-ton crop, had brought in more than R1,2 billion in foreign exchange.

The season — from April this year to March next year — looked as if it would yield a record crop of more than 2.4 million tons, he said.

South Africa was now free to diversify its markets. Almost overnight, it had moved from serving its traditional three markets of Japan, Korea and Israel to selling to 31 countries.

"This new-found flexibility means South Africa can find the maximum value from the global marketplace. Because of our geographic location, we are well placed to move sugar to North America, north Africa, the Middle and Far East," he said.

According to Barr-Sim, important new markets included the US (over and above preferential quota tonnage of...

SWEET DEAL Mike Edwards, the sugar terminal manager, oversees the loading of one of the biggest sugar export cargoes ever to leave Durban. The Alstenor is bound for Saudi Arabia with 38,000 tons of raw sugar.

Barr-Sim said sugar was one of South Africa's primary, if not its leading agricultural export, in terms of foreign exchange earnings.

He said one of the most significant global developments within the international sugar industry was the construction of a huge refinery in Jeddah, Saudi Arabia, by United Sugar and Tate & Lyle.

Sasa was loading 38,000 tons of raw sugar, which was bound for this refinery. Barr-Sim said Sasa viewed this sale as the beginning of a continuing relationship with the refinery.

"Our focus this coming year will be to maintain our strong historical relationships with our traditional customers in the Far East, cement our more recent trading relationships and remain as flexible as possible in order to take advantage of opportunities as and when they arise," he said.
Illovo Sugar to take over Lourho's Swazi listing

Shirley Jones

KwaZulu Natal Editor

Durban - Illovo Sugar said yesterday it would list on the Swazi stock exchange in the place of Lourho Sugar. It also made an R80 million, or R13.50 a share, offer to Lourho minorities.

In addition to the offer price, minority shareholders are entitled to receive Lourho's final dividend of 35c a share.

Lourho directors and Investec have advised shareholders to accept the Illovo offer based on both the historic and present prices of Lourho shares, the company's results for last year and this year, and the prevailing conditions in the sugar industry.

Illovo's offer to minorities follows the purchase of the 94.25 percent stake held by Lourho for R1.33 billion earlier this month. In terms of the deal, Illovo is not permitted to trade in South Africa, Malawi, Swazi-
Denial of women’s rights spells death for millions

Kathryn Strauchan

DENYING women free choice on pregnancy and childbirth causes millions of deaths every year and impedes progress towards equality and development, according to the United Nations (UN) State of the World Population report released today.

Failures in reproductive health services, combined with widespread discrimination and violence against women, amount to a massive violation of human rights, it says. These violations, and efforts to end them, form the focus of the report.

At an international conference on population three years ago, 180 countries pledged to make quality reproductive health services available to all by 2015. The conference estimated that providing better reproductive health care worldwide would cost $17bn a year by 2000 — less than the world currently spends each week on armaments. But while many countries have increased their allocations for population programmes since 1994, annual global expenditures are still well below half the $17bn mark.

The conference identified a core set of rights for women: the right to voluntary choice in marriage, the right to have the information and means to determine the number and timing of their children, the right to reproductive and sexual health services, and freedom from sexual violence and coerced marriage.

The report documents the effects of denying women these rights:

- A total of 585,000 women — one every minute — dies each year from pregnancy-related causes, nearly all in developing countries. Many times this number is disabled as a result of childbirth.
- About 200,000 women die a year from the lack of contraceptive services.
- Up to 350,000 couples lack information about contraceptives and access to contraceptives.
- At least 75 million pregnancies each year (out of 175 million) are unwanted. They result in 45 million abortions, 30 million of which are unsafe.
- Each year 70,000 women die as a result of unsafe abortion. Many of these could be avoided if contraception was freely available.
- Last year 3.1 million people were infected by HIV. 1.5 million died from AIDS last year. 22.6 million people are living with HIV/AIDS.
- Each year 1 million people die of other sexual diseases.
- About 130 million women have undergone female genital mutilation; another 2 million are at risk in 28 countries each year.
- At least 60 million girls who would otherwise be expected to be alive are “missing” from various populations as a result of sex-selective abortions or neglect.
- Each year 3 million girls between the ages of five and 15 are forced into the commercial sex market.
- Violence against women and girls is the most pervasive yet least acknowledged human rights abuse in the world, with women reluctant to report these attacks, no reliable data is available.

The report emphasizes that sexual and reproductive rights are key to women’s empowerment, and are critical to the economic and social life of the world.

The report advocates increasing women’s access to credit and economic resources so that they can exercise their rights.

Many sugar growers look set to overcome their ‘legacy of debt’

Louisa Cook

AN EXPECTED record sugar crop of 2.5 million tonnes this year, coupled with good management and continuing favourable weather, would enable growers to overcome a “legacy of debt”, SA Can Growers’ Association chairman Rodger Stewart said yesterday.

He told the annual general meeting of the association in KwaZulu-Natal the availability of additional sugar enabled the industry to take advantage of broader overseas marketing opportunities that existed for SA producers.

New export destinations included Africa, the Middle East and Asia.

“Moreover, the Southern African Development Community trade protocol provides a framework for reducing and eventually doing away with barriers to trade between the SADC countries. It is aimed also at creating greater cooperation and integration of the region, especially mutually beneficial sectional co-operation,” Stewart said.

Bruce Galloway, association vice-chairman, supported the view growers were on the way to economic recovery, but said support services to the small-scale growers had to be boosted.

“The efforts of the industry through the Sugar Association, millers, growers and the Small Grower Development Trust to improve yields through training and support must continue. Attention must be directed also towards the development of an efficient and reliable cane contracting sector which can service the needs of small-scale growers,” Stewart said.

He said: “The improvement of this state of affairs will require a major effort from the small grower communities, with support from millers, cane growers, the Development Trust, the association as well as government.”

Last year 1 million tonnes of sugar was exported. Earlier the association said exports this year could generate about R1.4bn in foreign exchange earnings.
A big swallow for Illovo Sugar

SHIRLEY JONES

Durban — It would take time for Illovo to fully digest its R1.62 billion purchase of Lonrho Sugar, Don MacLeod, its managing director, said yesterday.

Lonrho would disappear, as originally agreed, he said. The new Illovo, incorporating the 94.25 percent stake bought from Lonrho and those shares sold by minorities, would evolve into a single, focused entity listed on the Johannesburg and Swazi stock exchanges.

However, until all was official on June 30, many issues would remain couched in broad terms, he said. Apart from sorting through the legal and statutory requirements, Illovo’s directors were investigating how the different operations would fit together.

For MacLeod and Illovo, this is just the beginning. “We’ll have to see how long things take to settle down. The sooner we can remove any uncertainty the better,” he said.

The new Illovo would consist of 15 sugar mills, downstream sugar operations and diverse subsidiaries including hotels, crocodile farms, ostrich farms and citrus orchards spread across South Africa, Swaziland, Malawi and Mauritius.

Referring to the non-sugar interests, MacLeod pointed out that it was too soon to tell whether there were synergies which could be exploited or whether the more sensible route would be to sell.

Nevertheless, he was working towards a single focused company, broken into manageable units, with centralised functions such as technical services, group finance and purchasing departments.

Illovo’s other African interests include a 50 percent stake in Mozambique’s Maragra Mill, which began operation in August 2002, but was considering an equity stake in the Nkangala mill in the ports of eNkangala, and has tendered for a stake in the soon-to-be privatised Mozambique Sugar industry.

Don MacLeod believes Illovo will act as a platform to grow Illovo sugar output, but its manufacture of downstream products where it is world-ranked.

Adding to this Illovo’s place in the South African sugar industry — with a 34 percent share of the local market, it is the country’s largest sugar producer and has maintained a 30 percent year-on-year growth in earnings in the past 10 years — and Lonrho’s considerable presence in the region, then MacLeod’s vision of Illovo as the world’s best and lowest-cost sugar and downstream products company is not improbable.

Illovo and Lonrho have an estimated combined sugar production capacity of 1.6 million tons. Turnover for their respective divisions, respectively R1.784 billion and R732.7 million.

Illovo generated operating cash flow of R66 million and Lonrho R516 million. MacLeod looks at the combined cash flow to enable the group to finance its increased working capital requirements and expand production to meet forecasts of growing regional demand for sugar.

MacLeod said Lonrho made a significant difference to Illovo’s strategy for expanding in Africa, simply because its spread was so huge. At the same time, Illovo would not neglect other opportunities.

He said the Lonrho purchase did not come down to simply adding on a few assets. Lonrho, in itself, had considerable growth potential which would have to be weighed up against other opportunities in Africa. Lonrho had also considered expansion opportunities in Africa different from those investigated by Illovo.
Cane growers seek Swazi truce

Shirley Jones

Durban — The South African government was seeking a one-year truce in the battle between the Swazi and South African sugar industries, Rodger Stewart, the chairman of the South African Cane Growers Association, said at its annual meeting in Durban this week.

Stewart said attempts to reach agreement after the South African industry objected to Swazi sugar leaking into the local market, threatening to undermine the local industry, had continually floundered because of the Swazi government’s uncompromising attitude.

He said further negotiations had been considered futile and the government had been asked to approach the matter on a political level. It was looking for a truce so longer-term arrangements could be investigated.

Stewart said despite an excellent crop over the past season the level of indebtedness of local farmers had increased each year in nominal terms to reach over R1 million a grower in 1985-86.

“While the improvement in the crop enables growers to significantly enhance their situation, to overcome the legacy of debt will require continuing favourable weather and good management,” he said.

He said the long-awaited recovery from the severest drought the industry had ever endured had again focused attention on the marketing of the crop.

He said that before 1984, South African sugar had held an average of 93 percent of the southern African customs union market. Uncontrolled incursions by Swazi sugar into the local market and the supply of Zimbabwean sugar into Namibia as a result of a bilateral trade agreement between the two had resulted in a rapid reduction in South Africa’s market share.

“Early predictions for the 1997-98 season are that our share could decline to approximately 69 percent of this market... The need to secure our domestic market as well as a reasonable share of the markets of non-sugar producing members of the customs union is of crucial importance to the long-term survival of our industry,” he said.
SA Sugar Producers expand into wider region

By: Hilary Jobe
Still exploring opportunities

Though it may be smarting after its setback in the scramble for African sugar assets, Tongaat-Hulett should benefit from the regional stability that the Lonrho Sugar acquisition (by rival Illovo Sugar) brings, with three big groups operating in the SADC region.

It retains flexibility to pursue other sugar opportunities on the continent. That, with a hefty capex programme — including the R2.4bn rolled products expansion at Maritzburg and the R720m starch and glucose mill to come on stream at Kilperton later this year — and better operational efficiencies should help maintain earnings momentum.

Compound real growth in EPS over the five years has averaged 25% — though MD Cedric Savage says this pace is becoming more difficult as the base gets higher.

Analysts are mixed on prospects, with some concerned about the cyclical nature of the sugar and aluminium industries (sugar contributed 42% of turnover and aluminium 12%).

Savage says all the businesses are cyclical but Tongaat-Hulett's strength is in its diversity across seven sectors. These include production of starch and glucose, building materials, property, Tongaat Foods and textiles.

Investments such as Triangle Sugar in Zimbabwe (the world's lowest-cost producer) and other expansions in Africa have helped to limit the cyclical T. The exposure to the aluminium sector is largely on the added value side, less vulnerable than primary products.

An impressive aspect has been the productivity improvements, with sugar milling costs cut in real terms by 26%, Corobrik's by 6% a year over five years, aluminium conversion costs down 15% and starch and glucose labour productivity up 16%.

What most of the businesses need now is better demand in domestic markets. Profits from building materials, for example, hinge on a building upturn. Savage seems mildly optimistic the recent GDP drop may trigger an early reduction in interest rates, which could boost activity.

Inde Payne
SA sugar giants battle for slice of Africa

SA Sugar, Commerzbank's merger partner, will battle giant D sanitizer for a slice of the African sugar market.

For many years, South Africa has been a major player in the African sugar market, exporting significant amounts of raw sugar to neighboring countries. However, the recent rise in sugar prices has led to a surge in demand, creating an opportunity for players to expand their market share.

D sanitizer, a major player in the global sugar market, has been eyeing the African market for a long time. Its aggressive expansion strategy has been focused on capturing a significant share of the African market, where sugar consumption is expected to grow.

SA Sugar, on the other hand, has a long history in the African market and has been successfully exporting its products to various African countries. With its strong production capabilities and robust supply chain, SA Sugar is well-positioned to compete in this market.

The battle for market share in the African sugar market is likely to be intense, with both companies vying for the top position. However, with growing demand and increasing competition, the future of the African sugar market looks promising for both SA Sugar and D sanitizer.

Sources:
- Africa News Agency
- Sugar Producers' Association of South Africa
- D sanitizer official website

Editor's Note: This article is based on publicly available information and does not reflect the views or opinions of the publisher.
The Illovo stake in Lonrho Sugar is not really that sweet

Subject to shareholder approval, Illovo has acquired Lonrho Sugar from Lonrho. Illovo will settle the purchase price of R1.6 billion by the issue of shares. In addition, Illovo shareholders other than CG Smith Foods will participate in a non-re-nounceable rights offer which closes this Friday.

According to the Illovo circular, the goodwill from the acquisition will amount to R1.1 billion. Lonrho Sugar owns companies in Malawi, Swaziland and Mauritius. These countries enjoy preferential export quotas to the EU under the Lomé IV Convention. The circular states that as a result of the higher prices obtained under the Lomé Convention about half of Lonrho Sugar’s revenues are from exports.

The Lomé IV Convention expires in 2000. South Africa has been offered Free Trade Area status as an alternative to full incorporation under the convention. The offer would grant it duty-free access to the EU with the exception of a number of listed products, mainly agricultural. South Africa would in return eliminate duties on some 90 percent of European exports.

If the Free Trade Area is concluded, it is bound to involve a breach in the common external tariff of the South African Customs Union agreement of which both South Africa and Swaziland are members. Goods imported at low tariffs from Europe into South Africa could pass to other members of the South African Customs Union agreement.

South Africa recently signed the SADC trade protocol of August 1995 which envisages free trade in southern Africa in eight years from adoption. Article 28 of the protocol includes a “most favoured nation” clause to the effect that member countries will be accorded trade preferences given by any member to a third country. Any tariff concessions by South Africa to the EU under the Free Trade Area would thus be accorded to SADC members.

The view has been expressed that a Free Trade Area between a relatively industrialised South Africa and the developed economies of the EU is likely to harm interregional trade. The region will be required to compete against the developed North, notwithstanding the “most favoured nation” clause in the SADC trade protocol.

The elimination of duties on European exports of processed agricultural products to South Africa could have a deleterious effect on regional countries. It is estimated that 60 percent of Swaziland’s sugar is marketed to processing industries serving mainly South Africa.

Should EU exports in the sugar and confectionery sectors be allowed to enter South Africa under the Free Trade Area, this may adversely affect Swazi sugar exports to South Africa. Investments have taken place in neighbouring countries to take advantage of the duty-free market access which these countries enjoy in the EU market.

The Free Trade Area may erode such preferences, thereby removing a factor which makes neighbouring countries an attractive location for investment in export-oriented industries.

Etienne Swanepoel is a director of the Cape law firm, Fairbridge Arderne & Lawton. The opinions expressed do not constitute advice. Readers should direct any queries to their legal advisers. Information for this column is supplied by Stock Press.
The Illovo stake in Lonrho
Sugar is not really that sweet

Subject to shareholder approval, Illovo has acquired Lonrho Sugar from Lonrho. Illovo will settle the purchase price of R1,6 billion by the issue of shares. In addition, Illovo shareholders other than CO Smith Foods will participate in a non-re-nounceable rights offer which closes this Friday.

According to the Illovo circular, the goodwill from the acquisition will amount to R1,1 billion. Lonrho Sugar owns companies in Malawi, Swaziland and Mauritius. These countries enjoy preferential export quotas to the EU under the Lomé IV Convention. The circular states that as a result of the higher prices obtained under the Lomé Convention about half of Lonrho Sugar's revenues are from exports.

The Lomé IV Convention expires in 2000. South Africa has been offered Free Trade Area status as an alternative to full incorporation under the convention. The offer would grant it duty-free access to the EU with the exception of a number of listed products, mainly agricultural. South Africa would in return eliminate duties on some 90 percent of European exports.

If the Free Trade Area is concluded, it is bound to involve a breach in the common external tariff of the South African Customs Union agreement of which both South Africa and Swaziland are members. Goods imported at low tariffs from Europe into South Africa could pass to other members of the South African Customs Union agreement. 

South Africa recently signed the SADC trade protocol of August 1999 which envisages free trade in southern Africa in eight years from adoption. Article 20 of the protocol includes a "most favoured nation" clause to the effect that member countries will be accorded trade preferences given by any member to a third country. Any tariff concessions by South Africa to the EU under the Free Trade Area would thus be accorded to SADC members.

The view has been expressed that a Free Trade Area between a relatively industrialised South Africa and the developed economies of the EU is likely to harm interregional trade. The region will be required to compete against the developed North, notwithstanding the "most favoured nation" clause in the SADC trade protocol.

The elimination of duties on European exports of processed agricultural products to South Africa could have a deleterious effect on regional countries. It is estimated that 60 percent of Swaziland's sugar is marketed to processing industries serving mainly South Africa.

Should EU exports in the sugar and confectionery sectors be allowed to enter South Africa under the Free Trade Area, this may adversely affect Swazi sugar exports to South Africa. Investments have taken place in neighbouring countries to take advantage of the duty-free market access which these countries enjoy in the EU market.

The Free Trade Area may erode such preferences, thereby removing a factor which makes neighbouring countries an attractive location for investment in export-oriented industries.

Etienne Swanepoel is a director of the Cape law firm, Fairbridge Ardren & Lawton. The opinions expressed do not constitute advice. Readers should direct any queries to their legal advisers. Information for this column is supplied by Stock Press.
Illovo to list on stock exchange in Swaziland

MBABANE — Illovo Sugar said yesterday it would be listed on the Swaziland Stock Exchange.

The announcement came shortly after Illovo acquired the majority stake in Swaziland's Ubombo Ranches Sugar Company, which has plans to diversify its product range by concentrating on sugar-based byproducts.

Illovo said the listing and consolidation with Ubombo will give additional impetus to Illovo's plans to increase support for more smallholder sugar cane growing schemes to boost production at their plant at Big Bend in the southeastern lowveld.

The formalities of the acquisition of 94% of Lonrho Sugar shares by Illovo are expected to be completed next Friday, creating the biggest sugar company in Africa with an annual sugar production of over 1.6-million tons.

The development followed a successful meeting on Monday between Illovo and the 40% shareholders in Ubombo Ranches — the Royal Investment Fund, Tibiyo TakaNgwane — to discuss the acquisition.

The meeting was also attended by the Swaziland government. Illovo now owns 60% of Ubombo Ranches while Tibiyo owns 40%.

"As a regional player, Illovo operates in 16 sugar mills throughout Africa. Swaziland will therefore benefit from the transfer of technology and expertise from the professional team already servicing the existing sugar mills of Illovo," said government spokesman Moshack Shongwe.

Illovo's industry position is expected to sweeten the sour relations between the Swaziland Sugar Association and the South African Sugar Association.

At Monday's meeting with Swazi Prime Minister Sibusiso Dlamini, Illovo was represented by chairman Richard Williams and MD Don McLeod.

Dlamini paid tribute to Ubombo Ranches MD Jerry Goszull and his management and also briefed Illovo on the Swaziland government's intentions to encourage greater participation in the sugar industry by Swazis through the Mhlathwana Dam and Umzumbe River developments.

"Both of these projects are a priority to the government ... the presence of Illovo will therefore have a significant role in these projects and it will boost the sugar industry in the Swazi kingdom," he said.

Tibiyo was represented by MD Themba Dlamini and personal secretary Sibongile Magugu, as well as by two officials from the Central Bank of Swaziland, Vinah Nkumbule and Esther Magugu. — African Eye News.
Illovo Sugar buys majority stake in Lonrho Sugar for R1.72bn

INGRID SALGADO

Illovo Sugar has acquired 99.9% of Lonrho Sugar for R1.72bn after most minority shareholders agreed to sell their combined 6.75% stake in the Lonrho-owned sugar company.

This follows last month’s announcement that Illovo had acquired 94.25% of Lonsgar from UK conglomerate Lonrho plc for R1.62bn at a 14% discount, beating contender Tongaat-Hulett in the race to become Africa’s largest sugar company.

CG Smith, which today released details of the deal, said Illovo had financed R1.1bn of the purchase price through the issue of new ordinary shares. The balance would be funded from existing Illovo cash resources and the issue of preference shares.

Illovo parent and CG Smith subsidiary, CG Smith Foods, had subscribed for 37.5 million of the new Illovo shares. At R8.50 a share, the capital contribution would amount to R320m.

The acquisition by Smith Foods would, in turn, be funded by CG Smith’s subscription of 3.9 million new Smith Foods shares at an issue price of R81.56 a share.

CG Smith had raised R380m through issuing 16.3 million ordinary shares at R24.79 a share. The R60m balance would be used to repay funds raised last year when the company acquired additional shares in subsidiary Island View Holdings.

The transactions will reduce Smith Foods’ holding in Illovo from 69% to 51.1%, and lift CG Smith’s stake in Smith Foods to 80.94% from 80.15%.

The firms said the acquisition of Lonsgar had enhanced the quality of CG Smith’s sugar earnings. Lonsgar has an annual sugar production of more than 1.6 million tons, with plantation investments in Mauritius, Swaziland, Malawi and SA.

“Illovo will be among the lowest cost producers in the world and more than 88% of revenues will be earned from exports,” says CG Smith.
President's message.

Fellow members,

I write to you on the occasion of the 155th anniversary of the establishment of the Swazi Sugar Industry. This event marks a significant milestone in the history of our country, and I am delighted to join you in celebrating this occasion.

The Swazi Sugar Industry has played a vital role in the economic development of Swaziland. It has not only provided employment opportunities for our citizens but has also contributed to the overall growth of the country's economy. The industry has faced many challenges over the years, but it has continued to adapt and innovate to remain competitive.

As we look towards the future, I urge all members of the Swazi Sugar Industry to continue to strive for excellence and to remain committed to the principles of fair trade and sustainability. It is our collective responsibility to ensure that the industry continues to thrive and to contribute to the well-being of our country.

I would like to take this opportunity to thank all members of the Swazi Sugar Industry for their hard work and dedication. Your contributions have been invaluable, and I have no doubt that the future of the industry is bright.

Yours sincerely,

Dr. Mabuza Sandile
President of the Swazi Sugar Industry
Stop punishing Swazis, urges SA sugar chief

Shirley Jones
Durban — The South African Sugar Mills' Association called yesterday for the re-establishment of an equitable trading partnership between the Swazi and South African sugar industries.

Speaking at the organisation's annual general meeting, Don MacLeod, its outgoing chairman, said it was time for South Africa to reinstate the use of facilities such as the export terminal and training and research, which had been withdrawn to punish Swazi producers who sold into the closed South African market.

"Neither country benefits from this standoff, and it is important that facilities are reinstated in return for an acceptance that unfettered access for existing and future expansions in (Swazi) production cannot be allowed while a distorted world market exists.

"The achievement of an equitable trading agreement — through the assistance of the government, if necessary — is important to enable the two customs union producers to promote a sugar protocol within the Southern African Development Community," he said.

MacLeod said in light of the volatility of the world sugar market, the long-term survival of the South African industry depended on a secure domestic market.
Truce in regional sugar war

Shirley Jones

KWAZULU NATAL EDITOR

Durban — A protocol between the warring South African and Swazi sugar industries was imminent following a positive third round of talks held at the end of August, said Don MacLeod, the recently appointed chairman of the South African Sugar Association (Sasa), yesterday.

In his first formal interview as Sasa chairman, MacLeod said the talks had cleared up crucial misunderstandings and problems. The two industries anticipated reaching a final agreement shortly, which would then be forwarded to the respective governments for approval.

MacLeod said this formal agreement would have a knock-on effect throughout the customs union and would probably form the basis of a wider Southern African Development Community (SADC) agreement, which was being negotiated with, and was supported by, the department of trade and industry.

“We’re talking very positively. I believe we will resolve the problems between us, and agreement will follow. Once this has been achieved, it needs to be accepted by all members of the customs union,” he said.

After this, the agreement would be extended to a fully fledged SADC sugar protocol.

MacLeod said the new Swaziland/South Africa sugar protocol would be significantly different from the past agreement, which fell by the wayside when Swazi export sugar began to leak into South Africa, undermining the local industry’s domestic market.

Once the accord was in place, the way would be open for the industries to try to grow the regional sugar market, he said.

MacLeod, who is also the head of Illovo Sugar, said a wider SADC protocol was not so much inevitable as sensible, given that the region’s industries were low-cost producers capable of expanding their productive bases.

As the SADC protocol emerged, a Southern African Sugar Association or secretariat would become essential to administer and police the agreement, he said. However, each country would need to maintain its equivalent of the Sasa to take care of its own concerns, he added.
"Fiscus is losing R36m to round tripping of sugar"

Shirley Jones

Durban — The fiscus was losing at least R36 million annually to dealers round tripping sugar through neighbouring states, industry sources said last week.

They claimed sugar made up a substantial portion of the grocery export scams within the Southern African Customs Union, which turns over more than R40 million monthly.

The sources confirmed South African sugar was being routed from KwaZulu Natal and the Free State via Lesotho and Namibia. Profits consisted of VAT rebates from the South African government, GST refunds from neighbouring states and discounts from the wholesalers from which the sugar was purchased.

The commercial branch of the SAPS in KwaZulu Natal said cross-border sugar scams were so prevalent it was almost impossible to tell one case from another. While some cases were reported to the police, others were handled by the receiver of revenue, which has a secrecy clause preventing anyone from tallying up how many investigations are under way.

According to one source, managers at wholesalers — who stand to earn sales bonuses — rarely ask questions, adding weight to the problem. The source said fictitious clients had been buying from certain stores for years.

The South African Sugar Association was not available for comment.
Healthy sugar crops ‘in the bag’

Johannesburg — Southern African sugar producers expect little or no impact on current crops from the onset of the El Niño weather phenomenon, but they do not rule out long-term implications.

"The industry at the moment is flush with water," one South African industry official said.

Scientists throughout the world have become alarmed at the early rapid and intense build-up of the El Niño phenomenon in the Pacific Ocean this year.

Its effects are already felt in southeast Asia, where a dry spell has savaged maize crops in Java, and it could rival the 1982/83 occurrence, which caused devastation around the globe estimated at about $3 billion.

South Africa produces the largest sugar producer in the southern African region, ahead of Swaziland and Zimbabwe.

Brian Sugden, the chief economistic for the South African Cane Growers Association, said the 1997/98 sugar crop, estimated at 2.44 million tons, would not be affected by the onset of an early El Niño drought.

"The 1997/98 crop is in the bag," he said.

"In the longer term, obviously, if you have a summer drought that impacts on next year’s crop, that can carry over into the 1999/2000 crop."

The industry needs the most rain in January, February and March. Weather experts predict El Niño will be felt in southern Africa from the end of this year.

Sugden said the association had recommended to South African farmers some early preventative practices, including cutting back on replanting and spreading the use of fertiliser over the summer season.

South Africa's 1996/97 crop of 2.27 million tons was the first normal sugar crop in four years, as the industry recovered from the effect of close on five years of drought.

A senior Zimbabwe sugar industry official said the country's sugar crop would not be heavily affected by an anticipated El Niño-driven drought.

"This time around there is sufficient water in the dams. These are almost full and we are not looking at the sort of situation that we experienced in 1992," said the official, who declined to be named. He was referring to the severe drought in 1992, when Zimbabwe's annual sugar output was drastically reduced.

Dams around the sugar growing region are about 80 percent full, according to the latest official statistics.

"This time, even if we get a drought, we should look at (an annual) production of around 650,000, the same as we got this year," said the Zimbabwean official, who asked not to be named. — Reuter
**LABOUR** Mills and refineries at Illovo and Tongaat-Hulett stop operations

**Wage strike cripples sugar industry**

Durban — South Africa’s sugar industry was crippled yesterday by a landmark collective strike of 4 500 workers (representing all five unions), who deadlocked with management over wage increases.

The unions represented in the sugar industry bargaining council rejected management’s 10.5 percent wage increase offer and are asking for a 20 percent increase. They are also asking for improved working conditions and clarity on the minimum wage, which the unions said was R1 250 per month.

The unions involved are the National Employees’ Trade Union (Netu), the National Industrial and Commercial Workers’ Union (Nicwu), the Food and Allied Workers’ Union (Fawu), the National Sugar and Refining and Allied Industries Employees’ Union and the South African Electrical Workers’ Association. They represent 80 percent of the workforce in the sugar industry.

Eric Botha, a sugar industry bargaining council spokesman, said yesterday the unions would continue their strike until “all demands” had been met.

Operations at 14 milling and refining operations at Illovo Sugar, the sugar group, and Tongaat-Hulett, the diversified sugar and industrial group, shut down as workers went on strike. The strike also affected the operations at haulage companies.

The strike comes in the middle of the annual milling cycle and five months before the end of the crushing season.

Bheki Sibiya, the chairman of the Sugar Manufacturing and Refining Employers’ Association, said management “was not in a position” to change its offer.

He said the offer had been influenced by this year’s 7.2 percent sugar price increase, the annual consumer price index for KwaZulu Natal, which was 8.2 percent, and a recent survey commissioned by the industry and unions which, according to the unions, had made no attempt to “rectify the huge wage gap” between sugar industry workers.

**MASS ACTION** Workers in the sugar industry are striking for a 20 percent wage increase.
LABOUR Three-year industry agreement holds

Across-the-board wage increases for car workers

ROY COKANE

Pretoria — South Africa’s seven vehicle manufacturers and the two key unions in the industry had reached agreement on wage increases ranging from 4.5 percent to 11.5 percent for the industry’s 25,000 hourly paid workers, the Automobile Manufacturers Employers Organisation (Ameo) said yesterday.

Brian Smith, the chairman of Ameo, said the wage increases — effective from July 1997 — were agreed with the National Union of Metalworkers of South Africa (Numsa) and the South African Workers’ Union (Sawu) at a meeting of the National Bargaining Forum (NBF) on Wednesday.

"The across-the-board wage increase agreed is in terms of the wage model, which forms part of the three-year NBF agreement which was signed in June 1995. In terms of the agreement, employees in skills levels one to four will receive an increase of 9.5 percent, and employees in skills levels five to seven will receive an increase of 8.5 percent," said Smith.

Tony Kgobe, the Numsa coordinator for the car manufacturing sector, said a wage increase of 11.5 percent — 2 percent above the inflation rate — had also been agreed in the minimum salary level.

Kgobe said this increase would affect about 7,000 workers and was in line with their desire to close the wage gap. He said identical increases had also been agreed recently for the tyre industry.

Smith added that in terms of the three-year car industry agreement, only an across-the-board wage increase effective from July this year was negotiated as all other terms and conditions remain unchanged until the agreement expires in June next year.

Smith expects negotiations on a new agreement to start next April.

Kgobe said he did not want to be pre-emptive about the overall assessment of the agreement but indicated there had been some teething problems with the agreement.

He said there were certain aspects they would like to continue while they might not continue with others.

"The whole question of training needs to be modified to take care of development and also national development in regard to what is contained in the government’s Green Paper," he said.

We won’t budge over pay, say sugar unions

RAVIN MUKHRARAJ

Durban — Unions in the sugar industry bargaining council said yesterday they were more determined than ever to push for a 20 percent wage increase and warned the industry not to "foolishly accept" that they would "eventually budge".

Industry sources said discussions were proceeding, but the quicker a resolution was found, the less damage would be done before the end of the crushing season in five months.

Yesterday the first collective sugar industry strike entered its second day after the five unions, representing about 4,500 workers and 80 percent of the workforce, deadlock with management over its 10.5 percent wage increase offer.

Operations at 14 milling and refining operations shut down.

The industry exports to 27 countries and earns foreign exchange of more than R1 billion.

Selby Nembela, the executive president of the National Industrial and Commercial Workers Union, said workers were "not prepared" to change their minds.

"The strike was a "historic event" for workers in the sugar industry.

Workers previously went on strike, under their respective unions, in 1995 when they demanded housing for employees close to the mills.

But Sheki Shiya, the chairman of the Sugar Manufacturers and Refiners Employers’ Association, said management would not change its offer, which had been influenced by this year’s 7.2 percent rise in the sugar price.

Numsa in auto and tyre deal

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Sefisa) reached a wage agreement for the auto and tyre industries yesterday.

In terms of the deal, an increase of 11.5 percent was granted for those earning the minimum wages, while 9.5 percent was granted to higher grades and 3.5 percent to artisans. Tony Kgobe, the sector’s coordinator said.

He said the settlement was signed in terms of the industry’s three-year agreement signed three years ago.

Meanwhile, Brian Angus, Sefisa’s executive director, has said Sefisa’s negotiators will “move and settle” with Numsa’s engineering sector when the parties meet on July 15 — Prakash Narumal.
Sugar workers may begin strike

(3) SUGAR

DURBAN — Sugar industry employees yesterday signalled their willingness to call a three-week strike to force-through their demands, following a lockout by the country's major sugar companies, Tongaat-Hulett and Illovo Sugar.

Five trade unions associated with the sugar milling and refining operations, and representing about 80% of the workforce, embarked on a legal strike on Tuesday preceding the lockout.

Trade union spokesman Eric Botha said yesterday that "the seriousness of the matters under discussion" mandated a strike of about three weeks at this stage, but said the unions were prepared to negotiate further with management on their demands.

Operations were shut down after the unions rejected management's offer of a 10.5% wage increase. Unions are asking for a 20% wage rise, clarity on the minimum wage—currently R1,250—and improved working conditions.

Milling and Refining Employers' Association chairman Bheki Sibuya said the industry's offer had been calculated according to the 7.2% rise in the sugar price, the annual inflation rate of 6.2% and an agribusiness wage survey.

Botha said the survey, conducted by Clover SA, Premier Milling, Sappi Suiker, Sappi Stanger, Saska Durban mill, Saska Stanger Bakeries and Taste Rice Corporation, had disclosed "significant disparities" with the wages being offered by the sugar industry. He said workers needed industry assurance that the wage differential would be narrowed in the next few years. The 10.5% rise did not contribute towards this.
Natal's fiery backdrop to sugar wage talks

Jonathan Rosenthal

DURBAN — Sugar industry employers and the five unions representing about 4,000 striking workers meet today for a further round of wage talks amid allegations by sugar farmers that the strikers have set fire to their farms.

It was reported yesterday that farmers at Amatikulu in northern Natal had battled throughout Saturday night to fight seven fires believed to have been started by the strikers.

Gerald Souchon, an Amatikulu farmer, said: "They deliberately burnt the cane so that we are forced to harvest in two days' time — if the mill is not operating by then, we will be in trouble".

But both employers and union representatives yesterday insisted that the reports had been exaggerated.

"Around this time we tend to have some random fires," Bheki Sibiya, the chairman of the Sugar Manufacturing and Refining Employers' Association, said.

Eric Botha, a spokesman for the National Employee's Trade Union, one of the five unions involved in the strike, said he had not received any reports of strikers damaging property: "The whole situation is under control."

Botha said the unions were willing to revise their demand for a 20 percent pay rise provided employers indicated they would make some commitment to narrowing the wage gap between the sugar industry and the rest of the agricultural sector.

"We are going to revise our position — we are just looking for an effort from management to reduce the gap," he said.

While the unions and the employers prepare for another round of negotiations, the strike appears to be spreading. Botha said workers at Voermol in Tongaat had also downed tools in support of the strikers.
SUGAR STRIKES

An industry caning itself

RAVIN MAHARAJ
DURBAN

The unions' hardline stance is anything to go by, the sugar industry's landmark strike last week could signal a key victory for 4 300 workers demanding a 20 percent wage increase.

Militant tactics were the order of the day amid acres of burnt sugarcane fields in northern KwaZulu Natal as more and more workplaces joined the strike.

Management was optimistic about the outcome of the strike, but whether they are convinced the unions will eventually budge, or believe they can stand by their 10.5 percent wage increase offer, remains to be seen.

Last week, union leaders and management indicated their willingness to hold further talks. This followed entry into the equation by Narend Singh, the KwaZulu Natal minister of agriculture, who on Friday urged "all affected roleplayers to ensure an inclusive and amicable outcome".

He said continued striking could have "devastating consequences" on the economy of the province. He said the increasing competition in the international agricultural market, and the recent entry of Swaziland into the South African sugar market, was a warning that the country's sugar industry had to become more "cost-conscious". Disruptions, he said, could wreak havoc in the profitable sugar industry.

According to Eric Botha, a sugar industry bargaining-council spokesman, there was no indication of a speedy settlement to the dispute being reached.

Bhekizolisa Sibiya, the chairman of the Sugar Manufacturing and Refining Employers' Association, said management was not in a position to change its offer, which had been influenced by a number of factors: this year's 7.2 percent sugar price increase; the annual consumer price index for KwaZulu Natal, which was 6.2 percent; and a recent survey commissioned by the industry and unions — which, according to the unions, had made no attempt to tackle the "huge wage gap" between workers. Rural workers at the Maidstone mill told Business Report they were receiving lower wages than their urban counterparts.

But in spite of signs over the weekend that unions would revise their demands in a new round of negotiations, workers on the ground seem unwilling to compromise.

Yesterday's talks collapsed after the negotiating parties heard that as many as 400 workers from the Voormol plant were on their way to the meeting to participate in the negotiations. After half a day of haggling, employer and labour delegates only agreed on one thing: to close the meeting and head for home before the Voormol workers arrived.

About 90 percent of the country's sugar production comes from KwaZulu Natal. The industry, which exports to 43 countries, earns foreign exchange of over R1 billion. Last year, the industry produced a sugarcane crop of 2.22 million tons, resulting in an export surplus.

Workers at Tongaat-Hulett's sugar mill near Tongaat, north of Durban, told Business Report last week all they were waiting for were better wages. They indicated their willingness to return to work immediately thereafter.

Andy had said management had to give workers a reason to smile. But Sibiya said on Friday he did not want to speculate about the outcome.

He said he "trusted in the intrinsic goodness of workers" and hoped they would continue behaving in an orderly fashion "no matter what the outcome was".

But the unions were optimistic they would win. Workers belonging to the five participating unions — the National Employees' Trade Union, the National Industrial and Commercial Workers Union, the Food and Allied Workers Union, the National Sugar and Refining and Allied Industries Employees' Union, and the South African Electrical Workers Association — sang traditional Zulu glory songs outside their respective places of work last week.

Aside from wage increases, workers are also demanding clarity on the minimum wage, which the unions say stands at R1 250, and improved working conditions.

The strike, which today enters its fourth day has resulted in the shutdown of 14 milling and refining operations at Tongaat-Hulett and Illovo. Only Transvaal Sugar and Union Co-operative have remained unaffected. Both companies were unavailable for comment.
Sugar talks end in fear and panic

JONATHAN ROSENTHAL

Durban — Negotiations to resolve a strike by about 4,500 workers in the sugar industry collapsed in panic yesterday as union and employer representatives dissolved the talks when they received word that as many as 400 striking workers were preparing to storm the meeting, negotiators said.

Selby Ntsbande, the executive president of the National Industrial and Commercial Workers Union, one of the five unions participating in the strike, said little progress had been made in the afternoon's talks.

He said representatives of the 400 workers from Tongaat-Hulett's Vosmolv plant, who joined the strike late last week, were barred from the talks because they were not members of the bargaining council.

Yesterday afternoon the workers had assembled busses and began travelling en masse to the negotiations venue to demand participation in the talks, Ntsbande said. "We closed the talks because the concern was the fact that people were on the way and intended to barge into the meeting."

Eric Botha, a spokesman for the National Employees' Trade Union, one of the other unions involved in the strike, said some progress had been made during the day's talks, but that they had ended because some representatives feared for their lives. "It's our black colleagues whose lives are in danger because they could be seen as sellouts by some of the strikers."
Sugar strike hardly affecting production, says industry spokesman

A week-long strike by sugar workers has had a minimal effect on production, but problems might emerge if the action persisted for more than two weeks, Bheki Sibiya, a spokesman for the sugar industry, said yesterday.

About 4,000 milling and refining workers in KwaZulu Natal went on strike demanding a 20 percent wage increase. Illovo Sugar and Tongaat-Hulett have offered 10.5 percent. "If the strike has had any effect it is marginal. There are plans on management's side to make up lost production," Sibiya said. He declined to give any figures for lost production or cost to the industry. Talks between the five unions representing the workers and the companies have been inconclusive, but the representatives were "cautiously optimistic" that further talks would be productive. — Reuters, Durban
Sugar union prepared to go the distance

From REUTER

Johannesburg — West Africa's low-cost gold producers should weather the latest gold price plunge with ease, while the South African gold industry prepares for huge losses and layoffs of thousands of miners, analysts said yesterday.

West Africa’s low-cost gold not in trouble

MARIUS BOSCH

With gold at its lowest level in 12 years and sliding lower by the hour, South Africa’s mining houses are preparing for an uncertain future.

"It could be the worst thing the country has ever seen. This gold crisis is the last thing the country needs right now," said an analyst. Analysts expected the first bad signs of the weakening gold price to surface during the quarterly reporting season, which starts today.

"I think we are going to see a bloodbath," Angus Auchterlonie, a Mathison & Hollidge gold analyst, said. One exception might be Anglo American which could win a respite through its forward sales.

Yet West Africa's fast-emerging gold industry — centred around Ghana's Ashanti Goldfields — will hardly be affected by the low bullion price because of sophisticated hedging policies and low operating costs.

Analysts said most gold mines in West Africa produced gold at a cash cost well below the world average, estimated by Gold Fields Mineral Services to be $282 an ounce. Barry Sergeant, a BoE NatWest analyst, said the cash cost of most of the gold mines in West Africa was between $300 and $350. Auchterlonie said only three South African mines had a cash operating cost of less than $250. But analysts said the biggest effect of the falling gold price would be on exploration in Africa. — Reuters
Manufacturers are optimistic lost time will be made up later this season

Sugar industry rejects loss figures

RAVIN MAHARAJ

Durban — The sugar industry has questioned estimates that the sugar milling industry would have to dump 114 000 tons of cane worth R17 million, and that R14 million a week had been lost by growers because of the deterioration of the cane crop during the three-week strike which ended at the weekend.

Bheki Sibiya, the chairman of the Sugar Manufacturing and Refining Employers' Association, said yesterday these estimates were "speculative".

He said the industry could only determine whether this year's season would have to be extended into next year at the end of the crushing season just before Christmas. Lost production time would also have to be considered.

Analysts also suggested the cost of funding backdated pay increases, the "knock-on" effect of the strike on downstream industries and the restructuring necessary after the strike would put a damper on company earnings for the year.

Bruce Dunlop, the chairman of the South African Sugar Millers' Association, was hopeful that milling time would be made up at the end of this year's season. But he echoed Sibiya's sentiments that milling industry losses could not be accurately ascertained at this stage.

Selby Nshande, a spokesman for the Sugar Bargaining Council, said yesterday that workers had willingly indicated they would return to "full production". But union estimates indicated only about 75 percent of workers had returned to Tongaat-Hulett and Illovo Sugar's milling and refining operations.

Nshande said some workers were unhappy with the results of the wage negotiations, adding that workers in northern KwaZulu Natal were "very reluctant" to go back to work.

Following the intervention of the Commission for Conciliation, Mediation and Arbitration (CCMA), the employer and the five unions represented in the Sugar Bargaining Council agreed on an 11.25 percent across-the-board increase, backdated to April 1, with an additional increase of 2 percent to be introduced on December 1.
COMMODITIES The industry hopes to negotiate an SADC protocol

SA and Swaziland to tackle sugar dispute

Shirley Jones

Durban — The South African and Swazi sugar industries would meet early next month to resolve their long-standing dispute, Tony Ardington, the outgoing chairman of the South African Sugar Association (Sasa), said yesterday.

Speaking at the Sasa annual general meeting, Ardington said constructive discussions had already taken place with Swaziland concerning the basis for a long-term agreement within the Southern African Development Community (SADC). He also said the two sides would negotiate the reinstatement of Swaziland’s use of South African training, research and port facilities.

He said if the industry was to successfully negotiate a sugar protocol within the SADC, it had to reach an agreement with Swaziland so that the sugar industries of the Southern African Customs Union could approach other SADC industries with a proposal governing trade in sugar.

The dispute between the South African and Swazi sugar industries arose over the export of sugar into South Africa by Swazi sugar companies at prices below those set for the domestic sugar industry.

“Last year, the increased exposure of this industry to the resold world market as a result of competition from Swaziland within the common customs union was the most important factor causing insecurity,” Ardington said.

Since then, competition between the two industries changed after the Masembe Protocol was signed by the two governments in August last year. This committed all SADC members to a progressive dismantling of tariffs over the next eight years.

“This places all producers other than those in Mauritius in a difficult position. In the absence of a sugar protocol, production of 4 million tons in the SADC will compete for a market of 2.5 million tons,” said Ardington.

“The consequence would be to lower the internal price of sugar in the SADC to a price below the world market price. In times of low world prices, this would be below the cost of all producers and production would collapse,” he said.

Strikers hurt by the cane they burnt

Durban — Although the 114 000 tons of sugar damaged or destroyed as a result of the recent strike at sugar mills was not significant to an industry that would harvest over 23 million tons this season, it could affect small growers.

Tony Ardington, the outgoing chairman of the South African Sugar Association, said yesterday:

He said cane that had been cut or burnt before the start of the strike would have been destroyed or lost value for the grower and the miller.

“Damaged cane could comprise all or a large part of a small grower’s crop,” he said.

“Strikes are a blunt instrument in the negotiation process and harm those directly involved. The hardship suffered by the negotiating unions will be shared by many small-scale producers, all those working on the farms. It is damaging to all involved that the strike was extended... because of competition between unions purporting to represent the best interests of members,”

He said the strike would have a negative effect on cash flows this season. It had also delayed the start of the 1998/9 crop, he said. — Shirley Jones
Govt departments find dearth of trained staff

Shareen Singh

GOVERNMENT departments are battling to comply with racial quotas and targets for their staff complement as "suitably qualified black applicants" cannot be found to fill vacant positions.

The latest edition of Past Facts, a publication of the SA Institute of Race Relations, said government officials, speaking during a recent Human Rights Commission conference workshop, said that their departments "could not be expected to make substantial moves towards racial representation as long as there were too few trained black managers".

The officials said too little was being done to train lower-level black staff to equip them for senior positions. Reports from provincial governments to Parliament had supported these views, the magazine said. The North West province, for example, reported that 40% of middle management posts in some departments had not been filled because suitably qualified black applicants could not be found.

Government officials at the conference said they were sceptical about compulsory race classification. Some officials had expressed frustration that they did not have guidelines on whether to classify employees and job applicants by race, and if this was necessary, how to go about doing so.

"Consequently some departments were undertaking racial classification and others were not," the publication said.

The Central Statistical Service's (CSS) chief director of demographic surveys, Fali Lehobho, said SA's history of using "race to disempower certain population groups meant that racial classification was still a necessity as a way of monitoring the deracialisation of society".

The removal of apartheid from the statute books had to hold meaning at all levels of society and "how does one get a sense of the disempowered climbing the economic ladder and demographic performance in other areas if not by classification?" Lehobho said.

He believed that racial classification was a definite requirement in job applications, particularly in the public service, where major transformation was being implemented.

Institute of Personnel Management executive director Pat Gamele said race classification for the purposes of affirmative action was necessary, "but only if combined with affirmative action programmes and as part of a process of transformation".

However, caution was needed to ensure that "race classification was not used as a discriminatory tool", Gamele said.

It was difficult to understand how government departments were unable to fill middle management positions as there was a "large pool of black graduates and those with a degree are trainable". Government was expecting the private sector to invest in training and skills development and legislation encouraging this was being considered, "yet departments themselves are not doing the same", she said.

The public service and administration department was unavailable for comment.

Small-scale sugar producers grow

Nicola Jenvey

DURBAN — Small-scale growers in SA would produce more sugar cane than the entire Swaziland sugar industry, generating about R800m of SA's R4,5bn gross turnover for the industry, SA Sugar Association chairman Tony Ardington said at this week's annual general meeting.

The sharp increase in small-scale growers since the drought meant this sector would produce 4.6-million tons of cane for the 1997/98 season — 25% more than last year — and would contribute about 2% of the sugar produced by private growers.

Ardington said the "buoyant" demand for sugar in the Southern African Customs Union (SACU) provided good export opportunities to boost the industry's expect-
Sugar strike may end after efforts by labour body

Nicola Jeynes

DURBAN — A crippling 10-day sugar industry strike is due to end today after more than 4,500 workers agreed to return to work following intervention at the weekend by the Council for Conciliation, Mediation and Arbitration (CCMA).

However, the strike could result in lost revenue of millions of rands for SA's sugar industry.

The 14 mills and refineries affected by the strike will be fully operational by tomorrow.

Employer representatives and the five trade unions reached an agreement on Saturday over wage increases after a fortnight of meetings.

Trade union spokesman Eric Botha said the resolution “should have happened far sooner” and that the CCMA had played a pivotal role in resolving issues which had caused the strike.

The agreement is for an 11.28% increase backdated to April 1. This will be followed by a 2% increase from December 1, effectively increasing the base margin by 13.25%.

The workers had initially demanded a 20% across-the-board rise.

Milling and Refining Employers’ Association chairman Bheki Sibiya declined to estimate losses incurred during the strike, saying that the 100,000 tons of cane cut and awaiting crushing retained “a fair degree” of sucrose.

He said that the lost capacity could be recovered by extending the crushing season beyond Christmas and that the sugar stockpiles had been sufficient to continue supplying orders.

Sibiya said the increase did not reflect a significantly close the wage gap between sugar industry employees and those in other agricultural businesses. The trade unions would resume efforts to bring the industry in line when negotiations started for 1999/2000, he said.

A merit increase system would be reviewed by management and shop stewards, while Tongaat-Hulett and Illovo Sugar were committed to restructuring employee grades and had undertaken to provide the appropriate training to remove the A1 grade level.
Sugar not crushed by three-week strike

Ravindra Maharaj

Durban — The sugar industry was expected to "recover rapidly" from the three-week strike to complete its crushing season this year, analysts said on Friday.

But they said the cost of funding backdated pay increases, the "knock-on" effect of the strike on downstream industries and restructuring necessary after the strike, would put a damper on company earnings for the year.

The strike, which shut down 14 milling and refining operations, ended on Saturday after marathon mediation talks between Tongaat-Hulett, the diversified sugar and industrial group, Illovo Sugar, the sugar producer; and the five unions in the Sugar Bargaining Council.

The council had referred the lengthy dispute to the Commission for Conciliation, Mediation and Arbitration (CCMA) late last week.

Eric Botha, a Sugar Bargaining Council spokesman, said yesterday that Eugene van Zuydam, a senior commissioner affiliated to the CCMA, had come up with an offer that both sides "could not refuse".

The parties, he said, had settled on a 11.25 percent increase, backdated to April 1, with a further 2 percent increase effective from December 1 this year. Outstanding issues would be dealt with at a corporate level.

Botha said about 4 600 workers would return to work tomorrow. Cane cutters, farmers and haulage companies would also resume production.

The sugar industry — which earns foreign exchange of more than R1 billion — exports to 27 countries and last year enjoyed a healthy sugar crop of 2,25 million tons.

Management had entered the weekend talks offering an 11.5 percent increase effective from June 1 with a further 2 percent increase from October 1. The Sugar Bargaining Council wanted an 11.5 percent increase backdated to April 1 with another 2 percent from April 1.

The unions represented in the Sugar Bargaining Council were the National Employees’ Trade Union, the National Industrial and Commercial Workers’ Union, the Food and Allied Workers’ Union, the National Sugar and Refining and Allied Industries Employees’ Union and the South African Electrical Workers’ Association.

The five unions represented 80 percent of the workforce in the sugar industry.
ZIMBABWE

Tongaat-Hulet plans Mazowe valley mill

Tongaat-Hulet Group, the South African sugar group, proposed to build a Z£650 million (£360 million) sugar mill in Lower Mazowe valley, the Confederation of Zimbabwe Industries industrial review reported. In its latest issue, the review said the mill would have a capacity of 140 000 tons a year and should be ready for crushing in May 1999, the Ziana news agency reported at the weekend.

It reported the project was a joint venture involving Tongaat-Hulet, British food group Tate & Lyle and the local Loman farmers' co-operative. Tongaat-Hulet's shares would be held through its wholly owned Zimbabwean subsidiary, Triangle Sugar Corporation, which already produces about 300 000 tons of sugar at its lowveld plantations. The company said there were also expansion plans at Triangle, which with the Mazowe valley project would increase yearly production to 500 000 tons, most of which would come from another Zimbabwe listed firm, Zimbabwe Sugar Refineries Corporation.

Simpson, Harare

SP (orr) 14/7/97
Fawu out of step in sugar talks

RAVIN MAHARAJ

Durban — The sugar bargaining council warned yesterday that attempts by the Food and Allied Workers' Union (Fawu) to refer the dispute to the Commission for Conciliation, Mediation and Arbitration would "never fly".

This comes as the sugar strike enters its second week, bringing with it the possibility of "carrying over" some cane for the 1998 milling season.

Selby Naidande, a spokesman for the five unions in the sugar bargaining council, said they had rejected weekend attempts by Fawu — one of the unions in the bargaining council — to "push the matter" into Cosatu's hands as it fell outside the "ambit of the bargaining council".

He said the industry's bargaining council had dispute mechanisms in place, even though Cosatu had begun to "breathe down the necks of the negotiating parties" to find a speedy solution.

Naidande said the bargaining council was "disappointed" with Fawu which, he said, was trying to resolve the matter in its "infinite wisdom".

That, he said, would delay a possible meeting with management today, and

STICKY The sugar strike has so far closed down 14 milling and refining operations

lengthen the strike, which has resulted in the shutdown of 14 milling and refining operations belonging to Tongaat-Hulett, the diversified sugar and industrial group, and Illovo Sugar, the sugar producer.

Only Transvaal Sugar and Union Cooperative have so far remained unaffected.

Yesterday there were three management offers on the table. Naidande said the parties now differed only as to whether the employers' across-the-board offer of 11,5 percent should be backdated to April 1 or June 1.

If accepted, the management offer (the unions were initially asking for a 20 percent increase) would be followed by an additional 2 percent increase on October 1.

The other two offers involved various combinations of the initial percentage increase, the additional increase in October and the date from which the increases would be backdated.

The increase went hand-in-hand with an offer to upgrade the status of 263 A1 workers to an A2 rating, giving them an effective increase of 17.25 percent.

This was part of a weekend strike-breaking management proposal for the full integration of workers to higher grades, to be completed by next March.

Fawu was unavailable for comment yesterday.
End of sugar industry strike is in sight

Nicola Jerney

DURBAN — Protracted negotiations between five sugar milling trade unions and management have narrowed the gap between worker demands and industry offers and edged closer towards ending the damaging two-week sugar industry strike.

Trades union spokesman Eric Botha said yesterday that worker representatives and management had settled on an 11.5% across-the-board increase, with another 2% in October.

However, the union was demanding back pay to April, while management was offering the new wage level from June.

Further meetings were scheduled to take place later in the week.

The offer went hand-in-hand with an offer to upgrade the status of 283 A1 workers to an A2 rating, giving them an effective 17.25% increase, Botha said.

This was part of a strike-breaking management proposal for the full integration of workers to higher grades to be completed by March next year.

Botha said that given the current consumer inflation level of about 10%, an 11.5% increase coupled with a further 2% later in the year would contribute towards closing the differential between the wages paid in the sugar industry and those of other agricultural industries.

The unions had conducted a survey among Clover SA, Premier Milling, Sappi Saiccor, Sappi Stanger, Sasco Durban Mill, Sasco Stanger Bakeries and Tastive Rice Corporation for comparative wages, Botha said.

Sugar industry spokesmen said that while the strike action had been a financial blow, the industry was highly flexible and the lost production could be made up after Christmas if the milling season was extended.

Some cane could also be carried over for milling next year.

Reuters reports that the strike was costing the industry about 83 000 tons of cane a day in lost production, but that the industry had declined to put a value to the losses.

Milling and Refining Employers' Association chairman Bheki Sibiya said that there were still five months left in the crushing season, which had begun in April, and the industry was now considering various options to recover lost production.

"There are a lot of things that can be done to recover some, or most, of the lost production. Until these plans are discussed by all the role players, any figures released will remain pure speculation," he said.

The unions and employers said last week that they hoped the strike would end this week and that production could be resumed before the weekend.
Industry to try to resolve deadlock

DURBAN - Last-ditch attempts to break the deadlock between striking sugar industry workers and management will be held today and failure to resolve dispute would result in workers continuing the strike for another two weeks, a union spokesman said.

Five unions involved in the crushing and milling process have been on strike since last week and are under a management lockout.

Union spokesman Eric Botha said yesterday that the unions had been "more than patient" and had already made concessions by reducing the wage increase demand from 20% to 15%. The strike would continue if workers demands were not met at today's meeting, he said.

However, the Sugar Milling and Refining Employers' Association chairman Bhekki Sibiya has warned that the sugar industry, which earns more than R1bn from foreign exchange annually, faced significant losses should the strike continue beyond next week.

During Tuesday's meeting, management offered an 11% increase to R4-grade employees and a R100 settling bonus to the remaining workers. The unions rejected this call, demanding an across-the-board increase of 15%.

Meanwhile, Grocane GM Cecil Oliver said yesterday the company had received 18 reports of "wildcat" fires started by employees on KwaZulu-Natal sugar farms.

Province reverses 'no work, no pay' order

Kevin O'Grady

THE Northern Province government yesterday revoked its "no work no pay" order governing the two month stayaway by Bushbuckridge public servants over a border dispute and said it would pay affected workers backdated salaries.

Spokesman Kenny Mathivha said the decision at a provincial cabinet meeting was intended to "contribute to the normalisation" of Bushbuckridge after the school and work boycott, designed to pressurise government to transfer the town to Mpumalanga, ended on Tuesday.

Meanwhile, the Bushbuckridge border committee, which was formed to fight for the town's transfer, yesterday delayed its application for a court order forcing central government to redraw the two provinces' borders.

Committee spokesman Prince Ndlou said papers would be served by tomorrow.

He also said there would be a march through the town on Monday to highlight Tuesday's meeting between Provincial Affairs Minister Valli Moosa, Northern Province premier Ngcako Ramlahli and his Mpumalanga counterpart Mathews Phosa at which the issue would be discussed.

Memorandums demanding that the three leaders "put their personal and political interests in their pockets and the interests of the people of Bushbuckridge on the table" would be sent to their offices.

Moosa's spokesman Mpho Mosimane said Moosa was aware of the committee's intention to start legal proceedings and had told committee members it was their right to do so. "The only thing we're opposing the use of on this issue is violence," Mosimane said.

He also said a commission of inquiry's report on the border dispute between the Northern Cape and North West that was released last week would be the subject of intensive talks between Moosa, North West premier Popo Molefe and Northern Cape premier Manne Dipico.

The commission, headed by former local government elections task team co-chairman Khetha Shubane, recommended Mothibitse and Fanpiestad in North West be combined with Kuruman and Hartswater in the Northern Cape respectively but that Taung and Kudumane districts remain in North West.

Mosimane said there would need to be agreement between the two provincial governments and central government before changes could be legislated.
Draft agreement could end 15-day sugar strike

Durban — The 15-day strike by thousands of South African sugar workers may end today if union members vote in favour of a draft agreement with management, a union official said yesterday.

Management and the unions reached a draft agreement in the early hours of yesterday morning to settle the strike, which has crippled the South African sugar industry, a spokesman for Illovo Sugar and Tongaat-Hulett said.

Eric Botha, a spokesman for the five unions taking part in the strike, said if members agreed, the draft agreement could be signed today, paving the way for a return to work of about 4 000 workers at 14 mills and refineries in the KwaZulu-Natal sugar-producing region.

"If our members accept the offer we will be putting to them, we will sign the agreement," said Botha. He pointed out the draft agreement included a wage increase of 11.5 percent backdated to April 1. A spokesman for the two companies said he was hopeful the draft agreement would be signed.

The sugar industry estimates production losses at about 88 500 tons of cane.
Sugar wage stalemate referred to CCMA for 'speedy resolution'

The Sugar Bargaining Council said yesterday that it would refer the lengthy dispute that has shut down 14 refining and milling operations to the Commission for Conciliation, Mediation and Arbitration (CCMA).

This move comes after the failure between unions and management yesterday to sign a draft agreement as the strike entered its third week. Eric Botha, a union spokesman, said members had indicated they were "neither overwhelmingly positive nor negative" about the offer spelled out in the agreement. He said CCMA would be brought in for a speedy resolution of the dispute.

The draft agreement said employees would be offered an 11.5 percent wage increase, backdated to April 1. This differed from the previous offer of 11.5 percent backdated to June 1 with another 2 percent increase to come in October. Sugar cane cutters and farmers entered the debate yesterday, saying they had had to lay off hundreds of workers because of the strike. — Rupe

Witbank, Durban
A new offer for sugar workers

Efforts to resolve the two-week strike in the KwaZulu-Natal sugar industry continued yesterday, according to chairman of the Sugar Manufacturing and Refining Employers Association Bheki Sibiya.

"We are hopeful that it will be resolved because we will present an attractive offer to the employees this afternoon (Tuesday)," Sibiya said.

Management was offering an 11.5 percent increase from June plus another 12 percent effective in October.

"I am cautiously optimistic about the outcome of our meeting with the union," Sibiya added.

A representative of the National Industrial and Commercial Workers Union (Necwu), Selby Nsibande, said workers at four of the 14 centres involved in the strike had consulted on the latest offer and rejected it.

"The bottom line they are prepared to accept is at least 15 percent," he said. "We remain hopeful of being able to resolve the matter soon but I am very doubtful of finding a solution this week." - Sapa.
Sugar talks reach draft agreement

Nicola Jenvey

DURBAN—Protracted talks ending early yesterday morning have resulted in a draft agreement between management and striking sugar industry workers and could end a two-week conflict between the parties.

Milling and Refining Employers' Association chairman Bheki Siyaya said yesterday a draft agreement for the five striking trade unions had been reached.

Employees would be offered an 11.5% wage increase backdated to April 1, he said. This differed from the weekend offer of 11.5% from June 1 with another 2% increase in October.

However, trade union spokesman Eric Botha was cautious, saying feedback from members was "neither overwhelmingly positive nor negative". He said the offer would be voted on this morning and if accepted, the agreement would be signed later today.

Sources estimated Tongaat-Hulett and Illovo Sugar had lost 85 000 tons of cane crushing daily during the strike.
Sugar

Illovo absorbs a little lump of Lonrho

Shirley Jones

Last week saw the close of Illovo's financial year and increased anticipation that the forthcoming financials would at last disclose the route the sugar giant had taken in incorporating its R1.6 billion acquisition, Lonrho Sugar.

Without doubt the most significant happening this financial year, and perhaps in the company's history, the Lonrho deal created Africa's largest sugar producer and the third biggest sugar company in the world. The precise repercussions would only become clear when Illovo raised the curtain for the investment community. Until then, analysts agreed, it was a case of wait and see.

Den MacLeod, the Illovo managing director, said the incorporation of Lonrho into the Illovo group had been successful.

"We see ourselves as one company with one culture and one future." While Illovo was digesting Lonrho, he explained, he had had no alternative but to address issues in broad terms.

Speculators were left with turnovers of R1.76 billion and R723.7 million and cash-generating potential of R696 million and R371 million for Illovo and Lonrho respectively. What adding those together would deliver was anyone's guess.

MacLeod pointed out that strong cash generation remained a priority. Both operations had achieved sound profitability in the past, and there was no reason why this should not continue. In the financial year to June, the positive effects would be measured by realising the opportunities identified during the amalgamation. He referred to Kristine and major expansion potential within existing operations and possible new greenfield developments.

However, MacLeod still provided no specific details. He believed the Illovo group would be producing about 6 million tons of sugar by 2000 and, within the next financial year, would have added another key product to its lucrative downstream product repertoire.

"Our strategic philosophy is to be the biggest and most downstream products operation in Africa and to be world class. We believe the two are compatible." Certain plants, like the Sasol plant at Memel in Durban, were operating at full capacity while others had capacity for growth.

On releasing the group's results last year, MacLeod emphasised that the contribution to Illovo's bottom line from downstream operations was expected to exceed that year's 9.2 percent. But while their contribution increased materially, their overall percentage of profits was diluted through the addition of Lonrho.

Nevertheless, Illovo would relentlessly grow downstream operations where the group benefited from more substantial margins than on sugar as a core commodity.

"We will increase profits on an ongoing basis in real terms and maximise the return on capital employed through being a cost leader and the use of innovative technology," he said.

Clearly, the premium which industry commentators declared Illovo had paid for Lonrho has not capped investment. Although not yet official, major expansion plans at operations inside and outside South Africa are well advanced.

More importantly, Illovo had not stopped looking at growth opportunities in Africa. MacLeod said staff would move on aids this week at the Masagra sugar mill in Mozambique, which Illovo remains helping to rehabilitate. Seed cane had already been planted on surrounding estates. Masagra would begin producing in April 1999 and reach 57,000 tons of sugar by the year 2000.

Meanwhile, Illovo was still discussing the possibility of an equity stake in the Kenya sugar mill. It had successfully rehabilitated.

Again, this, the logistics of realising Illovo's substantial interests remains on top of the group's agenda. Priorities include listing the Masagra operation on the local stock exchange, negotiating the Swiss bureaucracy to let Illovo on that stock exchange, and obtaining approval from the Mozambican government for re-structuring its listed sugar, hotel and other business interests into separate business units.

A feasibility study would determine the future of the small Glendale sugar mill, the only South African operation which Illovo acquired from Lonrho.

MacLeod said the newly acquired group enjoyed a number of key advantages, including the geographer and climatic spread, access to good raw supplies and irrigation facilities in Malawi, Mozambique and Zimbabwe, a wide mix of cane-growing conditions and the prospect of strong growth in regional sugar consumption. Unlike other sugar producers in southern Africa, Illovo's wide operational spread lessened the risk of drought and would probably reduce the still largely unknown El Nino threat, he said.

Even in its South Africa backyard, Illovo had massively reduced its risks through diversifying its operations when it moved its Illovo mill to Eton and invested in Umfolozi, he explained.

The biggest plus, however, was the strong export revenues to which the group had access. Most exports were by the London Convention or preferential quotas, reducing exposure to world market and providing a crucial cash flow.
Illovo to shut down Glendale mill

Nicola Jenvey

DURBAN — Illovo Sugar is to shut Glendale sugar mill, inherited from UK firm Lomrho Sugar which the SA group bought in June, after a wide-ranging study of the mill’s financial and operational activities found it unviable.

Illovo Sugar MD Don MacLeod said yesterday the mill suffered from poor profitability and high capital demands.

Glendale was SA’s smallest sugar mill with an annual crush of about 300 000 tons. It was more expensive to run than larger counterparts where cane output was more than 1-million tons a year.

MacLeod said Illovo’s first priority was the mill’s employees. Steps were being taken to provide employment elsewhere within the company, he said.

Retrenchment packages and early retirement options combined with encouraging workers to establish independent sustainable businesses, to which the company would offer assistance, were also under consideration.

“Mill employees will be personally interviewed to work through the impact of the mill’s closure and to assist in selecting the best option,” he said.

He was confident that most employees would find work in other Illovo operations.

MacLeod recognised the pioneering work undertaken by the mill to develop small-scale farmers in the Umvoti Valley. As a result, the Small Growers’ Affairs department would remain open to cater for the small grower community and future small-scale farming developments in the region.

This would be augmented by existing plans to extend Illovo’s medium-scale farm programme to the area. All Glendale’s future cane supplies would be diverted to the Gledhow mill at Stanger.
Sugar company will try to minimise job losses

Illovo mill a casualty of merger

Shirley Jones
KWAZULU NATAL EDITOR

Durban — Illovo Sugar said yesterday it would close its Glendale sugar mill near Stanger along the KwaZulu Natal north coast. It bought the mill from Lohrbo in June.

Don MacLeod, Illovo's managing director, confirmed that the closure at the end of the sugar season, either just before Christmas or in January 1998, could cost 220 jobs.

The company would try to accommodate some employees at its operations in South Africa, Swaziland, Malawi, Mozambique, Kenya and Mauritius.

He said the mill's continued existence was simply not viable because of its poor profitability and the considerable capital which needed to be injected to bring the mill up to acceptable operating standards. Still further investment would be imperative for the mill to be profitable.

Even if Glendale increased production during the present season, it had little chance of being viable in the longer term, he said. The mill was expected to produce 36 000 tons of sugar this season compared with 24 000 tons in the year to March 30 last year.

Illovo's decision was based on a feasibility study into the operational and financial viability of Glendale which began shortly after the takeover.

"The Glendale mill hasn't been profitable for years. It only gave Lohrbo an opportunity to have a presence in the South African market," said MacLeod.

He also said that the closure amounted to a rationalisation of Illovo's interests in the area and would not prejudice the livelihoods of the farmers supplying the mill. Glendale's future cane supplies could easily be diverted to Illovo's nearby Gledhow mill.

The Glendale Distilling Company, in which Illovo has a 50 per cent stake, would continue to operate on the present site with molasses supplied by the Gledhow mill. MacLeod said that would be brought up to full capacity, and he hinted at possible synergies with Illovo's Merchiston Alcohol Plant.

He said Illovo was keeping its options open when it came to what would happen to the mill.

"The company might break it up and use the equipment elsewhere, or dismantle the mill and move it as it has done with what is now the Boston mill along the KwaZulu Natal south coast, and as Tongaat Hulett is doing with the removal of its Mount Edgecombe mill to Zimbabwe."

Business Watch, Page 14
Soaking rains are good and bad news for sugar

DURBAN — Heavy spring rains that have soaked eastern KwaZulu-Natal had brought good and bad news for sugar cane farmers, the Cane Growers' Association said yesterday.

Three days of rains in excess of 20mm, and in some cases up to 40mm, had halted some milling operations in a sector which was under pressure to meet a backlog caused by a three-week-long strike in July, said association executive director Jack Wixley.

"These rains have made the harvesting of this crop fairly difficult. Things are pretty tight at the mills because of the strike and this will put more pressure on them."

The current 1997/98 sugar crop is estimated at 2,44 million tons.

Wixley said the heavy rains were welcome because they would boost the water table and levels of dams in the province, most of which were around 80% full. This "will help to carry us through the dry periods predicted for next year and get the crops off to a good start now", he said. Scientists have predicted drought for southern Africa next year because of the El Niño weather phenomenon.

About 20% of KwaZulu-Natal's sugar cane was under irrigation and a large percentage was a longer cycle type of cane which meant that next year's crop would not be significantly affected, Wixley said.

"A significant proportion of next year's crop is guaranteed," he said. — Reuters.
Dublin refinery in 223m upgrade

The new project would involve a new $223 million upgrade to the refinery, which is operated by the Government-owned oil company, Ireland's largest petrochemicals producer. The upgrade is expected to increase production by 30%, making the refinery more competitive in the European market. The project is scheduled for completion by 2022, with the first phase expected to be operational by late 2021. The upgrade will also reduce emissions and improve energy efficiency, aligning with the Government's commitment to environmental sustainability. The project is expected to create around 1,000 jobs during the construction phase and 300 permanent jobs upon completion.
Closure of mill ‘will undermine ground-breaking export trade’

Organic sugar farmers raise cane against Illovo

Durban — Illovo Sugar would undermine a ground-breaking organic sugar farming project that could earn millions in foreign exchange, Robert Tritz, a sugar exporter, claimed last week.

Tritz said Illovo’s closure of the Glendale Sugar Mill in northern KwaZulu Natal would deal a death blow to the Glendale organic sugar project, the second of its kind in the world. This action would stop local farmers from earning a premium of R30 a ton on organically grown sugar cane bound for European markets, he said. Tritz said he intended taking his protest against the closure of Glendale to provincial government level.

Don MacLeod, the managing director of Illovo Sugar, said the sugar group stood by its decision to close down the loss-making mill, which it had recently bought from Lonrho.

MacLeod pointed out that of the 1 000 tons of organic sugar to be exported this year, only 300 tons had come from community farmers and the balance from the lands surrounding the Glendale mill which Illovo now owned.

Illovo’s feasibility study, on which the decision to close the mill was based, had taken all factors into account, including the production of organic sugar, MacLeod said. He said Tritz’s claims that organic sugar was extremely profitable were not borne out by Illovo’s experience. If the mill had remained open, Illovo Sugar would not have produced organic sugar, he said.

Tritz argued that Illovo had no experience in producing organic sugar. At this point, just 400 tons of organic sugar had come from the Glendale mill, he said. Half had come from cane supplied by local farmers. At least 6 000 tons of organic cane was still in the fields, of which 1 000 tons belonged to the farming community, he said.

“Illovo is going to create massive hurt and problems for the people of the Glendale valley,” Tritz said. He said the potential of the organic sugar project had not been fully realised. Although input costs were high, economies of scale would be realised if sufficient organic sugar was produced within the region, he said.

Tritz pointed out that Illovo had informed small farmers in the area that it would have to invest R3,5 million immediately, R7 million within the next two years and a further R30 million during the next 10 years to make Glendale profitable. He said Illovo believed the mill had to crush at least 1 million tons to be viable.

However, if the mill was processing organic sugar only, it could be profitable at just 20 000 tons and would bring in a premium of R22 million a year, split evenly between the farmers and the mill, he said.

Tritz pointed out that it would also cost between R2,5 million and R5 million extra, a year to transport cane to the nearby Gledhow mill. MacLeod replied that additional transport expenses would have no effect on farmers in the valley as Illovo would pick up the tab for moving the cane to Gledhow.

Tritz retorted that investing R40 million to upgrade the mill was preferable to spending R100 million on transport over the next 20 years.
Under new management, the terminal had handled one million tons of sugar by September 1, which brought $18.5m in payments to CFM — this brought in $12.6m for the railways and $4m for the port.

The terminal is handling sugar exports from Swaziland, Zimbabwe, Mozambique and Zambia.

The company expects future to attract exporters from Mpumalanga as development of the Maputo corridor gets under way.

The war in Mozambique forced the sugar associations of Swaziland and Zimbabwe to interrupt their exports through Maputo harbour between 1991 and 1995.

Constant thefts from the trains and the port also contributed to the decision to suspend exports — in 1991 alone 16 000 tons of goods were stolen.

The trains are now escorted by a private armed force which also mounts patrols at port premises.

The terminal was built in 1966 and handled 1.4 million tons of sugar over the first eight years.
Sugar production data released

The importance of sugar production to the SA economy is clearly illustrated in the SA Sugar Association’s 1997/98 industry directory released in Durban last week.

The publication shows that in the 1996/97 season, 2.2-million tons of sugar was produced by the country’s 47 000 growers. Of this total, 1.3-million tons was consumed domestically and 996 630 tons exported. Export earnings for the season were worth R1.1bn.

Indications are that the 1997/98 season is likely to produce a bigger crop — about 2.4-million tons, and that export earnings will rise above the 1996/97 level.

The past season was the best one experienced by the local sugar industry in the past decade and ended a run of five consecutive poor seasons.


According to the directory, 47 000 growers produced 20.9-million tons of sugar cane in 1996/97 for processing at the country’s 16 sugar mills — the highest total since 1987/88. Land dedicated to sugar cane was also the highest for a decade at 411 297ha, with 21% of this total under irrigation.

Forty-five thousand of the country’s growers are classified as “small growers” who produced 17.5% of the total crop. Milling companies with their own sugar estates produced 16.5% of the crop and 2 000 large-scale growers were responsible for 66% of sugar cane production.

Although direct employment in the sugar industry is estimated at 131 000, the figure jumps to 240 000 when indirect employment is included. About 1-million people, mainly in Mpumalanga and KwaZulu-Natal, are dependent on the sugar industry for their livelihoods.

Income generated in 1996/97 amounted to R4.4bn, making it one of the country’s major revenue generators. — AP-DJ.
Sweet outlook for Illovo Sugar results
Nicola Jenvey
(3) SUGAR
DURBAN — Industrial food group Illovo Sugar was poised for a record production year in the current 1997/98 season as the acquisition of Lonrho Sugar in July lifted expected levels to 1.57-million tons from 965 000 tons in 1996/97, chairman Robbie Williams said in the group's annual report.
Excluding the 465 000 tons contributed by Malawi, Swaziland and Mauritius, Williams said the group still anticipated record SA production topping 1.1-million tons.
Given normal weather conditions, next season's growth across the group was expected to increase to 1.7-million tons.
MD Don MacLeod said Illovo controlled 45.5% of sugar production in SA, 100% in Malawi, 37.9% in Swaziland and 12.8% in Mauritius, but several expansion programmes were under way.
Williams believed the R1.8bn acquisition of Lonrho had improved Illovo's business risk profile. The geographic diversity of the group's sugar operations reduced Illovo's exposure to adverse weather conditions.
Buyout is icing on Illovo’s year

Shirley Jones

Durban — Illovo Sugar’s acquisition of Lonrho Sugar would be viewed as the highlight of the past financial year, Don MacLeod, Illovo’s managing director, said last night.

Illovo posted a 45 percent rise in attributable profit yesterday to R281.9 million in the year to September 30. With a capital expenditure budget of R220 million (R135 million) for the year to come, Illovo would not be daunted by the acquisition of Lonrho Sugar, MacLeod said.

“During the period under review, headline earnings rose 53 percent to R196.7 million, turnover was up 50 percent at R2.65 billion and operating profit half-year and at the time of the Lonrho acquisition.

With the acquisition came a dramatic change in the contribution to operating profit. In 1996, 63 percent had come from sugar manufacture, 29 percent from downstream products and 8 percent from cane growing. This contribution ratio had shifted to 56 percent from cane manufacture, 17 percent from downstream products and 27 percent from cane growing.

However, while the profit share of downstream products had diminished, it had grown in rand terms, MacLeod said. Whereas all Illovo’s profit was derived from South Africa last year, this year 19 percent came from Malawi, 12 percent from Swaziland and 9 percent from Mauritius.

Another significant change came from foreign exchange earnings, which escalate to 34.5 percent of turnover. MacLeod said this figure was expected to grow to 40 percent of turnover which, in turn, was expected to also increase materially.

Net financing costs grew significantly from R22.2 million in 1996 to R43.2 million in 1997. However, this was the cost of achieving the increases reflected in the current year’s report and material growth in years to come. Borrowings expanded from R261.6 million to R1.08 billion.

MacLeod said he expected a reduction in debt and the group’s interest burden, to be synchronised with expansions in South Africa, Swaziland and Malawi.

Gold industry swings back into profit

Andi Spicer

Johannesburg — South Africa’s gold industry swung back into profit in the quarter to September after the first ever loss in the quarter to June.

Cost containment and higher gold production added to the bottom line, which should result in even better results in the quarter at present, analysts said.

Hedging also had a significant effect on profit, with the restructuring of the Western Areas’ hedge providing a large boost to profit in a weak gold price environment.

“This always happens; there are a bad few quarters and then the restructuring starts to kick in,” Goodwin said.

The industry produced a profit of R61.48 million from last quarter’s loss of R149 million. Pretax profit was increased from R721.6 million to R750.33 million, and gold profit rose from R728.58 million to R755.25 million. This was despite a depressed gold price, when the average gold price received was $324, or R1 022, an ounce.

Goodwin said operational results were better and there had been a “big turnaround at JCI’s Western Areas and Randfontein because of the hedging policies of the companies”.

Gold Fields’ performance was down on last quarter, but was forecast to do better in December. Randgold was also down but was scheduled to improve, as was Avgold. At JCI there were much better results, but a question mark remained over Gencon’s performance. Anglo did well and was expected to do better next quarter.

Gold Fields’ earnings fell from a loss of R26.15 million last quarter to a further loss this quarter of R61.91 million, a 62 percent fall on the June quarter and a 183 percent fall on last year’s results.

Randgold’s earnings were 1 percent lower on last quarter, down from a loss of 177.1 million to R149.63 million. This is a massive 564 percent fall on last year.

Avgold did better, losing R38.39 million — a 26 percent improvement — but was 162 percent down on last year. But the group forecasts better production output for its Target mine, scheduled to come on stream in 1999.
Changing the business mix

Management energies are focused on absorbing the Lonrho sugar assets

A strong performance in domestic operations has enabled Durban-based Illovo Sugar to concentrate on the restructuring and absorption of its international acquisitions in the former Lonrho Sugar.

These new assets have added the icing to what would already have been an excellent year, according to MD Don MacLeod.

While Lonrho turnover made a healthy contribution from June 20, as predicted it had a neutral effect on headline EPS, which rose 24% from 80.9c last year to 100.4c in the year to September 30.

Since the R1.6bn takeover in mid-year of Lonrho Sugar, management has concentrated on examination of the assets in Malawi, Mauritius and Swaziland to ensure the businesses are focused and in line with Illovo operating principles.

The acquisitions have, however, had a large impact on Illovo’s business mix. Whereas sugar manufacture accounted for 63% of the group R207.7m operating profit last year, this has dropped to 58% of R399m in fiscal 1997. Sugar cane production is an integral part of the Swaziland, Malawi and Mauritius operations; their input lifted the cane-growing component from 8% to 23%.

Restructuring measures have included transfer of assets in Mauritius into focused companies (sugar interests in one company, hotels and leisure in another), though this has been delayed by the need for legislation that will allow the transfer of property without having to pay duty.

In Malawi, where Lonrho was in partnership with the State, government stocks in the Sugar Corp of Malawi (Sucoma) will be listed on the Malawi Stock Exchange on Monday — the placement, under the auspices of the Privatisation Commission, has been 2.97 times oversubscribed.

Little change is expected with Illovo’s newly acquired Swazi interests, though MacLeod suggests the company could extend its Kwanza-Natal medium-scale farmer programme.

The empowerment scheme now has 40 black farmers owning sugar farms which have been bought from Illovo’s nonstrategic cane farming operations.

Illovo’s other international venture, the Manzara mill rehabilitation project near Maputo, is proceeding, though MacLeod says it could take longer than originally expected to complete. The mill should begin functioning in 1999 and reach full production two seasons later.

Herb Payne
Sugar production high on Maputo’s list of priorities

CITRUS HILL 1975 SUGAR

EVARISTO CUNHANE

Maputo — Mozambique will recover its position in the list of major sugar exporters in Africa within the next five or six years following the rehabilitation of the country’s sugar industry, says Arnaldo Ribeiro, the director of the Mozambique Sugar Institute.

With four of the country’s six sugar refineries prioritised by the government — namely Xinavane and Marare, in the southern province of Maputo, and Mafamibe and Marromeu in the central province of Sofala — operating again at full capacity, our country will be producing about 500,000 tons of sugar a year and saving about $35,000 million currently being spent on sugar imports, says Ribeiro.

Mozambique used to be the fourth biggest exporter of sugar in Africa after Egypt, South Africa and Mauritius.

With a sharp decline in production the country was overlapped by smaller producers such as Zimbabwe, Swaziland and Malawi. The crisis began just after independence from Portugal, in 1975, when 90 percent of qualified sugar workers, mainly Portuguese, British and Mauritians, left the country.

Then came the civil war which destroyed the country’s biggest sugar refiners. From the maximum production of 250,000 tons achieved in 1962, production went down to 11,000 tons in the worst year, 1985, of which 3,000 tons were produced at Mafamibe and 8,000 tons at Xinavane.

Ribeiro says $45 million is needed to upgrade Xinavane, and there are already some starter funds.

Rehabilitation of Xinavane is starting next year with a $10.5 million loan from the Kuwait Fund.

The agreement formalising this loan was signed in Maputo earlier this month between Tomas Saloma, Mozambique’s finance minister, and Bader M Al-Humaidhi, the managing director of the Kuwait Fund. Ribeiro says the Opec Fund has already agreed to provide $10 million.

A formalising agreement will be signed soon, while the Arab Bank for Economic Development in Africa has confirmed the provision of $10.5 million. The remaining $15 million is expected to be sourced from African banks. Nedbank has guaranteed to make most of this available.

Up to $30 million is needed to rehabilitate Marromeu and Luabo in the Sofala and Zambezia provinces respectively. Both refineries were dynamited by Renamo rebels during the 16-year civil war which ended in October 1992, destroying their main components.

There is an immediate programme for Marromeu, thanks to the intervention of Mauritian investors who have formed a consortium, Societe Marromeu. Their plan is to be discussed during negotiations with the government of Mozambique this month.

Ribeiro says that if the talks end before the end of January or during February next year, the stakeholders could begin land preparation so that the refinery can start production in 2001. He describes the Mauritians as very courageous investors given the bad state of the refinery, in addition to a lack of rail infrastructure.

Unlike other potential investors, the Mauritians are ready to start working without the Sena railway linking the port of Beira to Malawi. They agree to start working with the existing road infrastructure currently undergoing rehabilitation.

The Sena line is also vital for production at the Moatize coal mine in northwestern Mozambique. Ribeiro strongly believes this line will function again one day because Mozambique cannot survive without it. About $350 million is needed to upgrade the railway line, which is over 600 kilometres long. Ribeiro says if the project goes well, Marromeu will have a yearly production of 114,000 tons of sugar, of which 35,000 tons will be for export. Marromeu will also export 35,000 tons of molasses a year. Exports could earn the refinery some $10 million.

Marromeu is to be operated by a joint Societe Marromeu/government venture. At some stage the government will relinquish its shares to Mozambican investors, including the workers, in line with its privatisation programme.

But Ribeiro says nothing prevents Mozambican businessmen from joining the Mauritians and that the government is encouraging Societe Marromeu to look for local partners. — Independent Foreign Service
US drops antidumping duty on Illovo products

Simon Barber 24/11/1997

WASHINGTON — Illovo Sugar has won an important round in its bid to disentangle itself from costly US antidumping proceedings which began three years ago when a US competitor, QO Chemicals, tried to drive it out of the US market.

QO Chemicals claimed at the time that Illovo Sugar was selling furfuryl alcohol in the US for less than what it charged domestic customers.

The US commerce department initially sided with QO Chemicals, slapping an 11.5% dumping duty on Illovo's product, which would otherwise have entered the US duty-free under the US generalised system of preferences.

This week, the commerce department announced that it was reducing the dumping duty to zero over the heated objections of QO Chemicals, and that all the duties paid by Illovo's US importer, 'New Jersey-based Harborechem, would be refunded.

Furfuryl alcohol is made from the bagasse, or post-processing residue, of sugar cane and is used to make resins for the foundry industry.

Illovo is by far the largest supplier to the US market, with exports to this country last year valued at $4m, representing more than 80% of US imports.

Illovo is still not yet in a position to dispense with the services of the Washington law firm, Fulbright & Jaworski, which it has had to retain to fight its case.

In pricing, both domestic and in the US, will be subject to at least two more annual reviews — and inevitable protests by QO Chemicals — but if the department finds on both occasions, as it did after the latest review, that there is no difference between Illovo's home and export prices, the proceedings will be terminated.

Matthew Nolan, one of Illovo's Washington attorneys, said that "due to vagaries of the process, once you are in the net, the only way to get out is to go through the annual reviews and get three zeroes in a row".

Although, as propriety information, the details of Illovo's prices are not set out in the public record, it is clear QO Chemicals' action did push Illovo to adjust them down in SA as well as up slightly in the US.

In fact, the commerce department, in its latest ruling, rejected an argument by QO Chemicals that Illovo had cheated by lowering its domestic prices.

An important issue the department had to decide was whether Illovo's export price was what Illovo charged importer Harborechem, or the marked-up price Harborechem charged US customers. The answer depended on the degree to which Harborechem was affiliated with Illovo.

"We prevailed on that," said Nolan. "There is no common ownership, but because of the close nature of the relationship, we established they work together for the purpose of selling."

This is the second US antidumping suit against SA exporters which Fulbright & Jaworski has successfully defended in recent years.

Last year, in another case defended by the firm, the US International Trade Commission killed duties imposed on SA manufacturers of steel pipe by finding that imports of the product neither harmed nor threatened to harm US industry.
Plan to revive sugar industry

Fernando Lima

MAPUTO — Government and a Mauritian business consortium, Société Marromeu, are planning a joint venture aimed at reviving the heart of Mozambique’s sugar industry.

The venture will involve reviving a sugar complex — established by British company Sena Sugar Estates but taken over by government — which spans two processing factories and plantations in the towns of Marromeu and Luabo on the banks of the Zambezi River. The towns are close to one another but lie on opposite sides of the river in the central provinces of Sofala and Zambezia, respectively.

The two factories, which are in the centre of territory dominated by the opposition Renamo party, were destroyed during the war along with the Sena railway line which used to channel the sugar to the port of Beira.

Marromeu and Luabo used to provide half of Mozambique’s sugar production.

Talks were held between government and the consortium in Maputo last week, and will resume on December 15 to iron out additional issues.

Société Marromeu representative Thierry Lagesse said he was optimistic about the project although major issues had still to be negotiated. His consortium wanted a clear commitment from the Mozambican government that it would de-mine the area, improve communication facilities and road and rail routes and allow tax exemptions for the project.

Arnaldo Ribeiro, head of the parastatal Sugar Institute of Mozambique, which is focusing on the industry’s development, said the Mauritian consortium was ready to invest $70m for the first phase to rehabilitate the works at Marromeu, which no longer function. This would include rehabilitating the industrial site and sugar irrigation networks, as well as re-establishing cattle and copra (coconut) farming in the area. According to a feasibility study, Marromeu would be able to produce 115,000 tons of sugar a year in eight years’ time.

Luabo was technically rehabilitated in the early 1980s by an SA company but was immediately occupied and destroyed by Renamo. The Mozambican Air Force also inflicted damage in a bid to recapture the town.

The economic revival of the Marromeu/Luabo complex — which government hopes will eventually provide 14,000 jobs — could also help government gain more support in a region dominated by Renamo.

The move is the latest attempt to revive the sugar industry, which used to provide Mozambique’s third most important export commodity after cashew nuts and prawns. Sugar plantations cover 62,800 hectares and the industry used to be a major employer, providing about 45,000 jobs in the early 1970s.

At the industry’s peak in 1972, Mozambique produced 326,000 tons of sugar, but with only two of the six factories in operation it is expected to produce about 80,000 tons this year.

One factory which is up and running is Acucarrica de Mafambisse, in the town of Mafambisse in Sofala Province, whose rehabilitation was initiated by the sugar institute’s Ribeiro five years ago. About $30m has been invested in the project, with help from the African Development Bank, and management was taken over by SA’s Tongaat-Hulett company last year. Government intends to privatise the majority stake in the company, giving Tongaat-Hulett first option.

The other functioning factory is Acucareira de Xinavane, on the banks of the Nkomati River. It produces 10,000 tons. Production is expected to reach 47,500 tons in the next three years. However, about $49m is needed to rehabilitate the factory and irrigation schemes.

Government owns 51% of the shares and the Portuguese Grupo Espirito Santo company 49%. Government has already secured $10.1m from the Kuwait government’s development fund, and the parties are negotiating for loans from the oil producing countries’ Opec Fund, the Arab Bank for African Economic Development and Nedsca CGIC.

Meanwhile, SA’s Illovo company has acquired a majority stake in the sugar complex at Maragra, near the Nkomati River, where it expects to plant 2,000 hectares.

The Buzi complex, also in Sofala, is the only unit not yet targeted for rehabilitation.
Sugar
1998
Future of CEF board remains uncertain

Johannesburg — A cloud of uncertainty hung over the fate of the Central Energy Fund (CEF) board of directors yesterday as Penue Maduna, the minerals and energy minister, had still not indicated whether he would retain or dissolve the board.

The minister had been expected to announce whether he would dismiss the board or renew its term, which expired on Tuesday with the same members.

The cabinet reportedly took all of yesterday to deliberate on Maduna's proposals about the fate of the CEF board. Meanwhile, individual members issued conflicting versions of the discussions.

One member said the board had ceased operating with the expiry of the term on Tuesday while another said the board members had been retained.

Another said Don Mkhwanazi, the CEF chairman, had been asked to stand down pending the investigation by Salby Bawa, the public protector, of allegations that he had received kickbacks from International Advisory Services (IAS) and that another member had been seconded to act in the interim.

However, none of these versions could be confirmed by the minister's office before going to press.

The board had come under the spotlight after an internal investigation headed by Dick Bakker had recommended that it should be dissolved because it had failed to regulate the operations of the CEF effectively.

The investigation blamed the board for the award of a R3 million contract to IAS to advise on the restructuring of the CEF, which it found to have been in breach of CEF procedures.

However, both the minister and CEF attorney had rejected the findings of the investigation for being a "miscarriage of justice" because they were partial.
WORK EXPERIENCE

COMPANY: Caralew Functions
ORGANISATION: Catering
N HLED: Food and Beverage Supervisor
N OF EMPLOYMENT: 1 May 1997 – April 1998
CTIONS: Open and close food and beverage department
Order and receive food and beverage stock
Issue floats for tills and cash up restaurant and bar tills
Ensure that food and beverages are served promptly
Ensure that staff discipline is maintained
Assist in any food and beverage area as may be required from
time to time.
Respond to any other reasonable requests from the manager

COMPANY: Tulip Inn
ORGANISATION: Hotel
N HLED: Trainee Manageress
N OF EMPLOYMENT: 23 September 96 - 30 April 97
CTIONS: Hostess work (meeting, seating and welcoming guests)
Waitressing and setting up conference rooms
FOR LEAVING: Retrenchment

COMPANY: The New Regency Hotel
ORGANISATION: Hotel
N HLED: Night Auditor
N OF EMPLOYMENT: 10 April 96 - 22 September 96
CTIONS: Reservations, manning the switchboard
Checking guests in and out (manual and Insite computer
system)
Balance is the key in radio battle

Freedom of religion should not to be sacrificed for gender equality, writes Moulana Hayder Ali Dhorat

The recent dispute between the Independent Broadcasting Authority (IBA) and Radio Islam has raised a set of complex issues. When Radio Islam lodged its first application for a temporary community broadcasting licence just over a year ago, little did it realise that it would soon get embroiled in an epic David-and-Goliath struggle on these vexed questions with two independent, statutory structures, namely the IBA and the Commission on Gender Equality.

In searching for an amiable resolution to the dispute and the underlying issues, the IBA will have to balance delicately and sensitively constitutional values such as gender equality, religious freedom and freedom of expression. Alongside this it will have to develop a more nuanced understanding of the concept of "community" in community radio stations, particularly in relation to the diverse religious communities in our country.

As the IBA asserts its independence and authority, it will have to dispel the looming image of it as an authoritarian agency bent on shutting down young community radio stations in breach of licences, which ironically it is meant to empower and to develop.

IBA councillors will have to address this, and any other dispute, in a non-emotive and dispassionate manner, setting aside their personal values and social prejudices and keeping in clear focus the provisions of the law and our constitution. At the same time they will have to deal with the needs of religious and cultural groups with sensitivity and understanding.

Two issues stand at the heart of the IBA-Radio Islam deadlock. The first is the elusive concept of "community" in any community broadcasting service.

The IBA simply defines "community" as a "geographically founded community or any group of persons or persons of the public having a specific, ascertainable common interest". Such a legal definition is necessarily broad. It is amorphous and nebulous, allowing for multiple interpretations of what constitutes a community with a common interest.

What exactly constitutes a community? In the ordinary sense of the word it will mean men and women in a defined geographical area. But it could also mean a melting pot of other stakeholders such as the disabled, the youth, the clergy, the workers, the traditional leaders, the witches etc. It could mean rival organisations in civil society actively competing for support and influence. And in the religious sector it could mean multiple sects propagating differing interpretations of the same faith.

The legal definition, therefore, fails to take into account that with a community in a particular area there are likely to be conflicting and competing interests, contradictory and opposing forces who do not necessarily share the same social, political, cultural and religious values. And yet, a community broadcasting service targeting a sector with specific interests in an area is expected to serve as many, if not all, of the diverse and at times contradictory and conflicting interests in the community.

Religious communities are faced with hostile contested interpretations of faith and social reality. Different theological interpretations and religious schisms run deep in Islam. To assume that such historical diversity can comfortably be serviced via a single community-based radio station is being idealistic.

Radio Islam argues that it serves the Muslim community in Lenasia on the basis of its interpretation of Islam which does not favour women coming on the airwaves. In advocating such a position it is technically in breach of its licence conditions. It has come up against opposition from individuals and groups within the Muslim community itself as well as the Commission on Gender Equality, all arguing that the radio station discriminates against women.

In its responses to an apparent non-compliance of Radio Islam's licence conditions, the IBA ruled that the radio station had to bring women on to its programmes within three days for three hours daily. This decisive prescription has created an impression in the Muslim community that the IBA is attempting to regulate religious practice rather than strictly the airwaves. This has become the source of intense anger among Muslims who support the policy of Radio Islam. They believe that the IBA is insensitive to the religious beliefs and practices of Muslims.

It might be opportune for the IBA to establish with certainty the nature of communities that community radio stations are meant to serve.

This brings me to the second core issue, which is the gender policy of Radio Islam. The station acknowledges that our constitution places strong emphasis on gender equality. But it also guarantees freedom of religion and belief and the right to free expression. Radio Islam has noted the gender commission and certain Muslim organisations are passionately in favour of gender equality.

Radio Islam is equally passionate about safeguarding a set of religious values. So, should the rights of gender equality be bulldozed at the expense of the rights to free religious belief and free expression? Radio Islam's plea is that the IBA should not discount the latter in favour of the former.

If compelled, Radio Islam will re-examine its gender policy. But it will not be bulldozed into submission by any force that wishes to impose unilaterally western civilisation norms and values on Muslims in South Africa.

Moulana Hayder Ali Dhorat is the station manager of Radio Islam.
Incomplete irrigation scheme threatens 600 farmers' future

Nelspruit – About 600 small-scale sugar farmers in Nikomazi, south of Komatspoort in Mpu malanga, may lose their farms because a government irrigation scheme was never completed.

Provincial agricultural department spokesperson, Kevin Pillay explained yesterday that the department was unable to complete the multimillion Nikomazi irrigation scheme because of budget cuts.

"But we are currently negotiating with financial institutions and other stakeholders to help the small farmers to get funds to buy irrigation infrastructure and continue farming," Pillay said.

He said the department would raise the matter with the provincial department of agriculture and help secure Land Bank loans for the small farmers.

"These farmers should not lose their plantations, because sugar cane is their sole source of income," Pillay explained.

The small-scale sugar farmers currently farm between 5 000 and 10 000ha and produce an estimated turnover of R10 000 on one hectare, earning a profit of about R5 000 per hectare.

The developers of the small-scale farmers, Lowveld Corpo rate Investments, have cited the project as an example of the most successful RDP delivery venture in the country.

The completion of the irrigation scheme was expected to create a total of about 8 500 jobs in Nikomazi, where the population of 350 000 people depend on agriculture for an income or as a source of food. – African Eye News Service
Mill repair contracts 'crucial'

Durban — Rehabilitation at Africa's sugar mills by South African companies, running into hundreds of millions of rand, will have a crucial knock-on effect for South Africa's struggling engineering sector.

Jimmy Tait, one of the partners at JPE Fluid and Power Technology, which collared a substantial contract to repair the power generation equipment for Illovo's Maragra Mill in Mozambique, said last week that overhauling mothballed sugar mills would open doors for engineering companies seeing a major fall-off in local contracts.

"Most companies are looking to Africa," Tait said.

Companies such as JPE have the advantage of having worked for a long time with the local sugar industry as the refurbishments are highly specialised.

Tait said that with production at Maragra due to start in May next year, rehabilitation and renovation were gathering momentum.

Major components from the run-down mill, which had ground to a halt during the Mozambican civil war, had been brought back to South Africa to be refurbished two weeks ago.

Don MacLeod, Illovo's managing director, said production from the Maragra mill in Mozambique, Illovo's first cross-border investment, would peak at 60,000 tons by 2002. Illovo had committed R120 million to the project.

Other cross-border projects which Illovo planned for the next five years included R100 million worth of expansions in Swaziland, where milling capacity will be increased by 23 percent, upgrades at both the Sucoma and Dwangwa mills in Malawi and work at Illovo's latest investment in Tanzania.

MacLeod said Illovo was particularly excited about its prospects in Malawi, one of the world's best cane growing areas. Overall production is expected to grow by around 80 percent within four years.

General rehabilitation had begun with the investment of R20 million in mill expansions and warehousing upgrades. Illovo would probably invest five times that in the next three years, with board approval, MacLeod said.

He said Illovo had completed this year's initial off-crop adjustments with longer-term plans to rehabilitate both factories and cane lands at a cost of several hundred million rand.
R420m sugar beet mill plan

A CONSORTIUM of German and SA investors will begin building a R420-million sugar beet mill near Cradock, Eastern Cape, in June.

Once the mill, SA's first, is fully on line in 2000, it is expected to produce over 100 000 tons of sugar a year, says George Ward, managing director of the East Cape Agricultural Co-operative. The co-op will hold 3% in the mill.

The project will be funded mainly by German investors, who will hold a 53% stake.

"Once a due diligence check has been performed by the investors and financial houses, the green button will be pressed in May," Ward says.

The two German investors, Nord Zucker und Kleinwanzelbener Saatzucht, and ACE Agrar Consulting, will bring the plant from Germany.

Sugar beet will be planted within a 150 km radius from the plant, starting in 1999. A total of 1 300 emerging and commercial farmers will participate in the venture. Ward says: Up to 40% of the 100 000 tons produced will be exported.

"We will have an oversupply of sugar in SA and we are quite confident that we can export what we can produce in the Eastern Cape," Ward says.

Sugar beet is an ideal crop for the semi-arid Eastern Cape region. Cane sugar is grown along the coast of KwaZulu-Natal. SA's cane sugar crop for 1997 is estimated at 2.41 million tons.

Many farmers are said to be enthusiastic about the project. "This is a godsend. It is what we've always been asking for," says Louis Copeman, a local farmer. — Reuters
E Cape R412m sugar beet project to be online in May

Durban — A R412 million sugar beet project in the Eastern Cape would be finalised by May, said George Ward, the Eastern Cape Agricultural Co-operative's chief executive.

The sugar produced would be of equal quality to that produced by cane farmers and would probably be used by the Eastern Cape and KwaZulu Natal beverage industries, said Ward. About a third of the region's output could be exported.

A processing factory would be moved from Germany by a German consortium which planned to invest in the project, Ward said. The factory, to be reconstructed at Cockhouse to process sugar beet grown by emerging and commercial farmers, would be technologically advanced. Negotiations with financial institutions were "at a delicate stage", said Ward.

Of the R412 million needed, R96.4 million was already in place and the balance would be jointly sourced by the co-operative and the German consortium, with finance from Europe comprising 52 percent of the equity and the balance in the form of loans, mainly from local financial institutions. "It's a cash crop, so the financing of the farmers will be done through the co-operative, which will take on a great deal of the risk."

Ward said that economic and agronomic decisions had been made, while practical issues, including a shareholders' agreement, had still to be finalised. The co-operative would be a minor shareholder in the operating company, and local farmers would hold between 20 and 30 percent. The German consortium would be the major shareholder.

The plant would provide about 300 jobs and have a socio-economic impact on at least 6 000 people. The beet project would create satellite industries, including canning and jam-making operations. There would be spin-offs for the dairy industry as the pulp, or bagasse, which remained after extracting the sugar provided a high-grade stock feed, of which there was a shortage in the region.

Other by-products included yeast, alcohol, minor chemicals and molasses.
60 Illovo Sugar staff face retrenchment

Illovo Sugar was negotiating the retrenchment of about 60 employees in Germiston and Cape Town following a decision to close its warehouses and distribution operations in those areas, Barry Stuart, the operations director, confirmed yesterday.

Stuart said that following an internal investigation into the viability of Illovo's warehousing and distribution operations, the company had begun discussions with employees and unions.

"Both warehouses have suffered... diminishing sugar throughput, largely as a result of the deregulation of the transport industry. This has allowed customers to source their sugar needs directly from Durban at highly competitive rates, thereby bypassing the warehouses," he said. — Shirley Jones, Durban
SA sugar price ‘favours strong domestic sales, lower exports’

Nicola Jenvey

DURBAN — Local market conditions had pushed the SA raw-sugar price 5.5% higher from Monday, while the world price had declined 7.5% in recent weeks following the Asian market uncertainties, Illovo Sugar chairman Robby Williams said yesterday.

Later, SA Sugar Association executive director Mike Mathews said the world price fluctuated continuously and the decline was part of the long-term trend, while the local price rose annually in line with higher input costs.

The higher local price and falling world price meant industry players would probably earn more revenue from domestic sales and less from exports this year compared with last year, he said.

Williams said that Illovo had experienced favourable climatic conditions for cane growth this summer, yielding “promising” crop prospects for the 1998/99 season.

Good rains had fallen in Malawi, alleviating earlier concerns about Lake Malawi’s low water level.

“This bodes well for group sugar production and earlier forecasts of output exceeding 1.7-million tons of sugar are still expected to be achieved,” Williams said.

He said the 1997/98 season was a record for Illovo, although the final production was slightly lower than earlier estimates.

National production of 1,064-million tons of sugar was 89,000 tons above 1996/97, but good summer rains had disrupted the cane supply to the mills, meaning some areas carried over cane to next season.

Unseasonable wet weather in Swaziland disrupted factory and field operations and final production was only 176,000 tons. Malawi produced 195,000 tons and Mauritius 78,000 tons.

Williams said the downstream furfural, furfuryl alcohol and diacetyl operations performed well and forecasts were marginally exceeded.

Factory expansions in Swaziland, Malawi and SA were expected to be commissioned in time for the new season, while the final commissioning for the Mauritian power generation plant was due only next season.

Williams said the reorganisation of Illovo’s interests in Mauritius had been finalised after the government’s December agreement to waive various duties and taxes usually due on the transfer of immovable property between companies.

Illovo now holds 80% of Mon Tresor and Mon Desert and controls 100% of the agricultural operations (four estates), 80% of the sugar milling operations (three mills) and 62% of the hotel operations.

The listing of The Sugar Corporation of Malawi (Sucoma) in November last year had created 2,952 new investors in the Malawi sugar business.

Illovo now owns a 56% share in the Dwangwa and Sucoma mills.

Williams said the Glendale mill was closed after the crushing season and all employees who had not taken retrenchment packages were accommodated in other company mills in Kwazulu-Natal.

Glendale growers were offered long-term cane supply agreements for the Gledhow mill at no further personal transport costs.
SA producers revive Mozambique’s war-hit sugar industry

Damage caused to Mozambique’s sugar industry by a crippling 16-year civil war is being reversed by two SA-based sugar producers involved in multimillion-dollar projects to rehabilitate estates and mills.

Illovo Sugar and Tongaat-Hulett Sugar are upgrading irrigated cane farms and three mills that eventually will produce 285 000 tons of sugar for Mozambique’s domestic market, company officials say.

Tongaat-Hulett Sugar MD Bruce Dunlop said his company was working closely with the Mozambican government which owned a mill near the coastal city of Beira and had a 51% interest in Xinavane mill, 120km northwest of Maputo. Tongaat holds a 49% stake.

Tongaat has the option this year to acquire a controlling stake in the Beira mill it has been managing for the past two years and producing a yearly 25 000 tons of sugar.

"The mill was rehabilitated a while ago. We see it producing up to 85 000 tons of sugar once the estates have been built up to capacity."

Dunlop said, adding it would take about three years.

He said the Xinavane mill and estates were undergoing a major revamp in two phases worth about $70m to bring production up to 140 000 tons a year.

The funding would come from Middle East investors through the Mozambican government, he said.

The present 1 800ha under cane would be supplemented by a project to restore the 7 000ha that were farmed before the outbreak of civil war, Dunlop said.

"The schemes to develop the sugar industry in the war-ravaged country were getting the full support of the Mozambican government which had introduced a tariff regime to protect the fledgling industry, he said.

Mozambique, a net importer of sugar, exported about 15 000 tons to the US as part of a preferential quota agreement, he said.

He said there were sugar mills further north, but there was no plan to expand Tongaat’s interests in Mozambique. — Reuters
SA, Swaziland sign a truce to end sugar war

STUART

SHIRLEY JONES

CT (DA) 14/1 9/98

Durban — The South African and Swazi sugar industries yesterday signed a truce, ending a feud that has lasted more than three years.

Although no details of the agreement were disclosed, a spokesman for the South African Sugar Association (Sasa) said the accord had been scrutinised by both governments and included a provision for the export of surplus sugar. Don MacLeod, the chairman of Sasa, signed the accord with Peter Hughes, the president of the Swaziland Sugar Association.

MacLeod said in September last year after penultimate negotiations between the two industries that the new agreement would be significantly different from the one that fell away when Swazi export sugar began to leak into South Africa, undermining the local industry's jealously guarded domestic market.

The resulting battle culminated in Sasa barring the Swazi sugar industry from export facilities at the Durban port and training and research facilities.

Sasa said the two governments had encouraged the industries to settle their differences.

This (agreement) clears the way for the restoration of good relations. This is to the benefit of both industries. It includes access to the Sugar Milling Research Institute, utilisation of the Industrial Training Centre at Mount Edgecombe and the re-establishment of the Swaziland sugar industry's links with and contribution to the Research and Experiment Station at Mount Edgecombe," the Sasa spokesman said.

The agreement also paves the way for further South African investment in the Swazi sugar industry.
Sugar industries bury surplus export hatchet

DURBAN — The Swaziland and SA sugar industries yesterday reached agreement over the rights to export sugar surplus, bringing to an end a three-year dispute.

Although detailed terms of the agreement have not been disclosed, the two parties have undertaken to export sugar surplus to the region's requirements.

The contents of the accord have been scrutinised by both governments and the agreement was signed by the Swaziland Sugar Association president Peter Hughes and SA Sugar Association chairman Don MacLeod on behalf of the two industries.

The problems arose when Swaziland, which benefits from the Lomé agreement, began exporting its surplus sugar production into SA rather than overseas. This meant SA was forced into disposing of its own sugar production and the Swaziland surplus to the local industry at unfavourable prices.

During the dispute, SA sugar players regularly called for each producing country within the SA Development Community (SADC) to take responsibility to sell at the lower world prices on the international market rather than exporting within SADC or the SA Customs Union.

MacLeod said this agreement cleared the way for the restoration of the good relations that previously existed between the two industries, including access to the Sugar Milling Research Institute and utilisation of the Industrial Training Centre at Mount Edgecombe.

The move also re-established the Swaziland sugar industry's link with and contribution to the Research and Experiment station at Mount Edgecombe, whose varieties constitute about 85% of sugar-cane grown in Africa south of the equator.
SUGAR Rationalisation and relocation are the watchwords

New-look Sasa is a leaner body

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Major changes within the South African Sugar Association (Sasa) were a proactive response to future changes in the sugar industry, Trix Trikam, the association's newly appointed finance director, said last week.

The changes include the relocation to Durban of Sasa's London finance operation and the redefinition of the role of the post of finance director.

Trikam said the rationalisation, which combined the previously separate positions of financial director and industrial affairs manager — who administers the miller-grower, relationship, which forms the basis of the industry — was based on logical synergies.

He said a broad agreement existed within which finer details had to be negotiated. He noted the partners represented very different disciplines which could not survive without each other.

Trikam said it was logical that joint financial issues such as the division of proceeds from sugar exports between millers and growers, should be amalgamated with the management of the agreement.

Export sales, worth about $270 million this year, are primarily US dollar-denominated. Trikam said risk, which hinged on the rand-dollar exchange rate, had to be managed through hedging and

WELL SITUATED Trix Trikam, the new finance director at Sasa, says recent key changes anticipate the future

forward cover.

Financing the carryover of unsold sugar at the end of March 31 — the date by which growers had to be paid out for the season's cane deliveries — is another major issue. Trikam said the R900 million paid for carryover sugar would be significantly reduced this year.

Of late, there had been a crucial shift in how funding was secured, he said. Whereas Sasa had relied on foreign banks in the past, financing was now coming home, split 80 to 20 between local and foreign institutions, he said.

The return of Sasa’s finance function to Durban was based on two facts, Trikam said: firstly, greater financing was coming from local banks, and, secondly, international banks were now adequately represented in South Africa.
Tanzania's sweetener
FM 20/3/98

Illovo Sugar's sweet romance with the rest of Africa continues. The group has been nominated as the preferred bidder for a controlling interest in the Tanzanian State-owned Kilombero Sugar Company, which has a projected production capacity of 100,000 t/year.

Though the acquisition — still subject to the final negotiation of a sale agreement — is expected to have a neutral short-term impact on Illovo, it could begin generating profits after year three.

One concern is whether the deal will add to the debt burden built up as a result of last year's R1.6bn acquisition of Lonrho's African sugar interests.

The word, however, is that the deal will have minimal impact on gearing. A finance mechanism has been structured that will not actually run through to Illovo. Illovo and its London-based partner ED & F Man Sugar will lend substantial weight to the balance sheet, enabling Kilombero to access soft development-type loans.

While the group remains tight-lipped about the price paid for the underperforming Tanzanian operation — current production is about 30,000 t/year — other comparative deals in Africa suggest that a sub-US$30m price tag would probably have been considered fair, even in the face of stiff international competition.

In terms of the bid Illovo will hold 55% of the company, one of the three Tanzanian sugar operations identified for privatisation (out of four total), with partner ED & F Man Sugar acquiring a 20% stake, and the balance of 25% being retained by the Tanzanian government for a public flotation. The assets acquired essentially comprise two factories and sugar estates 375 km southwest of Dar es Salaam.

The programme of bringing the factories up to capacity to be capex intensive should be achieved through de-bottlenecking and improved maintenance during the off-crop season.
SUGAR INDUSTRY

Slugging it out in Africa's canefields

SOUTH AFRICA'S MAJOR SUGAR PRODUCERS, TONGAAL-HULETT SUGAR (THS) AND IILOVO, ARE VERY AWARE THAT DELIVERY OF ABOVE-AVERAGE RETURNS TO SHAREHOLDERS HINGES ON THE ACQUISITION OF SIGNIFICANT CHUNKS OF AFRICA'S LOW-COST SUGAR INDUSTRY.

With an eye on access to preferential trade agreements, both are seeking regional acquisitions.

While access to trading benefits of the Lomé Convention through Swaziland and preferential US quotas through Mozambique could prove passports to profit, these two sugar giants have secure bases within the local sugar industry to fall back on. South Africa's sugar industry-Mitsubishi's and Illovo's-both have secure bases within the local sugar industry to fall back on.

South Africa's sugar industry dwarfs that of its neighbours and is expected to produce around 3.6 million tons of sugar during the 1997/98 season, offsetting the risk of unloading and rehabilitating ailing sugar assets.

Bruce Dunlop, the managing director of THS, said that because the company had expanded into Mozambique and Zimbabwe, production would rise from 1.3 million tons to a regional target of 1.8 million tons in the medium term.

This matches Illovo's 2 million ton target, which Den MacLeod, its chief executive, believes it will reach in three and a half years.

However, industry commentators believe that Illovo consolidates its 81.8 billion acquisition of Lombo Sugar, which transformed the company into the region's largest sugar producer, THS could provide some surprise.

With the backing of the Tongaat-Hulett group, THS has opportunities to catch up to Illovo's regional lead. With the acquisition of Xinnovane, it now has a foot firmly in Mozambique's door and is likely to achieve meaningful volumes.

Although just 30,000 tons of sugar was being produced in Mozambique at present, Dunlop said the country had the potential to produce more than 370,000 tons a year.

The three mills in the middle south—Xinnovane, Matsambisse and Illovo's Maragra mill—could produce 250,000 tons a year. THS's output would be some 256,000 tons and Illovo's 60,000 tons.

Illovo was the first to invest in Mozambique via its 69 percent share in Maragra Sugar. MacLeod said the rehabilitation of the Maragra mill was under way and cane had been planted.

Maragra would begin production next year and would reach 60,000 tons by the year 2000. Although this was sufficient for the country's needs, Mozambique would soon begin exporting sugar, MacLeod said.

THS has moved beyond its management contract at the Matsambisse mill just outside Beira to a major investment in Xinnovane, 120 km from Maputo.

"It made sense to test the waters on a low-risk management basis. We're confident with Mozambique politically and in terms of its economic prospects," Dunlop explained.

However, Matsambisse, with the potential to produce 85,000 tons of sugar, was far more than an experiment. THS has an option to acquire the controlling interest from the Mozambique government before its three-year management contract expires in December 1995.

Illovo had agreed to invest in Mozambique, with THS taking over management in 1995 paid out to haggling over a price and also ensured that THS would not buy the value it had created.

Although THS was likely to exercise its option, Dunlop said some housekeeping needed to be done and changes negotiated with Mozambican authorities.

"We will concentrate on bringing these two mills to fruition. One can put in good management and focus elsewhere on continuing the growth cycle."

It is clear that neither THS nor Illovo would do its African shopping indiscriminately. Both companies have steered clear of the two sugar mills in the north of Mozambique. Dunlop said although Lumbo and Marumo could be rehabilitated, the surrounding infrastructure was so run down that it would be seven to 10 years before meaningful upgrades could begin, at an estimated cost of $140 million.

However, caution will not deter South African sugar giants' African safaris.

THS sugar is well on its way to a further acquisition and will probably not only consolidate its position in Mozambique and Zimbabwe, SADC's strategic sugar producers, but look to greenfield projects in countries such as Malawi.

It could also forge ever closer ties with Britain's Tate & Lyle, with whom it submitted a joint bid for Lombo. It has joint venture packing interests in Namibia and Botswana and ED&F Mann, with whom it has an agreement for marketing certain sugars in southern Africa.

THS would like to see the Hulett's brand spread through Mozambique, Zimbabwe, Namibia and Botswana. "I would like to see it become a household name in the broader SADC region," said Dunlop.

Illovo, on the other hand, is unlikely to expand aggressively in Mozambique, MacLeod said immediate growth prospects in Mozambique were probably less than those in South Africa.

Instead, Illovo would concentrate on expanding existing mills and cane supplies at home, and in Swaziland, Malawi and Tanzania—where it recently announced a 55 percent equity partnership in Kilombero Sugar, also with ED&F Mann.

MacLeod said Illovo would not actively pursue acquisitions in new territories, but would also not turn its back on privatization deals in countries such as Kenya, where it had already helped rehabilitate a mill.
Tongaat-Hulett gets
Swaziland foothold

RAVIN MABAJI

Durban — Tongaat-Hulett Sugar, the sugar company that has acquired Tambankulu, the largest independent sugar estate in Swaziland, with effect from March 31, Bruce Dunlop, the managing director, said yesterday.

He did not disclose the value of the acquisition.

Dunlop said the move into the Swazi sugar industry was a significant expansion of the company's investment base in the Southern African Development Community (SADC).

The acquisition would enable the company to broaden its contribution to the SADC sugar sector and provide a base for it to participate in the Swazi sugar industry, he said.

The acquisition comes after the recent signing of a truce between the South African and Swazi sugar industries, which ended a feud lasting for more than three years. The truce paved the way for further South African investment in the Swazi industry.

Dunlop said the move into highly-yielding, low-cost irrigated areas was part of a strategic diversification to decrease Tongaat’s exposure to dry land farming and enhance its geographic profile.

In addition, the Swazi sugar industry had limited exposure to the world market as almost its entire production was sold within the Southern African Customs Union and the European Union, in terms of the Lomé Convention. As a result, sucrose prices were high.

“We have great confidence in the future of the sugar industry in the SADC, and Swaziland is an important sugar player in the SADC community,” Dunlop said.

Tambankulu has 3,123 hectares under sugar cane and 540 hectares under citrus. Its cane yields average 110 tons a hectare. This ranked with yields achieved at the group’s Zimbabwean sugar investments, Dunlop said.

In addition, Dunlop said the company intended to increase sugar production from the estate. Tambankulu produces 362,000 tons of cane a year — equal to about 41,000 tons of raw sugar — 10 percent of the total output of the Swazi sugar industry.

Steven Saunders, the chairman of Tongaat-Hulett Sugar, said the earnings base in Tambankulu would make a meaningful financial contribution to the group.
Tongaat goes low-cost route

THE purchase of two sugar operations in southern Africa is part of the Tongaat-Hulett Group's strategy to drive deeper into the low-cost producing region, the group says.

MD Cedric Savage said the recent forays into Mozambique and Swaziland, which he said would begin to add to the group's bottom line next year, were a precursor to more purchases.

"The trend is to increase our influence in southern Africa for sugar. We are looking for opportunities and we are slowly exercising them," he said.

Tongaat, one of the region's two biggest sugar firms, last month bought a controlling stake in the Ximavane sugar mill and estates in Mozambique. It plans to jack up production there to 140 000 tons of sugar a year.

This week the KwaZulu-Natal-based firm, which also has starch, textile and property businesses, said that it bought Swaziland's biggest independent sugar estate, Tambenhulu, which produces 10% or 362 000 tons of the kingdom's output.

Since the announcement of the deals, which also included the sale of poorer performing food unit CPC, Tongaat's share price has risen more than 20%. It closed 1.23% higher at R57.60 yesterday.

Savage said that the recent purchases would be paid for from internal funds. At group level, the profit contribution from the new operations would in the first year be offset by the interest forfeited on the cash paid out.

"The profit contributions after interest will start increasing in a year's time," he said.

Savage said Tongaat, which will export most of the sugar from its regional interests, was also expanding aggressively in neighbouring Zimbabwe.

"Mozambique, Zimbabwe and Swaziland are in the top 10% of the lowest-cost producers in the world. In effect they are bringing down our average costs. We would expand only in countries which can sustain their low-cost status," he said.

Robust yields, relatively cheap labour and an abundant supply of water in the case of Swaziland have helped to keep a lid on regional production costs.

SA is expecting a record 2.5-million ton sugar crop in the 1998/99 season. Milling of the new crop, 43% of which will be exported, starts next month and runs until December.

"We will see the benefits in our 1998/99 financial year," Savage said.

Tongaat is due to report results for the year to March 31 late in May. — Reuter.
Sugar coating in Illovo's interims

SHIRLEY JONES

Durban — Although Illovo, Africa's largest sugar company, saw headline earnings rise 80 percent to R121.9 million (R66.7 million), the higher number of shares in issue resulted in a mere 3 percent increase in headline earnings a share to 41.7c from 41.5c for the six months to March 31 1998.

Illovo last week declared an interim dividend of 15c, 3 percent up on the 14.5c for the comparable period last year, which was in line with analysts' expectations.

The results showed startling increases in sales and profits, stemming from the purchase of Lonbro's African sugar interests during the second half of 1997, but there was little benefit for shareholders in the short term. The additions contributed 60 percent of total operating profit.

Turnover increased by 77 percent to R1.7 billion (R974 million); operating profit by 135 percent to R302.9 million (R132.8 million); and profit before tax by 138 percent to R247.4 million (R92.2 million). Net profit surged 88 percent from R68.7 million to R132.8 million.

Group sugar production for the 1997-98 season totalled 1.53 million tons, thanks to record production from South Africa, but slightly lower than expected output from Malawi, Swaziland and Mauritius.

Cash generation from operations was strong at R382 million (R417 million), while profits from Illovo's downstream operations increased by 23 percent.

With a record sugar crop expected for the 1998-99 season, Don MacLeod, Illovo's managing director, said the group had decided to accelerate expansion projects at Ubonbo in Swaziland, Sucomo in Malawi and Umfolozi in KwaZulu Natal.

This had an adverse effect on borrowings, and net financing costs rocketed from R121.1 million to R63.1 million. Gearing is now 49.9 percent as opposed to 18.7 percent last year.

MacLeod said though increased factory capacity was costly, continued expansion was necessary for long-term growth.

Additional expansion projects expected to begin to contribute to the bottom line are the 20 percent capacity expansion at the Meredine alcohol plant and the power-generation plant in Mauritius, due to be commissioned in July.

Nevertheless, performance during the second half is expected to mirror the first six months. Shareholders could gamble on a recovery, with preferential trade deals such as Lonbro in Swaziland acting as a safety net.
Illvo and Tongaat-Hulett offer technical expertise to southern African industries

Regional sugar plans emerge

SHIRLEY JONES

Durban — Illvo and Tongaat-Hulett Sugar (THS), South Africa’s sugar kingspins, were playing a Red Cross role in rehabilitating crippled sugar industries in Mozambique, Tanzania and Kenya. Over and above their technical expertise, their involvement reassured international aid agencies willing to finance these rescue operations. However, their involvement in Swaziland was completely different.

Bruce Dunlop, THS’s managing director, said last week that unlike the Southern African Development Community’s (SADC) re-emerging sugar industries, the Swazi sugar sector was profitable and efficient. It needed the South Africans on a completely different level.

He said the local industry, and THS in particular, was not arrogant and would not even attempt to teach the Swazi how to run a sugar industry which was already the tiny landlocked kingdom’s economic mainstay, its highest foreign exchange earner and major employer.

For THS, which was gradually unravelling an intricate SADC strategy and wanted to be seen as an SADC rather than a South African company, Swaziland was a logical next step after Botswana, Namibia, Triangle Sugar in Zimbabwe and Xhawan in Mozambique, he said.

Tambankulu, the estate which THS purchased in April this year, illustrated the calibre of possible investment, Peter Hughes, Tambankulu’s managing director, described it as a world-class enterprise within the Third World.

It offered some of the best soils, was strategically positioned relative to water and Swaziland’s sugar mills and was situated in one of the world’s lowest-cost sugar-producing areas.

“The Swazi sugar industry is in a growth phase,” Hughes, also president of the Swazi Sugar Association, pointed out, suggesting THS had much to offer when it came to marketing Swaziland’s future sugar production.

Dunlop, too, believes THS’s distribution and marketing expertise should not be overlooked.

“We have the strongest sugar brand in the customs union. We have skills which can be constructively employed by the Swazi sugar industry if it wants them,” he said.

Dunlop said the agreement signed between the feuding Swazi and South African sugar industries in March had little influence on the Tambankulu deal. It would have gone ahead without the agreement, which healed the three-year rift. The two industries were already operating on friendly terms by mid-1997.

The Tambankulu acquisition also signalled the beginnings of a change of mindset for the Swazi industry. Hughes said Tambankulu had become too big to run as a family business and there was a real danger of a loss of vision.

The estate had to be part of a broader development strategy, steered by sophisticated top-end management.

“We buy into the concept of SADC, which builds up the industry in this region,” he said, adding that Tambankulu would not only act as a base for THS to grow its interests in nearby Mozambique, but establish itself in Swaziland on the basis of the development of the lower Usutu basin and the Maguga dam.

Both would unlock significant tracts of land for agriculture through irrigation. Although much of this land would go to small and medium-scale growers, THS had fine-tuned extension services in South Africa and would look to partnerships, Dunlop said.
Excellent season for SA sugar

Nicola Jervey

DURBAN — SA produced a record 2.4-million tons of sugar in the 1997/98 season after benefiting from a higher-than-average cane-to-sugar ratio, although it did not beat the cane-crushing records of 1984/85, Sugar Milling Research Institute director Raoul Lionnet said yesterday...

...He told the annual SA Sugar Technologists' Association the 9.15 cane-to-sugar ratio was slightly better than the long-term average. Although the tonnage of cane crushed was 200 810 tons below the record, the industry experienced an excellent season...

UK-based Landell Mills director James Fry said in terms of cost competitiveness, SA scored against Brazil, but had lost cost competitiveness against its southern African neighbours and the south-east Asian economies.
Tongaat spoons up 21% profit

Durban — Tongaat-Hulett, the diversified food and industrial holdings group, increased headline earnings by 21.1 percent to R545 million (R450 million) for the year to the end of March, the company said yesterday. Headline earnings a share increased by 18.6 percent to 880.1c (472.3c).

Cedric Savage, the group managing director, said the group had performed well across the board. Contributions from the sugar, aluminium and starch and glucose divisions were most noteworthy. Disappointment, however, came from Tongaat-Hulett's textiles division which ran foul of dumping of imported textiles and clothing into the South African market.

Overall turnover increased by 6.5 percent to R4.5 billion (R4.1 billion). Profits before tax and exceptional items climbed by 20.2 percent to R730.2 million from R641 million. Total net earnings were R586.84 million (R547.03 million) or 905.7c a share (574.6c).

Tongaat-Hulett declared a 207c a share dividend, up 18.8 percent on the previous year's 176c. It has again offered a capitalisation award.

Savage said Tongaat-Hulett would achieve real growth in earnings for the current financial year: "We are investing purposefully and strongly in the sugar, starch and glucose and aluminium divisions," he said.

The sugar division would continue to pursue its regional expansion strategy through consolidation of recently acquired interests in Mozambique and Swaziland.

Savage said that Hulett Aluminium, in which the group has a 50 percent stake, had achieved record sales, increasing its contribution to group profits by 10.1 percent. The R2.4 billion rolled products project was on schedule for completion next year and was on budget with R1.9 billion already committed.

Savage said the starch and glucose division had achieved a marginal increase in profits within a difficult trading environment. Exports sales were up by 18 percent.

The property division's contribution to the group's bottom line was up by 18.2 percent while the building materials division increased its contribution to group earnings by 17.8 percent.
M&H: Transvaal Sugar in sweet deal

Expansion project will make the Komatill one of South Africa’s biggest and create about 4000 jobs
Sugar told to aim at higher productivity

Durban — The South African sugar industry would not be able to keep domestic price increases below inflation over the long haul in the absence of much-needed productivity improvements, Bruce Dunlop, the chairman of the Sugar Mills' Association, said yesterday.

He said that while the sugar price had boomeranged from 8 percent to 7.2 percent and back to 5 percent over the last three years — which demonstrated the industry's commitment to improving competitiveness and ensuring that domestic sugar remained affordable — sugar had faced challenges.

Although production for the upcoming season was estimated at a record of over 2.7 million tons, the world price was weak, caught in the downward pressure on world commodity prices.

One mitigating factor was the deterioration of the rand against the dollar, which improved the cost profile in dollar terms, Dunlop said.

"However," he added, "one has to appreciate that many of our international competitors' currencies have also weakened substantially against the dollar — Thailand and Australia, to mention just two. It remains to be seen whether our competitiveness improves once the currency market settles down."

The sugar sector needed to lower real production costs by at least 1.5 percent a year to match the 45- to 60-year average real rate of decrease in the price of sugar on world markets, Dunlop said.

In addition, it needed to aim for an overall 2.5 percent to 3 percent productivity increase a year to maintain its current cost profile internationally.

Dunlop said a record 1 033 578 tons of sugar, 45 percent of total production, had been exported during 1996-97 (30 percent above 1995-96). Export revenue was R1,38 billion, and world market prices had held up well.

"The industry's export marketing philosophy remained one of supplying premium destinations in Africa, the Middle East and Asia, which offer South Africa better returns owing to geographic and other advantages," he said. Dunlop also welcomed the new accord between the Swazi and South African sugar-producing industries.
Weak rand cushions sugar price fall

THE embattled rand cushioned the effect of a low world sugar price on SA’s sugar industry but it would not boost exports, senior SA industry officials said yesterday.

Two key sugar associations said the loss of about 25% of the rand’s value since the start of the year had eased the pain of a 35% fall in the world sugar price.

“IT is not a picture of great joy, but it has certainly helped a lot. It could have been a lot worse,” said SA Cane Growers’ Association executive director Jack Wixley.

The industry had covered forward on the exchange rates and sugar pricing, but there had been limitations.

“We managed to get some very good levels for sugar pricing at the end of last year, but we were constrained by not knowing where the crop was going because of all the talk of El Niño, so we did not do much forward selling,” Wixley said.

“We have delivered quite a lot of sugar into the June-July positions. Obviously some of our proceeds coming in were covered at rates not as attractive as they are right now, but that is all part of it.”

SA produced a harvest of 2,403-million tons in the 1997/98 season, despite a strike last July that disrupted milling.

The industry expects to produce a record 1998/99 harvest in excess of 2.7-million tons, with unharvested cane from the previous season being carried over.

Revenue of R1.38bn was generated by a record export 1,033-million tons or 45% of the 1997/98 sugar harvest. The current season should generate foreign currency earnings of more than R1.6bn.

SA sold to about 40 countries, said SA Sugar Association executive director Tony Heher. He said the turmoil in Asian markets should not severely affect SA exports. “Our long-term customers are still taking their sugar.”

The weaker rand would not open further export markets because sugar was sold in dollars.

“There will be no immediate gain for the industry because of the huge drop in the world price in the past two months. It’s as volatile as our currency.”

The weakness of the El Niño weather phenomenon in SA meant there were better than expected crops. — Reuter.
Sugar industry growth after record crop ‘easy’

DURBAN — SA’s sugar industry could expand with relative ease after two successive record harvests, SA Sugar Association chairman Don MacLeod said at the weekend.

The 1997/98 season produced a record 2,404-million tons of sugar and the industry has estimated the 1998/99 production at 2,7-million.

“I think by 2001 the industry can produce 2,8-million tons as a normal crop under normal weather conditions,” MacLeod said.

“I see this year’s crop as abnormally good because we had a perfect growing season with good rains,” he said.

A normal crop at present would be about 2,5-million tons.

Mpumalanga, Pongola in northern KwaZulu-Natal and Eston in central KwaZulu-Natal were areas where output might increase, MacLeod said.

Concern has been raised about the ability of the country’s 15 mills to handle this season’s record crop.

“From all the figures I have seen over the past six weeks I can say yes, we have the capacity and we will produce that tonnage of 2,6-million to 2,7-million tons of sugar.

“Capacity at the existing mills has been increased during the off-crop period and we are sure we can crush this major crop in a reasonable time,” he said.

MacLeod, who is also the chairman of Ilovo Sugar, said the company — Africa’s largest sugar producer — had spent R35m to increase capacity to handle an additional 2-million tons of sugar cane.

David Hardy, executive director of the SA Sugar Millers’ Association, said there were no plans to build additional mills.

“At this stage there is nothing in the planning that entails building a new mill in SA,” he said.

The crushing season had started a month early in some areas to accommodate the large crop and might run into January next year.

“We will see in the sugar industry this season what the capacity of the cane growers and the millers really is,” Hardy said.

Jack Wrixley, SA Cane Growers’ Association executive director, said the three-year drought from 1992 had caused a big break in production.

In 1993/94, sugar had to be imported to top up the 1,28-million tons produced.

“We are also seeing increases in production because new varieties that were planted are starting to have an effect.

“They have established themselves and after the past couple of good seasons they are proving themselves,” he said.

MacLeod said a three-week sugar industry strike, which took place in July last year and resulted in cane being carried over into this season, was unlikely to be repeated.

“Most of the wage negotiations have been completed throughout the industry,” MacLeod said.

He said it was to be hoped there would be no strikes.

For the coming season no adverse weather was predicted, so prospects for the next harvest were good. — Reuter.
Communities, not councils, should be in control

Linda Ensor

CAPE TOWN — The code of ethics for councillors as proposed by the Municipal Structures Bill needed to be strengthened and greater powers given to communities to control local authorities, Parliament’s portfolio committee on constitutional affairs was told yesterday.

Evidence was presented by a range of local authorities and other organisations during a public hearing on the bill.

Nyanga and Linga community representatives called for a provision empowering communities to take action where councillors contravened the code. Disciplinary procedures and punishments against offending councillors should be included in the bill, they said.

They criticised the bill for making scant provision for community participation and for giving too much power to MECs to close down a council without consultation, leaving the door open for partisanship.

Development and public finance forum official Lincoln Malli called for the code of conduct to be strengthened and argued against councillors being given a three-month period of grace to repay debts. This would send an incorrect signal to members of the public who were being encouraged by the Masakhane campaign to pay outstanding rent and services.

Support for a more effective code of conduct was voiced by SA Local Government Research Centre director Clive Keegan, who noted that the government in the UK had produced a white paper on an ethical framework for local government. The proposed code in the bill was inadequate, ambiguous and unenforceable, Keegan suggested.

Public trust in local authorities needed to be restored by creating an ethical framework for local government. Furthermore, more scope should be given to public participation and control, a stand supported by the Urban Sector Network, a national association of non-governmental organisations involved in development and governance issues.

SA Municipal Workers’ Union official John Mawby called for the introduction of a recall mechanism, at least at ward level, so that the community could ‘get rid’ of nonperforming councillors.

The Cape metropolitan council questioned the constitutionality of the bill.

Magistrate recuses himself from Tutu case

Pearl Sebolao

THE magistrate presiding in the reckless driving case against Trevor Tutu, the son of truth commission chairman Archbishop Desmond Tutu, yesterday recused himself from the matter after Tutu accused him of being a racist.

Tutu appeared in the Johannesburg Magistrates Court on charges of reckless and negligent driving following an accident involving several cars near

Pact opens way for creation of top sugar region

A PEACE pact between the SA and Swazi sugar industries had opened the way for development of the region as a top sugar producer, the SA Sugar Association said yesterday.

"Last year saw the SA and Swaziland sugar industries resolve their differences on market access by way of an industry-to-industry deal which was supported by our governments," said the association’s chairman, Don MacLeod.

"The reaching of this agreement ... opened a new chapter of potential regional co-operation."

He said the agreement cleared the way for sugar protocols in the five-member SA Customs Union as well as the 14-nation Southern African Development Community. 
One lump or none, MacLeod advises local sugar industry

SHERLY JONES

KWAZULU NARAIL EDITO

Durban — The South African sugar industry had to prepare for significant changes and stay competitive to remain a key player in the global sugar village, Don MacLeod, the chairman of the South African Sugar Association, said yesterday.

Speaking at the organisation's annual general meeting, he echoed Trade and Industry Minister Alec Erwin's opinion that regional co-operation was the only means of ensuring a future for the sugar industry.

He warned that countries within the Southern African Development Community (SADC) expanding their sugar industries at each other's expense would prove a dead end.

"The aim of (a regional) protocol is to provide a stable and predictable environment whereby steady and orderly expansion can take place to meet Africa's import needs of around 2 million tons of sugar per annum and also the expanding needs of the world market."

"The basic philosophy is for production surpluses to be exported out of the region to avoid harming the sugar industries of neighbouring countries and for consumption growth within the region to be shared," he said.

The agreement reached last year between the leading South African and Swazi sugar industries had opened a new chapter of potential regional co-operation, clearing the way for South African Customs Union and SADC sugar protocols.

MacLeod said a preliminary strategy document prepared by the trade and industry department said regional protocols would be shaped to the best advantage of all sugar industries.

MacLeod said expected record crops and an excellent infrastructure would provide the local industry with a competitive advantage which would maximise export revenue.
Sugar cane yield continues to decline

Nicola Jenvey

DURBAN — Sugar yields a hectare have fallen 6% during the past two decades as farmers have harvested younger sugar cane and steadily increased the proportion of land harvested annually to 74% from 60%, says Toby Ardington, the vice-chairman of the SA Sugar Association.

He said in his annual report that despite removing the effects of the drought years — since these distorted the figures more significantly in the 1990s than in the 1980s — sugar cane yields had fallen. The spread of Eldana borer also forced those areas worse affected to reduce the age at which cane was harvested.

This had however been offset by a rise in the average industrial production of sugar a hectare under cane of 8% over the period. Yields are expected to continue to rise as a greater proportion of the crop comes under irrigation.

"There has been general comment about the need to increase productivity and yields, as well as about the extent of the crop. More specific analysis reveals interesting trends in the industry," Ardington said.

He said industrial yields were offset by the increasing proportion of land farmed by small-scale producers whose yields were historically two thirds below the industry average.

However Ardington said small-scale growers had recorded "impressive yield improvements" and for the second successive year were expected to produce more than 4-million tons of cane with yields close to 80% of that of the industrial average.

This was partially due to the increasing proportion of irrigated land and the underlying improving trend in the rainfall areas. These factors were expected to continue.

Chairman Don MacLeod said the Financial Aid Fund, launched 25 years ago to aid small-scale growers, advanced R220m via 50 000 loans since its inception. The fund recently won the Mail & Guardian Investing in the Future Award.

"The foresight of industry members who established the fund has created an important, valuable asset for our industry today," MacLeod said.

The success of small-scale sugar farmer development was highlighted by the farmers' delivery of 3.9-million tons of sugar cane worth about R600m in the 1997/98 season.
Milloo absorbs Lomwea Sugar and marches on

SHARIF JONES

Sugar SA's giant looks to regional leadership in southern Africa, Tanzania and Mauritius.
Company News

Company wants Harare to guarantee security of its assets

Tongaat-Hulett puts off Zimbabwe deal

Durban — Tongaat-Hulett's investment in Zimbabwe's sugar industry, including relocation of a R500 million mill from South Africa, has been put on ice until Zimbabwe guaranteed security of its assets, Cedric Savage, the group managing director, said yesterday.

He referred to the uncertainty resulting from Zimbabwe's Land Reform Act, together with the risk that the Zimbabwean government could extend the price controls on farm products recently applied to maize.

These factors had not only stalled significant expansion plans at Triangle Sugar, Tongaat-Hulett's wholly owned Zimbabwean subsidiary, but had halted construction of a mill in the Mazowe valley.

The Lomaz mill, involving the relocation of Tongaat-Hulett's mill from Mount Edgecombe near Durban, was due for commissioning in May 2000, with a capacity of 140 000 tons of sugar a year.

The project is a joint venture between Triangle, Tate & Lyle, and the local farmers' co-operative. Triangle would initially own a third, with provision for indigenous shareholding at a later stage.

Of immediate concern to Triangle and Tongaat-Hulett was last year's targeting of plantations within the Triangle and Mkwasine estates for nationalisation in a land redistribution campaign. The land supplied 13 percent of the cane processed by the Triangle mill.

Although the Zimbabwean lands minister had withdrawn his claim after protests, he had not gazetted this decision.

Savage said the phased expansion planned for Triangle could ultimately double the company's production. Triangle was currently expecting a record crop of more than 305 000 tons after the 1997-98 season's 298 400 tons of sugar. Triangle's total net earnings during the previous financial year rose 33.7 percent to R105.5 million.

The Triangle mill was the largest single producer of raw sugar in southern Africa while Zimbabwe was one of the lowest-cost sugar producers in the world.

Savage said Tongaat-Hulett was committed to Zimbabwe through Triangle, a R350 million business.

Expansions remained a question of timing. There was tremendous investment potential in the area, which could be offset by an unfriendly political environment.
Agriculture - IEE Sugar

1999
Sugar exports grew in 1998, constituting 40 percent of total turnover

Illovo beats low price blues

Durban — Further stabilisation of the world sugar price would see Illovo Sugar achieve good growth in headline earnings per share during 1999, Don MacLeod, Illovo's managing director, said this week.

This was in addition to Illovo's inherent strategic strength that 71 percent of production by volume and 81 percent by value was sold into domestic or premium-priced markets.

As a result, the decline in the world market price for sugar affected only the group's South African sugar export revenue.

MacLeod said a breakdown of operating profit showed that while the contribution from South African operations remained the highest at 47 percent, 53 percent now emanated from operations outside South Africa. Malawi contributed 27 percent of operating profit, Swaziland 14 percent and Mauritius 12 percent.

"In terms of contribution by activity, it is important to note that operating profit from cane-growing operations has increased to 29 percent from 23 percent in 1997," MacLeod said.

He said exports had increased substantially during 1998 and now constituted 40 percent of the company's total turnover.

He said 1998 had seen a material growth in Illovo's productive base, with an increase in cane production to 4.6 million tons and sugar to 1.8 million tons. 1999 posed even greater challenges.

"The task we now face, given normal weather conditions in all countries of operation and the successful implementation of the group's R185 million capacity expansion programme, is to grow production levels in the 1999/2000 season, increasing cane production to 4.8 million tons and sugar to 1.87 million tons."

The results for Illovo's financial year to September 1998 reflected the successful integration of Lonrho Sugar into Illovo.

Although headline earnings remained static owing to the increased number of shares in issue following the Lonrho acquisition, turnover improved by 36 percent to R3.65 billion while operating profits increased 62 percent to R265 million.

MacLeod said an important part of this achievement was an increase in operating margin to 16.3 percent from 15 percent. Illovo closed unchanged yesterday at R8.20 on the JSE.
Illovo SA cautious after a most productive year

Nicola Jervey

DURBAN — Industrial food group Illovo Sugar expected to produce 1.78-million tons of sugar in the 1999/2000 season with its SA production falling marginally from the record high achieved the previous year, chairman Robbie Williams said at Illovo’s annual meeting yesterday.

The 1998/99 season was strengthened by the abnormally good growing conditions and Illovo’s SA production touched 1.26-million tons of sugar. This was 179,000 tons above the previous record with Noodsberg, Eston, Sezela and Umzimkulu each achieving improved production highs.

The 184,290 ton final output at Ubonbobo was also a record for the Swaziland operation, despite the disruptions to the factory and field operations caused by rain. In Malawi 209,700 tons were produced after unseasonably wet weather at Nchalo disrupted the cane supply to the mill, meaning some cane was carried over to the following season.

Mauritius produced 84,970 tons and Tanzania 42,000 tons. Reviewing the weather since the year-end, Williams said the SA spring rains arrived late as expected, but Illovo farming areas had since received better than the long-term mean.

This was predicted to continue for the remainder of the summer.

In Swaziland and Mozambique there had been good rains, significantly above the long-term average, while in Malawi, Nchalo had received better than normal rainfalls. Although the rains at Dwangwa were below normal, irrigation had made up any deficit.

Williams said Mauritius and Tanzania had been very dry, which would affect next season’s cane crop negatively. However, the insurance scheme in Mauritius would minimise the impact.

The factory expansion projects in Swaziland, Malawi and SA were progressing well and commissioning was expected to be on time for the new season. Williams said the major factory and field rehabilitation work at Kilombero, Tanzania, had commenced and was proceeding according to plan.

In Mozambique, the start of sugar production from the Maragra mill remained on schedule for May.

The SA sugar price rose 6.5% earlier this week.
Sugar prices are losing sparkle

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — A sharp decline in the world sugar price would negatively affect South African export revenues, Robbie Williams, the chairman of Illovo Sugar, warned at the company’s annual general meeting yesterday.

Williams said the world price of sugar had dipped in the wake of the Brazilian currency crisis. High interest rates in that country would affect the amount of Brazilian sugar reaching the world market.

Although this would negatively affect South African exports, the devaluation of the rand and other African currencies would benefit preferential exports from Mauritius, Swaziland and Malawi, as well as downstream product sales.

“The performance of the Southern African Customs Union sugar market, important to the group’s South African and Swazi operations, has disappointed because of low economic growth as well as sugar imports into the region from Zimbabwe,” Williams said.

He said Illovo expected real growth in headline earnings for the current year with the addition of operations it had bought from Lonrho, these were diluted by the increase in the number of shares in issue.

Williams said factory and field offcrop operations were on schedule in all countries and mill start-ups for the new season would begin from the end of March.

Downstream product operations like furfural, diacetyl and furfuryl alcohol operations, which achieved record outputs during the past financial year, continued to perform well.

Group sugar production for the coming season was forecast at 1,76 million tons with production in South Africa at 800 000 tons less than last year.

Williams said the 1998/9 season was a record one for Illovo, although final production declined slightly from the estimate.
STILL GOOD VALUE TO BE FOUND

- ACTIVITIES: Africa’s largest sugar grower, with extensive downstream manufacturing activities.
- CONTROL: CG Smith Foods 51%.

<table>
<thead>
<tr>
<th>Year to September 30</th>
<th>'95</th>
<th>'96</th>
<th>*'97</th>
<th>'98</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash/equity ratio</td>
<td>0.80</td>
<td>0.32</td>
<td>0.35</td>
<td>0.60</td>
</tr>
<tr>
<td>Int &amp; trading cover</td>
<td>5.2</td>
<td>9.3</td>
<td>7.4</td>
<td>4.3</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>12.9</td>
<td>13.7</td>
<td>13.6</td>
<td>19.6</td>
</tr>
<tr>
<td>Turnover (Rbn)</td>
<td>1.57</td>
<td>1.76</td>
<td>2.65</td>
<td>3.65</td>
</tr>
<tr>
<td>Pre-tax margin (%)</td>
<td>11.6</td>
<td>11.8</td>
<td>15.0</td>
<td>18.3</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>57</td>
<td>81</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>23</td>
<td>32</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Tangible NAV (c)</td>
<td>403</td>
<td>467</td>
<td>223</td>
<td>280</td>
</tr>
</tbody>
</table>

* Issued capital increased from 159m to 291m shares, mainly in a rights issue to raise cash for Lomrho Sugar.

Chairman Robbie Williams says 54% of operating profit now comes from sugar manufacture, 29% from cane growing and 17% from downstream and other; by country, SA contributes 47%, Malawi 27%, Swaziland 14% and Mauritius 12%. While capex and the acquisition of Lomrho Sugar pushed up borrowings, operating cash flow (R786m last year) will cut debt “substantially” in the next three years.

Williams also details the previously announced R185m capex this year: growing and factory expansions in Malawi, Swaziland and Pongola, and an addition to the downstream product range. The first benefits will be felt this year, and Williams says the medium-term outlook is thus “most encouraging”.

As usual, the report carries a wealth of statistics relating both to the company and the worldwide sugar industry. Sadly, though, a number of the most interesting graphs carry no absolute scales.

Both geographically and operationally, Illovo has diversified widely in recent years. For all that, it remains heavily dependent on sugar, subject to the vagaries of climate and commodity markets. This may explain the share price volatility; since we reviewed the preliminary in November, it has come off from R7 to 560c, more than double the rate of decline in the JSE food index over the period.

Though Illovo does not repeat the intent this time, it has earlier said its target is 20% annual growth. After 1998’s standstill, it has a little catching up to do. Financial needs may hold back dividend increases. But one can surely look for minimum EPS of 125c and 45c dividends.
THEY VENTURE NORTHWARDS WHILE PADDLING DOWNSTREAM

SA producers scramble for a share of Africa's 2 Mt sweet tooth

SA's big three sugar producers — Illovo, Tongaat-Hulett and TSB — are on the expansion path. Not only are they growing strongly into sub-Saharan Africa, they also have plans for big downstream operations. But the real prize for SA companies lies in acquiring production north of the Limpopo to replace as much as possible of the 2 Mt of sugar the continent imports each year, mainly from Europe.

Illovo and Tongaat-Hulett are leading the rush into Africa. TSB — a Hunt Leuchars & Hepburn affiliate — must decide by the end of next year whether to go ahead with a R925m, 100 000 t/year Komatiport project to produce propylene and ethylene glycol, as well as glycerol, in conjunction with the Industrial Development Corp and other local and international partners.

If the pilot plant is successful, says TSB spokesman Rianan Piennaar, a commercial plant could be operational towards the end of 2001, generating net foreign currency earnings of about R8490m/year at current prices.

With about 40% of SA's total sugar production now exported at relatively low prices, downstream beneficiation should improve profits. Export-driven downstream sales into lucrative niche markets are becoming increasingly important for Illovo. The company produces furfural (used in oil refining), ethyl alcohol, lactulose and dextrose at three KwaZulu-Natal plants. Though downstream operations added only 8% to Illovo's R3,65bn turnover in 1998, they added 12% to operating profit.

But growth into the South African Development Community (SADC) region is where most of the excitement lies. Former SA Sugar Association (SASA) executive director Michael Mathews says the region could increase its sugar production from the current 4.5 Mt/year to 6 Mt-7 Mt/year if the proposed SADC Free Trade Area were formed and a sugar protocol negotiated. It would also depend on the European Union reducing or removing the subsidies and tariff protections that enable it to export 5 Mt of subsidised sugar each year and depress global prices.

But the SA producers are not waiting for the SADC or the EU. Illovo, Africa's sugar giant, leads the investment pack with its recent acquisition of Lonrho Sugar Corp. Illovo chairman Robbie Williams says this has "transformed the nature and quality of Illovo from a national to a more broadly based international sugar group".

Malawi alone now accounts for 27% of group operating profits, which were R666.4m before interest in 1996 — a hefty 68% more than in 1997. This compares well with the 47% of profits that came from the group's SA operations last year and shows how important Illovo's non-SA operations have become. Sucona, Illovo's 60%-owned Malawi affiliate, is also expanding, and expects to push sugar production to 280 000 t/year within a few years. Illovo is growing strongly in Mozambique, too, where R120m has been spent on upgrading a mill near Maputo.

Swaziland and Mauritius also feature strongly in Illovo's operations, and its newly acquired Klimberho Sugar Company in Tanzania has the potential to produce 100 000 t/year — one third of that country's imports — by 2001.

Williams expects record group production of 1.78 Mt this year. There is concern over sharp declines in world sugar prices, but the lower rand should help exports from Mauritius, Swaziland and Malawi.

Tongaat-Hulett sugar division MD Bruce Dunlop says his group expects its 49%-owned Xinavane Sugarcane and milling enterprise in southern Mozambique to produce up to 140 000 t/year by 2005. Last year the group produced 869 000 t in SA and 300 000 t in Zimbabwe. With estates in Swaziland and a 35 000 t/year mill in Mozambique, the climate looks good for expansion.
Unions to seek sugar pay increases

Durban — Trade unions in the sugar industry are planning to tackle the industry’s leading companies this year on improved working conditions for farmers and seasonal workers.

Ravin Maharaj

Richard Gumede, the KwaZulu Natal organiser of the South African Agricultural, Plantation and Agricultural Workers’ Union, said yesterday workers were not reaping the benefits from last year’s record profits.

He said angered and impoverished workers were gearing up for a better deal in difficult economic times. The matter would be taken up at regional level.

KwaZulu Natal produces about 90 per cent of the country’s sugar. Last year, the industry exported 45 per cent of production, a record 1,086,878 tons of sugar, and a 9.8 per cent rise on the previous year.

Export revenue was R1.88 billion, but the sugar price has been weak, caught in downward commodity prices.

Aside from better working conditions, Gumede said the union was waiting for seasonal workers to return to work at the end of March to get a mandate on whether to proceed with industrial action early in the new season.

The union represents about 400 farmers and other seasonal workers at Illovo’s sugar farms. They are demanding a 52 per cent wage increase, while Illovo is offering 5 per cent.

Gumede said the union had already held talks with management.

Contrary to reports, Illovo said yesterday there was no deadlock. The management said there had been only one round of negotiations and no dispute had been declared.

"This is an internal process, and Illovo is committed to ongoing negotiations through collective bargaining,” the company said.
Little sign of relief for dealers in the world sugar market

Paul Solomon

Financial Times

LONDON — Sugar is set for a long haul at low prices amid rising production and currency devaluations among exporters, likely to maintain the pressure on prices.

Raw sugar has been trading at its lowest for 12 years this week on the Coffee, Sugar and Cocoa Exchange in New York and analysts say there is little sign of relief for the battered market.

The weak prices seem to be a part of a longer-term trend. Global sugar production has outstripped consumption every year since 1994/95. Total output was 129.8 million tons in 1998/99, compared with consumption of 125.2 million tons.

However, recent events have added further pressure, exacerbating the downturn. “The first drop in prices came last year on signs there would be a huge cane crop in Brazil,” says Lawrence Eagles, analyst at brokers ED&F Man.

“Prices had been trading at about 9c, but dropped to under 7c. They remain around 5c a pound.”

Sugar prices are reflected internationally in US cents per pound.

Brazil’s sugar production rose to 18.8 million tons in 1998/99 from 16 million tons the previous season, according to brokers ED&F Man, overtaking the European Union as the world’s largest producer. Forecasts for the 1999/2000 season suggest the country’s sugar output could rise again to 20 million tons.

Eagles maintains that currency problems among other big sugar growers such as Australia and Thailand have increased the pressure on prices, adding that New York sugar prices could drop as low as 4.5c a pound if Brazilian production continues to rise.

“The availability of substantially cheaper sugar on the export market has forced prices back down.

To make matters worse, growth in annual demand has fallen to below 1% because of the economic problems in Asia, Russia and Latin America, according to analysis firm FMC’s latest sugar market report.

“If Brazilian production and exports should continue their relentless rise, there is no hope for remunerative export prices,” says Eagles.
Registrar favours bank support scheme

Money-back move to protect depositors with less than R50,000

Madeleine van Niekerk

THE Registrar of Banks' bank supervision department supports the establishment of a limited deposit-insurance scheme in SA whereby 90% of deposits of less than R50,000 per bank client would be reimbursed in the case of a bank failure.

Christo Wiese, the Registrar of Banks and GM of the bank supervision department, said in the department's annual report, the objective would be to safeguard the deposits of ordinary bank customers who did not have the ability to monitor the riskiness of the banks with which they placed their funds, as well as to ensure financial stability.

The function of a deposit-insurance scheme was to provide a safety net for bank depositors, thereby increasing public confidence in banks and making the financial system more stable, Wiese said. A safety net might also limit the potential effect of problems in one bank on other, healthier banks in the same market, and reduce the possibility of contagion or a chain reaction within the banking system as a whole. Consequently, many countries established deposit-insurance schemes to protect depositors.

The annual report states that in all cases of distress in banks in SA during the 1990s and 1990s, all small depositors had been reimbursed substantially.

Large depositors may have lost some money, while shareholders have certainly made losses. However, large depositors and shareholders would have been adequately compensated by receiving higher returns on their investments.

Only rarely were depositors' funds completely frozen, and depositors could always access badly needed funds even when a bank was under curatorship. The perception has evolved that deposits with banks are guaranteed. Despite SA not having a formal deposit-insurance scheme, it can be said to have implied deposit insurance.

Once there is a perception that deposits are guaranteed, there is a danger of adverse selection. In other words, risk decisions will be distorted, and depositors will seek the highest interest rates without regard to the soundness of a bank.

The premium rates for the funding of such a scheme should vary in accordance with the risk attached to each insured bank.

Alternatively, it may be easier to charge banks flat premiums and to allow certain rebates to those that exceed certain predetermined prudential ratios.

The bank supervision department believes the benefit of increased confidence in the banking system would exceed the direct or indirect cost of a deposit-insurance scheme.

During the second quarter of last year, the International Monetary Fund (IMF) held talks with the bank supervision department and the banking sector.

According to the IMF there was a need to operate in an environment with clear rules and to protect small and unsophisticated depositors.

Illovo tables a sweet report

Nicola Jenvey

DURBAN — Illovo Sugar expects to produce 1.74-million tons of sugar for the 1999/2000 season with its Swaziland, Malawi and Tanzanian production outputs rising due to improved irrigation and good growing conditions.

Releasing the half-year results to March, chairman Robbie Williams said yesterday weather conditions in SA and Mauritius have been drier than normal, which will lower production in these countries. However, the national crop insurance scheme in Mauritius will ameliorate the financial consequences there.

The newly rehabilitated sugar mill at Maragra, in Mozambique, comes into operation next month.

The results incorporate the second half of the 1998/99 season when Illovo achieved record sugar and cane production through good growing conditions in SA, increased areas under cane in Malawi and Swaziland and the acquisition of new estates in Tanzania.

Attributable income rose 19% to R157.9m, while headline earnings a share increased to 52c (1998/99: 45c). An 18c (15c) interim dividend was declared.

Turnover grew 10.6% to R1.9bn, while operating profit climbed 26% to R382m.

In the period under review, sugar contributed 55% towards group operating profit, cane growing 31% and downstream and other operations 16%.
Call for SADC protocol on sugar industry

Shirley Jones

Durban — The 14 sugar-producing countries within the Southern African Development Community (SADC) needed to co-operate to develop their potential as low-cost producers and significant exporters of sugar, Ian Davidson, the manager of Transvaal Sugar Affairs, said this week.

"This can only be satisfactorily achieved if SADC members ensure excess sugar is not dumped on neighbouring member territories, but regulate on an equitable basis," he said.

Davidson said both the Southern African Customs Union and SADC were not exporting more than half of their total sugar production. South African exports covered up to 80 percent of production.

"An SADC protocol is essential to regulate the effect of the distorted economics in the world market for sugar. Of a total world sugar production of 112 millions tons, only 17 percent is traded on the world free market," Davidson said.

This made the world free market price a residual price, which was further distorted because of producer and export price support programmes in Europe and the US. "The objectives of an SADC sugar protocol are therefore to achieve a regulated balance in the region’s export of sugar on an agreed basis."

Davidson said the recent decline in the world sugar price to a four-year low was of concern not only to Transvaal Sugar but to the sector as a whole.

The group marketed about 50 percent of output internationally. However, although a reduction in the export price influenced the company’s profits, the variable cost of sucrose would also be lower according to the formula used to calculate the sucrose price.

The positive exchange rate also absorbed some of the price’s negative effects. Another positive for the organisation was that the local market selling price was calculated independently from the export price.

"There are no immediate signs of world prices staging an early recovery. But there is no doubt a recovery will be forthcoming."
On its first domestic tour in almost 20 years, the 17-year-old girl was greeted with a standing ovation and a round of applause. The event was held in a large hall with rows of seats and a stage. The girl, dressed in a formal gown, stood confidently on the stage, smiling and waving to the enthusiastic crowd. The event was a significant moment in her career, and it marked a turning point in her personal life as well. She had always dreamed of performing on this stage and the audience's reaction confirmed that she had achieved her goal.

After the performance, the girl received several gifts and recognition from the audience. She was invited to meet some of the performers and was given a tour of the venue. She was also interviewed by several media outlets, and her story was featured on local news programs. The event was a success, and it set the stage for her future performances and career opportunities.

The girl left the stage, but the audience remained in awe of her performance. They knew that she had talent, but they had never seen it in such a powerful and intimate way. The evening was memorable, and it was clear that this was just the beginning of a brilliant career.
Swazi deal cost SA sugar R297m

CT(MR) 18/06/99

SUGAR

SHERYL JONES
KWAZULU NATAL EDITOR

Durban - The agreement between the South African and Swazi sugar industries had cost the local producers R297 million, Bruce Galloway, the chairman of the South African Cane Growers' Association, said at yesterday's annual general meeting.

"Sales of Swazi sugar in the South African Customs Union (Sacu) have increased by 200 000 tons since 1990-91. The result is that South African producers have to export this additional tonnage onto a volatile world market.

"In terms of ... ruling prices, this represents a loss of approximately R297 million. For growers, this converts into a reduction of our sucrose price by 823 per ton," Galloway said.

Galloway said, however, that the agreement limited future Swazi access in relation to growth in Sacu demand. "This will prevent the continued erosion of our share of the Sacu market.

Galloway said the local sugar industry's problems did not end with Swaziland. Increasing amounts of Zimbabwean sugar in local markets were beginning to have a material impact on domestic sales.

"Zimbabwe is not a member of Sacu, but by way of a bilateral trade agreement (has) access to our markets without being exposed to the protection embodied in the concept of a customs union," he said.

Sales of Swazi sugar in the Sacu have increased by 200 000 tons since 1990-91

The price of sugar from Zimbabwe had plummeted with the devaluation of its dollar to about half the price of South African sugar.

He said the world market price, which was about $0.12 a pound in December 1997, seemed to have found a stable range recently of $0.10 to $0.13 a pound. It had been totally undermined by the Asian financial crisis and exacerbated by the continued expansion of Brazilian production, he said.
Pretoria — The Northern Cape was interested in plans by a private company to start up a sugar beet project which may create 30,000 jobs in the province, the economic affairs and tourism department said yesterday.

Dave Peters, the department’s chief director, said the province had been able to consider the proposal by Triple Seven Commercial Holdings before the project was announced this week.

The new company launched a farm project on Tuesday, which it claimed would create the jobs at an estimated cost of about R1.5 billion. About 2,000 people in rural areas of the Northern Cape around Kimberley, Hopetown and Jan Kempdorp in the region are seen as potential beneficiaries of the project. The project was expected to result in the construction or relocation of 5,500 homes.

Triple Seven said it was the holding company of 14 prominent businesses in the province and had contracted several commercial farmers to produce sugar beet. R1.5 billion was pumped into the scheme by 12 local and overseas companies, the company said.

Triple Seven CEO Ralf Alberts said 27 farmers had been contracted to the project. Triple Seven would provide farmers with all the inputs required, including the seed which he said would be imported from several other countries.

The company had tested 21 different varieties of seed under extreme climatic conditions and found that different varieties were suitable for winter, spring, autumn and winter crops.

“Three varieties have the potential to produce 60 tons of sugar beet a year,” Alberts said.

The sugar beet would be used in the manufacture of products such as syrups, cold drinks, bread, rural, animal feed, livestock and even cement, he said.

The department said that while the provincial government welcomed the new investment in the province, particularly investment that contributed to alleviating unemployment and poverty, it could only support projects that were technically feasible, financially viable and contributed to the development.
Weak sugar shares make sweet recovery

SHARES in SA sugar producers made cautious gains yesterday after a month-long slide amid weak global sugar prices and uncertainty about possible changes to the regulation of the local industry.

Shares in Illovo Sugar, SA’s biggest producer, rose R0.20 or 3.4% to R6.10. Rival Tongaat added R1.95 or 6% to R35.60.

“They are bouncing back,” says Caroline Windsor, a food analyst at Investec Securities. “The world sugar price has been fairly subdued and legislative uncertainty always puts a cap on share prices.”

Another analyst said that initial jitters about a revamp in the industry could be pinning as participants realised the changes would not necessarily be major or harmful to the industry.

Illovo stock hit a four-month low of R5.60c last week. Tongaat sank to R30.60, its lowest level since October last year.

World sugar remains bogged down after sinking to 13-year lows in April on the back of a global surplus and the Asian financial crisis. — Reuters.
Zimbabwe sugar exports hurt SA's regional sales

Nicola Jervy

DURBAN — Zimbabwean sugar sales into the five-nation Southern African Customs Union are hurting SA sales following the bilateral agreement reached last year, SA Sugar Association chairman Don MacLeod said yesterday.

Addressing the annual meeting, he said local sugar sales have been under pressure from an embattled economy and higher Zimbabwean exports to the customs union, particularly since there was evidence of illegal imports.

This was despite the local industry achieving a record 2.6-million tons of sugar for the 1999-2000 season.

Not giving figures, MacLeod said "considerable efforts" were being made to stem the flow and limit the negative effect of these activities on SA's sales. The customs union includes SA, Swaziland, Namibia, Lesotho and Botswana.

During the season SA exported a record 1.4-million tons of sugar to 28 countries. Raw sugar was mainly exported to Far East markets and the Middle East. Major refined sugar markets were East Africa, Iran and Mauritius.

MacLeod said the 1992-2000 season would be "a difficult one" for the industry given the low world prices, a static local market and less favourable summer growing conditions. The smaller crop, estimated at 2.4-million tons, will mean lower incomes for both the growing and milling sectors.

MacLeod said the policy document drawn up by the trade and industry department indicated that it supported the continuation of a tariff and single export marketing channel "as long as the world sugar market remained significantly distorted".

The tariffs and trade board is reviewing the current tariff and formula. "It is important to the industry that their decision provides enough protection from dumping by sugar exporting countries as a result of (the) current low world sugar prices," he said.

Industry analysts have said the board may want to change the highly protected industry's structure and reduce barriers.

MacLeod reiterated the importance of a sugar protocol in the 14-nation Southern African Development Community (SADC) where a free trade agreement was being negotiated.

He said until US and Europe Union "sugar regimes" were dismantled, the community should continue to benefit from preferential trade agreements under the Lomé Convention and an SADC sugar protocol should be in place.
Hard times ahead as SA sugar faces sticky issues

Darell Jones

Sugar industry was facing a difficult season with low world prices, a static local market and a small crop, said MacLeod, chairman of the South African Sugar Association, said yesterday.

"We have difficulties in the marketing area and a devalued currency," he said. "We are facing formidable challenges in a highly distorted global trading environment." World sugar prices were low and local sales were declining in a depressed economy.

There was also increased access to the South African Commerce Bureau market by Swaziland sugar producers after last year's agreement between the two industries.

The threat of sugar from Mozambique was another major problem, MacLeod said.

He said a new policy document prepared by the government and the local industry provided some reassurance about job losses that could stem from a Southern African Development Community (SADC) free trade agreement expected to strip the industry of all protective tariffs.

MacLeod said the document acknowledged the local industry operated in a vastly distorted global trading environment. As a result, the trade and industry department continued to support tariffs and the single-channel export marketing of sugar.

"The SADC agreement which has been implemented over a period of three years has depressed the market," he said.

MacLeod said the level of tariffs and the way in which they would be implemented were under investigation by the Board of Trade and Industry.

In the run-up to the next round of World Trade Organization negotiations, South Africa, as a relatively low-cost producer, benefited from preferential access to the European Union.

"Until there is dismantling of the sugar regimes in the EU and US it is in the region's interests that preferential access continues and that a SADC sugar protocol is put in place.

"It is important to ensure that the various sugar producers within the region do not expand at the expense of one another," MacLeod said.

"Sugar"
Tons of contraband sugar streaming into SA

Louise Cook

THE SA Revenue Service (SARS) wants to talk to neighbouring states about tightening border controls following the discovery that R22m worth of contraband sugar has been streaming into the country at a rate of 70 tons a day for the past six years.

According to Peter Rogers, a British customs official who assisted the SARS with a probe into border controls, SA would have been able to lower its top tax rate by 30% had the revenue losses not occurred.

The local sugar industry suffers losses of about R300m a year due to contraband sugar coming into the country.

The illegal operations, allegedly run by a syndicate based in Johannesburg, were uncovered by police and an agricultural inspection service, Agri Inspec, which stopped a container at the Oshoek border post and followed it to Witbank in Mpumalanga.

"At first we did not notice anything untoward," said Capt Stoffel Joubert of the border police investigations unit in Durban.

At Witbank, they uncovered the hidden sugar in the 18-ton container. Two suspects are being detained by police for further questioning while another three suspects have appeared in court and been granted bail.

Agri Inspec MD Joe Hanekom said they used several containers filled with cheap sugar from Swaziland and Zimbabwe that was hidden in containers filled with molasses. At a glance, the sugar was not detected behind the molasses, which allowed smugglers to dodge a payment of a R1 030-a-ton import tariff on the sugar.

"Smugglers pay very little for the sugar in neighbouring states. In SA, government and industry lose thousands to lost revenue and cheap imports."

Hanekom said since Agri Inspec got involved in the sugar industry in February, several other cases of smuggled sugar had been uncovered. Agri Inspec assists border police and the SARS in investigations into illegal trade in farm products. The service was started to find illegal smugglers of dairy products, but its successes have prompted other farm industries to ask for assistance.

Maduna would discuss the report's findings and recommendations with the various role-players in the judiciary "in a bid to address together the rectification of the state of SA's courts. Opening the