SUGAR

Sugar mill sold for R90-m

Finance Staff STAR 8/1/92

Members of the Umfolozi Sugar Planters' Co-operative have agreed to sell their sugar mill at Riverview in Zululand for R90 million. 3 SuSCV

The new owner, CG Smith Sugar, will take over at the start of the next sugar season on April 1.

Umfolozi chairman Ian Wiseman said yesterday members had voted overwhelmingly in favour at a special meeting on Monday. "The price was attractive."

Smith will not be buying the farmlands of co-op members. It sees considerable possibilities of expansion by Zulu farmers mainly involved with small farms.

Sugar industry gets R46m shot in the arm

BDay 9/1/92

PAUL ASH

THE local sugar industry is set to receive a boost following the signing of a R46m contract, at current prices, to supply 48 000 tons of refined sugar a year to a packaging company in Botswana, sources in the industry said yesterday.

The 10-year contract, which was signed in December with Sugar Industries, a wholly-owned subsidiary of the Botswana Development Corporation, will be effective from the start of the new season on April 1.

SA Sugar Association (Sasa) national marketing director Frans Oosthuizen said: "With the deregulation of our industry, Botswana has been eager to develop a close personal relationship with us."

The deal will tie up about 4% of SA's 1,26-million ton annual domestic sugar production.

In the past, Botswana's sugar needs were supplied by Zimbabwe but recent droughts there have severely damaged its sugar industry.

The deal would be compensation for the loss of market share to Swazi producers last year of the SA industry's 40 000 ton Namibian contract.

Although Botswana would be buying the sugar at a discounted price, the price was still better than could be earned on the export market, Oosthuizen said. (3) Sugar

In preparation for the new season, Sugar Industries has moved its packing plant from Francistown closer to the SA border at Lobatse and Sasa has already sent one small shipment to test the plant's machinery.

"There are no political repercussions and the Botswana operation is using a Sasa brochure which emphasises that the country's sugar comes from SA," he said.

Smith listing may 'benefit sugar sector'

3 SUSA PAUL ASH BD

TRADING activity in the JSE's sugar sector could benefit from the forthcoming separate listing of CG Smith Sugar, say analysts.

The sector has suffered from a lack of activity, as only Tongaat, one of the three listed sugar companies in the sector, sees its shares traded regularly.

Little interest has been shown in Crookes recently and only 200 shares in Lonrho Sugar were traded last year.

The CG Smith listing "could stimulate institutional interest in both Tongaat and Smiths", said a Fergusson Bros, Hall Stewart analyst.

However, CG Smith Sugar would be the only pure sugar company, since only one third of Tongaat's business was sugar-related. B/Day.

Another analyst said the CG Smith shares, once listed, would trade at a price to earnings ratio of 10, based on the issue price. This compares with the sector's average ratio of 9,3. As a result, the listing would be unlikely to move Tongaat whose ratio stands at 10,8, he added. 13/1/92

"The listing should, however, draw attention to a sector which people are unduly negative about," he said.

Meanwhile, CG Smith has further expanded its sugar interests with the R90m acquisition earlier this week of the Umfolozi Co-operative Sugar Planters' mill and refinery, making it the industry's largest sugar producer.

The move was in line with the predicted expansion of the industry which should see output increase by about 300 000 tons during the next few years. However, the deal did not change the industry's competitive structure, analysts said.

SA, Swaziland talks to decide fate of sugar mill

BDay 17/1/92

KARIN FRANKEN

THE fate of the proposed R1bn Nkomati sugar mill near Komatipoort depended on successful negotiations between SA and Swaziland concerning international water rights, sugar industry sources said on Wednesday.

And related to these rights would be the exact location of the mill and its two dams, the Driekoppies and Magugu, a Department of Water Affairs spokesman said.

The project would not only affect 240 sugar cane farmers, but also the economic climate of the Onderberg area and KaNgwane, the Transvaal Sugar Corporation (TSC) said.

Once the agreement had been signed, possibly in the first quarter of this year, construction of the mill and the dams would go ahead, it said.

The Driekoppies Dam, bordering Swaziland, should take about six years to complete, while milling would start in about three years.

The Magugu Dam would essentially be used for other crops, according to the TSC.

Rembrandt-owned TSC won the rights to build the sugar mill in July last year. TSC spokesman Riaan Pienaar said the total project would involve about R1bn, of which between R240m and R300m would be spent on the mill.

The mill's estimated annual production would be 130 000 tons, requiring 30 000 hectares of cane, Pienaar said.

"Local farmers are expected to change crops once the sugar mill is viable."

The Water Affairs Department's Paul Roberts said the environmental and social aspects surrounding the mill had been given prominance by TSC and his department.

Roberts said there had been no real problems with environmental groups.

Sugar oversupply

WORLD production of sugar will outstrip consumption in 1991-92 for the third season running, commodity traders E D and F Man Ltd predicted in London yesterday. (3) Sugar

The company forecast production in the year from September 1991 to August 1992 at 113,054-million metric tons and consumption at 111,471-million. Output last season was estimated at 114,120-million tons and consumption at 110,326-million. B/Day

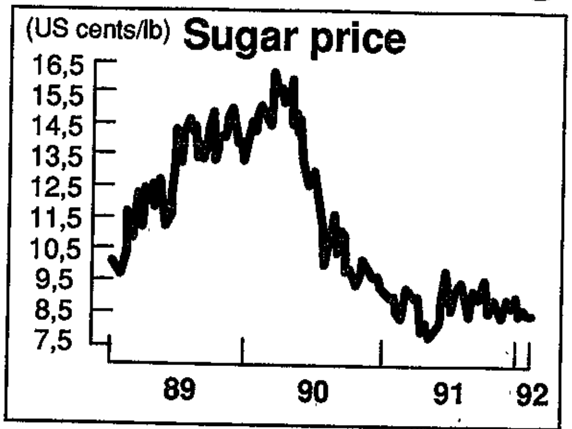
REPORTS: Business Day Reporter, AP-DJ, Sapa. 24/1/92

Analysts urge caution on CG Smith Sugar listing

(3) sugar

Bloom 27/1/92

JABULANI SIKHAKHANE



Graphic: LEE EMERTON Source: I-NET

THE listing of CG Smith Sugar next month has not raised any great enthusiasm among stockbrokers' analysts, even though the company's chemicals interests are expected to generate faster growth this year than sugar.

They are cautious about the share's valuation because sugar, the group's core business and its biggest profit contributor, is highly cyclical. Last year sugar provided 75% of Smith Sugar's taxed profit, chemicals contributed 12% and warehousing and distribution the remaining 13%.

Smith Sugar will be listed on the JSE following the offer of 39,55-million shares, or 30% of Smith Sugar's equity, by parent CG Smith Foods to its shareholders. The company has forecast earnings of 58c a share and a total dividend of 23c for the year to September. The company says most of this growth is expected to come from non-sugar interests.

These forecasts place Smith Sugar on a forward price earnings multiple of 8,9 and a dividend yield of 4,4% against the sugar sector's historical average of 9,5 and 4,1%, respectively. However, some analysts argue that though this indicates the offer is finely pitched, the index may not be the best benchmark. It is weighted heavily towards Tongaat-Hulett which generates less than 40% of its earnings from sugar — the rest is derived from less cyclical building supplies, aluminium and food.

Frankel Max Pollak Vinderine analyst Teigue Payne says the sugar sector is determined largely by Tongaat-Hullett which currently trades on a price to earnings ratio of 11,7 and a dividend yield of 3,2%. He says due to sugar's high cyclicality, Smith Sugar's rating should be downrated.

Ed Hern Rudolph's Syd Vianello says Smith Sugar should not be held as a long-term investment. The group's profitability has been declining for the past three years. For instance the forecast pre-tax profit of R111,919m for financial 1992 is still lower than 1989's R120,479m.

That earnings have grown since 1989, says Vianello, was due to a lower tax rate. The effective rate dropped from 38,9% in financial 1989 to 26,6% in 1991 because of capital spending allowances and is expected to drop below 20% in the current financial year. Another rate cut will arise largely from accelerated depreciation of the Umfolozi mill's revalued assets.

Smith Sugar chairman Glyn Taylor says his company's drop in operating margins was a result of declining world sugar prices for the past three years and temporary setbacks in the chemical division.

While the chemical division setbacks should be overcome in the short term, there is still uncertainty about world sugar prices, which are currently below \$200 a ton compared with \$357 in April 1990.

"Market prospects are more difficult to predict because of changes in Eastern Europe and the unknown outcome of the next round of GATT talks in Uruguay. Expected production problems in Cuba could be a positive factor, but there are still too many other uncertainties," Taylor says.

Sugar consumption in the domestic market had also been declining for two years until 1991 when it grew by 5,7%.

A huge chunk of this growth came from industrial consumption which grew by 8%. Industrial consumption constitutes 33% of total domestic sugar production while household consumption accounts for 67%.

Payne says household consumption has been growing at a far slower rate.

He adds that in the industrial market, sugar is facing competition from maize-based glucose which is produced by Tongaat's African Products and Tiger Oats's Universal Products.

Taylor says the sugar industry is constantly keeping an eye on sugar alternatives and in recent years had been able to win back market share from glucose. "The sugar industry offers incentives to manufacturers and the price is also fixed at a level which will dissuade them from using glucose."

Industry to lend cane growers R2m

B/Day 3/2/92 (3) Sugar

PAUL ASH

THE sugar industry is to lend nearly R2m to growers supplying independent sugar miller Entumeni, as the miller defaulted on its November and December payments to the growers, says an industry spokesman.

About 100 growers were owed money for December cane deliveries, while 190 had not yet received payment for November deliveries, SA Sugar Association (Sasa) executive director Mike Mathews said in a statement at the weekend.

As many small growers deliver their total cane production in one month, "the outstanding payment represents a large proportion, and in some cases, all of their income for the 1991/92 season," Mathews said.

Some cane transport contractors in the area had also not been paid, he added.

Sasa started paying out loans for November's cane deliveries last week. The loans are subject to interest and are secured by future crops.

The area around Entumeni mill, north of the Tugela river, supports about 1 800 small growers who supply 30% of the cane delivered to the mill.

Entumeni is one of the last remaining independent sugar mills. it became evident the mill owners could not meet their payments.

Sasa's statement did not address the reasons why Entumeni had defaulted on the payment for deliveries of cane.

Approached for comment, a Sasa spokesman refused to give further information.

However, Entumeni owner J P Henn said the mill had been running at a loss of R2m a year for the past three seasons.

Henn said Sasa, the growers and the mill had begun negotiating ways of resolving the crisis.

FM 7/2/92 (3) Sugar

SUGAR INDUSTRY (3) Sugar
FM 7/2/92

Helping small growers

In an unprecedented move, the SA Sugar Association has provided bridging finance to 290 small sugar farmers to cover the nonpayment of cane deliveries in November and December to the Entumeni Sugar Mill.

The association stresses that the loans, amounting to R2m, are strictly a business arrangement; they are subject to interest and secured against future crops. Nevertheless, it demonstrates the increasing importance of small growers to the association. There are 39 780 in the industry and it is estimated there will be more than 10 000 newcomers this season.

Association executive director Mike Mathews estimates that 30% of the cane processed by the mill comes from about 1 800 small growers in KwaZulu who cultivate plots averaging 2,5 ha. The balance of the cane comes from about 20 growers who have quotas from the association.

"About 290 small growers are owed money for deliveries at the end of last year." Small growers, he says, are vital to the stability and prosperity of the area and many deliver their total cane production in one month. So outstanding cane payments represent a large proportion — all in some cases — of annual income. "The nonpayment of cane proceeds to growers has caused distress and hardship. Emergency action was called for when it became clear the millers couldn't meet these commitments."

It is understood that growers were offered a deal involving equity in the mill in lieu of payment. This was rejected.

Mathews adds that in many instances, cane transport companies operating in the area have also not received payment.

Entumeni Milling, which runs the mill, has links with the Pretoria finance broker Rouxfin, which in turn is associated with Pretoria Bank. The bank was placed in curatorship by the Reserve Bank in July at the request of its directors (*Economy & Finance* December 20). Neither Rouxfin nor Entumeni Milling could be reached for comment.

The mill, one of the last independents operating in SA, is near Eshowe in Zululand. With profits eroded by the conversion of canelands to timber production, it was sold by Premier Milling in 1988 to a syndicate of Transvaal farmers.

They intended to dismantle the structure and re-erect it in the eastern Transvaal. However, those plans were scrapped and the mill operates under the auspices of Entumeni Milling.

Though the mill's annual capacity is about 350 000 t, it is believed that it processed only 216 000 t in the 1991 season. For millers the problems are far from over. They face another hurdle next month when they are due to issue retention payments — advance payments made to growers of 10% of the value of their cane for the season. ■

Mild reaction to C G Sugar

(3) Sugar

MERVYN HARRIS

CG SUGAR makes its debut on the JSE today, but support from Cape institutions has not been matched by Johannesburg investors who have been disposing of their rights to take up shares.

The sell-off through the market pushed the nil paid letters down from an opening high of 70c to 1c before rising to 2c yesterday on the last day for shareholders to register to take up their rights at 520c a share. Analysts therefore expect that the shares could open and trade today at a slight discount to the issue price but should hold at around 500c.

Fergusson Bros analyst Richard Price said: "The lack of interest in the shares is misplaced given the superb earnings record of the company. B/Day 13/2/92

"While earnings expectations over the next two years are fairly muted, this is partly because investments in the chemical field have yet to make a full contribution," Price said.

He added that the market appeared to take note only of the international traded price of sugar which did not truly represent the price received by millers and growers in SA or elsewhere.

SUGAR SHARES

FM 28/2/92

Adding a little spice

(3) Sugar

Diversification offers a neat earnings spread against world price uncertainties

Sugar counters, lacking much investor interest in the past few years, are perking up.

First came a surge in the Tongaat-Hulett share price — climbing from 2 050c at the beginning of the year to peak at 2 300c in the middle of the month. At about the same time, C G Smith Sugar returned to the board after an absence of more than 10 years.

Fresh interest in the generally lacklustre sector seems to be coming on the back of news that both main players are taking a hard look at their mix of businesses. Some analysts are now seeing good long-term growth potential for both.

Tongaat-Hulett has commissioned American management consultants Quantum Associates to examine the group's investment portfolio. Group MD Cedric Savage says the final report is now being considered before going to the board. "We are looking at focused options," he says. "By June or July, investors will have a clearer view of the group's future direction."

Savage says that while the re-examination of the portfolio should not materially affect the sugar division, there could be significant changes to the 24 businesses in different industries grouped under Tongaat-Hulett's six divisions. In addition, he says, internal task forces have been examining specific business opportunities and rationalisation. In all cases overheads are being cut.

Quantum has a good reputation in SA, having completed work for at least three of the big industrial groups. It remains to be seen what decisions Tongaat-Hulett will take on the report. But with Savage now bringing a fresher management style to a group with a stodgy reputation, investor interest could increase.

Tongaat-Hulett has always shown great promise — but never quite lived up to expectations. Its wide diversification — with interests in sugar, building materials, food, aluminium, textiles and starch and sweeteners — should be a strength. In theory, poor performances in one division can be carried by the other divisions. This happened last year when solid contributions from sugar, starch and sweeteners carried the losses in textiles and poor performances by brickmaking and aluminium.

Tongaat-Hulett's Ridgway

But the company's involvement in so many cyclical industries often means that when profits in half the group are rising, the other half is going down. For this reason, Tongaat-Hulett was disappointing during much of the Eighties. From mid-1982 to mid-1991, the share price lagged the JSE Industrial index.

Now its main competitor in sugar is back on the board — and Smith Sugar, despite disappointing first-day trade in its shares, which early this week were selling at a 5c discount to the listing price of 520c, should liven up the sugar counters.

Smith Sugar also comes back to the board with news of new developments. It is buying the 140 000 t/year Umfolozi mill, a R90m investment to be partly funded by the R40m raised for the company in the pre-listing rights issue.

The new mill will be Smith Sugar's seventh compared with the five, generally larger ones, owned by Tongaat-Hulett. This makes the competitors more or less equal in terms of total production. Together they should put out a shade under 2 Mt of the sugar industry's estimated 2,3 Mt capacity this year.

Smith Sugar is also taking a critical look at its investment mix. It has plans to reduce its exposure to sugar to about 60%, at the same time raising profit contributions from the chemicals, warehousing and distribution arms of the company.

Smith Sugar has invested in two new chemical plants to produce hydrogen peroxide (a joint venture with AECI), and dimethyl ether (DME), an ozone-friendly aerosol propellant. Both have so far been slow in finding markets, though executive chairman Glyn Taylor believes in the prospect.

Other new sugar-derived chemicals are on the draw-

continued →

FM 28/2/92 (3) Sugar

ing board, Taylor says, and if they prove commercially viable, will boost the chemicals division.

The remaining two companies listed in the sector — Lonrho Sugar and Crookes — are the closest one gets to a pure sugar investment. But the shares hardly trade.

SA's only other big sugar producers, Rembrandt's Transvaal Suiker Beperk (responsible for just over a tenth of the country's total production), is not listed in the sugar sector. It is indirectly listed in the industrial holding sector under Hunt Leuchars & Hepburn.

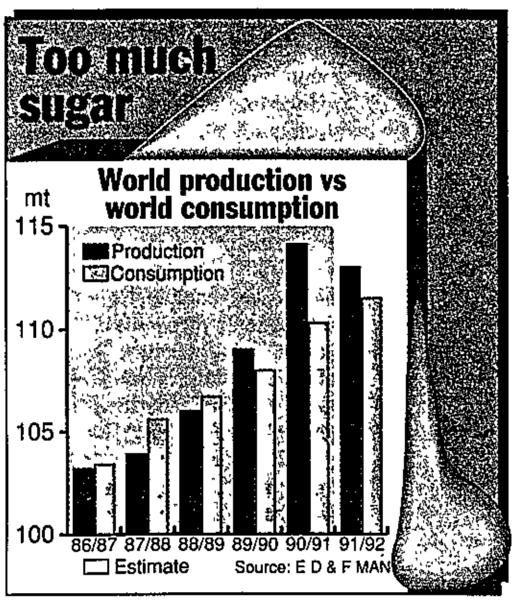
Of the big companies, Smith Sugar has the biggest exposure to sugar, with about 70% of profits coming from its growing and milling activities. As such, its shares will probably be the most volatile in the sector and, when the world price does one of its periodic swings, quickest to move.

Tongaat-Hulett is much less reliant on sugar, with the sugar division currently accounting for about 37% of net profits. But this remains the core business, being the principal contributor to earnings since the Tongaat-Hulett merger in 1982, with the exception of one year when the aluminium division showed the biggest profits.

With the listing, C G Smith Foods' interest in Smith Sugar has been reduced to 70% after being a wholly owned subsidiary. Now, with share prices influenced in no small part by the vagaries of local weather conditions, and, internationally, the politics surrounding the world sugar price, sugar counters seem worth a reassessment.

Both Tongaat-Hulett and Smith Sugar export about 43% of total production — high by most world standards but nevertheless leaving both companies with a reasonable domestic market base. By comparison, Australia exports about 75% of total production. This is where the volatile world sugar price can be an important factor.

That price came off a peak of around US 15c/lb in May 1990, and has been hovering around US 8,5c this year. With the dissolution of the Soviet bloc and world production outstripping consumption for the third consecutive year, prospects for the world price don't look encouraging. But the world market is extremely hard to predict. Any new developments could move the price quickly.



The near collapse of the bilateral trade agreement between Russia and Cuba, following the collapse of the Soviet Union, is one such development. Cuba historically exported 3,5 Mt-4 Mt to the former USSR. With its economic crisis, Russia has taken only 500 000 t so far this season. Though Cuba's production is down, it could dump 2 Mt on the world market.

It is also expected that some of the Cuban surplus will be dumped on the Far East market, which in turn is the SA sugar industry's biggest outlet.

Tongaat-Hulett Sugar executive chairman Dick Ridgway says that, on balance, there is little to indicate a dramatic improvement in the world price in the short term.

Smith Sugar's Taylor is more optimistic: "Some of the Cuban sugar is entering the former Russian states at world prices. The Cuban industry can't cope with world prices because the bilateral price was more than double current world prices. The Cuban industry is notoriously inefficient, having been feather-bedded and centrally controlled all these years. Many of us think Cuba could have difficulties with its exports, and therefore the world price could turn up again."

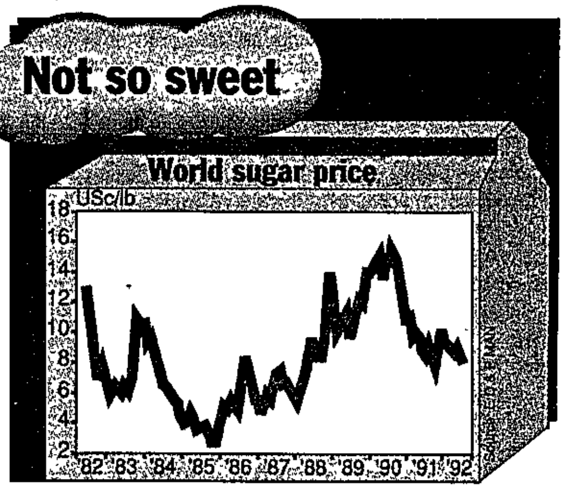
Taylor does not see this happening soon but says it may occur in a year or so. "During our three-year plan, we see something of a recovery in the world price, and on the basis of only a moderate recovery — 20% to 25%, nothing in world price terms — our bottom line will increase well ahead of the inflation rate."

Smith Sugar's earnings grew a disappointing 6% in the last financial year, with average return on assets and shareholders' funds dropping. But Taylor points out that average annual profit growth has been around 28,5% over the past five years, including last year's weak performance.

He adds: "We haven't got the market to start harvesting our investment in chemicals but we are quite convinced it's there. Both are taking longer than expected to contribute significantly — hydrogen peroxide because of the recession in the textile industry and DME because we've got to convince people it's a better propellant than butane, after the rush out of CFCs.

"Those two will come back and our margins will be restored. Our policy has always been that chemicals will be our diversified arm, so as to get away from droughts and world sugar prices."

Working in the company's favour is the deadline for the Montreal Protocol being pushed forward from the year 2000 to 1995, giving signatories, including SA, three years,



and in the case of some European countries less time, to get out of CFCs.

But while Smith Sugar remains the counter most exposed to the world maket for the next couple of years, it could also be the most interesting. "Our share prices should fly if the world price moves."

Tongaat-Hulett group results at the interim were also disappointing, with earnings up only 4%, following a dip of 19% at the 1991 financial year-end. In the longer term, Ridgway says, the sugar division has implemented strategies which should ensure adequate supplies of cane to the turn of the century.

This will enable Tongaat-Hulett Sugar to take advantage of the considerable economies of scale inherent in its large sugar mills. This includes a R40m irrigation development in the marginal Heatonville area of Natal, which will provide 450 000 t of irrigated cane to Tongaat-Hulett's Felixton Mill.

Both Tongaat-Hulett and Smith Sugar are benefiting from substantial reduction of the R327m industry loan taken out in the late Seventies as price support against the then weak world market. Next month's R29m payment will leave debt at R58m, to be repaid over the next two years.

Despite big investments in some divisions, Tongaat-Hulett's debt:equity ratio was a comfortable 19% at March 31 last year. Smith Sugar was more heavily borrowed, with gearing at 67% at September 30, but Taylor points out that this is a period when working capital demands are high. "Stocks are acquired by the SA Sugar Association at the end of March, which will reduce our gearing to about 40%," he says.

Are sugar shares worth following? Both are serious about improving their business mix and have invested substantially in expanding and balancing activities between sugar and other industries. At current levels, the shares could offer good growth.

But a lot depends on the right business decisions being taken now, especially for Tongaat-Hulett. Exposure to sugar can make the shares more unpredictable than most. This can, of course, work both ways. If we get a year when the local weather and world prices combine favourably, sugar shares should take off.

Shaun Harris

FM 28/2/92 (3) 6. Sugar

SUGAR INDUSTRY

Tongaat shows interest

Negotiations began in earnest this week on the future of the Entumeni Mill near Eshowe in northern Natal, which was the subject of a provisional liquidation order by the Durban Supreme Court last week.

This followed claims that the mill owner, Entumeni Sugar Milling CC, was unable to pay R2m owed to 300 sugar growers for their November and December cane deliveries (*Business & Technology* February 7). Many of the growers are small operators, farming just a few hectares, and depend on these deliveries for much of their annual income — in some cases, for all of it.

In an unprecedented move, the SA Sugar Association stepped in and supplied bridging finance to the growers to see them through the next season. Now, with Entumeni facing closure, efforts are under way to either rescue the mill or arrange for the growers to have their cane delivered to another mill.

Mike Mathews, the association's executive director, confirms that several options are being considered, though he declines to elaborate. "Our aim is to help the people involved, including the 350 mill employees and the growers. However, this must be done in the context of the sugar industry being a commercial operation."

The company most likely to pick up the pieces seems to be Tongaat-Hulett Sugar. It is well placed either to absorb cane earmarked for Entumeni, through its nearby Amatikulu mill, or to take over Entumeni if it believes it can restore the mill to profitability.

Tongaat chairman Dick Ridgway confirms that discussions are under way between the court-appointed liquidators, the association and Tongaat to assess the viability of Entumeni.

Key considerations would include:

- ☐ A good price being negotiated for the mill;
- ☐ Whether it makes sense to overhaul the mill, which is reported to have been poorly maintained for several seasons; and
- ☐ Whether sufficient sources of new cane can be identified to make it worthwhile keeping Entumeni open. The volume of cane processed by the mill is understood to be a third down on its peak production of 350 000 t a year, largely because of the conversion of cane fields to timber plantations. ■

Second highest annual sugar crop predicted

BDay 2/3/92 (3) sugar

PRETORIA — SA's sugar crop for the 1991/1992 season is forecast to yield about 2,29-million tons — the second highest in the history of the industry.

The SA Sugar Association told the Agricultural Outlook Conference on Friday that cane production had increased steadily with estimates for the past season rising, resulting in a 20,1-million ton crop.

The good cane/sugar ratios of about 8,76 tons of cane to one ton of sugar and a higher average sucrose content of 13,04% contributed to the excellent crop.

The highest sugar crop was recorded in the 1984/1985 season when 2,36-million tons were produced.

Of the 2,29 million tons produced in the past season, local consumption would account for 60%, leaving about 915 000 tons for export.

Small growers, making up 11% of total production, have also benefited from the bumper harvest with tonnage delivered to mills 20% higher than in the 1990/1991 season.

But while the crop may be a bumper one, estimates of sugar sales have been revised downward with the domestic market expected to take up only 1,26-million tons, 3% less than in the 1990/1991 season.

Rising international stock levels have placed considerable pressure on world prices and coupled with a relatively stronger rand, SA sugar exporters earned about R40m less from exports than in the previous season despite higher tonnages shipped.

At the beginning of the current season the spot sugar price was quoted in New York at 9c a pound, peaking in July at 10,75c and then drifting back to a narrow range between 8,8c and 9,1c in recent months.

SA's sugar exporters now receive R200 less per ton.

With expansion projects on the cards there is cause for optimism in the local industry. The establishment of an additional mill is expected to increase SA's tonnage by 300 000 tons but, with depressed world sugar prices, it is unlikely there will be any significant increase in export earnings. — Sapa.

STAR 3/3/92

Sugar wants yes vote

DURBAN — SA Sugar Association executive director Mike Mathews said yesterday the association supported a "yes" vote. Mr Mathews outlined the implications of a "no" vote as the re-imposition of sanctions and the probable loss of sugar export markets. (3) Sugar

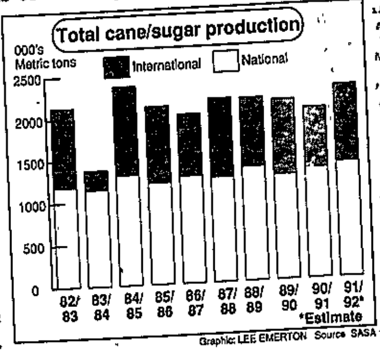
Rains give sugar crop good start — report

B/Day 4/3/92 MEREDITH JENSEN (3) Sugar

EARLY summer rains and near perfect growing conditions have given the 1992/93 sugar crop an excellent start, according to the SA Sugar Association report presented recently to the Agriculture Outlook Conference in Pretoria.

The report said December was dry in most areas, but if the normal rainfall pattern continued through the critical growing months of January and February, the crop should be "very good".

The industry predicts that the 1992/93 crop should at least reach the level of 1991/92 production.



Graphic: LEE EMERTON Source SASA

The harvest of the 1991/92 season was 10% more than the previous season's. Small farmers experienced the fastest growth, showing a 20% increase in tonnage.

This growth was due to the industry's expansion programme proposed in 1989 to deregulate small farms within a 30km radius of a sugar mill, the report said.

The programme is expected to increase sugar production by 300 000 tons over the next five years. Production stemming from the programme is destined for the export market.

The report said the most significant development in the SA sugar industry in 20 years came with the proposed clearing of new cane areas and the establishment of a new mill in Onderberg in the Eastern Transvaal.

The 14 000 ha required will be developed over two seasons, raising the total area under cane to about 420 000 ha.

The 1992/93 season will see new allocations of quota for three mill areas, which when combined with the expansion of smaller producers, will raise the total area under cane to about 390 000 hectares for the season.

An oversupply in the world sugar market, owing to increased world production in 1990 and 1991, makes it unlikely that sugar prices will rise much above the current level of $0,09 a pound.

However, SA has not had to curtail its export production, having recently regained its US quota.

Bill spells changes for sugar industry

Business Day Reporter

THE deregulation of the sugar industry took a step further with the tabling in Parliament earlier this week of the Sugar Amendment Bill.

The Bill proposes a transfer of power to regulate the industry from the Trade and Industry Minister to the South African Sugar Association (Sasa). (3) Sugar

The Bill provides for an increase in the maximum fines from R2 000 to R100 000 for the contravention of the sugar industry agreement.

Sasa's Hans Hackmann says sugar cane growers and millers have to abide by the sugar industry agreement if they wish to enter the industry. B Day 4/3/92

Among other things, the sugar industry agreement provides for Sasa to administer a two-price system (for local and export sugar sales), the determination of sugar quantities for the national market and the disposal of excess sugar in the export markets.

The agreement also provides for Sasa to pool and distribute the proceeds from sugar and molasses to farmers and the sugar milling companies.

The Bill will implement the decision on deregulation taken in 1989. This will make it easier for small growers to enter the industry.

Hackmann said that previously growers had to apply to the Sasa board for a quota before they could enter the industry. In terms of the deregulation package small cane growers living within a 30km radius of a mill can negotiate directly with the miller.

● See Page 10

Dry season may curb sugar output

BDay 5/3/92 (3) Sugar

Business Day Reporter

EXCEPTIONALLY dry conditions during the past three months would have a significant effect on next season's (1992/93) sugar cane production despite the recent rains, it was predicted yesterday.

Ironically, the sugar industry's recent report to the Agricultural Outlook Conference in Pretoria told of a near record crop for the 1991/92 season, harvested before Christmas 1991.

For the forthcoming season, which starts on April 1 1992, the outlook is gloomy. Parts of the industry have been devastated by weeks of high temperatures and humidity.

In certain areas of the Natal north coast and KwaZulu, several growers have lost large proportions of their crops and face replanting programmes should the crop roots be damaged. Other sugar cane crops have begun to deteriorate.

On an industry level, it is difficult to quantify the overall effects of the dry conditions. A better assessment will be possible early in the new season. Sugar cane crops need good rains in January, February and March.

Sapa reports the Consumer Council yesterday appealed to the SA Sugar Association not to increase the price of sugar this year.

Drought hits cane

(3) Sugar

DROUGHT in major sugar-cane areas in the past three months will severely affect the crop in the season which begins in April.

The SA Sugar Association says this latest estimate follows a statement to the Agricultural Outlook Conference in Pretoria that a near-record crop was harvested in the past season.

Some cane areas have been devastated by weeks of high temperature and humidity.

S/Times (Buss) 8/3/92

FM 13/3/92 (3) Sugar

SUGAR INDUSTRY

Sweet and sour

While the sugar industry may be toasting its recently harvested bumper crop, the poor early-season rains have already dried up any hope of a similar celebration next year. Coming at a time when there is a depressed international sugar market, this could precipitate domestic sugar price increases.

However, the dilemma facing the sugar industry is that local sugar consumption seems to be declining. Early indications suggest that this year's sales will be about 1,7% down on 1990-1991, though the sugar industry points out that was an exceptional sales year.

The SA Sugar Association estimates that the domestic market will total 1,37 Mt this year, leaving 915 000 t available for export. However, rising stock levels on the international market have depressed world sugar prices. Though they peaked at US10,75c/pound, prices seem to have settled in the 8,8c to 9,1c/pound range.

The association says this, together with a slightly stronger rand over the past year, has more than cancelled any advantage from SA's increased export tonnages. Export income has been reduced by more than R40m and income per ton has fallen by R200 compared with the 1990-1991 season.

Harvest time ... *more cane to cut*

With these tough trading conditions, the depressed outlook for growers in the coming season, which begins on April 1, serves only to intensify the industry's problems. The difficulty for cane growers is that though the exceptional dry spell at the end of last year has now been broken by some good rains, much damage has already been done. More good rainfall for the next month — February and March is cane's main growth period — is essential.

The unseasonal year-end drought has devastated some cane-growing regions, with growers in parts of the Natal North Coast and Zululand losing large portions of their crops. Growers could even face replanting if the roots of the cane have been damaged. (Cane usually has a lifespan of about 15 years, sometimes longer if it can be kept virus-free and healthy).

Because of this, the association says it is too early to predict the extent of the drought damage. So it would be logical to postpone any price increase until there is a clearer picture of how much of next year's harvest can be salvaged. ■

US may pull out of sugar body

STAR 17/3/92.

GENEVA — World sugar producers and importers met in Geneva yesterday for a week-long conference that could break the organisation which serves as the nerve-centre for the international sugar trade.

Formally the meeting, convened under the auspices of the United Nations and its Trade and Development Conference (UNCTAD), is to determine how sugar trading nations will manage co-operation towards the end of the century.

(3) Sugar

But UN officials say strong disagreements separate the US from most other countries in the market which put the future of the trade body, the London-based International Sugar Organisation (ISO), in jeopardy.

And trade diplomats say the US view is so adamant that, if it does not win its case, Washington could leave the ISO, depriving the organisation of vital financial support.— Sapa-Reuter.

Natal sugarcane farms under threat of arson

ARG 24/3/92

The Argus Correspondent

DURBAN. — Tongaat Hulett officials have expressed concern about a spate of fires they say have been caused by arsonists and vagrants.

About 63ha of sugar cane have been destroyed on their farms since the beginning of the month.

In the latest and most drastic fire, an estate assistant, Mr Rick Williams, was badly burnt when he tried to rescue a company vehicle from the flames on a Buffelsdraai estate near Verulam. (3) - SUGAR

Thirty hectares of cane were destroyed in the fire last week.

"We've had these kind of fires just about every day so far this month," said public relations manager of the Tongaat Hulett group Mr Ron Phillips.

"We never catch the people but they are all vandal or arson fires. It could be people who have been retrenched or are holding a grudge against the company — or just out of pure mischief or carelessness."

He suspected that many of the fires were caused by vagrants living in the cane fields who cooked their food there.

Apart from being a hazard to the environment, the fires had destroyed 2 000 tons of sugar cane and cost the company R160 000, he said.

"There's nothing we can do because the mills don't open for another six weeks."

The mills close down from the end of December to the beginning of April for a major maintenance programme.

The fires were also "a great nuisance" to residents living in the area. "It's causing a great hazard to the environment."

STAR 25/3/92

Sugar agreement extended

GENEVA — More than 60 producing and consuming countries have negotiated a new accord maintaining the International Sugar Organisation (ISO). (3) Sugar

Sources said that at talks last week in Geneva, the US reserved its position, retaining the option to withdraw from the London-based body.

The accord, negotiated under the auspices of the UN Conference on Trade and Development, renews a 1987 agreement which was to have expired at the end of last year but which was extended until 1992.

The ISO acts as a clearing house, but does not intervene in the market. — Sapa-Reuter.

FM 10/4/97 (3) sugar

SUGAR INDUSTRY

Clearing a hurdle

A R400m sugar mill for the eastern Transvaal has moved a step closer with the signing of a water resources accord between SA and Swaziland.

However, according to Transvaal Sugar Ltd, which is behind the mill, this is only one of many hurdles that must be overcome before the project is finalised.

Transvaal Sugar's Leon van Rensberg says: "The Department of Water Affairs is still concluding another agreement that is necessary between SA and the KaNgwane government. The two treaties are enabling agreements that will allow construction. The department also has to assemble finance for the water project. When construction of the dam is on the starting blocks, we will we make a decision on when to start construction of the mill."

The planned dam is the Driekoppies on the Lomati River (a tributary of the Komati River) south-east of Nelspruit. It is one of two dams planned for the area. The other is the Magugu Dam, which will be financed by the World Bank, in Swaziland,

Driekoppies Dam should take six years to build, though the department hopes that some water can be stored before it is completed.

Going to the board

Brian Hollingworth, of the Development Bank of Southern Africa, which has been asked to finance the development, says the bank is finalising a cost-benefit analysis — the acid test of whether a capital project of this scale should proceed. This will be submitted to the bank's board of directors this month.

The dam will cost about R300m (rising to R500m with inflation). Additional financing will be needed for irrigation projects, mostly in KaNgwane.

The dam, together with Transvaal Sugar's Nkomati mill, will open up additional land for cane production in the eastern Transvaal and KaNgwane. The two projects will also be a stimulus to employment, during the construction and afterwards as cane production is boosted. ■

Aid for small cane growers

(3) Sugar

MEREDITH JENSEN

THE interests of 40 000 small cane growers were the focus at the launch of the Small Grower Development Trust in Durban yesterday. The sugar industry has committed R20m to the trust over the next five years to help small growers. Biday 14/4/92

Cane Growers Association (CGA) director of administration and development David Wayne said the trust "is not giving money to subsidise small growers but instead trying to organise a support system to ensure institutional and community development".

In a survey, small growers, most of whom farm on less than 10ha, identified lack of communication and participation as their major weakness. Industry sources said small growers often complained they were not part of industry decision-making.

CGA and trust chairman Lawrence Gordon-Hughes said "white farming organisations often carry rural communities. Black farmers need to have this too."

Wayne said having one central organisation could be the problem. "The Mill Cane Committee (MCC) is not operated effectively. Their staff is on a voluntary basis and there is little funding to set up a proper structure. The trust is trying to decentralise the structure and concentrate on local area organisation."

The trust would provide the funds to employ full-time staff at the MCC and play a supporting role "with a proviso that these areas become self-sufficient over time".

Sugar crop 'falling off dramatically'

SA's drought-hit sugar crop for the 1992/3 season is estimated at 1,7-million tons, down from the 1,8-million tons estimated a month ago, according to a top industry official. 3Su5r

"The crop has fallen off dramatically, but we'll only get a fair picture of the loss towards the end of May," said SA Sugar Cane Growers' Association executive director Rex Hudson.

SA Sugar Association export manager John Russel said: "Figures being touted in the market are very speculative." BDay 14/4/92

Denying that SA had asked Japan to lower its raw sugar contract, Russel said SA had "communicated" with its Japanese customers over an expected shortfall.

SUGAR INDUSTRY (3) Sugar

Helping the small grower

A development trust that aims almost to double the productivity of 40 000 (and rising) small sugar growers was established in Durban this week. But the improved productivity will come at a price — at least R20m over the first five years.

Though small growers — many of whom work plots of 1 ha or less — far outnumber the quota growers (private commercial growers and estates owned by sugar milling companies) they produce only 11% of the total crop. FM 17/4/92

Low yield

What is more disturbing is that, while the quota growers average 60 t/ha on dry land, the small growers average only 30 t/ha. "One cannot make excuses about scale of production. This is a gap that must be narrowed through improved farming methods and this is where the trust will be vital," says Wilson Luthuli, vice-chairman of the Small Growers' Development Trust.

He stresses that it will not bankroll or subsidise small growers but instead will provide farming and administrative expertise. It is controlled by small growers so it will not be seen as the industry patronising them.

"In fact, it is part of the democratisation process and will give us a far greater say in our own destinies," Luthuli says. "We will be party to the decisions taken."

The trust will establish regional secretariats in 12 sugar milling areas in Natal and the eastern Transvaal. Luthuli says getting qualified people to staff these areas will be expensive. "It is essential that we have suitably qualified people in key positions and enough staff to get around to all the small growers."

The R20m is being put up by the Sugar Association of SA and the trust hopes to obtain additional funding overseas.

At first sight the trust appears to duplicate the activities of agricultural extension officers, who pay regular visits to farms and advise on efficient farming methods. But, though the extension-officer system has been in operation for many years, its benefits have rarely filtered down to small growers. The reasons for this are a matter of conjecture.

What is not disputed is that the rapid increase in small growers has already helped to offset the loss of canelands to timber, infrastructure development and urbanisation. It has also buoyed local economies and additional productivity improvements will ensure that the trend continues. ■

ZIMBABWE TOBACCO INDUSTRY

Falling prices

FM 17/4/92

Zimbabwe's flue-cured tobacco auctions opened this month with prices more than Z$2/kg lower than a year ago. Last year was a bumper year for tobacco, with gross earn-

US, Europe asked for cane help

S Times [BUSS] 19/4/92 (3) sugar

By DON ROBERTSON

THE sugar industry is to ask aid foundations in America, Europe and Japan to help small cane growers in SA.

The decision follows the establishment of the Small Grower Development Trust.

It will receive an injection of R20-million in the next five years from the industry. The money will come from the premium paid on the sugar export quota to America.

David Wayne, director of administration and development at the SA Cane Growers Association, says the initial response from aid agencies in America and Europe has been "enthusiastic and they have shown a great deal of interest".

Training

Consultants in America, who have access to about 100 foundations, have been approached. In Europe, the International Association for Co-operation and Development in Southern Africa (Acoda) has expressed interest.

The US Agency for International Development (US Aid) is already financing a training scheme for small farmers.

It is hoped to raise about R50-million from these agencies. Small growers will also fund the trust through a levy on cane production.

The intention is to increase the number of small cane growers from 40 000 to 48 000 in the next three years in an area stretching from Port Edward, south of Durban, the northern Natal coast and up to Malelane, near the Kruger National Park.

The trust believes it will act as a role model for other agricultural work in SA and the rest of Africa.

Phase one in the establishment of the trust will be the appointment of administrative and organisational structures followed by the improvement of agricultural and economic services to farmers.

A small grower is defined as one who generally produces about 150 tons of sucrose a year from about 1 200 tons of cane.

Farms usually cover about 10ha and income ranges from about R2 500 to R4 000 a year. Income from this sector of the industry is about R80-million a year, supporting an estimated 400 000 people.

SUGAR INDUSTRY

FM 24/4/92 (3) sugar

Taking its lumps

They call it the green drought in Natal. But even there, sugar cane is turning from its familiar green to brown as the lack of moisture saps leaves and roots.

Worst hit is the sugar belt's 260 000 ha coastal region both north and south of Durban. In the Natal Midlands where there has been rain, farmers are still expecting near-record crops. Even so, the 1992-1993 sugar crop will be at best about half the annual average of 18m-20 Mt. cont --- >

FM 24/4/92 (3) sugar

With the sugar mills due to open next month, Mick Harvey, a former mill group chairman, says some mills are in a quandary because they will have only a few weeks worth of cane to crush — they usually run non-stop for nine months. That spells higher prices for consumers.

For the farmers, the drought problems are aggravated by fire — insurance claims have more than doubled this season — and a little beastie called the eldana beetle. The beetle, a prolific caterpillar, devours the cane from inside the stalk. Once established, eldana can lay entire crops to waste. The only defence is annual harvesting.

But this means that growers cannot follow the accepted practice and leave 30% of their cane uncut for early harvest in the next season — in a good season it allows the rest of the crop a little longer to mature and gives the grower a head start at the mill. In bad times it ensures some future income for the grower.

As it is, few in the drought belt are anticipating profits — even those able to irrigate are running out of water. It's unlikely that a farmer would break even on harvests below 25 t/ha — commercial farmers normally average 60 t/ha but some are talking of 16 t/ha or less with substantially reduced sucrose content. If they don't harvest, the eldana will breed. But if they do, overheads — labour, fertiliser and weed and insect control — will cost as much as in a good season. In addition, cane-handling equipment designed for full-grown cane is ill-fitted for loading and carrying stunted cane.

Sugar farmers concede that they're only a small, and certainly not the worst-hit, part of the drought-devastated agricutural sector. But that's little consolation when queuing with other farmers for drought relief at the Land Bank, which is granting low-interest loans repayable over seven years to cover 80% of losses, with the farmer shouldering the balance.

It's ironic, says SA Cane Growers' Association director Rex Hudson, that this disaster comes just as many growers finish paying off debts accumulated during the last drought of 1986-87.

Even if it rains in the next few weeks, there's little hope of saving the harvest — 60% of the growth occurs between December and March. But late rains should salvage the plants, which are usually productive for 15 years. If they die or are too severely damaged by lack of rain, the cane grower will face replanting costs of about R4 000/ha.

Typical of those affected is Tony van Raalte, of Wetherley Sugar Estate at Darnall on the north coast. "We've had only 170 mm of rain this season, compared with an average of 518 mm," he says. "It's the driest season on record (68 years) for this farm." ■

Drought slices sugar cane harvest estimate

CT 27/4/92 Own Correspondent (3) SUGAR

JOHANNESBURG. — The SA Cane Growers' Association has estimated the sugar cane harvest will be about 1,7-million tons — 520 000 tons less than the January estimate.

The association's deputy executive director Jack Wixley said at the weekend the drought had been particularly severe along the south coast belt and Zululand, but in the Natal Midlands some record harvests were expected.

SA Sugar Association chairman John Chance said various contingency plans had been formulated, including a request to government for drought relief.

Other options included opening certain mills for a short period only with the possibility of re-opening later in the year.

Chance said local demand was estimated to be 1,37-million tons, so no shortfall was expected.

The industry had taken steps to satisfy its export contracts by purchasing substitute sugar, the cost of which was not disclosed.

Sugar cane harvest to meet demand

JOHN WATERS

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Chance said local demand was estimated to be 1,37-million tons, so no shortfall was expected.

The industry had taken steps to satisfy its export contracts by purchasing substitute sugar, the cost of which was not disclosed.

An average of 629mm of rain had fallen over the sugar cane region since June 1 last year.

CG Smith lifted by sugar output

3 Sugar

BDay 27/4/92

MARCIA KLEIN

AN INCREASE in its sugar production saw newly listed C G Smith Sugar boost earnings by 8% in the six months to end-March, and placed it on track to meet its pre-listing forecasts.

The Durban-based group's attributable profit was up 8% from R45,1m to R48,7m. Earnings were 32c a share and an interim dividend of 9c a share was declared.

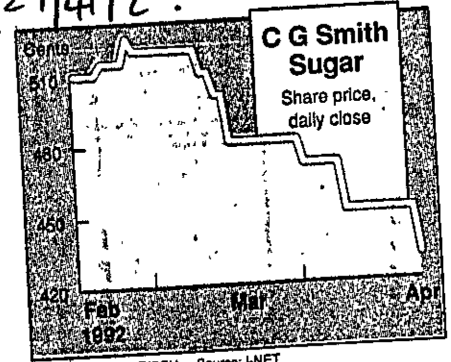
Directors said despite a lower world price, income from the sugar division improved, mainly due to an increase in production of 83 000 tons of sugar. The chemical and the warehousing and distribution division also made higher contributions.

In the prospectus released before the group's February listing, directors forecast a 7,4% rise in earnings to 58c a share, and a 9,5% higher dividend of 23c a share.

They said yesterday that attributable profits would meet the forecast R90m in the full year to end-September.

In the six months, turnover increased by 11% from R481,6m to R534,1m, and operating income rose 15% from R76,1m to R87,2m.

After a marginal increase in interest and higher income from investments, pretax profits were 19% higher at R72,0m (R60,4m). But a 54% hike in taxation to R22,5m saw profit after tax rise by only 8% from R45,9m to R49,5m.



Graphic: FIONA KRISCH Source: I-NET

Taxation for the six months was higher than the R20,1m forecast for the full year.

The directors said C G Smith Sugar had "escaped the severity of the current drought in some cane supply areas" because of its wide geographical spread.

There could be an improvement in the company's share of industry production, they said.

Also, the next six months will see half a season's profits brought into account from the recently acquired Umfolozi sugar mill.

The share closed on Friday at 430c after coming to the JSE at an issue price of 520c.

Sugar prices expected to come down

BDay 29/4/92

(B) Sugar

MEREDITH JENSEN

SUGAR prices on the world market have increased by more than 20% since the end of March, from less than $0,085 a pound to a record $0,107.

David Hardy, International Marketing Director for the SA Sugar Association, said SA's crop shortage had little effect on the price increase.

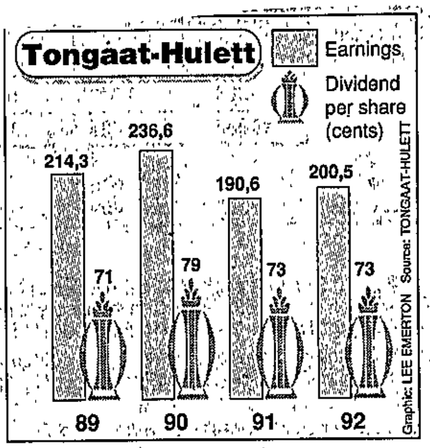
"Overall movement in the price of sugar was caused by other reasons, mainly speculation in the future's market in the US," he said.

SA usually produces more than 2-million tons of sugar a year. This year the SA Sugar Association estimated an output of 1,7-million tons.

Some farmers say, however, the figure could be lower unless there are heavy rains within the next few weeks.

Hardy said he was a bit more optimistic. "The price has started coming down again." Sugar traded yesterday at $0,983 per pound.

Analysts agreed market prices should come down despite SA's shortage.



Tongaat forecasts radical changes

(3) Sugar MICK ELLINGHAM

TONGAAT-HULETT has disclosed a marked decrease in earnings for the year and says radical changes could take place within the group in the next nine months.

The Natal-based group said operating profit for the year ended March 1992 was 13% down to R277,5m (1991: R317,4m).

Profit before taxation fell 18% to R173,9m (R212,5m).

The sugar, starch and sweetener, aluminium, textiles, building materials and food group said the results were on the back of difficult trading conditions and extremely competitive local and international markets. B/Day 30/4/92

An interim dividend of 50c a share was reported, which, with the interim of 23c, makes for a final dividend of 73c. This is unchanged compared with 1991.

Group MD Cedric Savage said: "The next six months will remain extremely difficult for most of our operations."

He said US management consultants Quantam Associates had been commissioned to examine the group's investment portfolio. While the re-examination should not materially affect the sugar division, there could be significant changes to other businesses in the group's six divisions, Savage said. 30/4/92

Task forces had been appointed to "enable group and divisional personnel to urgently examine operations which the

☐ To Page 2

Tongaat B/Day 30/4/92

☐ From Page 1

(3) Sugar

group sees as either opportunities or as sources or concerns".

The work of Quantam and the task forces would continue throughout the year. "Important decisions concerning the future of certain companies will be made in the next six to nine months," he said.

Earnings a share increased by 5% to 200,5c from 190,6c. Turnover increased 5% to R3,97bn (R3,79bn). There was a 2% reduction in deferred tax provision, which, with export incentives, reduced the tax charge by R45,1m.

Extraordinary items related in the main to losses incurred from the sale of the Hebox textile operation last year.

Directors said an "unacceptable loss" had taken place in Tongaat's textile division last year because of the serious effect of increased imports on SA fabric manufacturers. They said the sugar division had performed well during the year, although the drought had meant reduced estimates for this year.

Aluminium, starch and sweeteners all turned in increased earnings, but building materials continued to be affected by the depression and reported reduced earnings.

The foods division produced disappointing results, with reduced consumer demand exacerbated by losses in the mushroom and distribution companies.

Drought sparks sugar buying spree

BlDay 30/4/92 (3) sugar

MEREDITH JENSEN

AS THE sugar industry starts counting its drought losses, officials of the SA Sugar Association (Sasa) are said to have already been active on world markets buying up stocks at prices around $0,08 a pound.

Industry analysts say the result has been a sharp rise in world sugar prices as SA sought to cover its contracts.

Sugar prices on the world market have increased by more than 20% since the end of March, from about 8,5 US cents a pound to 10,7 cents.

According to a leading sugar analyst, initial crop estimates had caused "panic" in industry circles.

"We've had a lot of panic, and it has had something to do with SA's shortfall," the analyst said. "The sugar association went to the Far East to meet customers when they realised there would be a shortage."

Sasa international marketing director David Hardy confirmed Sasa "had bought some sugar, not 300 000 tons, on the world market".

SA normally produces more than 2-million tons of sugar a year. This year, Sasa estimates an output of 1,7-million tons.

Some farmers say, however, the figure could be as low as 1-million tons unless there are heavy rains within the next few weeks.

However, Hardy said SA's buying spree had little effect on the price increase. "We had a marginal impact on the price of sugar. However, the market started moving up before we started buying."

He refused to disclose at what price Sasa bought the sugar.

Analysts agreed market prices should come down. "Thailand and India are expected to produce record crops this year."

Our Port Elizabeth correspondent reports Deputy Finance Minister Japie van Wyk told the SA Hereford Breeders' Society in Cape Town last night thatthe crippling drought in summer rainfall areas could wipe out the expected positive growth rate of the economy by the second half of this year.

GAVIN DU VENAGE reports Wits Climatology Research Group deputy director Janette Lindesay said this week the drought crisis could have been avoided.

Speaking at a briefing for futures traders, Lindesay said the technology and expertise exists to allow the agricultural and financial sectors to take steps which would avert the "major catastrophe" the country now faced.

Lindesay explained that although SA would always have erratic rainfall, patterns had emerged that should allow farmers to plant crops making best use of expected weather and to modify planting times.

She said computer models based on weather patterns stretching back many years made predictions fairly accurate.

Meanwhile, Sapa-AP reports Britain is giving £20m to southern African countries devastated by drought.

Drought is a bitter pill for SA sugar industry

THE sugar cane industry is in the grip of severe drought and loss of production compared to last season is estimated at around 500 000 tons.

Rainfall in March was only 42% of the mean average for the month. Rainfall during April was insufficient to restore the crop but has prevented, for a time, further damage to roots and stalks.

SA Sugar Association industrial affairs director Peter Nourse says local consumers will not suffer as all production shortfalls will come off exports. However, this means a substantial loss of foreign exchange for SA and the growers and mills will suffer as the fixed costs of production are relatively high.

(3) Sugar

The mills are already making plans to keep various mills closed and stagger production at other facilities.

Bday 15/5/92

Says Nourse: "The growers are going to be hit hard. Through their association they have already made application for drought relief.

"Cane is a reasonably resilient crop and the drought would have to get worse before growers start losing plants. However, if the drought is so severe that the roots die, the re-establishment costs are substantial."

Cutting sugar cane in Natal.

Trust set up to assist at grassroots level

BDay 15/5/92 (3) Sugar

INROADS by the timber industry into to sugar growing land has stabilised and land under sugar has increased slightly.

The SA sugar industry produced more than 2-million tons of sugar in the 1991/92 season. About 1,3-million tons is consumed locally and the balance exported. Prices on the world market are low because of oversupply.

The world market is actually a small percentage of total world production. World sugar production is around 110-million tons but the world market is around 17-20-million tons. This is because much of the sugar produced is consumed in the country of origin and there are special agreements between some countries to distribute supplies, thus the sugar does not come on to the market.

SA Sugar Association industrial affairs director Peter Nourse says the local industry is competitive in terms of cost of production, quality and service.

"Potential for increases in production, without expansion of cane areas, is likely to come from the growing side through improved cane varieties and farming practices. There will also be further development of small growers."

The industry is making a substantial effort to promote the entry of small growers into the cane industry, strengthened recently by the formation of a new Small Grower Development Trust.

The trust will set up grassroots administration to assist small growers. Production from small growers is well below the industry average and the trust will aim to provide the right socio-economic climate and provide motivation to help growers increase production.

The sugar industry will contribute R20m to the trust over the next five years and additional funding is being sought from overseas development agencies.

There are more than 40 000 small growers and deregulation and expansion will increase the number of small growers to 48 000 over the next three years.

SUGAR INDUSTRY (3) S459 FM 29/5/92

Coming to the rescue

The 200 employees of the beleaguered Entumeni sugar mill near Eshowe in northern Natal and the 1 800 small sugar farmers nearby have been given a reprieve with Tongaat-Hulett's decision last week to buy the mill for R4m.

The sale of the mill is a sequel to the liquidation order granted against the owner, Entumeni Sugar Mill CC, in the Durban Supreme Court, after it allegedly failed to pay growers for their November and December cane deliveries (*Business & Technology* February 28).

In addition to the unemployment, the mill's permanent closure would have severely dented the SA Sugar Association's successful campaign to encourage small rural communities to grow cane as a cash crop. There are now more than 40 000 small growers cultivating plots averaging 2,5 ha.

Tongaat's acquisition is part of a plan initiated by the industry to ensure the mill's continued operation, according to association chairman Johan Chance, but Tongaat and the association have not released details of the package. This goes against the association's usually strict non-interventionist stance, under which it prefers to leave business decisions to those directly involved.

Despite the purchase, doubts remain over Entumeni's viability as a stand-alone enterprise. In the short term, the mill needs capital expenditure on maintenance and refurbishment. But, more important, a big question hangs over whether sufficient cane can be fed to the mill to make it pay its way. Traditional sources of cane have been eroded by the conversion of large tracts of caneland to timber.

Tongaat executive chairman Dick Ridgway confirms that cane supplies to Entumeni must be increased substantially to make it viable. He also concedes that detailed industry investigations have established that no immediate additional cane supplies are available to Tongaat-Hulett Sugar.

His company's agreement to take over and re-open the mill, however, is dependent on the industry developing additional cane supplies, which will be boosted in the longer term by attracting additional small growers. He anticipates a virtual doubling of the number of small growers supplying the mill.

Ridgway says the mill will remain closed until next year to allow maintenance work. Cane normally earmarked for Entumeni will be diverted to Tongaat's neighbouring Amatikulu mill, which has spare capacity because of the drought. ■

Further drop expected in sugar crop

BDay 3/6/92

THE drought-hit sugar crop for the 1992/'93 season had deteriorated since the last revised estimate of 1,7-million tons in April, a top industry official said yesterday.

SA Sugar Cane Growers' Association deputy director Jack Wixley said he expected the next estimate, due in about two weeks, to be substantially lower at 1,5-million tons.

"If no rains fall, the crop will deteriorate further, and the figure could fall below 1,5-million tons," he said.

Wixley said the effect of the drought on the sugar crop had been compounded by hotter conditions than expected.

(3) Sugar

SA, traditionally an exporter of sugar, produced its second biggest crop to date in the 1991/2 season at 2,29-million tons, of which 915 000 tons were available for export. — Reuter.

Hopes for cheap meat dashed

(3) MEAT
CT 5/6/92

Own Correspondent

JOHANNESBURG. — Hopes for cheap meat have been dashed by the meat industry.

An industry source said yesterday that although drought was causing farmers to slaughter large quantities of lamb, the highly regulated meat industry had kept lamb prices rising.

The wholesale price of lamb, which rose R1 to R7,80/kg on Tuesday, would continue to rise despite the increased supply, sources said. Analysts predict that prices will rise by another 14% over the next two months.

A top government official, who did not wish to be identified, blamed the high prices on controlled areas set by the Meat Board and wholesalers who were using the system to restrict competition.

Under the present system, the Meat Board requires a permit to bring meat into certain "controlled" areas. Producers wanting to sell within these areas often found it difficult to compete with the large wholesalers, industry sources said.

Meat Board general manager Mr Pieter Coetzee said last year the Meat Board had allowed auction prices to drop below the minimum prices and paid the difference directly to the producers. The board had cancelled this method after two months because retail prices continued to rise.

REPUBLIEK VAN SUID-AFRIKA

STAATSKOERANT

3 Sugar.

GOVERNMENT GAZETTE

FOR THE REPUBLIC OF SOUTH AFRICA

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VOL. 324 — KAAPSTAD, 5 JUNIE 1992 — CAPE TOWN, 5 JUNE 1992 — No. 14029

KANTOOR VAN DIE STAATSPRESIDENT

No. 1585. 5 Junie 1992

Hierby word bekend gemaak dat die waarnemende Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 71 van 1992: Suikerwysigingswet, 1992.

STATE PRESIDENT'S OFFICE

No. 1585. 5 June 1992

It is hereby notified that the Acting State President has assented to the following Act which is hereby published for general information:—

No. 71 of 1992: Sugar Amendment Act, 1992.

ALGEMENE VERDUIDELIKENDE NOTA:

[ ]	Woorde in vet druk tussen vierkantige hake dui skrappings uit bestaande verordenings aan.
______	Woorde met 'n volstreep daaronder, dui invoegings in bestaande verordenings aan.

WET

Tot wysiging van die Suikerwet, 1978, ten einde die bevoegdheid aan die Suid-Afrikaanse Suikervereniging te verleen om sekere boetes op te lê; die Vereniging te magtig om die maksimum nywerheidsprys van suikernywerheidsprodukte te bepaal; en die maksimum nywerheidspryse waarteen sekere suikernywerheidsprodukte gedurende sekere tydperke verkoop kon word, vas te stel; en om voorsiening te maak vir aangeleenthede wat daarmee in verband staan.

(Afrikaanse teks deur die waarnemende Staatspresident geteken.)
(Goedgekeur op 3 Junie 1992.)

DAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika, soos volg:—

Wysiging van artikel 4 van Wet 9 van 1978, soos gewysig deur artikel 1 van Wet 9 van 1984 en artikel 1 van Wet 69 van 1987

1. Artikel 4 van die Suikerwet, 1978 (hieronder die Hoofwet genoem), word hierby gewysig—

(a) deur in subartikel (2) na paragraaf *(f)* die volgende paragraaf in te voeg:

"*(f*A) die verlening van bevoegdheid, in bepaalde gevalle of in die algemeen, aan die raad ingestel kragtens paragraaf *(f)* om enige boete wat in die Ooreenkoms voorgeskryf word vir die oortreding van, of versuim om te voldoen aan, enige bepaling van die Ooreenkoms, of 'n bepaling van 'n kennisgewing ingevolge artikel 6 uitgereik, op te lê;"; en

(b) deur subartikel (3) deur die volgende subartikel te vervang:

"(3) Die Minister kan na oorleg met die Vereniging, in die Ooreenkoms of in 'n latere kennisgewing in die *Staatskoerant*, 'n oortreding van, of versuim om te voldoen aan, 'n bepaling van die Ooreenkoms, of 'n kennisgewing deur die Vereniging ingevolge artikel 6 uitgereik, 'n misdryf verklaar, en kan op soortgelyke wyse strawwe voorskryf vir so 'n oortreding of versuim.".

Vervanging van artikel 6 van Wet 9 van 1978

2. Artikel 6 van die Hoofwet word hierby deur die volgende artikel vervang:

"Bevoegdhede van Vereniging ten opsigte van pryse en bybetaling

6. (1) *(a)* Die Vereniging kan by kennisgewing in die *Staatskoerant* die maksimum nywerheidsprys voorskryf waarteen 'n suikernywerheidsproduk behalwe spesialiteitsuiker verkoop mag word.

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

________ Words underlined with a solid line indicate insertions in existing enactments.

ACT

To amend the Sugar Act, 1978, so as to grant the power to the South African Sugar Association to impose certain penalties; to authorize the Association to set the maximum industrial price of sugar industry products; and to set the maximum industrial prices at which certain sugar industry products could have been sold during certain periods; and to provide for matters connected therewith.

(Afrikaans text signed by the Acting State President.)
(Assented to 3 June 1992.)

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:—

Amendment of section 4 of Act 9 of 1978, as amended by section 1 of Act 9 of 1984 and section 1 of Act 69 of 1987

1. Section 4 of the Sugar Act, 1978 (hereinafter referred to as the principal Act), is hereby amended—

(a) by the insertion in subsection (2) after paragraph *(f)* of the following paragraph:

"(*f*A) the granting of power, in specified cases or in general, to the board established under paragraph *(f)* to impose any penalty prescribed in the Agreement for the contravention of, or failure to comply with, any term of the Agreement, or any provision of a notice issued under section 6;"; and

(b) by the substitution for subsection (3) of the following subsection:

"(3) The Minister may, after consultation with the Association, in the Agreement or in any subsequent notice in the *Gazette*, declare any contravention of, or failure to comply with, any term of the Agreement, or a notice issued by the Association under section 6, an offence, and may in like manner prescribe penalties for any such contravention or failure.".

Substitution of section 6 of Act 9 of 1978

2. The following section is hereby substituted for section 6 of the principal Act:

"Powers of Association with regard to prices and surcharge

6. (1) *(a)* The Association may by notice in the *Gazette* prescribe the maximum industrial price at which any sugar industry product, other than speciality sugar, may be sold.

(*b*) So 'n prys kan verskil ten opsigte van verskillende grade, soorte, hoeveelhede en kwaliteite van die betrokke produk, en ten opsigte van verskillende plekke of gebiede.

(2) Die Vereniging kan by kennisgewing in die *Staatskoerant* of by skriftelike kennisgewing aan die betrokke persoon—

(*a*) 'n bybetaling hef op enige suiker of melasse gekoop of andersins verkry—

(i) deur enigiemand of enige klas of kategorie persone in die kennisgewing beskryf;

(ii) vir enige doel in die kennisgewing beskryf; en

(*b*) die wyse waarop bedoelde bybetaling gevorder moet word, die persone deur wie dit betaal moet word, die persone of fonds aan wie dit betaal moet word en die doel waarvoor dit aangewend moet word, voorskryf.

(3) Die Vereniging kan in die geval van 'n kennisgewing in subartikel (1) of (2) bedoel, die kennisgewing by kennisgewing in die *Staatskoerant* of by skriftelike kennisgewing aan die betrokke persoon herroep of wysig.".

Vervanging van artikel 7 van Wet 9 van 1978

3. Artikel 7 van die Hoofwet word hierby deur die volgende artikel vervang:

"Strawwe

7. 'n Straf wat voorgeskryf kan word vir 'n oortreding van, of 'n versuim om te voldoen aan, 'n bepaling van die Ooreenkoms, of 'n bepaling van 'n kennisgewing ingevolge artikel 6 uitgereik, of 'n regulasie ingevolge artikel 10 uitgevaardig, gaan nie **[tweeduisend rand]** R100 000, in die geval van 'n boete, of 'n tydperk van 12 maande, in die geval van gevangenisstraf, of daardie boete sowel as daardie gevangenisstraf, te bowe nie.".

Maksimum nywerheidspryse waarteen sekere suikernywerheidsprodukte gedurende sekere tydperke verkoop kon word

4. Ondanks die bepalings van artikel 6 van die Hoofwet is die maksimum nywerheidspryse per metrieke ton, te Durban, waarteen die suikernywerheidsprodukte in kolom 1 van die Bylae genoem, in die plaaslike mark verkoop kon word gedurende die tydperke in kolom 2 van die Bylae genoem, die pryse in kolom 3 van die Bylae genoem.

Kort titel en inwerkingtreding

5. Hierdie Wet heet die Suikerwysigingswet, 1992, en tree in werking op 'n datum wat die Staatspresident by proklamasie in die *Staatskoerant* bepaal.

(*b*) Such price may vary in respect of different grades, kinds, quantities and qualities of the product concerned, and in respect of different places or areas.

(2) The Association may by notice in the *Gazette* or by written notice to the person concerned—

(*a*) impose a surcharge upon any sugar or molasses purchased or otherwise acquired—

(i) by any person or class or category of persons described in the notice;

(ii) for any purpose described in the notice; and

(*b*) prescribe the manner in which such surcharge shall be collected, the persons by whom it shall be paid, the persons to whom or the fund to which it shall be paid and the purpose for which it shall be utilized.

(3) The Association may in the case of a notice referred to in subsection (1) or (2) revoke or amend the notice by notice in the *Gazette* or by written notice to the person concerned.".

Substitution of section 7 of Act 9 of 1978

3. The following section is hereby substituted for section 7 of the principal Act:

"Penalties

7. Any penalty which may be prescribed for any contravention of, or failure to comply with, any term of the Agreement, or of any provision of a notice issued under section 6, or of any regulation made under section 10, shall not exceed **[two thousand rand]** R100 000, in the case of a fine, or a period of twelve months, in the case of imprisonment, or both such fine and such imprisonment.".

Maximum industrial prices at which certain sugar industry products could have been sold during certain periods

4. Notwithstanding the provisions of section 6 of the principal Act, the maximum industrial prices, at Durban, per metric ton at which the sugar industry products referred to in column 1 of the Schedule could have been sold on the local market during the periods referred to in column 2 of the Schedule, are the prices referred to in column 3 of the Schedule.

Short title and commencement

5. This Act shall be called the Sugar Amendment Act, 1992, and shall come into operation on a date fixed by the State President by proclamation in the *Gazette*.

Bylae

Produk	Tydperk	Prys
Geraffineerde suiker verpak in pakke van 25kg elk	1 Februarie 1988 tot 31 Januarie 1989	R983,00
	1 Februarie 1989 tot 31 Julie 1989	R1 052,00
	1 Augustus 1989 tot 31 Julie 1990	R1 094,00
	1 Augustus 1990 tot 30 Junie 1991	R1 236,00
	1 Julie 1991 tot 29 September 1991	R1 396,00
	30 September 1991 tot datum van inwerkingtreding van hierdie Wet	R1 388,00
Bruinsuiker verpak in pakke van 25kg elk	1 Februarie 1988 tot 31 Januarie 1989	R 892,00
	1 Februarie 1989 tot 31 Julie 1989	R 955,00
	1 Augustus 1989 tot 31 Julie 1990	R 993,00
	1 Augustus 1990 tot 30 Junie 1991	R1 122,00
	1 Julie 1991 tot 29 September 1991	R1 268,00
	30 September 1991 tot datum van inwerkingtreding van hierdie Wet	R1 260,00

Schedule

Product	Period	Price
Refined sugar packed in 25kg pockets	1 February 1988 to 31 January 1989	R 983,00
	1 February 1989 to 31 July 1989	R1 052,00
	1 August 1989 to 31 July 1990	R1 094,00
	1 August 1990 to 30 June 1991	R1 236,00
	1 July 1991 to 29 September 1991	R1 396,00
	30 September 1991 to date of commencement of this Act	R1 388,00
Brown sugar packed in 25kg pockets	1 February 1988 to 31 January 1989	R 892,00
	1 February 1989 to 31 July 1989	R 955,00
	1 August 1989 to 31 July 1990	R 993,00
	1 August 1990 to 30 June 1991	R1 122,00
	1 July 1991 to 29 September 1991	R1 268,00
	30 September 1991 to date of commencement of this Act	R1 260,00

Tutu calls for an end to killings

ARG 6/6/92

LINDA GALLOWAY
Weekend Argus Reporter

'Leaders must stop jockeying for position'

ANGLICAN Archbishop Desmond Tutu has called for a moratorium on killings and "provocative rhetoric" by political leaders.

At a Eucharist service at St Georges' Cathedral yesterday, a national day of prayer for justice and peace in the country, the Archbishop called on political leaders to hold joint peace rallies "where they must not try to score political points off each other, but where they will condemn violence unequivocally".

The church, knowing that apartheid was intrinsically evil and that evil methods were necessary to perpetuate it, was not surprised at revelations of corruption, venality, inefficiency, hit squads and assassinations.

"Now we are seeing just how rotten and evil this system has been," he said.

He called on young black people not to degrade themselves "by involvement in undisciplined action.

"For goodness sake stop killing people for whatever reason and stop necklacing. Nothing can ever justify such a gruesome method of destroying the life of another person.

"We call on those who are tools of evil forces, who are ready to be bought to kill fellow blacks — we say don't be duped. Don't allow yourselves to be used in such a ghastly fashion."

The government could end the violence if it wanted to:

"We have no doubt that if whites were being killed then we would see just how effectively the government can act. The violence is ultimately going to destroy our country."

He called for an apolitical, neutral and professional police force which had the confidence of the people and urged Codesa "to stop splitting hairs and quibbling and jockeying for position when people are dying, when our country is being asphyxiated."

He called for the installation of an interim government as a matter of urgency and for a constituent assembly to draw up a constitution for a popularly elected government.

"For goodness sake, for the sake of all of us, for the sake of our children, for the sake of our country, install a widely accepted interim government as a matter of extreme urgency and let a democratically elected constituent assembly get down to the business of drawing up a constitution so that we can have a popularly elected government in office for the new non-racial, non-sexist and democratic South Africa."

■ See page 5

Picture OBED ZILWA Weekend Argus

□ **PRAYER FOR PEACE.** Archbishop Desmond Tutu in prayer at the Eucharist service in St George's Cathedral yesterday, a national day of prayer for peace and justice. Archbishop Tutu called for a moratorium on killings and provocative rhetoric by political leaders

Louw Alberts to speak at seminar

ARG 6/6/92

Weekend Argus Reporter

LEADING peace campaigner Dr Louw Alberts will take part in a seminar which will address various issues, including capitalism and socialism, in Cape Town on Tuesday.

Others taking part in the seminar at the Rotunda in Camps Bay are international evangelist Dr Ravi Zacharias and Dr David Block, professor of applied mathematics and astronomy at the University of the Witwatersrand.

The seminar, *If Christ Is The Answer, What Are The Questions?*, is being held under the auspices of Mission Southern Africa and the Christian Communication Trust.

The closing date for reservations is Monday (telephone 021-45 2344), the cost is R65, including breakfast, and it will last from 8am to 12.45pm.

Dairy Board slammed for 'obvious bias'

ARG 6/6/92

LIBBY PEACOCK Supreme Court Reporter

(3) MILK + DAIRY

A JUDGE has slammed the Dairy Board and the levy system it imposed on dairy produce distributors and strongly criticised the way the National Marketing Council "rubberstamped" the board's decisions.

In a three-hour judgment delivered yesterday, Mr Justice van Niekerk said in the Supreme Court that the Dairy Board had shown "obvious bias" towards large-scale businesses.

The judgment was the culmination of a lengthy trial following the institution of an action against the Minister of Agriculture, the Dairy Board and the National Marketing Council by Independent Food Processors, trading as Homestead Independent Dairy.

The action stemmed from an amendment to the Dairy Control Scheme under the Marketing Act in 1987. The amendment introduced a system of levies imposed on dairy produce distributors, which Homestead asked the court to declare null and void, branding it a "grossly unreasonable and inequitable" system.

At the time Mr Greyling Wentzel was Minister of Agriculture. He had "failed to apply his mind" when promulgating regulations enforcing the scheme, Homestead claimed.

Mr Justice van Niekerk found Homestead's managing director, Mr Kobus Jacobs, a "reliable" witness.

Dr Marthinus Hermann, general manager of National Co-operative Dairies (NCD), had contradicted himself in his evidence and had been an "irritable and impatient" witness.

There was "considerable evidence" to support Homestead's claim that the enforced levies compelled the non-manufacturing distributors "to subsidise their competitors". This had the additional effect of "undermining the economic viability of the non-manufacturing distributors", the judge said.

The judge accepted the evidence by former minister Mr Wentzel. He had testified that at the time he relied heavily on information provided to him by the National Marketing Council.

He expected the Marketing Council to make a study of relevant aspects, yet it emerged from the evidence that the council "rubberstamped" the Dairy Board's decisions, provided it was decided on unanimously by members of the board.

When the Dairy Board proposed the amendment to the scheme, enforcing the levies, the Marketing Council made no independent inquiry before drawing up a report for the Minister.

Mr Wentzel "misdirected himself", because he was not fully informed by the Dairy Board and the Marketing Council.

The Marketing Council's policy not to investigate a scheme if it was unanimously accepted by the Dairy Board rendered the report handed to the Minister valueless, the judge said.

Information that the non-manufacturing distributors were opposed to the scheme had been "deliberately excluded".

When the notice promulgating the amendment to the legislation appeared in the Government Gazette on February 1987, it had not yet been signed by the Minister. It was published without having been approved, accepted or signed, the judge found.

Mr Wentzel first saw the amendment on March 3, 1987, when he signed it. There was no evidence that the Minister had accepted the scheme by the time it was published, therefore the notice was not valid and binding, the judge said.

The Dairy Board also knew at all times there were large numbers of milk distributors whose interests were not represented. The board had neither consulted these distributors, nor afforded them a hearing.

Bias and "a disregard for the financial situation of the non manufacturing distributors" had been shown.

It was "disturbingly significant" that the recipients of subsidies from the Dairy Board were not obliged to apply funds in any particular way.

There had been "obvious bias" towards large-scale businesses by the Dairy Board, the judge said.

He declared the amendment to the scheme void and said there was a lack of bona fides on the part of the board.

Yvonne Hulett (right), wife of John Hulett, with former Miss SA Penny Coelen at the 1988 launch of their book, Penny Coelen and Yvonne Hulett on Beauty

...P, the DP and the ANC. ... and Privileg

By ROY RUDDEN

A FOUR-YEAR feud involving leading members of the "royal family" of Natal's sugar barons, the Huletts, ended with a court ruling this week.

The Appellate Division found that Mr Brett Hulett had fraudulently induced family and close friends to sell shares and loan accounts on which he knew he would immediately make a huge profit.

The ruling reversed a 1990 Supreme Court verdict, which had absolved Mr Hulett of wrongdoing, and has split him from friends and relatives with whom he had shared decades of holidays and parties.

The row started in 1988, when Mr Hulett persuaded his cousin Mr John Hulett and three family friends, Miss Paula Townsend, Mrs Angela Fowlds and Mrs Sally Maingard, to sell their shares in Stanger Quarries to his own family trust for R700 000.

S/Times 7/6/92

Loved

3 Su 54

The women are daughters of Mr David Townsend, who, with Mr John Hulett, has been a fast friend of Mr Brett Hulett since their schooldays. The men had played sport together, taken joint holidays and shared each another's family occasions.

Mr Justice GG Hoexter ruled in the Appeal Court that major factors in their decision to sell their holdings to Mr Brett Hulett were this friendship, the fact that he had told them he "loved the quarry", which was on his farm and which he wanted for himself, and that there was no thought of other potential purchasers.

Meanwhile, at the time of the negotiations, Mr Brett Hulett had the clear, undisclosed intention of selling the quarry to a third party, with whom he was already negotiating, for a higher price, the appeal judge found.

Mr John Hulett and the three women, collectively holding 60 percent of the shares in the quarry, sold

□ To Page 2

Pik sticks on federal model

S/Times 7/6/92.

THE ANC has told the government it will not renege on agreements reached at Codesa over a six-month period — but little else was achieved at a closed-door meeting this week aimed at averting civil protest in July.

By MIKE ROBERTSON
Political Correspondent

The ANC, represented by secretary general Cyril Ramaphosa and negotiation committee members Mohamed Valli Moosa and Joe Slovo, and the government, represented by Acting President Pik Botha, Constitutional Development Minister Roelf Meyer, his predecessor, Gerrit Viljoen, and Law and Order Minister Hernus Kriel, met at the Presidency in Pretoria on Tuesday this week.

Government members said Mr Botha had bluntly told the ANC the government insisted a new South African constitution be based on a federal model which made provision for power sharing at all levels.

ANC members said their negotiators had made it clear they were not even prepared to discuss these concepts before clarity had been reached on the election of a body to draw up a constitution and the manner in which it would operate.

Participants said the meeting was generally cordial. They agreed to meet again next week to discuss:

- Time frames for the implementation of Codesa decisions;
- The functioning of structures that would be appointed to oversee elections for an interim government;
- Regional and local government in the transition;
- Deadlock breaking mechanisms.

Mr Botha said after the talks it was his impression the ANC was not reneging on agreements already reached at Codesa.

Positive

Another top government member said this was confirmed by an agreement reached by Codesa's management committee that working groups, which had already achieved substantial agreement, should be mandated to finalise outstanding matters.

He said the meeting with the ANC had been positive in that the government had been able to clarify its position on regionalism and power sharing.

The source said the government had made it clear it would insist on Codesa agreeing that the new constitution should contain important elements of a federal model.

Mr Moosa said the statements made by Mr Botha and by President FW de Klerk while abroad in Japan were an attempt to cloud the real reason for the deadlock.

Voters

The ANC believed the government was not prepared to allow a democratically elected body to draft a new constitution.

He said Codesa could not decide on important constitutional matters, such as federalism, as many of its participants had no support base.

The voters of the country, he said, should be allowed to elect the people who would make decisions on these crucial issues.

Mr Moosa said the ANC agreed that a final constitution should be decided by a special majority. But that majority should not be so high as to allow the minority to dictate the contents of a new constitution.

DP calls for judge to hear CCB evidence

S/Times 7/6/92.

By MIKE ROBERTSON
Political Correspondent

DEMOCRATIC Party finance spokesman Jasper Walsh has called on the government to appoint a judicial commission of inquiry to hear evidence from Civil Co-operation Bureau members.

However, he supported a decision by the chairman of Parliament's public accounts committee, Dr Francois Jacobsz, to refuse to allow CCB members to appear before the committee, "as it was not the right forum".

Mr Walsh said he had spoken to former CCB managing director Joe Verster.

"There is obvious concern on the part of the CCB members that they are being blamed for things such as the murder of David Webster and the Goniwe killings. They claim they were not involved.

"Now that the CCB has been disbanded and accused of acting beyond their instructions its members will continue to be convenient scapegoats for allegations, such as those about the murder of activists. That suspicion will continue until the full truth emerges about their operations."

Mr Walsh was not happy with the decision by new Defence Minister Gene Louw to refer all outstanding matters relating to the CCB to Ombudsman Mr Justice Piet van der Walt.

CCB members and SADF representatives were scheduled to meet Mr Justice van der Walt yesterday.

Mr Walsh said the matter should not be resolved behind closed doors and called for an open public inquiry.

He said he was particularly concerned by an allegation made by Mr Verster this week that SADF General Eddie Webb had ordered CCB files to be removed.

A recent report by the auditor-general said CCB members had R3-million of pension fund money in their possession. They also controlled an overseas account which contained R800 000.

Fraud splits sugar barons

S/Times 7/6/92 (3) Su 54

□ From Page 1

their shares to the Brett Hulett Family Trust, in which they had held 30 percent.

The trust had then sold its total shareholding to Attest Finance (Pty) Ltd for R2-million. Attest sold the shares to Baystone Sales.

The appellants contended they would not have sold to the trust had they known of the Baystone interest and had claimed damages in the Natal Supreme Court for the loss they suffered.

Mr Justice PW Thirion absolved Mr Brett Hulett in 1990 after finding "it had not been proved the shares were sold to the trust because of a fraudulent misrepresentation".

However, Mr Justice Hoexter said it was common cause that at the time Mr Hulett was clinching the R2-million deal, he was fraudulently misrepresenting to the appellants that, if they sold their shares to him, he would retain them in order to exercise control over the company and continue running the quarry business.

The appeal judge quoted a report from the manager of the Stanger branch of First National (Mr Brett Hulett's bank) to his general manager, which said, regarding an overdraft application related to the deal: "He is negotiating a deal (behind his co-directors' backs) to sell the company and land to Murray and Roberts for R2-million."

In assessing the close relationship which had existed between the defendant and the appellants, the appeal judge recorded that Mr John Hulett's wife, former top model Yvonne, was godmother to Brett's daughter, and that Brett and his wife were godparents to John's son.

The Townsends were not related to the Huletts by blood but in his evidence, the appeal judge recalled, Mr John Hulett had said that "Townsend's family and our families were very, very close".

The appeal judge said Mr David Townsend had testified: "The defendant and I have been ... best friends for the last 40-odd years We have been on holiday together, we had houses at the beach together, alongside each other; the defendant proposed a toast at my eldest daughter's wedding."

Damages of R250 205 were awarded to Mr John Hulett, R84 890 each to Miss Townsend and Mrs Maingard, and R80 423 to Mrs Fowlds. The claimants were represented by Mr David Gordon, SC, and the defendant by Mr Peter Olsen

REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

Staatskoerant
Government Gazette

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PROKLAMASIE

van die
Waarnemende Staatspresident
van die Republiek van Suid-Afrika

No. R. 52, 1992

SUIKERWYSIGINGSWET, 1992
(WET No. 71 VAN 1992)

Kragtens artikel 5 van die Suikerwysigingswet, 1992 (Wet No. 71 van 1992), bepaal ek **9 Junie 1992** as die datum waarop genoemde Wet in werking tree.

Gegee onder my Hand en die Seël van die Republiek van Suid-Afrika te Kaapstad, op hede die Derde dag van Junie Eenduisend Negehonderd Twee-en-negentig.

R. F. BOTHA,
Waarnemende Staatspresident.

Op las van die Waarnemende Staatspresident-in-Kabinet:

D. L. KEYS,
Minister van die Kabinet.

GOEWERMENTSKENNISGEWING

DEPARTEMENT VAN HANDEL EN NYWERHEID

No. R. 1640 **9 Junie 1992**

SUID-AFRIKAANSE SUIKERVERENIGING

SUIKERWET, 1978

Die Suid-Afrikaanse Suikervereniging skryf hierby kragtens artikel 6 (1) van die Suikerwet, 1978 (Wet 9 van 1978), voor dat die maksimum nywerheidspryse te Durban per metrieke ton waarteen geraffineerde suiker en bruinsuiker verpak in pakke van 25 kg elk, met ingang van **9 Junie 1992** op die plaaslike mark verkoop mag word soos volg is:

Geraffineerde suiker: R1 589,00.

Bruinsuiker: R1 443,00.

PROCLAMATION

by the
Acting State President
of the Republic of South Africa

No. R. 52, 1992 (3) Sugar

SUGAR AMENDMENT ACT, 1992
(ACT No. 71 OF 1992)

In terms of section 5 of the Sugar Amendment Act, 1992 (Act No. 71 of 1992), I hereby determine **9 June 1992** as the date on which the said Act shall come into operation.

Given under my Hand and the Seal of the Republic of South Africa at Cape Town this Third day of June, One thousand Nine hundred and Ninety-two.

R. F. BOTHA,
Acting State President.

By Order of the Acting State President-in-Cabinet:

D. L. KEYS,
Minister of the Cabinet.

GOVERNMENT NOTICE

DEPARTMENT OF TRADE AND INDUSTRY

No. R. 1640 (3) Sugar **9 June 1992**

SOUTH AFRICAN SUGAR ASSOCIATION

SUGAR ACT, 1978

The South African Sugar Association hereby, in terms of section 6 (1) of the Sugar Act, 1978 (Act 9 of 1978), prescribes that the maximum industrial prices at Durban per metric ton at which refined sugar and brown sugar packed in 25 kg pockets may be sold on the local market with effect from **9 June 1992** shall be:

Refined sugar: R1 589,00.

Brown sugar: R1 443,00.

STAR 11/6/92 3 Sugar

Sugar crop looks bleaker

The drought-hit sugar crop for the 1992/93 season had deteriorated since the last revised estimate of 1,7 million tons in April, the SA Sugar Cane Growers Association said yesterday. Jack Wixley, deputy director of the association, said he expected the next estimate to be substantially lower at 1,5 million tons.

Slump in SA sugar exports

(3) Sugar

STAR 12/6/92

By Neil Behrmann

LONDON — South Africa's latest raw sugar crop could slide to only 1,54 million tons this year from recent annual crops of around 2,3 million, industry sources say.

Since the domestic market consumes around 1,4 million tons, exports could slump to just over 100 000 tons from 900 000 in previous years.

While the latest official estimate for sugar production was 1,75 million tons, the drought has forced the industry to drop its original estimates.

Zimbabwe's crop is also expected to be only a tenth of its normal 500 000 tons a year.

Prices have risen to a high of 10 US cents a pound on the New York sugar exchange from a low of 7,18 cents.

Two mills to close

(3) Sugar

S/Times (Buss.)

By DON ROBERTSON

14/6/92

SEVERE drought in the sugar-growing areas of Natal and a sharply reduced crop mean that two mills will not open this season and others will operate on short time.

With normal crops, 16 mills work from the beginning of May. They process cane usually until the end of December. The closure of the two mills will result in a cut in seasonal labour requirements.

Latest estimates suggest a crop of only 1,54 million tons. Final crop estimates will be available on June 12.

Last season's crop was 2,28-million tons.

John Chance, chairman of the SA Sugar Association, says that requirements for the domestic market will be met and part portion of the supplies for export contracts will be bought from other countries.

Supplies from the Umzimkulu mill will be diverted to Sezela. North Coast cane for the Entumeni mill will go to Amatikulu. The aim is to keep these mills operating for a longer time instead of closing both early.

Cane-growers in line for R130m drought relief aid

BDay 18/6/92

(3) Sugar

MEREDITH JENSEN

SA CANE growers could receive R130m in drought relief aid from government, SA Cane Growers' Association chairman Lawrie Gordon-Hughes said yesterday.

Gordon-Hughes announced in Durban details of a government relief plan designed to ease the plight of the drought-devastated cane-grower.

"The relief measures will assist in supplementing the growers' cash flow and survival, but at a cost — loans have to be repaid." He said the average farm's indebtedness of R500 000 was at a level which gave "great cause for concern".

In terms of the drought relief scheme, the grower would be eligible to borrow up to R190 000 of crop loss relief. The farmer would be obliged to replant, at a cost of more than R3 500 a hectare, those parts of his farm where the cane had died.

"In total, we estimate relief loans required could amount to as much as R130m."

Gordon-Hughes said the average commercial grower, who normally produced close to 8 000 tons of cane, could face a 60% crop drop due to the drought. He added the result could be a revenue loss of more than R200 000 for each farmer after taking into account variable cost savings.

Gordon-Hughes said current production of close to 1,5-million tons of sugar could easily meet domestic demand, but exports would be badly affected.

The association's report says export losses for the industry may cost cane-growers R300m, as sugar production came in 750 000 tons short.

As a result, SA has had to import sugar at sky-rocketing world market prices to meet its export commitments. And, the industry price of sugar shot up 14,5%, passing on a 24c increase to the consumer.

The SA Sugar Association denied the price increase resulted from the importation of sugar. An association spokesman said, at the time, the sugar industry had annual price increases which were unrelated to world prices.

☐ Our Durban correspondent reports that the R15m second phase of a major sugar growing project in north Pondoland, which will create 400 new sugar farmers and eventually generate R14m a year, was launched this week at a ceremony at Bizana, near the Natal-Transkei border.

Mandela pays visit to Malawi

BDay 18/6/92

ANC president Nelson Mandela yesterday paid a one-day visit to Malawi, a staunch supporter of SA through the apartheid years.

The ANC confirmed the visit but would not comment further on a report from the official Malawi news agency that Mandela was in the country to meet Malawian President Kamuzu Banda.

Banda has come under international criticism for his government's repression of protest. Up to 38 people were killed in May when police fired on an anti-government demonstration.

Mandela was reportedly received at Blantyre's airport by Banda's likely successor, Minister of State John Tembo.

The visit is liable to provoke controversy as Malawi, aside from its human rights record, is the only African country to have kept full diplomatic ties with SA throughout its isolation.

Mandela this week snubbed Kenyan President Daniel arap Moi on his visit to SA, because Moi had met President F W de Klerk to become the first African head of state to meet an SA leader in SA since Banda in 1971. Kenya yesterday defended the meeting. — Sapa-Reuter-AFP.

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BDay 18/6/92 (3) Sugar

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SUGAR INDUSTRY (3) Sugar

Export profits drying up

FM 3/7/92

Export revenues from sugar are expected to fall by R450m-R500m, following the record drop in cane production by the drought-ravaged sugar farmers. The bulk of the losses will be borne by the already heavily indebted cane growers.

Outgoing chairman of the SA Cane Growers Association, Lawrie Gordon-Hughes, says that if the export revenues fall by R460m, farmers' losses will total R300m.

Production has dropped so much that the industry will be producing very little sugar for export, according to Dick Ridgway, the president of the Sugar Millers Association. And, he warns, exports could fall still further if the drought persists.

The depressing figures follow a record 2,28 Mt production last year. Ridgway says, however, that the industry's contract export commitments will be met, with sugar from outside the country where necessary.

"This involves 180 000 t to 200 000 t of

continued →

FM 3/7/92 (3) sugar

sugar from other origins. Agreements have been negotiated and, though I cannot divulge the cost, I can say it was at a satisfactory price."

Addressing millers at the industry's annual meeting last week, Ridgway said the industry was doing all it could to minimise the financial effects of the drought. This has included rationalising production capacity. For example, the Umzimkulu mill on the Natal South Coast and Entumeni on the North Coast were not opened. Other mills would crush sugar cane only part-time.

Ridgway later added that, though the industry has high fixed costs that pushed up unit costs when production fell, these would not be passed on to consumers. "The recently gazetted (wholesale) price rises, increasing white sugar from R1 388/t to R1 589/t, were below the prevailing rate of inflation and were, as always, based on a normal crop. Therefore, the effect of the drought will be borne by the industry."

Meanwhile, Gordon-Hughes has welcomed the State drought relief for cane growers. "The relief measures will assist in supplementing the growers cash flow and survival, but at a cost: the loans must be repaid. Of added concern is the fact that the average debt of each farm is R500 000."

He explains that the average commercial grower produces 8 000 t of cane annually. A 60% drop in production as a result of the drought would, after taking into account variable-cost savings, result in revenue losses of more than R200 000.

Under the drought scheme, the average grower could borrow about R190 000 for crop-loss relief. He also would have to replant the cane that had died through lack of water (cane usually lasts about 15 years) at a cost of more than R3 500/ha.

"We estimate that relief loans to the industry could total as much as R140m," Gordon-Hughes says. "A sum of this magnitude, even at low interest rates (still to be fixed, though the industry is looking for 8%) will further compound the indebtedness problem and will challenge growers' management abilities in the years to come." ■

Small growers benefit from US sugar quotas

(3) Sugar

BIDAY

17/7/92

MEREDITH JENSEN

THE sugar industry's Small Grower Development Trust has received a boost from the renewal of US sugar quotas.

The US will pay SA producers the same subsidised price that US producers receive, roughly US21c/lb compared with the world market price of 9,63c.

In a move initiated by the SA Sugar Association (Sasa), the industry has voted to allocate half of the premium realised from the price differential, amounting to R20m over the next five years, to the Small Grower Development Trust.

The other half of the premium has been earmarked to cover the administration costs of Sasa's Financial Aid Fund.

Sasa executive director Mike Mathews said the industry had proposed this idea to the US when sanctions were imposed against SA exports in 1986.

"We explained that we intended to give the premium to small growers and asked that sugar be exempt from sanctions." However, the US did not agree.

The Small Grower Development Trust was officially launched in April this year, shortly after the US restored its quota to SA sugar producers.

The trust was enacted to help set up a support system of communication and encourage community development for more than 40 000 small growers.

Small Growers Association chairman Wilson Lithuli said: "Small cane growers represent SA's largest black commercial sector. The trust will be the key to working out our own problems."

Mathews said the industry felt it had a moral obligation to distribute the premium. "The industry is concerned and will continue to be involved in the upliftment of people living in rural areas," he said.

Sugar cane has been the largest cash crop in KwaZulu where most small growers live. In support of the trust, growers have agreed to contribute 30c per ton of cane toward their future.

BDay 2/1/97

Operation water

THE Sugar Association of SA said yesterday it had allocated R250 000 to subsidise the distribution by sugar growers and millers of about 30-million litres of water to drought-hit rural communities in Natal.

(3) Sugar

Drought and frost take toll on sugar farmers

BDAY 23/7/92 (3) Sugar

DURBAN — SA's drought-hit 1992/93 sugar crop was unlikely to exceed 1,5-million tons, and recent frost was expected to affect subsequent output although it was far too early to assess the extent, industry officials said.

Reuter reports SA Sugar Association (Sasa) chairman John Chance told the association's AGM yesterday that recent severe frosts in the Natal Midlands, only slightly affected by the drought, were expected to cause further serious damage.

"We're talking about the 1993/94 and the 1994/95 crops," said a spokesman.

Industry officials have estimated this year's drought will cost the country 750 000 tons in lost exports from the current crop.

Chance said the Development Bank of Southern Africa had agreed to fund the construction of the proposed Driekoppies Dam, considered essential to medium- and long-term water supply for a proposed new sugar mill in the eastern Transvaal.

But Cabinet approval was still needed before Transvaal Sugar could start building the mill, which industry sources say would produce an additional 150 000 tons of sugar a year from about three years after the final go-ahead is given.

Chance said Sasa had enjoyed considerably greater access to a number of potential markets previously closed to it because of SA's past isolation.

The industry could expect possibly greater diversification of export markets once production increased, he said, but added this did not mean it would desert long-established markets in the Far East.

MEREDITH JENSEN reports Chance said negotiations were the only feasible option for resolving SA's problems and Codesa, for all its weaknesses, remained the best channel for arriving at a solution.

Chance said the sugar industry had become involved with local peace initiatives in Natal and KwaZulu, especially at Mpumalanga where factional fighting had taken place for nearly four years.

Sasa vice-chairman Glyn Taylor said price increases for sugar had averaged 12,8% a year over the past six years.

"This is in contrast to the food price index that averaged 17,9% and a consumer price index of 15,2% for the same period."

Taylor said savings had been passed on to the consumer as the price of soft drinks, chocolates, sweets, jams, canned fruit and other foods had been kept down.

Taylor also called for SA and its neighbours to explore forming a regional sugar body similar to the Latin American and Caribbean grouping Geplacea.

"I have in mind that such a proposal could be of interest to Malawi, Zimbabwe, Zambia, Swaziland, Mozambique, Angola, Mauritius and possibly Kenya and Tanzania, and I would like to think that we might sponsor an invitation to these countries to meet and explore the merits of such a proposal," he said.

Tongaat meeting expectations

STAR 3/8/92

By Stephen Cranston (3) Sugar

Tongaat-Hulett chairman Chris Saunders told shareholders at the AGM at Tongaat, Natal, at the weekend that despite economic difficulties, the group had met expectations for the first quarter of the financial year.

"I had hoped to forecast at least a 15 percent improvement in earnings for 1993, but the continuing crisis facing the country must of necessity temper any such prediction."

Mr Saunders said the cotton industry was facing one of the worst seasons on record. The current crop estimate was 100 000 bales of lint — 75 percent down on the record harvest of 1988/89 and 66 percent lower than the harvest of the previous two years.

He said that poor rainfall had resulted in the failure of sugar crops on both the north and south coasts of Natal.

The most recent Sugar Association estimate was that the cane yield would be no more than 75 percent of that realised last year.

On Friday morning the Tongaat-Hulett board approved the major sugar cane irrigation project for Heatonville in Northern Natal at a cost of R100 million.

Mr Saunders said that by September 1994 the area should be capable of producing 500 000 tons of cane to be milled at the Felixton mill.

The group was planning additional capacity within the starch and sweeteners division and expansion of the Hulett Sugar Refinery, he said.

Phase 1, due for com-

...lopers Devcon Properties, says the office space

TSB sugar mill awaits government green light

(3) Sugar STAR 6/8/92

By John Sherrocks

DURBAN — Having won the controversial battle for the rights to build a mill in the Onderberg area of the Eastern Transvaal, Transvaal Sugar's (TSB) plans for the R350 million project are in danger of going sour.

TSB maintains that it cannot risk the huge capital investment unless the R400 million Driekoppies Dam gets the green light.

The Development Bank of SA has approved a loan to finance construction of the dam but the South African Government is stalling on providing the necessary guarantees.

TSB says Government approval is "critically urgent" if a delay in the long-term project is to be avoided.

Sugar imports likely for the first time in 10 years

(3) Sugar

S/Times 9/8/92 BUSS)

By DON ROBERTSON

SUGAR may have to be imported for the first time in 10 years because of the drought.

Present estimates suggest sugar production of 1,5-million tons in the current season from April to December. But final estimates, due at the end of this month, could reduce the figure to a "worst-case scenario" of only 1,4-million tons.

The fine line between meeting domestic demand and committed exports could force the SA Sugar Association (SASA) to import.

Steps have been taken to meet this possibility.

The drought, which has affected all farming sectors, will have a major impact on SA's balance of payments.

Tongaat-Hulett chairman Chris Saunders told the company's annual meeting that in a normal year SA was a net exporter of farm products which earned valuable foreign currency.

Mr Saunders said: "Apart from the many political and social implications of the drought, the present climatic conditions will condemn SA to the third consecutive year of negative growth and will, according to the Reserve Bank, halve the balance of payments surplus."

Milling

Brian Sugden, director of agriculture economics at the SA Cane Growers Association, says exports last year amounted to 913 000 tons — 40% of production — and were worth R525-million.

Based on earlier estimates of sugar production of 1,65-million tons, exports would have to be reduced to 18% of production, or 300 000 tons.

If production is 1,5-million tons, exports could be cut to 150 000 tons worth only R186-million.

"If the worst scenario is realised, SA will have to import sugar to meet domestic and export commitments," says Mr Sugden.

SASA exports to Japan, Korea and Israel and has other short-term commitments.

Domestic demand is estimated at 1,35-million tons, but because the milling season is likely to be curtailed to the end of October or early November, additional stocks will be needed. The next season begins again in May 1993.

The worst-hit growing areas are on the Natal South Coast, some areas on the North Coast and in Zululand near Empangeni. Two mills on the South Coast, Umzimkulu and Entumeni, will not open this season.

Mr Sugden says the cane roots in some areas are dying. Instead of waiting for spring rains to rejuvenate the crop, many growers are cutting cane for fodder. As a result, ploughing and replanting will be necessary.

Replanting will put pressure on the availability of seed cane which could affect next season's crop.

The drought has also affected the pooling system. Sugar from farmers with A pool allocations is destined for the domestic market and B pool for export. Export sugar generally fetches lower prices than in SA and farmers have to foot the bill. With shortages expected, most production is destined for the domestic market. Cane payments to farmers have risen by R50 to R690 a ton.

The drought has also hit Zimbabwe and Swaziland. Together with the drop in supplies from SA, the international sugar market will be short of about 1,5-million tons this year. World prices rose on news of the African drought, but have retreated.

SA farmers will be helped by the drought aid scheme. A re-establishment loan, repayable over eight years at an interest rate of 8%, is available. Crop-loss loans, on similar conditions, are offered.

SUGAR INDUSTRY (3) Sugar FM 28/8/92

Waiting for a sweetener

Transvaal Sugar is waiting anxiously for a government decision that could kick off R1bn capital investment in a new dam and sugar mill and open up thousands of hectares of cane land in the eastern Transvaal.

Government will decide whether to provide financial guarantees for the R300m Driekoppies Dam, which would be financed by the Development Bank of SA. The dam would be on the Lomati River — a tributary of the Komati River — and would be built by

FM 28/8/92 (3) Sugar

the Department of Water Affairs in the fertile Onderberg basin, south of the border town of Komatipoort.

The dam is central to a sugar project aimed at opening up 12 000 ha of new cane land, which will cost sugar growers roughly R10 000/ha to develop. The company says that once there is a commitment to the dam, it will proceed with work on a R350m-plus medium-sized sugar mill. Long-term plans call for possibly doubling the mill's capacity and building a second dam.

Transvaal Sugar expects the long-delayed decision in the next few weeks, but if the decision is negative, or is delayed further, the company could face penalty clauses for cancelling or postponing work already started. The matter is now with Finance Minister Derek Keys, who will make a recommendation to the Cabinet.

Government is expected to approve the guarantees but if it doesn't give the go-ahead soon, the company may have to postpone work on the mill for another year because it wants the mill's completion to coincide with the start of a sugar milling season, which occurs each April. Financial GM Hennie Snyman says: "We have gone out on a limb and given out some of the work. If we are wrong, cancelling that work could be expensive."

It is believed that Transvaal Sugar has awarded the management contract for developing the mill to Durban-based Bosch & Associates, but Snyman would not confirm this.

He says the uncertainty over timing — there have also been substantial delays while an international riparian treaty involving Swaziland and Mozambique was negotiated — has persuaded the company not to obtain outside financing for the project.

"Though there is considerable interest in our scheme, we doubted the wisdom of obtaining the backing of an institution and then having to repeatedly report postponements. It now gives us considerable flexibility in structuring finance for the scheme. We will bankroll the first year of the project from existing resources while we consider the options for the balance."

Among the choices are listing Transvaal Sugar or, more likely, a rights issue by its parent, Rembrandt's Hunt Leuchars & Hepburn. Or it could seek a partner in the development project. One option that has already been ruled out is to borrow the money against the company's balance sheet, but issuing debentures through the parent company is also a possibility. ■

MEREDITH JENSEN

Surplus in world sugar supplies likely

BIDAY 7/9/92 (3) Sugar

A SURPLUS in world sugar supplies seemed likely for the 1992/93 season despite a decrease in the SA and Cuban crops, the Lonrho Sugar Corporation (LSC) reported in its annual review.

LSC chairman Rene Leclezio said a reduced demand for sugar in the former Soviet states and in China, which produced a bumper sugar crop this past season, combined with predictions of above average crops in the US, Europe and Thailand, indicated an oversupply for next season.

LSC, whose major sugar operations are in Malawi, Swaziland and Mauritius, was not badly affected by the drought which has devastated SA's sugar crop.

The company realised a 4,4% rise in pre-tax profits to R113m for the year ended March, with profit attributable to shareholders up 8,8% to R57m.

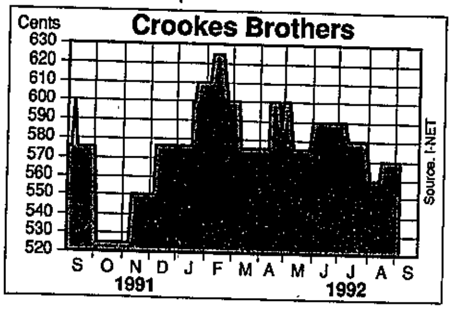
Total dividend for the year increased from 200c to 220c a share.

Leclezio said the rise in profits was further indication of LSC's reduced dependence on the world market, whose spot price of US8,9c/lb was 20% lower than the 11,09c Lonrho received for its sugar last year.

LFC's Glendale operation in SA had been dramatically affected by the drought. A sharp decline in profits as well as a crop reduction of more than 30% was predicted for this year.

Sugar industries in Malawi and Swaziland had become the major suppliers of sugar in this region as a result of the severe drought in SA. More than 100 000 tons of Swaziland sugar had already been supplied to Zimbabwe, according to the report.

FM 11/9/92 (3) Sugar



CROOKES BROTHERS (3) Sugar

Helped by the drought

Activities: *Sugar grower, with citrus and other agricultural interests.* FM 11/9/92
Control: *The Crookes family.*
Chairman: *I F S Gillatt; MD: D J Crookes.*
Capital structure: *12m ords. Market capitalisation: R68m.*
Share market: *Price: 570c. Yields: 3,7% on dividend; 10,5% on earnings; p:e ratio, 9,5; cover, 2,9. 12-month high, 625c; low, 525c. Trading volume last quarter, 4 400 shares.*

Year to March 31	'89	'90	'91	'92
ST debt (R000)	494	8 874	1 295	1 573
LT debt (R000)	—	—	1 000	500
Debt:equity ratio	—	0,12	0,03	0,02
Shareholders' interest	0,92	0,83	0,92	0,91
Return on cap (%) ..	10,0	8,0	7,3	8,1
Turnover (Rm)	29,8	35,1	35,4	44,0
Pre-int profit (Rm) ...	7,9	7,3	6,2	8,0
Pre-int margin (%) ..	16,6	10,9	12,2	16,3
Earnings (c)	51,5	60,8	52,0	60,0
Dividends (c)	27,5	31,3	19,0	21,0
Net worth (c)	609	632	685	751

Limited exposure to dry farms has been Crookes's saviour. Dry farms — that is, those without irrigation systems — have been hammered by the drought.

Farms on the Natal south and north coasts have generally been particularly badly hit. Crookes will not be unaffected, as it has dry farms on the Natal south coast, which constitute the group's original farms.

In fact, Crookes's diversification programme, away from the south coast as well as out of sugar cane, will show benefits this year. MD Dudley Crookes says the group "is not doing too badly, despite the drought."

The sugar farms in Zululand, Swaziland and Komatipoort are irrigated, as are the citrus and deciduous fruit farms in the Cape. Sugar cane yields on the south coast farms will drop around 65% this year, while those under irrigation will drop only 15%.

The drought will actually help the group, as prices fetched will be higher than normal, because of the lower national output. Crookes will fetch better prices for its sugar output as more of the group's crop will end up in the higher-priced "A" pool, aimed at the domestic market.

"A" pool prices will be between R675/t and R700/t of sucrose this year, well up on the R610/t price last year. The "A" pool prices compare favourably with the "B" pool prices for exports, which are around R325/t of sucrose.

The drought has affected the citrus output as each fruit is smaller, though total tonnage levels have been maintained. The deciduous fruit farm, acquired in November 1991, will achieve its projected profit this year, he reckons. However, tough South American competition is placing pressure on export prices for both citrus and deciduous fruit.

Current year profits will also be supported by the C G Smith dividend, which accounts for about 6% of Crookes's pre-tax profit, as C G Smith's interim dividend declared was up marginally on the previous year.

But crocodile farming, a small profit contributor, is taking flak as international reptilian prices have halved to US$3/cm, the result of a world surplus.

Holding the share provides an investor with an unusual opportunity to participate in a range of agricultural activities, which include grain, sheep and banana farming. Crookes's investment of 300 000 shares in C G Smith is worth 275c a Crookes share, suggesting the market prices the remaining assets at only 295c a Crookes share. But the share does not trade often. The 9,5 p:e is slightly below the sector's p:e of 10,6.

William Gilfillan

Tongaat-Hulett plans R200m expansions

BDAY 22/9/92 (186) (3) Sugar

MEREDITH JENSEN

TONGAAT-Hulett yesterday announced plans for R200m worth of capital expenditure programmes in the near future.

Group chairman Chris Saunders said the move demonstrated the group's faith in the future of SA despite present economic and political difficulties.

Earlier this year, the group said it would spend R100m on a new sugar cane irrigation project at Heatonville in northern Natal, using water from the Goedetrouw Dam on the Umhlatuzi river. It is estimated the area could yield as much as 500 000 tons of cane by September 1994.

Hulett Aluminium, a division of the Tongaat group, would invest R61m in a lacquer coating line to be installed at the company's Maritzburg plant. The system would provide coated coils of aluminium can-end to various beverage can manufacturers.

"The new line follows the decision of the beverage can industry to convert from the 65mm can-end to a 60mm end which is the international norm and has advantages for can fillers and consumers," Saunders said. An all-aluminium can would be introduced by next year.

Last week, Tongaat's board of directors gave the go-ahead for a R28m enzyme glucose plant to be built at Tongaat subsidiary African Products' Bellville Mill in the western Cape. The new plant would specialise in glucose refining, freeing capacity at the group's Germiston plant.

FM 30/10/92 (3) sugar

SUGAR INDUSTRY

Timing is everything

Transvaal Sugar's multimillion-rand gamble has paid off, though it was a close call. The Rembrandt group company's plan for its new

continue →

FM 30/10/92 (3) sugar

R450m, 130 000 t-capacity Komati sugar mill, in the eastern Transvaal's Onderberg/KaNgwane area, needed two ingredients for success: timing of the development to coincide with the harvesting of the 1994 sugar crop, and government backing for the construction of a dam in the area (*Business & Technology* August 28).

While awaiting government's decision, the company went ahead somewhat gingerly, awarding contracts for preparatory work for the mill to ensure it got the timing right. In doing so it took a chance that government backing for the dam would be forthcoming. It came just in time.

Water Affairs Minister Magnus Malan this week announced government's intention to proceed early next year with the construction of the Driekoppies Dam on the Lomati River, a tributary of the Komati. The R329m scheme is being financed by the Development Bank of Southern Africa. The partly completed dam will begin filling in about 1996.

Driekoppies is necessary to stabilise water supplies for both sugar farming and milling. Had government delayed its decision to support the construction, Transvaal Sugar would have had to freeze development of the mill for at least a year. In addition to having an inflationary impact on the cost of the development, the delay could have resulted in stiff penalty clauses being invoked for

FM 30/10/92 (3) sugar

work already contracted out.

Had the project been delayed a year, says MD Willem Bekker, the cost in lost turnover alone for the company and the sugar farmers would have been R200m. "We told government we needed an answer by mid-October, though the absolute deadline was the month-end. As it was, the Minister let us know on October 26."

Though the start-up issues have been resolved, the company must still decide how to finance the mill's development. It has already decided to bankroll the first year's work itself. Mechanisms that could be used include a possible listing or, more likely, a rights or debentures issue by its parent, Rembrandt's Hunt, Leuchars & Hepburn. One option that has already been ruled out is to borrow the remaining capital against its balance sheet. There is also an outside chance that Transvaal Sugar could simply seek a development partner. Bekker says a decision will be made early next year. ■

Tongaat-Hulett earnings sweet in spite of drought

BDAY 19/11/92 (3) Sugar

MARCIA KLEIN

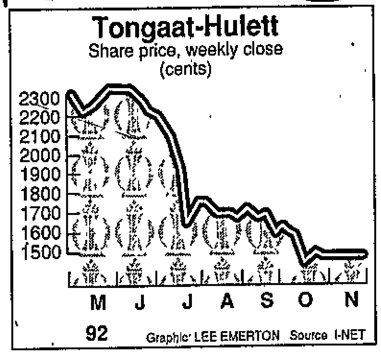
TONGAAT-HULETT increased attributable earnings and maintained the interim dividend in the face of difficult trading conditions in the half-year to end September.

The Natal-based group, which manufactures sugar, building materials, foods, starch and sweeteners, textiles and aluminium, had to contend with a drop in turnover, a sharp rise in taxation and effects of the drought.

However, it managed to increase earnings by 2% to 87,4c (85,8c) a share, and maintain its interim dividend at 23c a share.

Directors pointed out earnings were based on half the sugar division's estimated earnings for the year together with the interim results of Tongaat's other divisions.

Turnover declined by 4% to R1,9bn from R2bn, and operating profit was marginally lower at R141,6m (R141,8m).



Directors said although the poor state of the economy and the drought affected the group's businesses, the group had managed to maintain its operating profit.

An emphasis on cash flow and under-performing operations resulted in lower borrowings of R551m from R687m at end-September 1991.

Directors said taking into account the seasonal nature of Tongaat's agricultural operations, borrowings net of cash resources were expected to decline to about R120m (R232m) at year-end.

Lower borrowings and the dramatic reduction in the interest bill to R38,9m from R53,6m, saw pre-tax profit rise by 16% to R102,6m from R88,2m.

Higher deferred tax and the withdrawal of tax allowances, particularly export incentives, were reflected in a 58,8% hike in taxation to R37,4m (R23,6m), and resulted in a rise of only 1% in profit after tax to R65,2m (R64,6m).

The sugar division's performance continued to be affected by the crippling drought and was expected to show a reduction in earnings of R25m in the full year, directors said.

Tongaat expected no improvement in trading activities for the remainder of the year. In view of the drought and its effect on the sugar divisions' earnings, results for the year "are unlikely to equal those of last year".

Tongaat Hulett ups earnings 2%

3 SUGAR
CT 19/11/92

From MARCIA KLEIN

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TONGAAT-HULETT (3) Sugar

Hard slog rewarded

FM 27/11/92

Tongaat-Hulett derives more than half its profits from sugar, textiles and supplying materials to the building industry — three sectors under pressure this year. It therefore has had to work hard to realise its 2% increase in earnings, especially as this comes on reduced turnover.

The improved operating margin is largely due to a refocusing programme instituted at the end of the past financial year. This involves rationalising under-performing oper-

continued

FOX FM 27/11/92 (3) Sugar

TAXING TIME

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Turnover (Rbn)	2,02	1,95	1,95
Operating inc (Rm)	142	139	142
Attributable (Rm) ..	64,2	86,0	65,4
Earnings (c)	85,8	114,9	87,4
Dividends (c)	23	50	23

ations and putting capital resources into those businesses which are performing well.

Sugar remains the mainstay, and the estimated R25m reduction in earnings expected from this division, which should see sugar's contribution drop to about R60m, or 35% of total profit, is largely beyond the control of management. The industry faces the double disadvantage of a drought (it's too late for recent rains to affect this season's crop) and the continuing weak international sugar price.

The division will get about half of the R200m that Tongaat plans to spend this year on expansion projects, with about R70m going to the aluminium division and R30m to starch and sweeteners.

The other three divisions will continue to receive critical attention, which could result in disposals or shut-downs.

Concentration on cash flow — Tongaat's traditional strength — and on costs have brought net borrowings down to R551m, expected to be reduced to about R120m at year-end. This in turn has brought the interest bill down more than a third to R38,9m, though much of the benefit is lost to the similar increase in tax to R37,4m.

Management says tax increased due to higher deferred tax — last financial year the deferred tax provision was reduced by 2%, in line with the drop in the tax rate, not repeated this year — and the withdrawal of some tax allowances on export incentives. Particularly hard hit by the latter were exports from the aluminium division.

Considering its mix of business, Tongaat-Hulett seems to have done a creditable holding job by lifting earnings slightly and maintaining the interim dividend. This is on increased cover (3,8 times against 2,7 at year-end), which suggests there is little chance of the final dividend being cut.

What the results don't explain is the languishing share price, bumping along at R14,75 after trading at R24,50 at the beginning of the year. It has dropped 35,9% since February.

Part of the problem seems to be the perception that Tongaat-Hulett is a sugar group, and that the outlook for sugar is dismal, locally and internationally, for the coming year. The price of C G Smith Sugar has dropped about 40% since listing early this year.

The drought has depressed local expectations, with total production estimates for the industry revised down to 1,51 Mt, compared to the 1991-1992 season's output of 2,23 Mt. Overseas, the price remains a low US8,5c/lb, with little prospect of an increase in the short term.

Of course, Tongaat-Hulett's interests are far broader than sugar (though most of these are also in depressed industries), despite the general perception. Management will be arguing against this, and will also contend it does not depend as much on cyclical industries as is often believed. The strong balance sheet and large asset base make the share a low-risk investment, but it needs some sparkle before it will start to attract attention in the market.

Shaun Harris

SUNDAY TIMES, Business

Dorbyl to tap aid funds

S Times (Buss) 29/11/92

By CHERILYN IRETON

DORBYL is to export its project management expertise to Africa in a bid to tap international development funds.

Turnkey projects are the target, says executive director Louis Taljaard.

"Institutions like the World Bank and African Development Bank are looking for experienced companies to manage projects in Africa. This opens up vast opportunities for us."

Mr Taljaard says Dorbyl is looking beyond the borders because contracting opportunities in South Africa have dried up with the slowdown in gross domestic fixed investment — particularly from the mining and power-generation sectors.

A third of Dorbyl's sales in the year to September were directly linked to gross domestic fixed-investment spending, results released this week show.

Little

But contracting activities provided less than 10% of the group's operating profit of R141,1-million. Their reduced contribution was one of the main reasons why the group's taxed profit shrank by 21% to R92,3-million for the year.

Alusaf and the Columbus stainless-steel project — if it comes on stream — will provide work for companies like Dorbyl, but chief executive Dawid Mostert warns that engineering works will receive little business until 1994.

But when the work begins, its contribution to industry will be considerable.

"Alusaf is twice the size of Mossgas in terms of the work content that can be done by South African companies," says Mr Taljaard.

Mr Mostert believes that the tough times that have characterised the engineering industry for the past few years have become the norm.

"The group has to be right sized for today's market and that means reducing our dependence on fixed-investment spending."

Trading

Opportunities in Africa include work at the Cabinda oilfields, where Dorbyl has linked up with a foreign consortium.

Mr Mostert says Dorbyl has not given up the idea of unbundling.

"The logic of unbundling our business is sound. But it is a matter of timing. The ideal time would be when the market would react favourably to such a decision and when all three of our operating engines were going fairly strongly."

Varying

Dorbyl recently restructured into three operating divisions: contracting, manufacturing and trading. Each achieved sales of roughly R1-billion in the year, but made varying contributions to operating profit.

The manufacturing division, which is heavily involved in the transport and tube industries, accounted for more than half of the operating income. Trading activities chipped in a third.

Full-tilt Tongaat could earn extra R70m a year

(3) Sugar

S Times (Buss) 29/11/92.

By JULIE WALKER

TONGAAT managing director of 16 months Cedric Savage has outlined two ways in which the diversified sugar company should be able to deliver real growth for shareholders.

At a presentation to the Investment Analysts Society in Johannesburg this week, Mr Savage said that if all six manufacturing divisions were to operate at capacity, it could mean an extra R70-million for the bottom line.

For a group that made R65-million in the six months to September that would be a meaningful increase.

Largely because of the drought, Tongaat Sugar had 48% spare capacity this year. At full tilt, it could add R30-million. Building materials operations were working at half capacity and food and textiles were a third below what they could handle, he said.

Cities

There were smaller amounts of slack in aluminium and in starches and sweeteners.

The other major play Tongaat could make would be to unlock asset values.

Mr Savage gave examples, such as the sale to employees of company-owned houses.

"When sugar mills were first established, they were a bit like mines in remote areas and they had to have a total infrastructure to attract people to work there.

"With the spread of urbanisation, many of the houses are next to cities. We have 5 000 company-owned houses and are onselling the non-strategic ones to employees.

"With other surplus land and building sales this year we will have realised more than R25-million."

The turning around of non-performing businesses, and tighter management of working capital enabled Tongaat to lower borrowings by R136-million to R551-million.

CEDRIC SAVAGE. Houses for sale to employees

At the 1992 interim, Tongaat improved its earnings on a 4% fall in turnover to R1,9-billion by being more productive and because of a 27% lower interest bill of R38,9-million.

Sugar chipped in 35% of the R142-million profit, aluminium 24%, starches 17% and food 15%. Textiles and building materials, adversely affected by recession, made relatively small contributions.

In normal years, Tongaat's earnings are greater in the second half than in the first. But Mr Savage believed that drought, violence and recession would prevent a second-half fillip in the current year.

The group would expand its core businesses of aluminium, sugar and in starches and sweeteners.

"We do not need sugar farms, but cane for our mills. Many canegrowers can do the job better than we can," said Mr Savage.

"We have concentrated on running the mills efficiently and on keeping the unit costs down. We don't have many other options when the revenues are not there."

Expansion was taking place at Hulett Aluminium in Maritzburg. Mr Savage said the advent of Alusaf would be good for Tongaat's aluminium business because it would mean a continuous source of aluminium ingots at competitive prices.

Ingots are the raw material for Hulett Aluminium's value-adding rolling and extrusion processes. It makes rolled products, such as foil, sheet and the ends of drinks cans and electric transmission lines.

As did all textile manufacturers, Tongaat's suffered from the Government's changing the provision of export incentives and import protection. Loser Hebox denim was sold and the future profitability remained uncertain, he said.

Starches and sweetener products are used in beer and soft-drinks production, coffee and creamer products and paper manufacture among others.

Foods had a good year from maize meal and an improved performance from mushrooms. Tongaat also supplies eggs, cooking oil, animal feeds and cotton.

Tongaat is the leading supplier of clay and concrete bricks and blocks through Corobrik. It has been badly hit by a lack of building activity and the number of employees has been reduced by 14 000 to 5 000 in six years.

Singapore

Mr Savage said he was often asked whether bricks had a future in the new South Africa. In reply, he showed pictures of attractive low-cost brick terrace-houses in SA. He said they had a ready market.

He also showed applications of low-cost housing using Corobrik products in Singapore.

Tongaat's seventh division, property, is a significant contributor to cash flow. Its focus is administration of the group's significant land assets.

Mr Savage said attention had been paid to underperformers. In this weak economy, he was reluctant to make major changes through purchases of companies at unrealistic premiums or through sales at discounts.

He said changes had been made in 25 senior positions and some young blood brought in to help Tongaat achieve its objectives after years of indifferent performance.

The share has been a relative underperformer in recent years and if Mr Savage and his team can unlock the potential, it could be a good recovery stock at R15,75 — 7,5 times earnings.

...d and ...s out

SA's on the road to India

S Times (Buss) 29/11/92

(3) Sugar

Tongaat expanding Umhlanga interests

By Frank Jeans

STAR 14/12/92

The Tongaat-Hulett group's commitment to property development north of Durban is likely to hit the R1 billion mark over the next decade.

The core of this massive expansion is the Umhlanga area, where the group is involved in the multi-million rand Mount Edgecombe Country Club Estate through its property development arm, Moreland Estates.

As sales gather momentum at the estate which has a golf course revitalised by professional, Hugh Biaocci, Tongaat will then bring into the development process adjacent land where it plans to create a further golf and community living venture, with 500 homes.

With its substantial land holdings on the Umhlanga ridge overlooking the town, other residential developments are under way.

ICS supports delay of Abacor listing

STAR 17/12/92

By Stephen Cranston

ICS, one of the Big Three meat producers, approves the postponement of the listing of the Abattoir Corporation (Abacor), says chairman Robbie Williams.

Writing in the annual report to September, Williams says that ICS supports in principle the privatisation of state assets, provided it is done in an orderly manner and does not result in existing state or quasi-state monopolies being replaced by de facto monopolies protecting vested interests.

A period of time after the removal of the restriction on the movement of meat is required in order to assess its potential profitability.

ICS does not favour plans to give meat producers preferential financing for the acquisition of shares in Abacor.

The distinction between controlled and uncontrolled areas for meat has been abolished, enabling ICS to source more livestock for slaughter at its own abattoirs.

MD Nick Dennis says economic circumstances and the introduction of VAT on fresh meat has had a detrimental effect on per capita consumption and volumes sold.

ICS has continued to move away from basic protein commodity products towards value-added branded lines.

Nick Dennis . . . detrimental effect on consumption of meat

New products launched during the year included Dairy-Maid's ice cream chocolate bars, Renown's Select range of premium processed meats, the Fiddlers and Pipers uncoloured cheeses and Festive's fresh poultry products.

Despite the long-term commitment to adding value and building brands, the short- and medium-term focus for the group remains low cost.

ICS's fresh milk interests operated in an unsettled environment as n industry levy was challenged in court and lost by the Dairy Board.

(2) Meat

The growth of many small dairies resulted in competitive pricing in many areas, and the increased sale of long-life milk affected fresh milk sales.

Poultry experienced difficult trading conditions, particularly in the second half of the year because of industry overcapacity, low red meat prices and worsening economic conditions.

Since May, all yellow maize has been imported, increasing the price by 24 percent. There was an additional railage cost averaging R70 a ton.

The increase of 36 percent in the price of maize for animal feed was not recovered.

Dennis says that the focus of poultry subsidiary Festive Farms will be to remain cost competitive and to maintain the momentum created by adding value to poultry via high-quality branded fresh chicken and individually quick-frozen products.

ICS continued to obtain almost three-quarters of its earnings from associates.

Fedics, which is 46 percent held, enjoyed a satisfactory year and the international traffic brought by an increased number of foreign airlines impacted positively on the group's in-flight and airport catering operations.

The Protea Hotel group (which is 40 percent-held by Fedics) experienced marginal occupancy increases which, with strict cost controls, enabled Protea to show a good recovery.

Bull Brand, which is 50 percent-held by ICS, improved volumes and efficiency.

Acquisition of the Gants brand enabled Bull Brand to increase its share of the meat round-can market.

Sea Harvest, which is also 50 percent-held, enjoyed another successful year, during which satisfactory catches reflected the healthy state of the conservatively managed hake resources.

With many of foreign economies experiencing a downturn, demand for white fish has suffered and prices are under pressure. Sea Harvest is budgeting for a lower level of profits next year.

Dennis says that group profitability will be influenced by shortages or surpluses of protein and in particular milk, red meat and chicken.

The benefits of steps taken in recent years to rationalise operations will help the group achieve acceptable earnings next year.

Carrot needed, says Mouton

By David Canning

DURBAN — Extension of a "carrot" rather than "a stick" is suggested by the Mouton Committee as a way of getting people to save for their old age.

Among its complex 674 pages of analyses and recommendations released last week, the committee suggests that the state consider paying a special "bonus" for retirement savers.

The state bonus could be introduced on the basis of 10 to 20 percent of the capitalised value of the pension, subject to a maximum of say R3 000 to R6 000 (which could be increased). STAR 17/12/92.

A bonus at this level would increase all pensions of R250 a month by between 10 and 20 percent.

However, to limit the extent of the state's exposure, the committee suggests the bonus be phased out at a total pension income of about R10 000 per person.

It estimates the total cost of the bonus to the state would be R100 million to R200 million.

This is just one of many issues which the committee has put to the Government for a decision.

Many Natal sugar farmers still in the grip of drought

STAR 17/12/92

By David Canning (3) Sugar

DURBAN — Many Natal sugar farmers are still in the grip of a devastating drought which is slashing output and increasing already-high debt levels.

Recent heavy rains around Durban have missed important cane areas, particularly in parts of the Midlands and South Coast where — even if good rains now occur — many farmers expect their 1993 crops to be slashed by half.

Others face the enormous costs of having to replant most of their farms, pushing strained debt levels to unacceptable levels.

Moreover, the Land Bank has shocked some farm communities by refusing to help those it feels already have incurred too much debt.

Experts estimate the drought has cost the sugar industry R500 million this year — with serious effects on suppliers, labourers and the regional economy.

While there are hopes for an improvement next year, the carry-over effects of the drought mean the 1993/4 season will be far from normal — and there may be little sugar available for export.

Preliminary 1993/4 industry estimates are that the crop may improve to 1,7 million tons from this year's 1,5 million tons. Rain could alter this projection up or down.

Under normal circumstances the sugar crop — which is Natal's major product — should be from 2,1 million to 2,2 million tons.

Some farmers complain the banks encouraged their colleagues to over-extend themselves by placing excessive valuations on their properties.

Now that they need Land Bank assistance, their debt-to-asset ratio is too high.

The Cane Growers' Association estimates that about 80 of 550 applicants for Land Bank assistance could be turned down.

Rick Thompson, South Coast regional economist with the association, says a number of serious side effects have accompanied the drought:

- The lack of employment allegedly has led to a spate of fires started by unemployed workers.

Burned cane has to be harvested rapidly, calling for increased labour. One farmer at Sezela says he has faced a series of 17 fires on his farm.

- Some farmers have had to retrench workers — or decline to take migrant labour. The situation has been aggravated by the return to Natal of many mine workers retrenched on the Reef.
- The lack of growth means low "cover" levels, leading to a weed problem.

The association estimates there will be an overall drop in the number of tons of cane crushed in the Midlands next year — while sucrose production at the three mills (Noordsberg, Union Co-op and Illovo) will drop from 391 689 tons in 1992 to 291 659 tons in 1993.

Brian Sugden of the association praises efforts of government authorities to help farmers, including a R20 million food distribution programme.

He is concerned about the plight of farmers unable to obtain financial assistance. However, great work has been done by special "credit committees" which have been set up under local magistrates.

These committees go into the individuals' circumstances — to determine whether their crises can be resolved.

Drought 'will sour the future' for C G Smith

BDay 22/12/92 . (3) Sugar

MARCIA KLEIN

C G SMITH Sugar could not avoid a decline in profit in the coming year as factors in its favour would be outweighed by the drought, its effect on sugar production and low world prices, chairman Glyn Taylor said in the company's annual report.

In the year to end-September, its first year to report as a listed company, C G Smith Sugar increased attributable profit 10% to R87,1m as turnover rose 15% to exceed R1bn for the first time.

Looking ahead, Taylor said a number of cost-cutting measures had been introduced and the company would benefit from an increased share of higher priced "A" pool sugar production. The warehousing and distribution division would increase its contribution.

But he said the market had become a dumping ground for surplus production, and world sugar prices were generally "well below the costs of production of even the most efficient producers".

The world price was lower than domestic sugar prices in most countries, Taylor said. Some countries afforded their producers higher levels of protection, while others were beneficiaries of favourable prices under the Lomé Convention.

In these countries, producers' fixed costs were covered and sugar could be exported at marginal prices, leading to the market becoming a dumping ground, Taylor said.

The SA industry could not withstand the importation of cheap sugar. He said it was open to question whether there would be some relaxation of the "protectionist policies" and more open international trade in sugar. If so, SA could take advantage of opportunities in the world market.

Taylor said the industrial sugar price had risen 12,8% a year over the past six years, while the food price index had risen 17,9% and the CPI 15,2%. This meant the sugar price was 12% lower than six years ago in real terms.

C G Smith Sugar had produced a near record tonnage of sugar in the 1991/92 season. The full effects of the drought had been avoided through the firm's geographical spread. Its share of industry production rose to more than 48,6% from 43,5%.

The chemical division maintained its contribution, and warehousing and distribution increased their profits.

Taylor said SA's sugar export earnings were expected to drop to R76m in the current season from R525m the previous year, mostly because of the drought's effect on export availability. The world sugar price was not likely to improve soon, as early estimates for the 1992/93 season indicated the third successive year of global supply outstripping demand.

SUGAR INDUSTRY (3) Sugar
FM 25/12/92

More rain, please

Though much of Natal's sugar belt has had late spring rains, they haven't been enough to wash away the devastating effects of the drought. There are preliminary fears that in some regions, particularly the Natal South Coast and Midlands, the cane harvest may be no better than last year's, unless the rainfall increases significantly.

Last season the region produced only half the normal yield and some of the worst-hit growers were able to salvage only 10%-20% of their crops. It's estimated that the drought has already cost the industry R500m — 65% of it borne by the growers. The continuing problem will aggravate the critical debt crisis faced by some growers.

Though Sugar Association chairman Tony Ardington stresses that any crop esti-

x-cont —>

Canefields ... *more rain will mean more work*

 (3) Sugar
FM 25/12/92

mates are at best preliminary, he says some growers will have another bad season. "That will make two straight years of negative cash flows, particularly serious for those who had significant debt loads before the drought."

With late spring rains following last season's drought, "even growers in the least affected area — between Durban and Darnell to the north — are nervous because they've got late ratoons (new cane shoots)," he says.

It's not all bad, however. Ardington says there are large areas that have had good ratoons and if there are well-distributed rains in January, February, March and April, there will be a good crop. He concedes he is hedging his bets because, in some instances, all the damage done by bad growing conditions in September, October and November could be undone by one good extra rainfall in January.

Nevertheless, he endorses the view of Rick Thomson, the Cane Growers' Association South Coast regional economist, that even with good rains, the region's crop will be well down on normal. Says Thomson: "This is a crisis in what, for the agricultural industry, is an inherently stable sector. It could force some growers out of business — particularly young ones who have geared up to establish their businesses in the past few years. Their drought debts have simply been heaped on top of mortgages that they would have been able to service in a normal season."

He points out that the Land Bank is refusing loans to certain growers because of their debts.

The one possible benefit from the problems could be to deflate land prices, which some people believe exceeded their economic value in recent years. The downswing in farm prices, however, is being delayed while growers wait to see whether they can cover their debts without being forced to sell.

Thomson adds that growers who have to replant because of drought damage are being hampered by a seedcane crisis. Apart from the high replanting cost — about R3 500/ha (cane has a normal productive life span of about 15 years) — they are discovering that an exceptionally large number of fires has added to the damage done to seedcane by the drought. "There simply isn't enough seedcane to meet needs and it could take up to 18 months to re-establish the canefields on the South Coast." But he says that if the crops are successfully replanted, most farms should be back to normal in 1994. ■

Sugar prospects hinge on Gatt

Sugar

STAR 28/12/92

By David Canning

DURBAN — South Africa, as a low-cost producer, would be well placed to take advantage of world market opportunities should talks within Gatt lead to relaxation of prevailing protectionist policies, CG Smith Sugar chairman Glyn Taylor says in the group's annual report.

However, writing in its first annual report since relisting on the JSE, Taylor dismisses any suggestion that SA should throw open its doors to sugar imports.

Imports

He says despite its low production-cost status, the SA sugar industry could not withstand imports of cheap sugar.

The world price is lower than both the local price and the price in most other countries.

High levels of protection have enabled certain countries to export sugar at their marginal costs of production.

"As a result ~~of this~~, the world market has become a dumping ground for surplus production.

"On average, world sugar prices are well below costs of production of even the most efficient producers."

The SA sugar industry would not be prepared to make major changes in policy unless other countries made them as well.

If addressed, the matter would have to be fixed by all the world's major sugar producers.

Turning to CG Smith Sugar's prospects, Taylor says: "In the circumstances, a decline in profits cannot be avoided."

"In view of current circumstances, a number of cost-cutting measures had been introduced.

On the bright side, the company should benefit from an increased share of higher-priced A-pool sugar production.

There should also be increased contribution from the warehousing and distribution division.

AGRICULTURE - PRODUCTS

SUGAR 1993

SUGAR INDUSTRY FM 8/10/93

Reform on the way

Top-level negotiations between sugar cane growers and millers appear to be close to several crucial decisions that will lead to wide-ranging and fundamental changes in the industry.

Under discussion are the formula by which the industry divides the proceeds; the single-channel marketing and export of sugar by the SA Sugar Association; import tariffs; scrapping the quota system, which regulates cane growing; eventually abolishing the two-pool system, which gives growers differential cane prices; and productivity incentives. (3) Sugar

Though the introduction of new measures will probably be spread over several years, the association published a cautionary notice last week advising potential sugar investors that changes are in the offing.

Problems stemming from the crippling two-year drought, which this year slashed R1,5bn to R2bn from industry earnings, probably were the initial driving force for the talks. The drought also highlighted anomalies in the division of sugar sale proceeds between the growers and millers that tend to favour the millers.

But association chairman Glyn Taylor says the negotiations are also aimed at preparing the industry for international moves towards deregulation and the changes that will come if the Gatt talks are completed. He adds that, though agreements have been reached in principle, much of the detail must still be worked out. The first decision could be just a matter of months away and will probably deal with abolishing the quota system, though this could take several years to phase out.

The millers now issue quotas to growers producing more than 450 t of sucrose a year. They are effectively a licence to produce cane, ostensibly to ensure cane supplies to specific mills, but the only recent award of new quotas has been in the eastern Transvaal, where Transvaal Sugar is developing a new mill. Abolishing quotas would enable growers to boost production, particularly because millers would be allowed to subsidise cane transportation and thus broaden the cane catchment areas. Larger volumes should improve mill productivity. Conversely, though, larger volumes could also reduce sugar prices for the industry.

The two-pool system allows growers to collect one price for locally consumed sugar, the A pool (1,3 Mt/year), and the lower world price for the surplus, the B pool, usually about 600 000 t. This system, however, is likely to be revised only in the longer term.

The issue of devising a more equitable formula for dividing the sugar proceeds is being handled by a task force that has been given until April 1995 to establish a new dispensation. In the interim, though, the millers have agreed to boost the growers' share this year by R30m. The current model is based on set returns on capital after costs and depreciation.

Taylor says the Gatt issue and the lowering of tariffs could lead to competition from imported sugar. He adds, however, that other countries will also lower tariffs and this could lead to new export opportunities, particularly because the industry considers itself a low-cost producer by international standards.

Whatever reforms are eventually made, they should lead to considerable deregulation, improved productivity and, Taylor believes, a strengthening of the industry's role as a major exporter. ■

No. R. 555 **2 April 1993**

CORRECTION NOTICE

LABOUR RELATIONS ACT, 1956

CANVAS AND ROPEWORKING INDUSTRY (CAPE): AMENDMENT OF MAIN AGREEMENT

The following correction to Government Notice No. R. 1687 appearing in *Government Gazette* No. 14050 of 19 June 1992, are published herewith for general information:

In the English text of the Schedule in clause 4, substitute the words "CLAUSE 23" for the words "CLAUSE 21".

DEPARTMENT OF TRADE AND INDUSTRY

No. R. 530 (3) Sugar **2 April 1993**

AMENDMENT OF THE SUGAR INDUSTRY AGREEMENT

I, David de Villiers Graaff, Deputy Minister of Trade and Industry, acting on behalf and by direction of the Minister of Trade and Industry, hereby, in terms of section 4 (1) (c) of the Sugar Act, 1978 (Act No. 9 of 1978), publish the amendments in the Schedule, which have, under and in accordance with the provisions of section 4 (1) (b) of the said Act, been made by me to the Sugar Industry Agreement.

D. DE V. GRAAFF,

Deputy Minister of Trade and Industry.

SCHEDULE

Definition

1. In this Schedule "the Agreement" means the Sugar Industry Agreement, published under Government Notice No. R. 858 of 27 April 1979, as amended by Government Notices Nos. R. 1941 of 31 August 1979, R. 2435 of 2 November 1979, R. 310 of 22 February 1980, R. 864 of 25 April 1980, R. 905 of 2 May 1980, R. 1623 of 8 August 1980, R. 1933 of 19 September 1980, R. 2041 of 3 October 1980, R. 2514 of 5 December 1980, R. 255 of 13 February 1981, R. 1185 of 5 June 1981, R. 2277 of 23 October 1981, R. 2468 of 13 November 1981, R. 252 of 12 February 1982, R. 1906 of 3 September 1982, R. 9 of 7 January 1983, R. 852 of 29 April 1983, R. 1489 of 8 July 1983, R. 1740 of 5 August 1983, R. 146 of 3 February 1984, R. 261 of 17 February 1984, R. 599 of 30 March 1984, R. 2827 of 28 December 1984, R. 1071 of 17 May 1985, R. 202 of 7 February 1986, R. 463 of 14 March 1986, R. 792 of 25 April 1986, R. 793 of 25 April 1986, R. 1260 of 27 June 1986, R. 1628 of 1 August 1986, R. 2075 of 26 September 1986, R. 636 of 27 March 1987, R. 1557 of 17 July 1987, R. 1971 of 11 September 1987, R. 558 of 25 March 1988, R. 637 of 8 April 1988, R. 722 of 15 April 1988, R. 1026 of 27 May 1988, R. 1103 of 10 June 1988, R. 1617 of 12 August 1988, R. 1947 of 23 September 1988, R. 374 of 3 March 1989, R. 1325 of 23 June 1989, R. 1326 of 23 June 1989, R. 2057 of 29 September 1989, R. 2432 of 11 October 1991, R. 3171 of 27 December 1991, R. 3161 of 20 November 1992 and R. 3306 of 11 December 1992.

No. R. 555 **2 April 1993**

VERBETERINGSKENNISGEWING

WET OP ARBEIDSVERHOUDINGE, 1956

SEILDOEK- EN TOUWERKNYWERHEID (KAAP): WYSIGING VAN HOOFOOREENKOMS

Die onderstaande verbetering aan Goewermentskennisgewing No. R. 1687 wat in *Staatskoerant* No. 14050 van 19 Junie 1992 verskyn, word hierby vir algemene inligting gepubliseer:

In die Engelse teks van die Bylae in klousule 4 vervang die woorde "CLAUSE 21" deur die woorde "CLAUSE 23".

DEPARTEMENT VAN HANDEL EN NYWERHEID

No. R. 530 **2 April 1993**

WYSIGING VAN DIE SUIKERNYWERHEID-OOREENKOMS

Ek, David de Villiers Graaff, Adjunkminister van Handel en Nywerheid, handelende namens en in opdrag van die Minister van Handel en Nywerheid, publiseer hierby ingevolge artikel 4 (1) (c) van die Suikerwet, 1978 (Wet No. 9 van 1978), die wysigings in die Bylae wat kragtens en ooreenkomstig die bepalings van artikel 4 (1) (b) van genoemde Wet deur my aan die bepalings van die Suikernywerheidooreenkoms aangebring is.

D. DE V. GRAAFF,

Adjunkminister van Handel en Nywerheid.

BYLAE

Definisie

1. In hierdie Bylae beteken "die Ooreenkoms" die Suikernywerheidooreenkoms, gepubliseer in Goewermentskennisgewing No. R. 858 van 27 April 1979, soos gewysig deur Goewermentskennisgewings Nos. R. 1941 van 31 Augustus 1979, R. 2435 van 2 November 1979, R. 310 van 22 Februarie 1980, R. 864 van 25 April 1980, R. 905 van 2 Mei 1980, R. 1623 van 8 Augustus 1980, R. 1933 van 19 September 1980, R. 2041 van 3 Oktober 1980, R. 2514 van 5 Desember 1980, R. 255 van 13 Februarie 1981, R. 1185 van 5 Junie 1981, R. 2277 van 23 Oktober 1981, R. 2468 van 13 November 1981, R. 252 van 12 Februarie 1982, R. 1906 van 3 September 1982, R. 9 van 7 Januarie 1983, R. 852 van 29 April 1983, R. 1489 van 8 Julie 1983, R. 1740 van 5 Augustus 1983, R. 146 van 3 Februarie 1984, R. 261 van 17 Februarie 1984, R. 599 van 30 Maart 1984, R. 2827 van 28 Desember 1984, R. 1071 van 17 Mei 1985, R. 202 van 7 Februarie 1986, R. 463 van 14 Maart 1986, R. 792 van 25 April 1986, R. 793 van 25 April 1986, R. 1260 van 27 Junie 1986, R. 1628 van 1 Augustus 1986, R. 2075 van 26 September 1986, R. 636 van 27 Maart 1987, R. 1557 van 17 Julie 1987, R. 1971 van 11 September 1987, R. 558 van 25 Maart 1988, R. 637 van 8 April 1988, R. 722 van 15 April 1988, R. 1026 van 27 Mei 1988, R. 1103 van 10 Junie 1988, R. 1617 van 12 Augustus 1988, R. 1947 van 23 September 1988, R. 374 van 3 Maart 1989, R. 1325 van 23 Junie 1989, R. 1326 van 23 Junie 1989, R. 2057 van 29 September 1989, R. 2432 van 11 Oktober 1991, R. 3171 van 27 Desember 1991, R. 3161 van 20 November 1992 en R. 3306 van 11 Desember 1992.

Amendment of Schedule B to the Agreement

2. Schedule B to the Agreement is hereby amended—

(a) by in paragraph 4— (3) Sugar

(i) the substitution for item (g) of subparagraph (2) of the following item:

"(g) the portion of the costs and expenses of operating the Cane Testing Service referred to in clause 48 (3) of the Agreement, that corresponds to the proportion which A Pool saleable sugar production of all mills where the Cane Testing Service is maintained and operated bears to total saleable sugar production of all those mills";

(ii) the substitution for item (c) of subparagraph (3) of the following item:

"(c) the portion of the costs and expenses of operating the Cane Testing Service referred to in clause 48 (3) of the Agreement, that corresponds to the proportion which B Pool saleable sugar production of all mills where the Cane Testing Service is maintained and operated bears to total saleable sugar production of all those mills."; and

(b) by in paragraph 8—

(i) the deletion of the last sentence of subparagraph (3);

(ii) the deletion of item (c) of subparagraph (8); and

(iii) the deletion of the last sentence of subparagraph (9).

Amendment of Schedule F to the Agreement

3. Schedule F to the Agreement is hereby amended—

(a) by in paragraph 1 the deletion of items (gA) and (gB) of subparagraph (1);

(b) by in paragraph 4—

(i) the substitution for item (a) of subparagraph (5) of the following item—

"(a) makes application to the Central Board; or";

(ii) the substitution in items (b) and (c) of subparagraph (5) for the expression "150 tons" of the expression "200 tons";

(iii) the substitution in item (b) of subparagraph (6) for the words "one hundred and fifty tons" of the expression "200 tons"; and

(iv) the substitution for item (c) of subparagraph (9) of the following item:

"(c) the area of land forming the Mandate Pool shall be available to the Central Board for use and allocation by the Central Board to Small

Wysiging van Bylae B van die Ooreenkoms

2. Bylae B van die Ooreenkoms word hierby gewysig—

(a) deur in paragraaf 4—

(i) item (g) van subparagraaf (2) deur die volgende item te vervang:

"(g) die gedeelte van die koste en uitgawes om die Riettoetsdiens in klousule 48 (3) van die ooreenkoms vermeld, wat Ooreenstem met die verhouding waarin A-poel verkoopbare suikerproduksie van alle meule waar die Riettoetsdiens in stand gehou en bedryf word tot totale verkoopbare suikerproduksie van al daardie meule staan, te bedryf.";

(ii) item (c) van subparagraaf (3) deur die volgende item te vervang:

"(c) die gedeelte van die koste en uitgawes om die Riettoetsdiens in klousule 48 (3) van die Ooreenkoms vermeld, wat ooreenstem met die verhouding waarin B-poel verkoopbare suikerproduksie van alle meule waar die Riettoetsdiens in stand gehou en bedryf word tot totale verkoopbare suikerproduksie van al daardie meule staan, te bedryf."; en

(b) deur in paragraaf 8—

(i) die laaste sin van subparagraaf (3) te skrap;

(ii) item (c) van subparagraaf (8) te skrap; en

(iii) die laaste sin van subparagraaf (9) te skrap.

Wysiging van Bylae F van die Ooreenkoms

3. Bylae F van die Ooreenkoms word hierby gewysig—

(a) deur in paragraaf 1 items (gA) en (gB) van subparagraaf (1) te skrap;

(b) deur in paragraaf 4—

(i) item (a) van subparagraaf (5) deur die volgende item te vervang—

"(a) aansoek by die Sentrale Raad doen; of"

(ii) in items (b) en (c) van subparagraaf (5) die uitdrukking "150 ton" deur die uitdrukking "200 ton" te vervang;

(iii) in item (b) van subparagraaf (6) die woorde "een-honderd-en-vyftig ton" deur die uitdrukking "200 ton" te vervang; en

(iv) item (c) van subparagraaf (9) deur die volgende item te vervang:

"(c) die oppervlakte grond wat die Mandaatpoel uitmaak, sal aan die Sentrale Raad beskikbaar wees vir gebruik en toekenning deur die

Growers for the purposes and to the extent determined by the Central Board:

Provided that—

(i) allocations of areas of land for planting cane shall be made to Small Growers in respect of the relevant mill to which any "Mandate Pool" areas were attached in the register of mandates; and

(3) Sugar

(ii) no allocation of areas of land for planting cane shall be made to Small Growers falling within the jurisdiction of, and unless such allocation has been recommended by, the Minister of Agriculture and Forestry, KwaZulu, or the KaNgwane Government Service, KaNgwane;";

(c) by in paragraph 7—

(i) the substitution for the words preceding the proviso to subparagraph (1) of the following words:

"No grower shall be entitled to deliver cane to a mill from land not registered with the Central Board as registered land, unless specially authorised to do so by the Central Board. The Central Board shall determine whether the cane concerned shall be classified as A Pool cane or B Pool cane having regard to other cane deliveries made by that grower during the year concerned:"; and

(ii) the substitution in subparagraph (5) for the word "shall" of the word "may" where it appears in the second-last line after the words "Central Board";

(d) by in paragraph 8 the addition of the following subparagraph—

"(8A) (a) From the date of the publication of this amendment until 30 September 1993, a holder of an A Pool quota whose quota was, on 31 October 1992, 200 tons sucrose or less and who has not since that date disposed of any part of his quota may, by application to the Central Board in the manner prescribed by the Central Board, apply for the conversion of his quota to a Small Grower Entitlement;

(b) On receipt of the application referred to in item (a), the Central Board may agree to the conversion provided that the grower is not in terms of paragraph 4 otherwise disqualified from being a Small Grower;

Sentrale Raad aan Klein Kwekers vir die doeleindes en tot die mate deur die Sentrale Raad bepaal: Met dien verstande dat—

(i) toekennings van oppervlaktes grond vir rietaanplanting aan Klein Kwekers gemaak moet word ten opsigte van die betrokke meul waaraan enige "Mandaatpoel"-oppervlaktes in die mandaatregister verbonde was; en

(ii) geen toekenning van oppervlaktes grond vir rietaanplanting aan Klein Kwekers wat binne die jurisdiksie val van, en tensy sodanige toekenning aanbeveel is deur, die Minister van Landbou en Bosbou, KwaZulu, of die KaNgwane Regeringsdiens, KaNgwane, gemaak word nie;"

(c) deur in paragraaf 7—

(i) die woorde wat die voorbehoud van subparagraaf (1) voorafgaan deur die volgende woorde te vervang:

"Geen kweker is geregtig om riet aan 'n meul te lewer vanaf grond wat nie by die Sentrale Raad as geregistreerde grond geregistreer is nie, tensy spesiaal daartoe deur die Sentrale Raad gemagtig. Die Sentrale Raad bepaal of die betrokke riet as A-poel of B-poel riet ingedeel moet word, met inagneming van ander rietlewerings wat deur daardie kweker gedurende die betrokke jaar gemaak is:"; en

(ii) in subparagraaf (5) die woord "moet" waar dit in die voorlaaste reël voor die woorde "die Sentrale Raad" voorkom, deur die woord "kan" te vervang.

(d) deur in paragraaf 8 die volgende subparagraaf by te voeg—

"(8A) (a) Met ingang van die datum waarop hierdie wysiging gepubliseer word, tot 30 September 1993, kan 'n houer van 'n A-poel kwota wie se kwota, op 31 Oktober 1992, 200 ton sukrose of minder was en wat nie sedert daardie datum enige gedeelte van sy kwota verkoop het nie deur middel van 'n aansoek aan die Sentrale Raad, op die wyse deur die Sentrale Raad voorgeskryf, vir die omskepping van sy kwota tot 'n Kleinkwekergeregtigdheid aansoek doen;

(b) By ontvangs van die aansoek in item (a) gemeld, kan die Sentrale Raad tot die omskepping instem, met dien verstande dat die kweker nie andersins ingevolge paragraaf 4 as synde 'n Klein Kweker gediskwalifiseer word nie;

(c) Upon conversion of his quota to a Small grower Entitlement, the Grower shall be entitled to all of the rights and be subject to all of the obligations of a Small Grower with effect from the commencement of the 1993/94 year.";

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(e) by in paragraph 9—

(i) the substitution for subparagraph (1) of the following subparagraph:

"(1) In order to maintain the level of his basic quota, a grower shall, in at least two years in every five consecutive years on a moving annual basis, deliver to a mill a mass of sucrose not less than his basic quota in each of the years in question and in determining whether a grower has complied with this requirement, the Central Board shall, for each of the five consecutive years, compare the grower's actual deliveries during that year with the basic quota registered in the name of the grower on the last day of that year, provided that where a particular quota has not been registered in the name of a grower for the full period of five years the deliveries under that quota by the grower's predecessor in title shall be taken into account for such period as is necessary to constitute the complete period of five years.";

(ii) the substitution for item (a) of subparagraph (2) of the following item:

"(a) The Central Board shall review the basic quotas registered in the name of all growers in terms of subparagraph (1) on 31 March 1993 in the light of the deliveries under those quotas during the year ending on that day and in the four previous years, and shall thereafter annually not later than the first day of April review basic quotas in accordance with the provisions of this paragraph."; and

(iii) the substitution for item (b) of subparagraph (2) of the following item:

"(b) If a grower has not met the requirements set out in subparagraph (1), the basic quota of the grower concerned shall, subject to subparagraph (4), be reduced by the Central Board to the average of that grower's best two years' A Pool quota deliveries during the period of five consecutive years under review.";

(c) Met die omskepping van sy kwota na 'n Kleinkwekergeregtigheid, is die kweker vanaf die ingang van die 1993/94 jaar, geregtig op al die regte en onderworpe aan al die verpligtinge van 'n Klein Kweker.";

(e) deur in paragraaf 9—

(i) subparagraaf (1) deur die volgende subparagraaf te vervang:

"(1) Ten einde die hoeveelheid van sy basiese kwota te handhaaf, moet 'n kweker in minstens twee jare in elke vyf opeenvolgende jare op 'n skuiwende jaarlikse grondslag aan 'n meul 'n sukrosemassa lewer wat nie minder as sy basiese kwota in elk van die betrokke jare is nie, en by die bepaling of 'n kweker aan hierdie vereiste voldoen het, vergelyk die Sentrale Raad, vir elk van die vyf opeenvolgende jare, die kweker se werklike lewerings gedurende daardie jaar met die basiese kwota wat in die kweker se naam op die laaste dag van daardie jaar geregistreer is, met dien verstande dat waar 'n bepaalde kwota nie in die naam van die kweker vir die volle tydperk van vyf jaar geregistreer was nie, die lewerings onder daardie kwota deur die kweker se regsvoorganger in ag geneem moet word vir sodanige tydperk as wat nodig is om die volle sodanige tydperk van vyf jaar te verteenwoordig."; en

(ii) item (a) van subparagraaf (2) deur die volgende item te vervang:

"(a) Die Sentrale Raad moet die basiese kwotas wat in die naam van alle kwekers ingevolge subparagraaf (1) op 31 Maart 1993 geregistreer is, in die lig van die lewerings onder daardie kwotas gedurende die jaar wat op daardie dag eindig en in die vorige vier jare hersien en moet daarna jaarliks nie later nie as die eerste dag van April, basiese kwotas ooreenkomstig die bepalings van hierdie paragraaf hersien."; en

(iii) deur item (b) van subparagraaf (2) deur die volgende item te vervang:

"(b) Indien 'n kweker nie aan die vereistes in subparagraaf (1) uiteengesit voldoen het nie, moet die basiese kwota van die betrokke kweker, onderworpe aan subparagraaf (4), deur die Sentrale Raad tot die gemiddelde van daardie kweker se beste tweejaar-A-poel-kwotalewerings gedurende die tydperk van vyf agtereenvolgende jare onder hersiening verminder word.";

(f) by in paragraph 23 the deletion in subparagraph (1) of the words "with the approval of the Sugar Association".

(g) by the substitution for subparagraph (4) of paragraph 28 of the following subparagraph:

"(4) Where a portion of an A Pool quota is to be transferred pursuant to paragraph 29, in addition to any reduction of the transferor's area of registered land in terms of that paragraph the Central Board shall apportion the A Pool deliveries of the transferor during the preceding delivery periods not exceeding five years, in such manner and for such purposes as the Central Board deems appropriate in the circumstances. The provisions of this subparagraph shall apply *mutatis mutandis* to the transfer of part of a Small Grower Entitlement pursuant to paragraph 29 or paragraph 32 (4).";

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(h) by in paragraph 31—

(i) the deletion in the first line of item (b) of subparagraph (6) of the word "other"; and

(ii) the substitution for subparagraph (7) of the following subparagraph:

"(7) The following procedure shall be followed in respect of an application in terms of paragraph 31 (6) of Schedule F:

(a) An applicant for the transfer of a specified tonnage of quota ("the quota") shall request the Central Board in writing to determine the market value of the quota, whereupon the Central Board shall determine the market value of the quota;

(b) the quota holder shall then offer the quota for sale at the market value thereof to potential purchasers in the mill area by a method which is acceptable to the Central Board and that quota holder shall advise the miller and the Mill Group Board concerned of the offer;

(c) that offer shall remain open for acceptance for a period of four weeks from the date upon which the Central Board considers that the offer concerned should be deemed to have come to the attention of the offerees;

(f) deur in subparagraaf (1) van paragraaf 23 die woorde "met die goedkeuring van die Suikervereniging" te skrap.

(g) deur subparagraaf (4) van paragraaf 28 deur die volgende subparagraaf te vervang:

"(4) Waar 'n gedeelte van 'n A-poel-kwota ooreenkomstig paragraaf 29 oorgedra gaan word, benewens enige vermindering van die oordraer se oppervlakte geregistreerde grond ooreenkomstig die bepalings van daardie paragraaf, wys die Sentrale Raad die A-poel-lewerings van die oordraer gedurende die voorafgaande leweringstydperke wat nie vyf jaar oorskry nie op sodanige wyse en vir sodanige doeleindes as wat die Sentrale Raad onder die omstandighede paslik ag, toe. Die bepalings van hierdie paragraaf is, *mutatis mutandis,* van toepassing op die oordrag van 'n gedeelte van 'n Kleinkwekergeregtigdheid ooreenkomstig paragraaf 29 of paragraaf 32 (4).";

(h) deur in paragraaf 31—

(i) in die eerste reël van item (b) van subparagraaf (6) die woord "ander" te skrap; en

(ii) subparagraaf 7 deur die volgende subparagraaf te vervang:

"(7) Die volgende prosedure moet ten opsigte van 'n aansoek ingevolge paragraaf 31 (6) van Bylae F gevolg word:

(a) 'n Applikant vir die oordrag van 'n spesifieke tonnemaat kwota ("die kwota") moet die Sentrale Raad skriftelik versoek om die markwaarde van die kwota te bepaal, waarop die Sentrale Raad die markwaarde van die kwota moet bepaal;

(b) die kwotahouer moet die kwota dan teen die markwaarde daarvan aan potensiële kopers in die meulgebied te koop aanbied volgens 'n metode wat vir die Sentrale Raad aanvaarbaar is en daardie kwotahouer moet die betrokke meulenaar en Meulgroepraad van die aanbod in kennis stel;

(c) daardie aanbod moet bly staan vir aanvaarding vir 'n tydperk van vier weke vanaf die datum waarop die Sentrale Raad ag dat aanvaar kan word dat die betrokke aanbod onder die aandag van die aanbieders gekom het;

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(d) if that quota holder does not receive any offer for the quota within that period, it shall be deemed that there are no prospective purchasers of the quota;

(e) the quota holder shall lodge with the Central Board his application for the transfer of the quota to a purchaser outside the mill area by a date not later than two months after the date upon which the Central Board determined the market value of the quota, failing which the determination of the market value shall lapse and the Central Board shall not consider the application for transfer of the quota;

(f) For the purposes of this subparagraph—

(i) "mill area" means the supply area of the mill, together with such other area within the reasonable vicinity of the mill as the Central Board may consider appropriate;

(ii) "market value" means the price which a willing buyer would be prepared to pay a willing seller for that quota, if that quota was sold for performance in the mill area of the home mill;

(g) The Central Board shall be entitled to consider such evidence as it may deem appropriate in order to establish the facts referred to in subparagraph 6 (a) or (b) and shall be entitled for the purposes of subparagraph (6) (b) to take into account evidence of a general offer for the sale of the quota, at the market value determined by the Central Board, if the offer concerned is made at least two months prior to the date on which application for the transfer of the quota is lodged with the Central Board;" and

(i) by the substitution in paragraph 32—

(i) in subparagraph (1);

(ii) in subitem (i) and (ii) of item (d) of subparagraph (3); and

(iii) in item (a) of subparagraph (4),

for the expression "150 tons" of the expression "200 tons".

(d) indien daardie kwotahouer geen aanbiedinge vir die kwota binne daardie tydperk ontvang nie, word geag dat daar geen voornemende kopers vir die kwota is nie;

(e) die kwotahouer moet by die Sentrale Raad sy aansoek vir die oordrag van die kwota aan 'n koper buite die meulgebied indien op 'n datum nie later nie as twee maande na die datum waarop die Sentrale Raad die markwaarde van die kwota bepaal het, by onstentenis waarvan die bepaling van die markwaarde verval en die Sentrale Raad nie die aansoek vir die oordrag van die kwota oorweeg nie;

(f) Vir die doeleindes van hierdie subparagraaf beteken—

(i) "meulgebied" die voorsieningsgebied van die meul, tesame met sodanige ander gebied binne die redelike omgewing van die meul soos wat die Sentrale Raad geskik ag;

(ii) "markwaarde" die prys wat 'n gewillige koper bereid sal wees om 'n gewillige verkoper vir daardie kwota te betaal, indien daardie kwota verkoop sou word vir vervulling in die meulgebied van die tuismeul;

(g) die Sentrale Raad sal geregtig wees om sodanige getuienis te oorweeg as wat hy paslik ag ten einde die feite in subparagraaf (6) (a) of (b) gemeld vas te stel en is vir die doeleindes van subparagraaf (6) (b) geregtig om getuienis in ag te neem van 'n algemene aanbod vir die verkoop van die kwota, teen die markwaarde deur die Sentrale Raad bepaal, indien die betrokke aanbod gemaak is minstens twee maande voor die datum waarop aansoek vir die oordrag van die kwota by die Sentrale Raad ingedien is;" en

(i) deur in subparagraaf 32—

(i) in subparagraaf (1);

(ii) in subitem (i) en (ii) van item (d) van subparagraaf (3); en

(iii) in item (a) van subparagraaf (4),

die uitdrukking "150 ton" deur die uitdrukking "200 ton" te vervang."

Amendment of Schedule H to the Agreement

4. Schedule H to the Agreement is hereby amended—

(a) by the substitution for subparagraph (3) of paragraph 1 of the following subparagraph:

"(3) Various matters relating to Small Growers".;

(b) by in paragraph 5—

(i) the deletion in the heading and in subparagraphs (1) and (2) of the words "free entry area";

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(ii) the substitution in subparagraph (1) for the expression "150 tons" of the expression "200 tons";

(iii) the substitution for the words preceding item (a) of subparagraph (3) of the following words:

"A person who is entitled to occupy land which is not in one of the excluded areas referred to in item (a), may apply to the Mill Group Board of the mill to which he wishes to become attached as a Small Grower to produce cane for delivery to that mill.";

(iv) the substitution for item (a) of subparagraph (3) of the following item:

"(a) The excluded areas are Transkei and that land which comprises, at the date of promulgation of this amendment the magisterial areas of Ngwavuma and Ubombo and which is situated to the east of the crest of the Ubombo Mountains and north of the Mkuze River.";

(v) the deletion in the first line of item (d) of subparagraph (3) of the letter "(a)"; and

(vi) the substitution for subparagraph (4) of the following subparagraph:

"(4) The provisions of paragraph 5 shall, unless the Association decides otherwise, not apply for delivery of cane to any mill established after 1 April 1990."; and

(c) by the substitution for paragraph 6 of the following paragraph:

"Small Growers: Land Registration

6. Where the land of a Small Grower is that referred to in paragraph 5 (3) (b), the specific area of land to be registered in the Small Grower Register in accordance with paragraph 6 (1) of Schedule F—

(a) shall, where the Small Grower owns the land in question, be the total area of the land described in the Title Deed thereof; and

Wysiging van Bylae H van die Ooreenkoms

4. Bylae H van die Ooreenkoms word hierby gewysig—

(a) deur subparagraaf (3) van paragraaf 1 deur die volgende subparagraaf te vervang:

"(3) Verskillende sake in verband met Klein Kwekers.";

(b) deur in paragraaf 5—

(i) die opskrif en in subparagrawe (1) en (2) die woord "vryetoegangsgebied" te skrap;

(ii) in subparagraaf (1) die uitdrukking "150 ton" deur die uitdrukking "200 ton" te vervang;

(iii) die woorde wat item (a) van subparagraaf (3) voorafgaan deur die volgende woorde te vervang:

" "n Persoon wat geregtig is om grond te bewoon wat nie in een van die uitgeslote gebiede in item (a) gemeld, geleë is nie, kan by die Meulgroepraad van die meul wat hy verkies om as 'n Klein Kweker aan verbonde te wees, aansoek doen om riet te produseer vir lewering aan daardie meul.";

(iv) item (a) van subparagraaf (3) deur die volgende item te vervang:

"(a) Die uitgeslote gebiede is Transkei en daardie grond wat op die datum van afkondiging van hierdie wysiging, uit die landdrosdistrikte van Ngwavuma en Ubombo bestaan en wat aan die oostekant van die kruin van die Ubombo Berge en noord van die Mkuzerivier geleë is.";

(v) in die eerste reël van item (d) van subparagraaf (3) die letter "(a)" te skrap; en

(vi) subparagraaf (4) deur die volgende subparagraaf te vervang:

"(4) Die bepalings van paragraaf 5 sal, tensy die Vereniging anders besluit, nie vir die lewering van riet aan enige meul wat na 1 April 1990 opgerig is, van toepassing wees nie"; en

(c) deur paragraaf 6 deur die volgende paragraaf te vervang:

"Klein kwekers: Registrasie van Grond

6. Waar die grond van 'n Klein Kweker dié in paragraaf 5 (3) (b) bedoel is, is die spesifieke oppervlakte grond wat in die Kleinkwekersregister ooreenkomstig paragraaf 6 (1) van Bylae F aangeteken staan te word—

(a) waar die Klein Kweker die betrokke grond in eiendom besit, die totale oppervlakte van die grond in die Grondbrief daarvan beskryf; en

(b) shall, where the Small Grower is not the owner of the land, but holds, occupies or uses the land under a written instrument, be the total area of land described in that written instrument; and

(c) shall, where the Small Grower holds, occupies or uses the land in question other than as owner or under written instrument, be the area of land as described in such manner as the Central Board may determine: Provided that a Small Grower whose registered land is described in accordance with this subparagraph, shall, for so long as he remains a Small Grower, be entitled to deliver cane from all the land which the grower is entitled to occupy or use: Provided further that the Central Board shall be entitled, if it is of the view that the aforementioned proviso is being abused, to prohibit a Small Grower from delivering cane grown upon that portion of the land concerned as the Central Board may decide."; and

(d) by the insertion after paragraph 6 of the following paragraph:

"6A The provisions of this Schedule relating to Small Growers apply to all Small Growers in the industry including those to whom entitlements have been issued under paragraph 4 of Schedule F, but excluding Small Growers whose registered land is situated in the excluded areas referred to in paragraph 5 (3) (a).";

(e) by the substitution for paragraph 7 of the following paragraph:

"Small Growers: Transfer of Small Grower Entitlement

7. No transfer of any Small Grower Entitlement of a Small Grower whose registered land is referred to in paragraphs 5 and 6 of this Schedule shall be permitted after 28 June 1990, unless—

(a) the transfer is permitted in terms of paragraph 29 of Schedule F; and

(b) the transferee is not a holder of A Pool quota;

Provided that the Central Board may if it is satisfied that the refusal of that transfer would frustrate the fulfilment

(b) waar die Klein Kweker nie die eienaar van die grond is nie, maar die grond ingevolge 'n skriftelike instrument besit, bewoon of gebruik, die totale oppervlakte van die grond in daardie skriftelike instrument beskryf; en

(c) waar die Klein Kweker die betrokke grond op 'n ander wyse as eienaar of ingevolge 'n skriftelike instrument besit, bewoon of gebruik, die oppervlakte grond soos op sodanige wyse beskryf as wat die Sentrale Raad mag bepaal: Met dien verstande dat 'n Klein Kweker wie se geregistreerde grond ooreenkomstig hierdie paragraaf beskryf word, so lank as wat hy 'n Klein Kweker bly, geregtig is om riet te lewer vanaf al die grond wat die kweker geregtig is om te bewoon of te gebruik: Met dien verstande verder dat die Sentrale Raad geregtig is, as hy van oordeel is dat die voorgenoemde voorwaarde misbruik word, om 'n Klein Kweker te verbied om riet te lewer wat gekweek is op daardie gedeelte van die betrokke grond soos wat die Sentrale Raad mag besluit."; en

(d) deur na paragraaf 6 die volgende paragraaf in te voeg:

"6A Die bepalings van hierdie Bylae wat op Klein Kwekers betrekking het, is op alle Klein Kwekers in die nywerheid van toepassing, insluitende daardie kwekers aan wie geregtigdhede onder paragraaf 4 van Bylae F uitgereik is, maar uitgeslote Klein Kwekers wie se geregistreerde grond in die uitgeslote gebiede in paragraaf 5 (3) (a) gemeld, geleë is.";

(e) deur paragraaf 7 deur die volgende paragraaf te vervang:

"Klein Kwekers: Oordrag van Kleinkwekergeregtigdheid

7. Geen oordrag van enige Kleinkwekersgeregtigdheid van 'n Klein Kweker wie se geregistreerde grond in paragrawe 5 en 6 van hierdie Bylae gemeld word, word na 28 Junie 1990 toegelaat nie, tensy—

(a) die oordrag ingevolge paragraaf 26 van Bylae F toegelaat word; en

(b) die oordragnemer nie 'n houer van A-poel-kwota is nie:

Met dien verstande dat die Sentrale Raad indien die Raad tevrede is dat die weiering van daardie oordrag die of a contractual obligation contained in a contract entered into on or before 28 June 1990, permit a transfer where the transferee is the holder of an A Pool quota."; and

(f) by the substitution for paragraph 8 of the following paragraph:

"Small Growers": Permanent Closing Down of Mill

(3) Su5gr

8. Upon the permanent closing down of a mill, a Small Grower who is attached to that mill may in accordance with the provisions of paragraph 5 (3) apply to any Mill Group Board to become a Small Grower."

5. The amendments effected in terms of paragraphs 2 to 4 of this Schedule shall, unless otherwise stated herein, be deemed to have come into operation on 31 March 1993.

No. R. 551 **2 April 1993**

PRICE CONTROL ACT, 1964

MAXIMUM DEPOSIT IN RESPECT OF RETURNABLE SOFTDRINK BOTTLES

I, Hermanus Hendrikus Jacobus Steyn, Price Controller, do hereby in terms of section 5 of the Price Control Act, 1964 (Act No. 25 of 1964), prescribe as follows:

1. The maximum deposit per bottle which any seller under section 5 (1) (a) of the said Act may charge a person who buys soft drinks from him in returnable bottles are the amounts, inclusive of Value-Added Tax, as specified in the Schedule hereto.
2. The amounts so specified are refunded under section 5 (1) (c) of the said Act, by the seller of soft drinks to any person who hands to him a returnable empty undamaged soft drink bottle of a brand and size in which he deals.
3. Government Notice No. R. 2495 of 4 September 1992 is hereby withdrawn with effect from 7 April 1993.

H. H. J. STEYN,
Price Conroller.

SCHEDULE

1. (a) Per bottle with a content of 750 mℓ and less **34c**
   (b) Per bottle with a content of 1 000 mℓ and more **91c**

nakoming van 'n kontraktuele verpligting vervat in 'n kontrak wat op of voor 28 Junie 1990 aangegaan is, sal verydel, 'n oordrag kan toelaat waar die oordragnemer die houer van 'n A-Poel-kwota is."; en

(f) deur paragraaf 8 deur die volgende paragraaf te vervang:

"Klein Kwekers: Permanente Sluiting van Meul

8. Met die permanente sluiting van 'n meul kan 'n Klein Kweker wat aan daardie meul verbonde is ooreenkomstig die bepalings van paragraaf 5 (3) by enige Meulgroepraad aansoek doen om 'n Klein Kweker te word."

5. Tensy anders hierin gemeld, word die wysigings aangebring ingevolge paragrawe 2 tot 4 van hierdie Bylae geag in werking te getree het op 31 Maart 1993.

No. R. 551 **2 April 1993**

WET OP PRYSBEHEER, 1964

MAKSIMUM DEPOSITO'S TEN OPSIGTE VAN TERUGSTUURBARE KOELDRANKBOTTELS

Ek, Hermanus Hendrikus Jacobus Steyn, Pryskontroleur, bepaal hierby ingevolge artikel 5 van die Wet op Prysbeheer, 1964 (Wet No. 25 van 1964), soos volg:

1. Die maksimum deposito per bottel wat enige verkoper kragtens artikel 5 (1) (a) van die genoemde Wet van 'n persoon wat koeldrank in terugstuurbare bottels van hom koop, kan vorder, is die bedrag, insluitend Belasting op Toegevoegde Waarde, wat in die Bylae hiervan aangegee word.
2. Die bedrae aldus aangegee word deur 'n verkoper van sodanige koeldrank kragtens artikel 5 (1) (c) uitbetaal aan enigiemand wat 'n terugstuurbare leë onbeskadigde koeldrankbottel van 'n merk en grootte waarin hy handel, aan hom aanbied.
3. Goewermentskennisgewing No. R. 2495 van 4 September 1992 word hierby met ingang 7 April 1993 herroep.

H. H. J. STEYN,
Pryskontroleur.

BYLAE

1. (a) Per bottel met 'n inhoud van 750 mℓ en minder **34c**
   (b) Per bottel met 'n inhoud van 1 000 mℓ en meer **91c**

(2) whether he has since received any further applications from mines in this respect; if so, from which mines? B197E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) Yes

(a) (i) with effect from 20 September 1992

(ii) with effect from 15 January 1993

(b) (i) Harmony Gold Mining Company Limited

(ii) Loraine Gold Mines Limited

(c) Section 9(1)(f) of the Mines and Works Act, 1956 (Act No 27 of 1956).

(2) Yes

(i) St Helena Gold Mines Limited

(ii) Hartebeestfontein Gold Mining Company Limited.

†Mr F J LE ROUX: Mr Chairman, arising out of the hon the Minister's reply, I should like to inquire whether he has consulted the relevant trade unions in this regard and what their attitude was in regard to this matter.

The MINISTER: Mr Chairman, I would like to tell the hon member that I had both the National Union of Mineworkers and the Mineworkers' Union in my office a week or two ago to discuss this particular matter. I assured them that there would be no change to the existing legislation in this regard without my discussing it with them. They were concerned that there was a trend towards Sunday work, and they were concerned that this might affect the working relationships of mineworkers of all races, those of both Cosatu's unions and the Council for Mining Unions. I can assure the hon member that I am in close contact with all unions concerned with mining.

Sugar industry: financial assistance

*2. Mr A A B BRUWER asked the Minister of Agriculture:† (3) Sugar

(1) Whether the State has rendered any financial assistance to the sugar industry in the latest specified period of 12 months; if not, why not; if so, (a) when and (b) what was the (i) nature and (ii) extent of this assistance;

(2) whether he will make a statement on the matter? (3) Sugar B236E

†The MINISTER OF AGRICULTURE:

(1) Yes, as announced on 7 May 1992.

(a) Since May 1992.

(b) (i) and (ii)

Interest subsidy on loans of sugar farmers at the Land Bank for crop loss loans, re-establishment loans and production loans.

(2) No, it has already been done.

*3. Mr L F Stofberg—Foreign Affairs.† [Question standing over.]

Local authorities: amalgamation

*4. Mr A GERBER asked the Minister of Local Government:†

(1) Whether his Department has launched an investigation in order to determine the financial implications of the possible amalgamation of local authorities; if not, why not; if so, (a) what in broad outline were the results of this investigation and (b) what financial implications will such amalgamation have for the White taxpayer;

(2) whether he will make a statement on the matter? B243E

†The MINISTER OF LOCAL GOVERNMENT:

(1) No special investigation has been conducted, but the Department is aware of the factual financial position of local authorities based on various surveys and the implications it might have with regard to amalgamation.

(a) and (b) fall away.

(2) Yes. The matter was discussed by the Council for the Co-ordination of Local Government Affairs last year. I also refer to a press statement issued by my predecessor on 27 March 1992.

Due to the policy directions of the past, economic activities were almost exclusively concentrated in white local authority areas and naturally benefited these areas. This factor, together with the lower income abilities of residents in Black towns and backlogs relating to service rendering in these areas, resulted in Black local authorities not being financially viable. The financial position of Black local authorities furthermore became intolerable due to political pressure on councillors to resign and the fact that boycotts and malpayment of services and other levies were abused as political instruments.

Of course one can continue with the current racially based system, which is not only unacceptable to the larger majority of the broad community, but which also places a heavy burden on the general taxpayer to support non-viable Black local authorities by way of intergovernmental grants. Such intergovernmental grants only address the symptoms of the actual problem. Unless the actual problem is solved, one may expect that the burden of intergovernmental grants on the general taxpayer will increase annually.

The other option is to move within the broad political reform process (and thus through negotiations) towards a system of amalgamated non-racial local authorities. Unrest, boycotts and malpayment can only be addressed through a legitimate political dispensation and effective administration. Such an approach will indeed have cost-implications for the existing White local authorities. With greater rationalisation of service rendering, improved utilisation of resources as well as better understanding for the needs of the broader community in general, stability can be restored, which will without doubt contribute towards making the cost-implications in the long term for the country's taxpayers, seen as a whole, much smaller than they are at present.

In conclusion I would also like to point out that Government accepts that the eradication of backlogs and socio-economic upliftment in general cannot simply be devolved to third-tier authorities and that a system of intergovernmental grants will have to remain an important facet of the financing of local authorities. However, such grants can be applied with greater impact in a stable atmosphere and with an effective administrative base.

†Mr H J COETZEE: Mr Chairman, arising out of the reply of the hon the Minister, may I ask whether this means that a study was not done on what the financial implications will be for White local authorities? Is he saying that the White taxpayers and White municipalities should take responsibility for the costs of the Black town councils that have failed?

†The MINISTER: Mr Chairman, I refer the hon member to the reply in the statement I made.

Pact: talks between TPA/ANC

*5. Mr A GERBER asked the Minister of National Education:†

(1) Whether at the end of 1992 the Performing Acts Council of the Transvaal was directly or indirectly involved in talks between the Transvaal Provincial Administration and the ANC; if so, (a) to what extent and (b) what, in broad outline, was discussed and/or agreed upon during these talks;

(2) whether similar talks have taken place since then; if so, (a) when and (b) what, in broad outline, was discussed and/or agreed upon on these occasions;

(3) whether he will make a statement on the matter? B244E

The MINISTER OF NATIONAL EDUCATION:

I would like to point out that I have no formal jurisdiction concerning this matter and that the details provided in the answer were obtained from the Administrator of the Transvaal.

(1) Yes, the Performing Arts Council of the Transvaal was indirectly involved.

cont —D

Fears for future sugar crop in wake of drought

B/Day 5/1/93. (3) Sugar

SA's sugar cane growers produced a drought-hit 1992/'93 crop of 1,07-million tons, the worst since 1984, and the 1993/'94 crop might also suffer, industry sources said yesterday.

The SA Sugar Association (Sasa), which markets the country's sugar output, said the effects of the severe drought last year could affect the 1993/1994 crop which would end next March.

Sasa spokesman Chris Fitzgerald said cane on the fields had suffered from "green drought phenomenon".

"It looks nice outside but inside there is no growth," he said.

SA Sugar Cane Growers' Association deputy director Jack Wixley said it was too early to estimate the 1993/1994 crop.

An unofficial estimate would only be made in a month or two.

But rain had been "very patchy and not sustained" in the sugar belt except for certain parts of Zululand, he said.

Fitzgerald said although the 1992/1993 crop was "slightly better" than the 1,377-million tons produced in the disastrous 1983/1984 season, some cane growers were still repaying debts run up then.

The year following the 1983/1984 season produced a record crop but had been preceded by good winter rain and early spring rain during the season.

"This season we had a very dry winter," said Wixley.

SA produced a near-record crop of about 2,28-million tons in the 1991/1992 season, and has traditionally been among the world's biggest exporters.

The country's local consumption is about 1,3-million tons and industry officials estimated that last season's drought cost about 750 000 tons in lost sugar exports. — Reuter.

FM 8/1/93 (3) Sugar

CG Smith
Activities: *Holding company of Smith Foods, Nampak and Romatex.*
Control: *Barlows (60%).*
Chairman: *R A Williams.*
Capital structure: *47,1m ords. Market capitalisation: R6,3bn.*
Share market: *Price: 13 300c. Yields: 2,3% on dividend; 6,6% on earnings; p:e ratio, 15,1; cover, 2,9. 12-month high, 14 000c; low, 10 800c. Trading volume last quarter, 111 438 shares.*

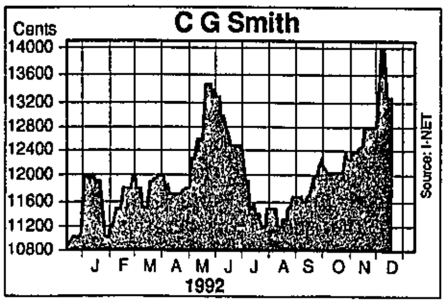
Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	662	867	969	762
LT debt (Rm)	525	588	644	902
Debt:equity ratio	0,35	0,38	0,37	0,28
Shareholders' interest	0,44	0,45	0,46	0,49
Int & leasing cover	6,4	6,4	6,2	7,9
Return on cap (%)	18,2	15,9	15,6	14,3
Turnover (Rbn)	12,4	14,2	16,1	17,8
Pre-int profit (Rbn)	1,2	1,2	1,3	1,4
Pre-int margin (%)	8,9	8,1	7,9	7,9
Earnings (c)	746	751	819	882
Dividends (c)	260	263	286	308
Net worth (c)	3 311	3 792	4 307	5 133

CG Smith Foods
Activities: *Holding company of Smith Sugar, Tiger Oats and ICS.*
Control: *C G Smith (81%).*
Chairman: *R A Williams.*
Capital structure: *94,5m ords. Market capitalisation: R5,0bn.*
Share market: *Price: 5 300c. Yields: 2,0% on dividend; 6,1% on earnings; p:e ratio, 16,5; cover, 3,1. 12-month high, 5 700c; low, 4 180c. Trading volume last quarter, 56 000 shares.*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	464	655	665	558
LT debt (Rm)	331	362	388	722
Debt:equity ratio	0,31	0,41	0,31	0,30
Shareholders' interest	0,44	0,44	0,45	0,48
Int & leasing cover	6,1	5,0	6,0	7,7
Return on cap (%)	16,6	13,0	14,6	12,4
Turnover (Rbn)	8,6	9,9	11,3	12,7
Pre-int profit (Rm)	706	742	803	818
Pre-int margin (%)	7,3	6,8	7,0	6,8
Earnings (c)	235	264	309	322
Dividends (c)	78	87	99	105
Net worth (c)	1 212	1 380	1 588	1 974

locked into a predetermined asset mix, whereas a "normal" portfolio will more accurately reflect the personal preferences of the investor.

If it is accepted that a spread of investments is desirable, one advantage that these companies should have is the ability to provide such a spread at an affordable cost. However, in the case of CG Smith (but not Smith Foods), this particular advantage can hardly be said to apply — its R133 share price is out of range for the smaller investor and, with a relatively small issued capital, must weigh against the group — put simply, a share split or cap issue is long overdue.



CG Smith's Williams
... more cautious forecast

Returning to the question of the respective investment merits of the holding companies versus their operating assets, an interesting exercise is to compare share price performance of the 10 listed companies which comprise these groups. Based on changes since January 2 1992, one would have had to be lucky to beat the 26% gain in Smith Food or even the 21% improvement in CG Smith.

It is improbable that many would have picked Oceana as 1992's winner (up 46%), but one might have come right with Nampak (up 31%). In every other instance, price gains lagged those of the holding companies, even though earnings growth in the operating companies was invariably better than at the top.

The disparity in earnings performance stemmed mainly from the listing of Smith Sugar, which reduced Smith Foods' interest in this company from 100% to 70%. In the process, the earnings contribution from Sugar in Smith Foods' income statement declined by 13%, despite a 10% improvement in Sugar's own attributable profit. This pegged Smith Foods to a 7% earnings gain and with this company accounting for 60% of Smith's net income, the effect was felt strongly here as well.

There is little to choose between the two balance sheets. Mainly because of rights issues in Tiger Oats and Smith Sugar, year-end gearing dropped significantly, with Smith, at 0,28, having a slight edge over Foods (0,30). Smith was slightly better off in terms of profitability — thanks to gains at Nampak and, to a lesser extent, Romatex, it could hold its trading margin, whereas that of Foods continued to drift lower. Smith also recorded smaller declines than Foods in its gross return on total assets (down 1,3 percentage points against 2,4% for Foods) and net return on equity (down 1,8 points against 2,6).

Nor is there much to choose between them in the outlook for this year. In both instances, chairman Robbie Williams confines his forecast to "some growth" but, with the economy likely to remain slack, it is clear that — as in 1992 — this will fall well short of the inflation rate.

At R133 for Smith and R53 for Smith Foods, Smith is marginally the cheaper of the two. Both are fully priced relative to the industrial market but could be considered as alternatives to the even more pricey Tiger Oats.

Brian Thompson

Transnet looks at streamlined Elfi 5

B/DAY 20/1/93

TIM MARSLAND

TRANSNET was considering launching an Elfi 5 issue to replace the R1bn Elfi 3 issue which matured on April 1, treasury manager Johan van Schoor said yesterday.

Transnet would also redeem the R1,2bn T002 capital market bond which falls due on the same day. This would be replaced with the medium-dated T013 which was launched in October 1991, Van Schoor confirmed.

He said slight changes were planned to the Elfi 5, expected to be launched on April 1, to "streamline" it.

The Elfi 3 is similar to a capital market bond and is split into a bull and bear tranche which pays interest of 4,5% and 25% respectively.

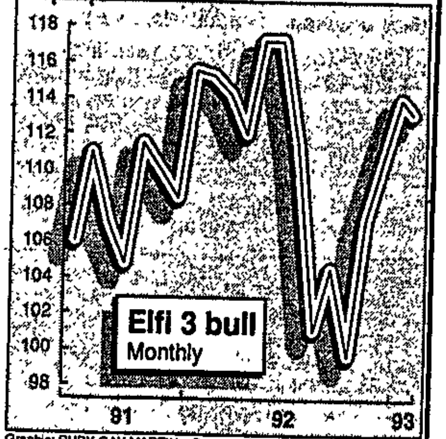
Bull holders gain if the underlying JSE overall index rises, but they make a loss if it falls below the level that the Elfi 3 was issued at.

With the bear issue, investors make a profit if the overall index falls, but make a loss if it rises above the issue level.

The index was at 2 915 when the Elfi 3 was issued and closed at 3 382 on the JSE yesterday.

Van Schoor said Transnet had not decided on the coupon rate for the Elfi 5.

The Elfi 3 had effectively cost Transnet 14,75% in interest, which was "a good rate



Graphic: RUBY-GAY MARTIN Source: I-NET

when the Elfi 3 was launched", he said.

A higher yield was offered on the bear tranche as SA markets were inherently bullish and a "sweetener" had to be offered to make the bear tranche attractive, he said.

An official announcement on the Elfi 5 would be made soon, he added.

Market participants said the market would welcome a new Elfi issue.

"It is an alternative method for an equity-linked investment," one dealer said.

Because it was considered a gilt, portfolio managers could use the Elfi to gain exposure to equity derivatives, he said.

Prospects 'not encouraging'

B/DAY 20/1/93

PETER DELMAR

SPRING and early summer rains were insufficient for a recovery in C G Smith Sugar's cane supply areas, chairman Glyn Taylor told the company's AGM yesterday.

Accordingly half-year earnings to end-March would be sharply lower than those for last year's first half.

"The world sugar price remains weak at around $190 a ton and, faced with forecasts of a fourth successive year of global surplus production and a further build-up of stocks, it seems unlikely that the price will rally to any significant extent in the foreseeable future. In short, the company's prospects are not very encouraging at this time." (3) Sugar

In its first year as a listed company, C G Smith Sugar reported a 10% increase in attributable profit to R87,1m and a turnover rise of 15% to more than R1bn.

Taylor said the company's financial year had straddled two sugar seasons. The financial year ending September 1993 would include the second half of the 1992-93 season and the first half of the following season.

The company's production for the 1992-93 season dropped 122 300 tons to 730 548 tons, but this was partially offset by a gain in share of the valuable 'A' pool production.

Taylor said financial losses were sustained in C G Smith Sugar's own cane-growing operations.

SUGAR INDUSTRY (3) sugar

Pricing possibilities

FM 5/3/93

The short-term prosperity of the sugar industry is in the balance. It depends on two crucial developments. The first, and most important, is that the recent rains continue. The second is that the higher international price of sugar stays at current levels long enough for SA producers to benefit.

The drought-ravaged industry has just had its second-worst production year and though the drought seems to have broken, with near normal rainfall for the first time in well over a year in the Natal sugar belt, growers say further good falls this month and next are crucial to a turnaround.

Local production shortfalls are preventing the industry from cashing in on the rise in the international sugar price. Instead of an export bonanza, with the sale of surpluses, the SA Sugar Association (Sasa), which operates as the industry's single-channel exporter, has insufficient supplies to satisfy all foreign commitments from its current season, which ends this month.

Figures released at the recent Agricon conference in Pretoria show that SA's total production was 1,51 Mt, compared with 1,37 Mt in 1983/1984, the worst year ever, and 2,3 Mt in the 1991/1992 bumper season. Local demand accounts for about 1,3 Mt. The surplus is sold abroad.

Sasa international marketing director David Hardy says one of the factors affecting the price is changed expectations about Thailand's production.

"Thai sugar producers have suddenly revised their estimates — thanks to a drought in October and November — from 5Mt to about 4 Mt."

Hardy adds that the situation is aggravated by suggestions that Cuba will buy sugar from Thailand to make good its own shortfall on an agreement to supply China — Cuba usually supplies China with 800 000 t a year. This has fuelled speculation that the

FM 5/3/93 (3) sugar

Cuban crop is smaller than expected.

The question is whether these shortfalls are genuine or manoeuvres by two major producers to inflate the price by talking of shortages. "It's obviously in their best interests to get the market up if they can. On that basis, I am not convinced that there is as much quality in the price movement as one would hope. It has gone up dramatically and quickly, which could mean an equally violent correction in the not-too-distant future," says Hardy.

C G Smith Sugar MD Don MacLeod, who sits on Sasa's international market committee, takes an optimistic view. He points out that the price has been low for some time because of an international sugar surplus (this includes Indian sugar though this never finds its way to world markets). "However, there is talk of greater supply and demand balance in the international season which begins in September.

"I believe the price has been artificially low at US\$170/t-\$180/t. It is now closer to the normal world equilibrium at between \$220/t (10c/lb) and \$250/t. And, in view of the price stability in the face of past surpluses, it is not inconceivable that it will rise to \$280/t-\$300/t if an international sugar deficit develops."

Hardy agrees: "If the Thai/Cuban situation is accurate and substantiated then we could see a firmer market soon." ■

BUSINESS

Decrease in sugar surplus expected

SUSA ③ BDAY 17/3/93.

LONDON — Global sugar production in 1992/93 (October to September) will exceed consumption by 290 000 tons, raw value, the International Sugar Organisation's (ISO's) secretariat says in its third assessment of the crop cycle to be released soon.

The ISO had previously put the surplus at 2,49-million tons, following an excess of 2,91-million tons in 1991/92.

Output is now forecast to rise to 113,52-million tons from 114,49-million in 1991/92 while consumption is seen climbing to 113,23-million tons, up from 111,58-million the previous year.

November 1992/93 production and consumption estimates are 116,09-million and 113,60-million tons respectively.

The 2,57-million ton decrease in production from the November estimate comes mainly from five countries.

India is seen down 1-million tons to 12,65-million tons, while Ukraine and Thailand are 750 000 tons lower at 3,45-million and 4,6-million tons respectively.

The ISO secretariat expects Ukraine still has some export resources, but will have to import 400 000 tons raw sugar to meet export obligations towards former Soviet republics. The Cuban estimate has dropped 150 000 tons to 6,6-million tons, while Russian output is now forecast 200 000 tons lower at 2,35-million tons. Total imports for all sources are expected to be in the region of 3-million tons.

India, Thailand and Cuba have just entered their period of heavy production and some corrections are still possible.

On the credit side, production in Pakistan is now seen at 380 000 tons higher than in November at 2,69-million tons, while Australian production is forecast at a record 4,15-million tons, 225 000 tons more than expected in November.

The main downward revision in consumption from the November estimate is made for East European countries, down 800 000 tons.

While raw sugar supplies might be temporarily tight, surpluses have been built up and ample supplies of white sugar exist in the EC, Brazil and India.

On top of this, demand remains flat and there is a question mark over the ability of the former Soviet Union to continue to pay for the level of imports seen in 1992.

Therefore the current upward movement in world prices has a limit once nearby supplies are secured, the secretariat says. — Reuter.

A bitter harvest

By DON ROBERTSON

LACK of sufficient rainfall in many sugar cane growing areas in Natal in the past three months have again dampened hopes of a recovery in production for next season.

Jack Wixley, deputy director of the SA Sugar Cane Growers' Association, says that after initial hopes of a crop of about 1,7-million tons for the 1993/94 season to March, latest estimates are for production similar to this season's disastrous 1,5-million tons.

This compares with normal production levels of about 2,2-million tons and is only slightly higher than the worst crop on record of 1,37-million tons in 1983/84.

The latest crop has left only 120 000 tons available for export after domestic needs have been satisfied. This is insufficient to meet SA's quota and contract needs and substitutions — in either physical delivery or financially — will have to be arranged, says Mr Wixley.

The current season's poor crop has also affected the SA Sugar Association's ability to reduce its debt.

The debt has been gradually reduced from R326-million in 1983/84 to R59-million at present. It had been intended to reduce this by a further R29-million this year and wipe it out by next year.

Repayments are likely to be postponed for at least two years.

(2) SUSA

STAR 21/3/93

Star 2/4/93

Industry price of sugar increases

The industry price of white sugar in 25kg and one-ton bags will increase by R157 to R1 746 per ton from May 1.

The price of brown sugar will increase by R143 to R1 586 per ton at the same time

All prices exclude VAT.

Announcing the overall 9,9 percent increase in Durban yesterday, Tony Ardington, chairman of the SA Sugar Association, said the industry had again been able to keep the price increase below the inflation rate predicted by financial institutions.

(3) Sugar

The increases are being announced a month early to give customers the opportunity to buy before the new prices come into effect, the Sugar Association said. — Sapa.

Sugar price rises after disastrous season

Business Day Reporter

THE SA Sugar Association announced a 9,9% increase in the sugar price yesterday.

Association chairman Tony Ardington said in Durban that white sugar in 25kg and one ton bags would increase by R157 to R1 746 a ton, and brown sugar by R143 to R1 586 a ton. These prices exclude VAT.

This season's disastrous production of 1,5-million tons was only slightly better than the worst crop on record of 1,37-million tons. Normal production levels are about 2,2-million tons.

The poor harvest has left only 120 000 tons for export, insufficient to meet SA's quota and contract needs. Substitutions, either financial or in physical delivery, would have to be arranged, Jack Wixley of the SA Cane Growers' Association said.

Ardington said the industry had managed to keep the sugar price below the food price index for the past eight years. In real terms the industry price was lower than it was in 1985.

(3) Sugar

But negative spin-off effects can be expected. In January soft drink manufacturers announced an average 11,5% increase in wholesale prices.

One of the reasons given was the sugar price rise in June last year.

BD 18/4/93

long as such tenants comply with the prescribed requirements for continued protection.

It is not possible to determine the number of protected tenants as on 31 December 1992 who still comply with the prescribed requirements for continued protection in view of the fact that the income of such protected tenants cannot be monitored on a continuous basis while some protected tenants voluntarily vacate their rented premises thereby forfeiting their protected status. It is therefore from an administrative point of view not possible to determine and monitor the number of protected tenants.

(2) Notwithstanding the fact that all rent controlled premises situated in the Sea Point Constituency according to the records of the Cape Metropolitan Rent Board have already been conditionally exempted from rent control applications are received on an ongoing basis by the said Board for the conditional exemption of premises from rent control which do not appear on the records of the mentioned Rent Board and therefore did not form part of the general conditional exemption of rent controlled premises from rent control.

(a) 4 dwellings were conditionally exempted from rent control during 1992 subject to the granting of continued protection to the tenants thereof if and for as long as such tenants comply with the prescribed requirements for continued protection.

(b) (i) *Address*	(ii) *Situation of Premises*
32/32a Normandy Avenue, Fresnaye, Sea Point.	Two dwellings on Erf 855, Fresnaye at Cape Town.
Richborough Villa, 3 Highworth Road, Sea Point.	Dwelling on Erf 468, Sea Point at Cape Town.
22 Des Huguenot Avenue, Fresnaye, Sea Point.	Dwelling on Erf 668, Fresnaye at Cape Town.

Umgeni Heights: purchasing of site

52. Mr M J ELLIS asked the Minister of Housing and Works:

3 Gen

(1) Whether he or his Department has received representations in respect of the purchase of a site in Anthony Road, Umgeni Heights, Durban, which was previously allocated for education purposes; if so, from whom;

(2) whether he has decided to re-allocate this site; if not, why not; if so, (a) to whom has it or will it be allocated and (b) for what purpose will the land be used;

(3) whether he will make a statement on the matter? B609E

The MINISTER OF HOUSING AND WORKS:

(1) Yes.

(a) The City Council of Durban who has since withdrawn its application.

(b) TAFTA a registered welfare organisation.

(c) The Apostolic Faith Mission of South Africa.

(2) No, the matter is still under consideration as detailed in (3) below.

(3) The Ministers' Council of the House of Assembly has, as policy, determined that surplus State Land be made available at no cost to welfare organisations on condition that the land be utilised for welfare purposes or for housing for the underprivileged. As TAFTA intends using the land for housing for the more privileged negotiations with TAFTA are on track to purchase the land at Market value.

HOUSE OF REPRESENTATIVES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Education departments: *per capita* expenditure

13. Mr M A HENDRICKSE asked the Minister of National Education:

Whether he will furnish statistics on the *per capita* expenditure on (a) pupils and (b) the training of teachers in respect of each of the 14 education departments; if not, why not; if so, what are the relevant statistics in respect of the latest specified 12-month period for which information is available? C58E

The MINISTER OF NATIONAL EDUCATION:

A single amount is allocated to each education department separately for the provision of CS education (excluding private ordinary schools). Each education department then decides how the funds will be apportioned between public ordinary school education, special shool education, technical college education and teacher training. No separate figures regarding *per capita* expenditure can, therefore, be given for (a) and (b). The latest *per capita* expenditure for all education departments for which the Minister of National Education has a policy function for financing CS education (excluding private ordinary schools), is, however, available and is attached.

Per capita state expenditure for college/school-related education (CS education) in the RSA for 1992 (excluding private ordinary schools)

Department	*Per capita expenditure (R)*
Education and Culture (House of Assembly) ...	4 372
Education and Culture (House of Delegates) ...	3 702
Education and Culture (House of Representatives)	2 902
Education and Training ...	1 659
Selfgoverning Territories:	1 157
Gazankulu	1 214
KaNgwane	1 046
KwaZulu	1 080
Lebowa...............	1 201
QwaQwa	1 748
KwaNdebele	1 297

Several factors should be taken into account when the *per capita* expenditure of education departments is compared. The two most important factors are:

- More than 70% of an education department's budget is allocated to the salaries of CS educators and the qualification levels of CS educators can differ significantly between education departments.
- Primary education is substantially less expensive than secondary education and the ratio between the number of primary and secondary pupils can differ significantly from department to department.

Rise in sugar price 'insensitive'

MARIANNE MERTEN

THE ANC southern Natal regional branch has criticised the recent sugar price increase and called on government not to raise the price of maize this year.

The 9,9% raise for wholesale white and brown sugar on May 1 was announced earlier this month. No increases in the maize price have been published yet. (2) Sugar

The annual price increases were "insensitive to the majority of South Africans who are hopelessly poor", economic policy department member Abdool Mangerah said in a statement at the weekend.

The sugar price increases should be implemented in two stages in August this year and March next year. BDay 21/4/93

Mangerah said government should use the profits made through the sale of imported maize last season to reduce current maize prices.

Maize Board marketing manager Dirk Human said yesterday the maize price was usually increased in May, but nothing had been decided yet. A meeting with the Agriculture Minister to decide the matter was planned for next week. (3) Maize

However, Human did not foresee a price reduction. The increase in petrol prices and VAT would contribute to a likely rise in maize and maize product prices, he said.

An SA Sugar Association spokesman said the organisation had been in touch with the ANC and was keeping it informed on pricing and import duty policies.

Star 22/4/93

Samancor, Nippon Denko tie up

By Derek Tommey

A major Japanese company is planning to break a trend going back many years and make a direct investment in South Africa.

This follows an agreement between Samancor, the world's biggest producer of ferro-chrome, and Nippon Denko, a major Japanese producer of ferro-chrome, to establish a joint venture to sell South African ferro-chrome in Japan.

The agreement is subject to the outcome of a feasibility study.

If the companies go ahead with the arrangement, it will increase South Africa's ferro-chrome exports by about R100 million a year at the current depressed price, Wilrich Schroeder, general manager of Samancor, said last night.

Samancor would benefit from the increase in production, which should lead to lower unit costs, and from the profit on sales of ferro-chrome in Japan, he said.

Samancor hopes the link with Nippon Denko will lead to further sales in Japan.

However, Samancor is quite well represented in Japan.

Nippon Denko had been finding it increasingly difficult to sell its ferro-chrome at competitive prices because of the sharp appreciation in the value of the yen against the dollar, said Schroeder.

The proposed joint venture will be established in South Africa, with equal participation by Nippon Denko and Samancor.

The production facility of the joint venture will be the No 5 furnace of Samancor's Tubatse plant, which has a capacity of 60 000 tons a year.

Chrome ore will be supplied from Samancor's mines under a long-term agreement.

The announcement said the joint venture would strengthen the chromium businesses of both companies by utilising their respective strengths and combining Nippon Denko's sales network in Japan with Samancor's chromium resources and production facilities in South Africa.

Both companies will be represented on the joint venture's board of directors, with Samancor being responsible for production and Nippon Denko for sales.

Star 22/4/93

Drought forces lower sugar forecast

DURBAN — The first official estimate of cane and sugar production for the 1993/94 season is 11,7 million tons of cane, which should yield 1,3 million tons of sugar.

(3) Sugar

The forecast is 200 000 tons lower than the considerably reduced 1992/93 crop of 1,5 million tons of sugar.

Michael Mathews, executive director of the SA Sugar Association (Sasa), says domestic demand will be met and that in anticipation of a lower crop than envisaged, Sasa has taken steps to ensure commitments to world markets are met.

Commenting on the effects of the continuing drought, a spokesman for the Cane Growers' Association said yesterday a large number of growers would be seriously affected.

The drought relief measures arranged with the Government last season had enabled most growers to survive, albeit at a considerable cost.

Faced with a second successive crop failure, prospects for further survival would be difficult unless current negotiations with the Government resulted in meaningful relief measures, the spokesman said.

It was particularly important to counter possible large-scale unemployment and to lessen the impact that reduced grower incomes would have on rural towns and villages. — Sapa.

Star 22/4/93

BDay 22/4/92

NEWS IN BRIEF

Sugar

Cane crop shrivels

(3)

SUGAR cane production would drop 13,3% this season, the SA Sugar Association said yesterday.

The harvest would be 11,7-million tons of cane, yielding about 1,3-million tons of sugar, 200 000 tons less than the previous season. Low rainfall in cane areas during the past month had further reduced crop expectations.

SA Sugar Association executive director Michael Mathews said local demand would be met. Arrangements would be made to fulfil world market commitments.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Sondela farm

26. Mr M RAJAB asked the Minister of Agriculture: sugar

(1) What, to date, is the total (a) cost of the (i) purchase of the farm known as Sondela and (ii) farming operations taking place on this farm and (b) income that has been generated by this farm;

(2) whether this farm has been running at a loss; if so,

(3) whether a decision has been taken to dispose of this farm in order to cut losses; if not, why not; if so, what are the relevant details? D74E

The MINISTER OF AGRICULTURE:

(1) (a) (i) R4 111 973,35

(ii) R818 872,54

(b) R577 003,16

(2) The farm Sondela is almost exclusively a sugarcane farm and is at present subjected to a severe drought. The yield of the crop can only be determined in 18 to 24 months' time. An assessment whether the farm is run on a profit or loss basis, can only be determined after the expiration of the current production season towards the end of January 1994.

(3) The Ministers' Council of the House of Delegates has already decided that the farm is to be sold. The farm will subsequently be advertised for sale by the Department of Agriculture in terms of section 2 of the State Land Disposal Act, 1961 (Act 48 of 1961).

INTERPELLATIONS UNDER NAME OF MEMBER

Abrahams, Mr T—
Own Affairs:
Education and Culture, 629

Beyers, Mr J M—
General Affairs:
Constitutional Development, 573

Bruwer, Mr A A B—
Own Affairs:
Agricultural Development, 783

Burrows, Mr R M—
Own Affairs:
Education and Culture, 99, 954

Carlisle, Mr R V—
General Affairs:
National Health and Welfare, 1127
Own Affairs:
Housing and Works, 605

Chiolé, Mr J—
General Affairs:
Transport, 49
Own Affairs:
Education and Culture, 1159

Gastrow, Mr P H P—
General Affairs:
Home Affairs, 1269

Gerber, Mr A—
Own Affairs:
Education and Culture, 19

Gibson, Mr D H M—
General Affairs:
Trade and Industry, 309

Goodall, Mr B B—
General Affairs:
Finance, 580

Gounden, Mr T L—
Own Affairs:
Education and Culture, 648

Groenewald, Mr P J—
General Affairs:
Defence, 1263

Haswell, Mr R F—
General Affairs:
Law and Order, 420

Isaacs, Mr N M—
General Affairs:
Public Works, 619
Own Affairs:
Local Government, Housing and Agriculture, 125

Landers, Mr L T—
General Affairs:
Justice, 1185

Langley, Adv T—
General Affairs:
Justice, 413

Leon, Mr A J—
General Affairs:
Justice, 56

Moorcroft, Mr E K—
General Affairs:
Agriculture, 734

Naidoo, Mr P—
Own Affairs:
Education and Culture, 855

Star 29/4/93

Tongaat spending R200-m on capex

Finance Staff (3) Sugar

DURBAN — Tongaat-Hulett is embarking on a R200 million capex programme, despite a five percent drop in 1992/3 earnings.

Tongaat is maintaining its final dividend at 50c, making 73c for the year in the teeth of a drop in attributable earnings to R142,9 million (R150,2 million).

Pre-tax profit was R192,6 million (R177,6 million) in the year to March, but a hefty increase in tax pulled down the bottom line.

Rationalisation has reduced staff numbers by 5 500 in two years to 30 000 people.

The capex programme encompasses the sugar, aluminium, starch and sweeteners divisions.

Its Heatonville cane irrigation scheme will cost R100 million.

Star 6/5/93

Loss for CG Sugar

Drought-battered CG Smith Sugar has reported a 24 percent decline in earnings per share to 24,4c in the six months to March.

The dividend has been reduced by 2c to 7c a share.

(3) Sugar

While turnover showed a 13 percent rise to R603,1 million, operating income declined by seven percent to R80,9 million.

Higher interest payments of R24 million (R18,5 million) accelerated the earnings decline.

The group says the worst effects of the drought were felt by its South Coast sugar mills, where sugar production dropped by 175 000 tons. — Finance Staff.

Drought wilts C G Smith Sugar profit

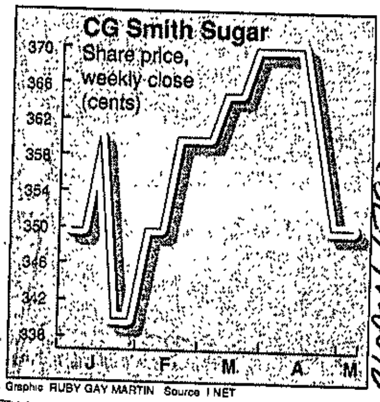
(3) Sugar

MARCIA KLEIN

BDAY 6/5/93

C G SMITH Sugar's attributable profit dropped by 21% to R38,5m (R48,7m) in the six months to end-March as drought conditions took their toll on the sugar industry.

MD Don MacLeod said results



Graphic RUBY GAY MARTIN Source I NET

incorporated the second half of the 1992/93 sugar season which had been affected by extreme drought conditions. The worst effects had been felt by the company's three sugar mills on the Natal South Coast, where total sugar production had dropped by 157 600 tons from the previous year. Turnover had increased 13% to R603,2m (R534,1m), but operating profit had fallen 7% to R80,9m.

MacLeod said the furnfural plant in Sezela, traditionally a strong profit contributor, had been affected by lower prices and reduced volumes due to the drought. The plant used by-products to make furnfural alcohol, for use in foundry resin.

The 29% rise in the interest bill to R24m (R18,5m) was largely due to the R90m acquisition of the Umfolozi sugar mill and increased crop financing. Interest cover had been reduced to four (5,7) times, and average gearing had risen from 30% to 36%.

Pre-tax profit had been reduced 16% to R60,7m from R72,0m. After a 7% reduction in taxation to R20,9m, profit after tax was down 20% at R39,8m from R49,5m. Earnings decreased 24% to 24,4c (32,1c) a share on additional shares in issue. A 22% lower interim dividend of 7c (9c) a share had been declared.

MacLeod said the decline in earnings was purely drought-related, and did not reflect any problems. The drought had persisted, and sugar production was expected to decline further. Although C G Smith Sugar had implemented some cost cutting measures, profits for the second half were expected to be below those of the first, MacLeod said.

FM

FM 7/5/93 (3) Sugar

TONGAAT-HULETT

Sugar didn't give it go

Maize farmers are smiling for a change, but November's drought-breaking rains came too late for Natal's sugar cane crop. For

SUGAR DROUGHT

Year to	Mar 31 '92	Mar 31 '93
Turnover (Rbn)	3,97	3,87
Operating income (Rm)	281	269
Attributable (Rm)	150	143
Earnings (c)	201	191
Dividends (c)	73	73

Tongaat-Hulett's sugar division, that meant a R22m drop in taxed profits. (3) Sugar

Of course Tongaat-Hulett is widely diversified, covering foods, building materials, textiles and aluminium. But sugar from the North Coast canelands is one of the group's core businesses and profit sources. The drought has reduced the sugar division's earnings by about 29% and that means its overall contribution to group profits has slipped from about 41% in the 1992 financial year to less than 35% in 1993.

It also affected group turnover. That has declined by 2,5%, the first time in at least a decade the group has reflected ebbing sales. But group MD Cedric Savage says the deficit from sugar was more than compensated for by improved performances in other core activities, particularly the aluminium and starch & sweeteners divisions.

* cont

Cedric Savage ... *stopping the bleeding*

Most important, he says, is that the ongoing management restructuring and refocusing programme, instituted a year ago (*Fox*, May 8), has "stopped the bleeding" in underperforming businesses. Those beyond viable treatment have been terminated, including eight brick factories which have either been sold, closed or mothballed.

One result of the programme — Savage says some 16 management groups are examining areas of concern in the group's 28 different businesses — is improved cash generation. And it shows on the balance sheet, where cash resources have grown more than eight times to R255,5m, reducing net borrowings by about R95m despite a 51% increase in long- and short-term loans.

That's taken 26% off the interest bill, reducing it to R76,8m. But a tax charge which doubled to R50,2m — partly because the previous rate was very low, when deferred tax provisions were reduced by 2% and the end of export incentives — has hammered earnings, knocking them back to 1991 levels.

Still, the drop in earnings was less than the market expected. One analyst's report, published when the interims were announced, forecast EPS to be nearly 5c lower.

Savage says cost efficiencies and greater cash generation will be a continuing trend. Capital spending of R200m is being invested in the stronger performing divisions: sugar, aluminium and starch & sweeteners.

Biggest project is the R100m scheme to irrigate 5 000 ha of caneland at Heatonville, which should be operating by October. Besides increasing sugar production, it will also offer Tongaat-Hulett a degree of protection from future droughts.

At the same time, corrective measures, like the salary increase freezes instituted last year, will be applied if necessary, Savage says. "We don't like doing it, but it shows the staff we are serious about improving the business."

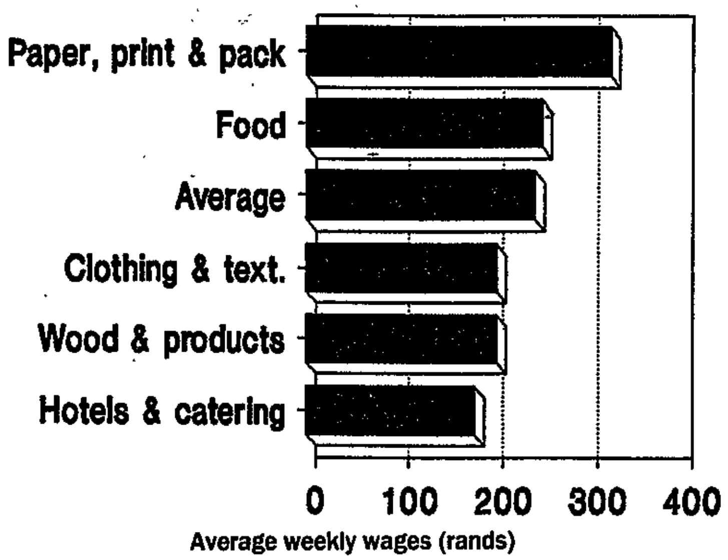
All these efforts seem to be reflected in the share price, which has only lost about R2 over the year, despite less than sparkling results, and, at R21, is on improved ratings.

7/5/93 (3) Sugar

It appears relatively expensive at present; any significant drop in price could be a buying opportunity considering the group's potential.

Shaun Harris

2000.



Pay rises still topping inflation rate

By Paul Bell
Labour Correspondent

Star 21/5/93

The fall in inflation has not been accompanied by a decline in wage increases.

According to a survey by the Labour Research Service (LRS), annual wage settlements averaged 13,9 percent between September 1992 and March this year.

Inflation over the same period averaged 10,2 percent — making a net gain for workers of 3,7 percent.

In its survey of 112 companies for its biannual review, the LRS says 72 percent of respondents awarded increases of 10,3 to 20 percent, while only 20 percent of the sample made awards below the inflation rate. The average wage was R243 per week, or R1 023 per month.

Paper, printing and packaging workers were the highest paid at R323 per week. Food manufacturing paid next best, at R250.

Worst off are the hotel and catering industry — a sector which, incidentally, is currently affected by industrial action — where, according to the LRS, workers are said to earn an average R180 per week.

CG Smith lifts earnings, repeats payout

By Stephen Cranston

Star 21/5/93

CG Smith was able to increase earnings per share by four percent to 461c in the six months to March.

The dividend has been maintained at 117c.

This was achieved despite an eight percent decline in the contribution from its main profit source, CG Smith Foods, which in its own results reported earnings per share of 151,2c and an eight percent cut in dividend to 36c.

CG Smith's turnover rose by seven percent to R9,5 billion.

Chairman Robbie Williams says trading conditions were tougher than expected. Operating profit was up just one percent to R719 million.

But a reduction in interest payments allowed pre-tax profit to rise by five percent.

The group was a beneficiary of the new structure which took R40 million off the tax bill.

Weak consumer demand and high raw-material costs reduced earnings at Tiger Foods.

Severe drought conditions encountered by the sugar industry led to a 21 percent fall in the earnings of CG Smith Sugar. Its tonnages were off 16 percent in the 1992/3 season and an estimated 25 percent for the 1993/4 season.

This was partly offset by a strong performance from the group's US-based operation, Monitor Sugar.

ICS did well to achieve a marginal improvement in earnings, despite falling volumes and surpluses in milk, red meat and chicken.

Star performers were Adcock Ingram and Logos Pharmaceuticals, which benefited from the success of new products and continuing focus on cost containment and operating efficiency. Their contribution increased by 40 percent.

Oceana Fishing profited through a strong performance from the cold storage division and restored profitability in the shipping and clearing operations.

Nampak's sales volumes fell 1,8 percent, but tight cost control, good asset management, lower interest rates and a reduced effective tax rate enabled it to improve attributable earnings by 22 percent.

Profits were maintained by Bevcan, Foodcan and Sacks, while the glass division achieved a modest profit.

Plastics was adversely affected by lower sales in the soft drink industry of PET bottles. The corrugated division was affected by the switch to plastic crates by SA Breweries.

There were improvements in the tissue and printing divisions, but declines from paper manufacturing and merchanting.

The textile market was also affected by difficult trading conditions, with profits declining in the fabrics and industrials divisions.

There were continued improvements in the carpet division. Island View Storage benefited from higher imports by customers.

The disposal of Crossley Carpets for R37 million and a drop in borrowings led to a substantial reduction in Romatex's interest costs. Its taxed profit improved by 42 percent.

CG Smith's cash flow from operations improved from R374 million to R592 million. Net cash flow after investment in future operations was R227 million (R117 million last year).

Gearing improved from 25,1 percent to 21,9 percent.

Williams does not expect any improvement in trading in the near future, but feels earnings for the full year are likely to show a small improvement.

Crookes Brothers' earnings hurt by drought, competition

Star 27/5/93

(3) Sugar

By Stephen Cranston

The drought and unexpectedly heavy competition in European markets held Crookes Brothers' earnings per share to a modest four percent improvement to 62,6c in the year to March.

The dividend is an unchanged 21c.

MD Dudley Crookes says the drought had a material effect on agricultural production. Cane production fell by 24 percent to 314 083 tons after adjusting for the sale of the Isonti farm on the South Coast.

Income from exports was down as heavy competition in European markets resulted in citrus prices being pegged at 1992 levels, while apple prices declined.

Group turnover declined by two percent to R43,3 million, and pressure on selling prices led to a 22 percent decline in operating profits to R6,15 million.

Interest payments fell from R770 000 to R380 000 despite the considerable cost of expanding banana operations in the Eastern Transvaal and improving the deciduous fruit farm in the Cape.

Income benefited from the reversal of a R1,592 million deferred tax provision thanks to the policy of providing on the partial method.

Investment income increased by 10 percent to R942 000 and attributable income by four percent to R7,5 million.

ST Times [Buss] 6/6/93

Sugar harvests turn sour

SUGAR harvests in Cuba, India, South Africa and Thailand are expected to fall sharply this year, says the US Department of Agriculture.

World production of cane and beet sugar is estimated at 111,3-million metric tons — 4,6-million less than the record crop of 1991-1992.

(3) Sugar

SA's crop is estimated to be down 34% at 1,6-million tons.

Sugar industry changes sought

BDay 18/6/93

FURTHER deregulation of the sugar industry was called for at the SA Cane Growers' Association meeting in Durban yesterday.

Association vice-chairman Lawrie Gordon-Hughes said the industry needed to address these issues in accordance with proposals put forward by the Kassier report and GATT.

Viewed against the recommendations of the Kassier committee, single-channel marketing and the present quota system could be seen as largely contrary to free market principles.

3 Sugar

Gordon-Hughes said quotas rewarded certain millers and growers preferentially, while single-channel marketing could mitigate against productivity, efficiency and cost effectiveness in serving consumer interests.

Phased implementation of many of the Kassier committee's recommendations would facilitate compliance with GATT rules for agricultural products.

The Uruguay round of GATT negotiations was the first attempt to remove trading distortions in agricultural commodities caused by export subsidies and high tariffs, thereby creating a level playing field among all GATT countries.

He said that for too long the sugar industry had been perceived as an entity of "fat cat" sugar barons and a small number of industrial conglomerates.

This was not a true reflection of the association's membership, he argued. The body represented 43 000 family sugar cane farmers consisting of about 2 000 commercial producers and 41 000 small-scale subsistence farmers, mainly farming tribal land in KwaZulu, Transkei and KaNgwane.

R790m loss for sugar industry

CT 18/6/93

DURBAN. — SA sugar cane growers lost some R790m in earnings due to two consecutive crop failures due to drought, SA Sugar Cane Growers' Association chairman Roger Stewart said yesterday.

(3) SUGAR

Rainfall had been below average since November 1991 and the prospects for the 1993/1994 crop was worse than last season's 1,51mt. The estimate was for 1,3mt, barely enough for domestic consumption.

Building a sweeter sugar industry

B/Day, 24/6/93

MARIANNE MERTEN

THE sugar industry will invest millions of rands to improve sugar production, SA Sugar Millers' Association chairman Dick Ridgway said in Durban yesterday.

Speaking at the association's annual general meeting, he said the industry had invested R2bn in a project to develop new irrigated cane growing areas and a dam in the eastern Transvaal.

(3) Sugar

The project included the construction of the new Komati mill, worth R500m, near Onderberg by Transvaal Sugar Ltd.

This area was expected to yield a 1,2-million ton cane crop which would produce about 130 000 tons of sugar. Nearly 6 000 new job opportunities would also be created, Ridgway said.

Tongaat-Hulett had invested about R100m to construct an irrigation scheme at Heatonville in KwaZulu.

However, two Natal sugar mills, at Umzimkulu and Entumeni, had been closed for the duration of the 1992/3 season to rationalise milling capacity. This was the first time such a step had been taken, he told the meeting.

The drought had not only affected the volume of sugar production, but also the cane's quality, which in turn affected millers' performances. SA normally produced about 2,2-million tons of sugar annually, but this had declined to 1,3-million tons for the 1992/3 season.

The industry was waiting for the outcome of drought relief negotiations with government, he said.

Bitter times for sugar industry

B/Day 24/6/93

DURBAN — Sugar production during the past season fell to 1,5-million tons and estimates for the 1993/94 season were under 1,3-million tons compared with normal annual output of approximately 2,2-million tons, SA Sugar Millers' Association chairman Dick Ridgway said yesterday.

Ridgway told the association's AGM that lost production over the two seasons would be in excess of 1,5-million tons. "The impact of these losses in terms of revenue to the sugar industry and foreign exchange is obviously enormous."

(3) Sugar

He said growers, particularly in Natal, might not be able to withstand two years of minimal income.

"The impact on small growers is particularly severe, especially those who had commenced cane farming during the recently expanded opportunities for free entry. A great number of larger growers are in equally dire straits with their capital base eroded to an unacceptable level."

He said the association was waiting for the outcome of negotiations on drought relief with government.

He said milling had been reduced. During 1992/93 two mills, Umzimkulu and Entumeni, were closed for the duration of the season.

"This was the first time in the history of the industry that such action has had to be taken. Similar procedures will be followed during 1993/04," he said. — Sapa.

COMPANIES

Ore find may save Gold Fields tin mine

ANDY DUFFY

GOLD Fields of SA is considering granting a reprieve to Rooiberg Tin, its loss-making base metals subsidiary which last June was given just 12 months to live.

The mining house said yesterday that additional ore had been discovered, and this could extend Rooiberg's life for at least another five years.

Coal and base metal division GM Richard Robinson warned 12 months ago that Rooiberg had a year of high grade reserves left and that it would have to be mothballed or closed unless market conditions improved.

Though tin prices had deteriorated since then, Robinson said yesterday Gold Fields had still to decide whether Rooiberg should close or continue at current low levels.

The Rooiberg workforce was reduced by two-thirds last year, to leave total staff at just 250.

"We're at the right staffing level," he said. "We have identified additional ore with similar sorts of grades, so we can continue to produce for quite a bit longer depending on prices and the cost structure."

The lifespan could extend beyond five years depending on the results of continuing exploratory work.

Gold Fields' decision to keep the mine going caught market sources by surprise, given the disastrous state of the tin market.

Massive oversupply in recessionary markets and the failure of the Association of Tin-Producing Countries to control non-member producers such as China, Brazil and Russia, have led to a collapse in prices.

The metal was trading on the London Metals Exchange at a three-month middle price of $4 977 a ton yesterday — its lowest level for more than 20 years.

Lonrho Sugar's earnings climb

EDWARD WEST

BDay 29/6/93

LOHNRO Sugar Corporation's earnings have climbed 12% to 571,1c a share in the year to-end March 1993 from 510,1c a share at the same time last year, today's published results showed.

A final dividend of 120c was declared, lifting the total dividend to 230c (1992: 220c).

The group, 99,7% held by Lonhro International, grows and mills sugar at estates in Swaziland, Mauritius, Malawi and SA.

Its results are quoted in emalangeni (E) — which has the same value as the rand — as the company is incorporated in Swaziland.

Turnover increased 9% to E463,8m (E425,3m), but profit margins improved and operating income climbed 15% to E119,2m (E103,5m). Loans rose substantially to E95,2m (E23,8m).

2 Sugar

Lonhro Sugar's shares, one of the least traded on the JSE, was 4 800c at close of trade yesterday.

Natal's severe drought could trigger migration

Star 29/6/93

Own Correspondent

DURBAN — Severe shortages of water on the Natal South Coast could force an unprecedented migration of people to the Durban area, authorities fear.

Drought is taking its toll throughout Natal and in some areas of the province farmers are trucking in water for their animals.

However, hardest hit is the South Coast where springs and rivers are drying up and the combined storage of the dams is currently at its lowest recorded level.

The Sezela Sugar Mill on the South Coast has resorted to ferrying water in with tankers to keep working.

The principal engineer with the Department of Water Affairs in Durban, Norman Ward said yesterday that drought was "very serious" on the South Coast where the rural population relied on springs and rivers for their water supplies.

These had dried up and boreholes had been drilled in some areas. These were, however, likely to dry up soon themselves, he said.

"A lot of people in Government circles are not fully aware of the problem developing down the South Coast. It could cause a lot of people to migrate to Durban and cause a serious situation," he said.

The sugar industry has been particularly hard hit as well as smaller farmers battling mounting debts.

Estimates

Sugar production for 1993/94 is estimated at 1,25 m tons compared with a normal 2,1 m tons leading to a loss in gross revenue running to hundreds of millions of rands.

"The situation is deteriorating quickly — almost no rain has fallen since March," said Cane Growers' Association chief Rex Hudson. "Crops are withering and ground water reserves, relied on by farmers in previous droughts, are drying up.

"Sezela sugar mill on the South Coast is relying on tankers to bring in water. Small and rural farmers are battling. In previous years better-off farmers supplied rural communities with water from boreholes, but that is fast becoming impossible," he said.

(3) Sugar

Meanwhile the Cane Growers' Association is negotiating loans with Government to aid stricken farmers relying totally on sugar for a living.

May rainfall figures from SA Sugar Association experiment stations show many South Coast areas, including Sezela, had no rain at all. In other farming areas, farmers are carting water and searching for fodder to keep their breeding stock going.

Other stock has long since been sold off causing an oversupply at the abattoirs and forcing meat prices to drop. In the longer term, a shortage of meat is likely to occur with prices likely to soar upwards.

In the timber industry the two years of "unheard-of" drought has been catastrophi[c] for growers, says Dr Carl Seel[e] national chairman of the Tim[ber] Growers' Association.

The drought has given rise t[o] devastating plantation fires at [a] time when there are depresse[d] international pulp and pape[r] markets, a declining saw tim[ber] market and large-scale re[trenchments].

The Drakensberg has suf[fered] a paucity of rain an[d] snow for the last few years.

Underberg, renowned for it[s] high and reliable rainfall ha[s] been so dry that some farmer[s] have for the first time applie[d] for drought aid.

Vegetables such as potatoe[s] are plentiful and cheap becaus[e] farmers made strategic use o[f] water supplies, but if these ar[e] not recharged production nex[t] year will be well down.

Prospects for city dwellers i[n] the Durban and Maritzbur[g] areas is not yet serious althoug[h] it is beleived that if the sprin[g] rains later this year fail agai[n], water restrictions will be inevi[ta]ble.

Sugar duty is increased

B/Day 6/7/93

JOHN DLUDLU

CUSTOMS duty on sugar was increased from R661 a ton to R718 a ton with effect from July 2, the Board on Tariffs and Trade said yesterday.

This followed tariff adjustments on the commodity following price increases, chairman Nic Swart said.

He said there had been a 9,9% domestic increase in the price of sugar and an increase in international prices. (3) Sugar

The local sugar industry had enjoyed tariff protection since September 11 1992 through a specific duty which replaced the formula duty applicable up to then.

With the system, tariff protection was adjusted on the basis of particular guidelines without prior notice in the Government Gazette.

According to the guidelines, the specific duty on sugar would be increased from the previous level by the amount by which the world sugar price decreased from the level during the determination of the previous scale of duty, if the average decrease in the world price was more than 10% over 20 trading days.

Alternatively, the duty increase could be calculated by the amount by which the domestic industrial price for refined sugar (free on rail Durban) increased, if the increase was more than 4%.

Since the implementation of this new procedure, adjustments in the calculations of tariff protection on sugar had already been implemented, Swart said.

These included the increase of customs duty on sugar in February this year to R786 a ton from R677 because of a decrease in the international price.

Another adjustment came in May with the decrease of customs duty on sugar to R661 a ton from R786 a ton, following an increase in the world sugar price.

SUGAR INDUSTRY (3) Sugar

Failing crop

FM 16/7/93.

Natal's second successive year of drought is heaping trouble not only on sugar cane growers, who have already suffered losses of R790m, and sugar millers, but also on the region's beleaguered economy. The downturn in arguably the area's biggest industrial sector is rippling through the supply, service and consumer sectors.

Cane Growers' Association chairman Roger Stewart says the estimated sugar production from the 1993/1994 crop, now being harvested, will be between 1,2 Mt and 1,3 Mt. This compares with a normal yield of about 2,3 Mt. And it follows an exceptionally bad year when production dropped to just 1,5 Mt.

While most of the country saw the end of

FM 16/7/93 (3) Sugar.

the drought this year and is now enjoying a rapid recovery, areas such as the eastern Cape (*Business & Technology* July 2), Natal and other sugar-growing regions have not been so fortunate.

Don MacLeod, MD of miller CG Smith Sugar, says the estimates are dropping all the time in line with both the falling quantity and quality of cane milled. CG Smith Sugar attributed a 21% drop in half-year profits to the drought.

Some mills have, for the second successive year, not opened because there is not enough cane to justify it. The operation of others is being hampered by water shortages of their own. "We expected a bad season because of the poor rains, but we've been shocked at how badly it's turned out," MacLeod says.

The south coast is probably the worst-hit area, partly because the lack of moisture prevented growers from replanting large areas after last season's drought. And those who did replant lost their crop. The pain, though, is widespread. Midlands growers have also suffered frost damage, rivers have dried up in the eastern Transvaal, where growers irrigate, and insult has been added to injury by widespread crop damage from cane fires.

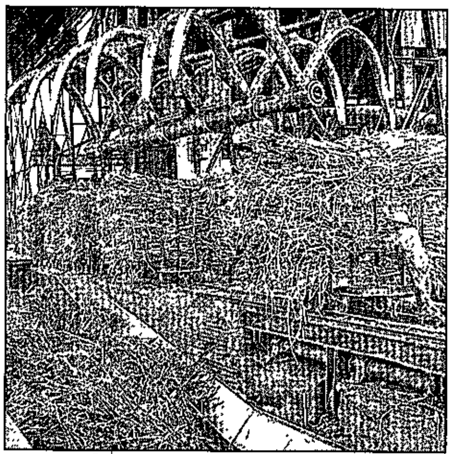
Citing the south coast as an example, MacLeod says production at the Sezela Mill has dropped to 30% of its norm and Umzimkulu to 42%, while the Illovo mill hasn't opened — its cane, which is only about 55% of the norm, is being processed by Sezela.

Also of concern is the industry's ability to recover in the coming year. Even assuming good spring and summer rains, MacLeod doubts, taking issues such as root damage into account, that industry production will be able to achieve better than 2 Mt.

Meanwhile, it's a question of survival for growers large and small. The Growers' Association has processed 560 Land Bank applications for drought-relief loans from quota growers, with about 460 approved, involving R100m. For small growers, the association's financial aid fund, supplemented by KwaZulu government assistance, has approved 6 500 applications involving R13m in loans for replanting or rationing.

But, the impact of reduced turnover isn't confined to the farming and milling community.

Durban Regional Chamber of Business economist Barry Poulsom says there will clearly be a double impact in terms of consumer spending and inputs. On the input side, expenditure on consumables such as fertilisers, pesticides and weed killers and services such as engineering must be down. That, in turn, reduces secondary income from the sugar industry, which knocks consumer spending.



Sweet, sweet sugar ... *in better times*

"We have requested retail figures from Central Statistical Services in Pretoria that will help us gauge just how serious the impact of the sugar industry's woes are on the rest of the economy. Until then we won't be able to quantify it, but it has undoubtedly been substantial." ■

NEWS IN BRIEF

B/Day 21/7/93

Cane farmers hit

(Sugar)

NATAL South Coast sugar farmers were again facing heavy crop losses because of drought and pests, including Eldana borer infestation, it was reported yesterday. In the Umzimkulu area the loss last year of R40m in cane-related income would almost certainly be repeated this year.

Award for Suzman

ANC president Nelson Mandela would deliver the keynote address at the national congress of the SA Jewish Board of Deputies in Johannesburg on August 21 when the Nahum Goldman Award would be presented to veteran politician Helen Suzman, a statement by the board said.

Concorde on safari

A CHARTERED British Airways Concorde will make the supersonic airliner's first comprehensive trans-African journey to SA with a leisurely 17-day flight via Kenya, Tanzania, Zimbabwe and Botswana from October 23 to November 10. Ninety passengers, mostly Americans, will pay about R40 000 each for the trip, which embraces some of the continent's most famous game reserves and ends with a Blue Train journey from Johannesburg to Cape Town.

Caption incorrect

A caption to a photograph depicting the handing over of a memorandum from the Seven Buildings Project to the National Housing Forum (NHF) in Business Day on Friday was incorrect in describing the people involved. Matthew Nell is the chairman of the Co-ordinating committee of the NHF and Saths Moodley is the senior co-ordinator of the NHF.

REPORTS Business Day Reporter, Sapa

Tentative signs of recession's end

B/Day 21/7/93

KELVIN BROWN

THE recession was showing some signs of bottoming out but the signs were still not strong enough to indicate a definite end to the downturn, economists said yesterday.

Various indicators had shown some improvement recently with real gross domestic product increasing in the first quarter. This was carried through as mining production, agricultural output and exports had all shown increases in data released over the past few months.

Standard Bank chief economist Nick Czypionka said the current improvement was more of a statistical nature due to the better gold price, the ending of the drought and the upturn in the economies of the US and the UK. However, he added: "We are not yet seeing it out on the street."

Other indicators that had shown some levelling out included motor car sales, manufacturing output and notes in circulation. Manufacturing production was up since the middle of last year and notes in circulation — an early indicator of higher spending demand — was also better.

Czypionka said a recovery would be visible only when the man in the street felt things were better, which would be reflected in an improvement in spending patterns. "This should occur when job security improves and people have more money in their pockets."

When SA gained greater access to overseas financial markets and the situation on the political front got better the economy should benefit even further, Czypionka said. "Until then the situation is unlikely to show definite signs of improving although there may be some bouncing back statistically."

UAL economist Dennis Dykes said although there were some signs of a turnaround it was difficult to tell if it was just a blip or a sustained increase. "The question is whether it will continue or be held to ransom by the political process."

The position of consumers was still not good as disposable income had been knocked by higher taxes and lower wage increases. He said the indicator to watch for was credit extension. "When consumer confidence picks up it affects demand for credit even before GDP."

Old Mutual economist Dave Mohr said the improvement in the primary sectors could suggest a flattening out in the recession later this year.

"In the past all sustainable recoveries in SA usually started with an improvement in exports and the primary sectors."

Agricultural production was good but volatile as it was dependent on the weather while the mining sector was showing signs of improving. There were pockets of evidence that overseas demand was picking up.

Gold and platinum prices had improved, and this carried through to the steel and other markets.

The depreciation of the rand should also help improve exports in these and other areas.

Mohr said the evidence indicated the economy could approach a turnaround this year with a slow improvement next year depending on what happened politically. However, there was little room for growth in the economy given current fiscal and monetary policies.

Farmers 'must clear proposed labour laws'

B/Day 21/7/93

DIRK VAN EEDEN

ANY proposed labour legislation for agriculture would have to be cleared with farmers before implementation, Free State Agricultural Union president Piet Gous said yesterday.

"Government quickly talks to farmers, decides on its own what it wants to do and then calls it negotiations," he said.

At a congress Free State farmers had called for a referendum, or they would not accept new legislation, Gous said.

Chairman of the union's manpower committee Japie Grobler said a forum had already been established to inform farmers about their legal rights and the changes they would have to make should comprehensive new legislation be adopted.

The forum, with representatives of the Transvaal and Free State Agricultural unions, Nampo advisers, Boskop training centre and the Manpower Department, would also strive for better labour productivity.

Several information days were planned for farmers.

Gous said the Free State Agricultural Union opposed the planned legislation because it did not take into account the personal relationships between farmers and their workers, or the specific needs of agriculture.

He warned that many labourers would lose their jobs if a minimum wage was introduced. Farmers would not be able to pay higher wages and would rather mechanise.

The union was also opposed to legislation legalising strikes. A farm could be ruined if it was not worked for a week or two.

"A farm is not a factory that can be shut down. When it is planting season you must plant, and a cow does not calve between eight and five either."

No other industry had provided housing and other social benefits for its workers to the same extent that farmers had.

Should strikes be legalised, farmers would have to allow unknown trade union workers on their farms. Because they could not know all the trade union organisers, it would create a serious security risk.

FM 30/7/93

CROOKES BROTHERS

FM 30/7/93

Drought hits sugar profit

In the middle of a drought in the sugar belt, it is hardly surprising that Crookes's financial 1993 operating income fell almost a fifth to R5,8m. Fortunately, relief came in the net R800 000 tax write-back. EPS rose 4% to 62,6c. 3 Sugar

Sugar cane still provides the bulk of income but its contribution fell 6% last year. This comes after the 35% decline in SA's sugar production — from the near-record 2,3 Mt in the 1991-1992 season to a dismal 1,5 Mt in the 1992-1993 season.

Earlier expectations of a crop recovery after last year's disaster were dashed when the drought continued through the summer. Except for the northern irrigated areas, the 1993-1994 crop is again being described as a disaster and the estimate of 1,3 Mt of sugar is the worst since 1965-1966. The crop might not be enough to meet local market requirements.

To reduce vulnerability to uncontrollable factors, borrowings were avoided except for brief periods and net borrowings fell R1,6m; the geographic spread was widened, the crop mix diversified and irrigation introduced where possible.

About 475 ha of sugar cane crops on the south coast estate which were badly affected by drought will have to be replanted earlier than expected. Costs of replanting (R1m) will be expensed, impairing profitability during the next few financial years. Capital expenditure was incurred on the banana expansion project in the eastern Transvaal (R2,4m) and on improvements to the deciduous farm in the western Cape (R1,7m) in financial 1993. 3 Sugar

This year will be tough. The R1,6m deferred tax provision has been eliminated because of the policy of providing for deferred tax using the partial method and the farming development expenditure expected to be incurred. Also, export prices vary widely through the seasons. Last year's operating profit was affected by difficult export markets in Europe. Strong competition and poor demand depressed apple prices. Citrus prices remained at 1992 levels.

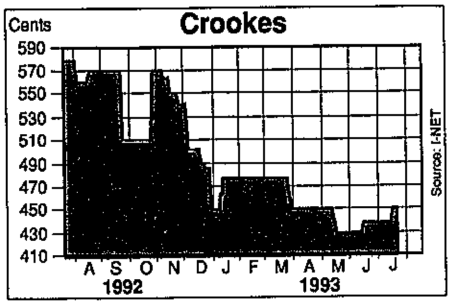
Chairman Ivan Gillatt says it's hard to forecast revenue accurately. But operating income is expected to return to 1991-1992 levels and group income after tax should not differ much from that of 1992-1993.

The investment of 300 000 C G Smith shares is worth 330c a Crookes share, indicating the market is valuing the other assets at only 120c a Crookes share. The share is thinly traded; only 134 000 have changed hands in the last quarter. At 450c, on a p:e of 7,2, it is rated below the sugar sector's 9,3 average. 3 Sugar

Kate Rushton

Activities: *Cane grower with citrus and other agricultural interests.*
Control: *The Crookes family.*
Chairman: *I F G Gillatt; MD: D J Crookes.*
Capital structure: *12m ords. Market capitalisation: R54m.*
Share market: *Price: 450c. Yields: 4,7% on dividend; 13,9% on earnings; p:e ratio, 7,2; cover, 3,0. 12-month high, 570c; low, 425c. Trading volume last quarter, 134 000 shares.*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	8,9	1,3	1,6	0,5
LT debt (Rm)	nil	1,0	0,5	nil
Debt:equity ratio	0,05	0,02	0,02	nil
Shareholders' interest	0,92	0,94	0,93	0,96
Int & leasing cover	38,6	11,6	—	—
Return on cap (%)	4,0	5,9	6,0	4,2
Turnover (Rm)	32	34	43	42
Pre-int profit (Rm)	7,5	6,8	7,8	6,0
Pre-int margin (%)	12,7	14,6	16,0	11,8
Earnings (c)	60,8	52,0	60,0	62,6
Dividends (c)	31,25	19,00	21,00	21,00
Tangible NAV (c)	1 440	901	1 016	1 135



SUGAR INDUSTRY FM 30/7/93

Taking a beating

The sugar industry is reeling under the burden of R1,5bn-R2bn in "lost proceeds" from what has been described as Natal's worst drought this century. (3) Sugar

As a result the industry, which also takes in eastern Transvaal and northern Transkei

FM 30/7/93

growers and millers, will need an estimated R200m in assistance to get it back on its feet — and that's assuming good rains in the next season. A third year of drought would spell even greater disaster.

That was the grim scenario painted by SA Sugar Association chairman Tony Ardington at the organisation's annual meeting this week. He estimates that sugar production this season will fall to a low of 1,2 Mt compared with an average season's 2,1 Mt.

Last year the industry, also crippled by drought, produced 1,5 Mt but in 1991 it put out a record 2,3 Mt. (3) Sugar

"Because of this, we have already imported 35 000 t from Swaziland and are negotiating for 10 000 t. A further 30 000 t is being brought in from Australia in October to meet local commitments," Ardington says. Last year the industry had to buy sugar to meet its export commitments.

Ardington estimates the initial Swazi consignment and the Australian imports will cost the association an estimated R63m. He stresses, however, that this cost will be borne by the industry and not consumers.

Further drought assistance is needed for commercial and small growers. "Planting decisions have to be made soon in anticipation of the August and September spring rains. Those decisions hinge on two crucial issues: the availability of seed cane, which is an agricultural issue, and finance, which concerns the broader financial community.

"While sugar, along with the rest of agriculture, has received drought assistance, this has been in the form of loans and not grants. Furthermore, government has never written off sugar industry debts ... unlike other sectors which have been granted write-offs of up to 40%.

"And we aren't asking for handouts now. Not to respond positively to our requests for additional loans to re-establish production now would, therefore, be hugely discriminatory against the region," says Ardington. ■

Chickens vaccinated

Staff Reporter

A MAJOR Western Cape poultry producer has vaccinated its entire breeding stock following an outbreak of a salmonella bacteria at several poultry holdings in the region.

This was disclosed by County Fair Foods managing director Mr David Finlayson. (3) POULTRY CT 5/8/93

Mr Finlayson said as far as he was aware none of the affected meat had landed on shop shelves and none of County Fair's "product" was infected.

This follows disclosures by the Department of Animal Health in Pretoria that a "new strain" of salmonella had been discovered in the Western Cape about five weeks ago.

A meeting will be held today between the department and other organisations in the poultry industry to discuss control measures.

Rainbow 'polluted river'

Staff Reporter (3) POULTRY CT 6/8/93

RAINBOW Chickens in Worcester yesterday admitted to polluting the Hex River, after the Department of Water Affairs took action against them.

Rainbow Chicken Farms (Pty) Ltd and one of the company directors — who was charged in his personal capacity — paid admission of guilt fines of R1 500 each. A court could have imposed fines of up to R50 000.

Mr Gawie Kies, principal water pollution control officer in the department, said last night an officer found water in the river was "grossly polluted" in April last year. The source was traced to Rainbow Chickens.

He said Rainbow Chickens rectified the matter as soon as they were informed, and paid admission of guilt fines instead of facing court action.

Salmonella: Birds won't reach shops

CT 11/8/93 (3) POULTRY

Staff Reporter

STRICT "bio-security" measures are being implemented to prevent contaminated chickens reaching supermarket shelves, the Department of Agriculture announced yesterday.

The chances of contaminated birds reaching the consumer were "infinitesimal", a spokesman for the department in Pretoria, Dr Malcolm de Bude, said..

"We cannot be 100% sure, but we think we have it beat. We were lucky that we had forewarning from Europe and so started monitoring for this strain of salmonella years ago and could catch it right at the beginning.

"If it had hit us unprepared, as it did in the UK, we would have been in trouble."

But consumers trying to spot salmonella contamination in chickens on supermarket shelves will have no luck — it cannot be seen with the naked eye.

The bio-security controls include:

- Bacterial testing in poultry houses and abattoirs and of the final product.
- Vaccination or slaughtering of certain flocks.
- Control of flock movements.
- Monitoring of workers dealing with poultry.
- Extra controls on imported poultry.

Dr De Bude said salmonella was destroyed by cooking. "If a chicken containing Salmonella enteritidis is thoroughly cooked, there will be no problem," he said.

FM 13/8/93

POULTRY FM 13/8/93

On the mend

The poultry industry is on the mend as recent results show that some producers are operating in the black for the first time in more than a year. "There's a better balance between supply and demand since producers started cutting production and some closed," says SA Poultry Association spokesman Zach Coetzee. 3) Poultry

This has meant rising prices. Pick'n Pay Hypermarket GM Ian Eadie says retail prices of whole birds have risen from R5,99/kg in July last year to R7,99/kg "and the market is more stable." But some prices have been as low as R4,99/kg.

Producers blame their dismal performance of the past year on a 32% increase in the maize price since 1991 and falling or static consumption. But while people were eating less chicken, producers were raising more birds. Poultry production was one of the few growth sectors in agriculture during the drought — rising from 11% of the total value of production in 1987-1988 to 14,4% in 1991-1992. But consumers began returning to red meat as its price fell during the drought because producers were sending more livestock to slaughter. The trend towards lower prices is likely to continue as the meat industry is deregulated.

This means that a full recovery for poultry is still some way off. Festive Chickens' Cliff Saunders says there is still too much capacity, with the industry able to turn out 1m more chickens a week than the 7,1m now produced, even though Mielie Kiep and Delmas stopped trading in the past year.

Pressed by tough market conditions and more efficient foreign competitors, producers last year turned to the traditional tactic of many industries in a squeeze — getting government to limit imports. Says Coetzee: "About 20 000 t of poultry were imported in 1992, concentrated in peak demand periods, but imports have declined with the new specific duty — introduced in November — of R2,25/kg on frozen birds. There is certainly less profit now for the importer."

Consumers, of course, are the clear losers with the new tariff, says Jim Sumner, president of the Atlanta-based US Poultry & Egg Export Council. "The tariff is onerous — no product can come into SA at a viable price. Previously chicken could be imported and sold for considerably less than the local product." Pick'n Pay food director Sean Summers says less than 1% of chickens are imported for retail and slightly more for industrial use. (3) Poultry

Sumner points out that an additional 40% surcharge on processed turkey products means that the SA consumer can't benefit from a large range of products that are popular in the US — "low cost and nutritious items such as sausages, franks, polonies and salamis."

Sumner adds: "These tariffs are being implemented at a time when SA is accusing the US of dumping — this is strictly untrue. Our producers are extremely efficient and able to produce poultry at exceptionally good prices. By allowing imports, government would expose the SA consumer to a wider range of poultry products and expand the market for everyone. At present, poultry consumption in SA is about 12 kg per capita a year compared with about 40 kg in the US."

At the core of the problem, says Summers, are high local input costs, especially for maize. "Producers need to sort out who the real enemy is."

He adds that producers must recognise that lower-priced imports, which local competitors almost always regard as dumping, are not often the result of foreign-government subsidies. "This is a knee-jerk reaction. We need to look at the constraints that keep the cost of food high. These are largely the by-products of our socio-economic engineering of the past 40 years."

Summers claims that the local industry has become outdated and inefficient because of years of isolation and a protectionist mentality. For example, he says, the local manufacturing content requirement keeps the prices of farm vehicles and equipment high while foreign producers can buy cheaper, more effective equipment.

Rick Griffiths, who takes over as Rainbow MD next month, says the industry is operating in a new environment. Most managers learnt their skills in a growth climate and developed aptitudes for trading up. "We now have to succeed in down-trading markets, which means being leaner and meaner." ■

Poultry importers seek tariff reduction

B/Day

JOHN DLUDLU

POULTRY importers expressed concern yesterday at the continued enforcement of the interim tariff charge on imported poultry. 25/8/93

The Board on Tariffs and Trade introduced the duty last November on an ad hoc basis after requests for protection of the local industry.

Importers also oppose the 40% surcharge on non-essential products.

Importer Gaertners' Patrick Gaertner said: "We understand the predicament of the local industry. We want only the reduction of the tariffs. But we're dealing here with a situation where two monopolies control 65% of the market." (3) Poultry

The root cause of the 40% poultry price hike, he said, was the central control of the price of maize.

'No underwear' picket continues

DURBAN. — More than 300 dismissed workers from a chicken factory in Camperdown, Natal, yesterday continued their three-week-long picket in nearby Maritzburg, protesting against having to work without underwear. 3

POULTRY

The women, under the banner of the Food and Allied Workers' Union, were fired from National Chick Farms between April and June because they refused to work without underwear, according to union official Mr J J Ngcobo.

CT 28/8/93

Repeated attempts to reach National Chick Farms' managing director failed yesterday, and a director declined to comment. — Sapa

Decision soon on poultry import duties

JOHN DLUDLU

THE Board on Tariffs and Trade would make a decision soon on poultry import duties, chief director Alwyn Kraamwinkel said at the weekend. (3) Poultry

Poultry importers have complained that the board is dragging its feet. Importers want the 40% surcharge on non-essential foodstuffs reduced to 10%. B/Day

The increased duty on frozen chicken was introduced by the board last November as an interim measure after complaints of unfair competition from the Southern African Poultry Association.

It decided on a rate duty of 225c a kilogram on frozen chickens and 313c kilogram on frozen chicken cuts.

The decision was motivated by the board's finding that frozen chicken imports had "trebled" since 1991 and that significant quantities of these imports were priced "abnormally low". 30/8/93

Responding to claims that poultry importers were "dumping low quality products" in SA, Kraamwinkel said the issue should be decided by consumer choice.

Star 15/9/93

Local demand buoys Lonrho Sugar

(3) Sugar

■ BY STEPHEN CRANSTON

Setbacks in South Africa and Mauritius were offset by good performances in Malawi and Swaziland, Lonrho Sugar says in its annual review for the year to March.

A shortage of sugar in the Southern African region enabled Lonrho to reduce its overseas exports, which fetch lower returns, to less than 10 percent of total production.

The group's sugar production fell by 2,4 percent, but the average price realised, in rand terms, was 3,3 percent better.

Its Glendale estate in South Africa saw its crop fall by 24 percent, compared with a 35 percent decline nationwide.

But only five percent of its production was sold on the world market, resulting in a one-third increase in the average ex-mill price.

The distillery's contribution was reduced because of lower net prices as a result of increased competition.

But the expansion of the plant has now been completed and there is ample capacity to diversify production to meet market requirements.

Results are expected to improve in the current year, but this will not be enough to offset the reduced sugar production.

The continuing drought in Natal will reduce production by a third and a small overall loss in expected for the year.

The Ubombo estate in Swaziland, however, registered the highest cane yields in the last six years. Low rainfall was compensated for by the large storage capacity of the dam, long sunshine hours and high temperatures. Sugar production of the mill was up four percent.

Swazi domestic sugar sales increased by 50 percent and regional sales by 29 percent.

Exports to the world market, at a lower price, fell by 48 percent. There was a 12,5 percent increase in pre-tax profi.

The current crop, however, has been affected by the drought and less sugar will be produced.

In Mauritius, the Mon Desert factory produced 70 tons of organic sugar from cane grown on virgin soil without the use of chemicals. Organic sugar attracts a high price premium in the UK.

Lonrho has been successfully exporting organic tea from Tanzania for many years.

Production on the island was affected by a drought in the early part of the season followed by excessive rainfall. The ex-mill price increased by just two percent and pre-tax profit fell by an eighth.

The Merville Hotel improved its contribution to profits substantially through increased occupancy, despite heavy competitive pressure on room rates.

In Malawi, the Dwangwa refinery had another record year, with its yield of 15,7 tons of sugar per hectare among the highest in the world. The price of sugar on the domestic market for the Sucoma mill was increased twice during the year.

The second phase of the Sucoma factory was delayed by three months, which will affect profitability, but there is likely to be a bumper crop as 1 800 hectares of the 2 700-hectare development at Alumenda have been planted.

Lonrho Sugar increases earnings despite drought

B/Day 15/9/93

MARCIA KLEIN

LONRHO Sugar managed to increase earnings by 12% to 571,1c (510,1c) a share, chairman and joint MD Rene Leclezio said in the group's annual review.

But financial 1994 was not expected to be as favourable for the Swaziland-registered group. Leclezio expected a drop in profits in the current year, mainly from the late start-up of the Sucoma factory in Malawi.

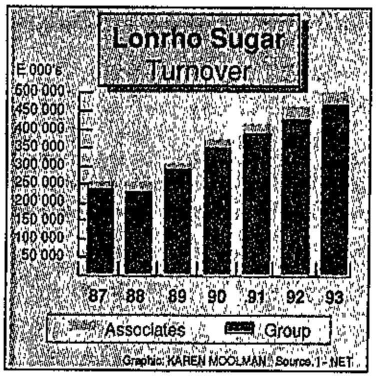
In the long-term, however, the expansion of the Malawi operation "should be highly profitable to the group", he said. This, combined with new marketing trends in Swaziland and the probability of better weather in Mauritius and SA, should see the group return "to record profitability" in 1994/95.

In the past year, the group's sugar production dropped by 2,4% against 1991/92, but the average price realised was 3,3% higher.

The setback caused by the drought in SA and Mauritius was compensated for by good performances in Malawi and Swaziland, where production was not affected and prices benefited from a sugar shortage.

Domestic sales in Swaziland rose by 50%, and regional sales by 29%, reducing exports. This resulted in a substantial improvement in the average price of sugar and a 12,5% rise in pre-tax profit. (3) Sugar

A slight reduction in profits was possible in the coming year as the current crop had been affected by the drought. The higher price achieved would not offset higher costs.



Graphic: KAREN MOOLMAN Source: I-NET

In Mauritius, a drought in the early part of the season followed by excessive rainfall affected production.

A slightly smaller crop was expected in the coming year, but a better average price was expected, and directors hoped profitability would not be significantly affected.

In Malawi, the problems with the factory were expected to have "a serious adverse effect on profits".

In SA, Lonrho Sugar had expected a 40% reduction in the total SA crop, but actual figures had been better.

Improved results were expected from the distilling operation in the coming year, but sugar production should be down by a third on last year's already poor crop. SA was unlikely to produce more than the 1,2-million tons required for domestic consumption, Leclezio said. A small overall loss was expected from SA.

Top-level strategic talks foreshadow far-reaching changes in sugar industry

3 SUGAR ARG 23/9/93

DAVID CANNING

DURBAN. — Far-reaching changes are likely to occur in the sugar industry as a result of top-level strategic talks now being held between millers and growers.

In the short term, millers have agreed to inflate the growers' cost claim by R30 million this year. In the longer term, the very formula by which the industry divides its proceeds is likely to be revised.

Other key issues currently under the industry's "microscope" include deregulation, so-called "single-channel" marketing, the need for quotas, tariff protection and the pressure to increase cost-competitiveness.

The industry has published a cautionary announcement about its "restructuring and deregulation" steps. It said proposals included the phasing out of the quota system and removal of requirements governing the registration of land.

Glyn Taylor, chairman of the SA Sugar Association, said yesterday that the discussions were aimed at strengthening the industry's role in the agricultural sector and as a major exporter.

Tough choices in the fight for a slice of sugar's cake

S/Times [BUSS]

By CIARAN RYAN

FRICTION between sugar millers and cane growers over the division of spoils is forcing the R2,5-billion a year industry to deregulate one of the most protected agricultural sectors.

Farmers may no longer be bound by quotas which prescribe how much cane they can grow and sell to millers.

Growers are dissatisfied with the way in which the quotas are awarded as they tend to favour long-established and less efficient producers at the expense of more efficient ones.

Eighty percent of South Africa's sugar is milled by C G Smith and Tongaat Hulett, leading to charges by consumer groups that they exercise an unhealthy control over the market.

Domestic sugar prices are 140% above the world price and an average 30% above the Swaziland sugar price. But massive protection closes the market to importers. After adding shipping costs, South African sugar would still be 85% above world prices.

Although Swaziland is a member of the South Africa Customs Union and can theoretically sell its sugar duty-free in South Africa, it is bound by an agreement to keep out of the local market.

Swaziland took over many of South Africa's sugar markets in 1964 after South Africa left the Commonwealth. In return, Swaziland agreed to keep out of South African markets. It also has access to South African export and research facilities.

"We would like to start competing in the South African sugar market, but at the moment we are unable to because of agreements with the South African Sugar Association (Sasa) for use of their export facilities," says Nigel Folker, senior marketing manager for the Swazi Sugar Association.

(3) Sugar

"Behind the current talk of deregulating sugar, I think Sasa is concerned about what the ANC might do and is trying to get its house in order before the ANC does it for them."

Sasa says Swazi sugar can only compete in South Africa by sacrificing proceeds from some of its overseas markets. Mr Folker counters that Swazi growers are more efficient and the industry association is less bureaucratic.

Swaziland produces 480 000 tons of sugar a year, 310 000 tons for export of which 120 000 tons receives a preferential price in the European Community. Its domestic market consumes 60 000 tons. South Africa produces 1,3-million tons a year. The Swazi Sugar Association employs 60 people compared with 1 200 in Sasa.

3/10/93

The current duty on sugar is R815 a ton, 113% above the world price. The South African sugar price is R1 740/ton.

Ironically, this protection could increase in terms of proposed changes to the General Agreement on Tariffs and Trade. The proposed level of protection for South African sugar could rise to 124%, although Sasa is quick to add that "this will be the maximum protection and does not mean that it will be invoked". Under GATT, the duties would fall to 105% over six years.

Sasa industrial affairs director Peter Nourse says: "The world is moving towards a situation where sugar prices reflect the costs of production and we will have to follow this trend. If GATT succeeds, everyone will compete on a level playing field."

Sugar is highly subsidised in most producer countries.

The Land and Agriculture Policy Centre, which is preparing agricultural policy options for the ANC, says sugar is one of South Africa's most protected sectors.

"Some producers are saying that because sugar is subsidised elsewhere in the world, we should do the same here," says Jonathan Beynon of the Land and Agriculture Policy Centre.

"But if subsidies continue over a long period, this can become very expensive. There are good arguments for taking advantage of subsidised agricultural commodities elsewhere in the world and importing them."

There are reckoned to be 44 000 cane growers in South Africa, 40 000 of whom are small, mainly black farmers producing less than 200 tons of sucrose a year for which no quota is required.

Most cane is grown by 2 000 commercial farmers who are protesting against the revenue split which gives growers roughly 70% and millers 30%. Revenue is split according to a formula based on fixed returns on capital. The millers' share of revenue increased during the drought years.

First imported sugar arrives

3 Sugar 7/12/10/83

Own Correspondent

DURBAN. — A 30 000-ton cargo of raw sugar — the first to be imported by South Africa in more than 10 years — arrived in Durban harbour yesterday from Australia.

It is part of 75 000 tons being imported by the sugar industry after a shortfall caused by prolonged drought.

An industry spokesman said no further imports were envisaged.

Drought chokes C G Smith Sugar

CT 5/11/93 (3) SUGAR

Own Correspondent

JOHANNESBURG. — The continued effect of the drought on Durban-based C G Smith Sugar's operations saw it drop earnings by 43% to 31,7c (55,3c) a share in the year to end-September.

Directors said the 3% rise in turnover, to R1,2bn from R1,1bn was because of the inclusion of the Umfolozi mill's contribution for a full year. Operating profit was down 36% at R92,1m (R142,9m).

Net financing costs were marginally reduced to R26,5m (R27,6m), and taxation was lower at R13,3m (R26,4m) on the back of lower prevailing rates. Profit after tax was 41% down at R52,3m (R88,9m), and after outside shareholders, attributable profit was 43% lower at R50m (R87m).

A final dividend of 7c a share was declared, bringing the full year dividend to 14c (23c) a share.

Directors said that the lower profits were caused by the drought, which resulted in a major crop failure for the second successive year.

Estimated 1993/94 season sugar production was 480 000 tons, compared with a normal level of 1-million tons.

Directors said the most badly affected area was the Natal South Coast, and C G Smith Sugar's own cane growing operations sustained losses. Smithchem's furfural plant reached a break-even position.

C G Smith looks to recovery after summer rains

BDay 11/11/93

CAPE TOWN — Good rains in September and October would help drought-hit C G Smith Sugar but a return to normal growth was some way off, MD Don Macleod said.

Addressing analysts, Macleod said even if Natal had normal summer rains, C G Smith would still have to replant cane fields. "It will be difficult to improve our results until 1995."

But the company was confident that, given normal rains, it was geared up for long-term growth. It would invest R250m over the next three to five years, from retained earnings and the sale of cane lands for development. "We may have some peaks in our borrowings, but believe we can contain these. Beyond that, we could go for a rights issue," Macleod said.

The company also planned to rationalise its mills. The Illovo mill would be moved closer to producers and diversification would be strengthened.

(3) Sugar

SA Sugar Association chairman Glyn Taylor, speaking in his capacity as chairman of C G Smith, said world sugar prices were set to stabilise and the next round of GATT should level the playing fields for producers in developing countries.

Financial director John Russell said price volatility had decreased because the world market was no longer dominated by "price-insensitive" buyers such as Europe, the EC and Japan but by much more price-sensitive African and Middle Eastern buyers.

Russell predicted the sugar price would range from \$0,08/lb to \$0,16/lb for the foreseeable future, and probably average out at \$0,10 to \$0,14.

The new round of GATT would cut back protection offered to world producers, opening the SA market to about 65 000 tons of sugar imports a year within six years. As a low-cost producer, C G Smith was "happy to face competition" as long as this took place "where the playing field is not a dumping ground", he said. — Reuter.

TONGAAT-HULETT

FM 12|11|93

Forming links abroad

There are no longer any sugar barons in Natal, the industry assures the *FM*, but there were in the province's imperial past and one wonders how they might have felt about recent changes in structure and strategy at Tongaat-Hulett, traditionally viewed as a leading sugar organisation.

The strategic growing, milling and refining of sugar remains a core activity, accounting, at last year-end, for about 25% of turnover and 37% of group profit. However, Tongaat can no longer be considered just a sugar operation, as the refocusing and restructuring of the past two years have improved performance in other divisions, and more recently has set it on an increasingly marketing- and export-driven path.

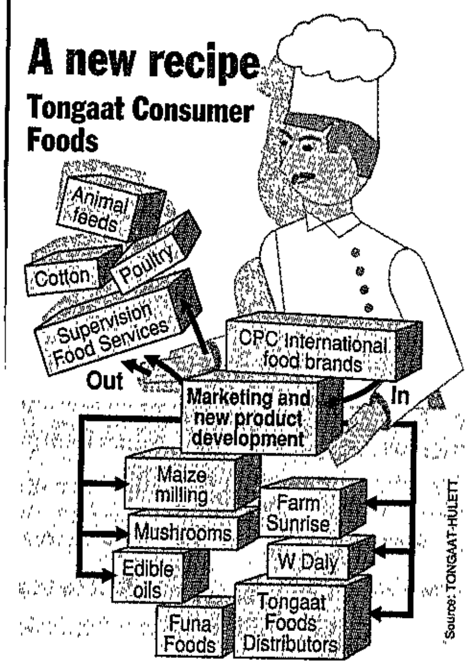
Fundamental changes are also happening in the sugar division, part of a general move into downstream activities. Group MD Cedric Savage frankly admits Tongaat is "not generating good returns from agriculture." It's therefore selling nonstrategic land, about R12m worth in the past year, to sugar farmers under a 20-year contract to supply Tongaat with cane.

(3) Sugar

But the big changes are in the foods and textiles divisions. Last month Tongaat signed a deal with CPC International, an American food giant with turnover of R23bn

FM 12|11|93

and which trades in 55 countries: Tongaat will make and market some CPC food brands under licence in SA and export



CPC's full range to sub-Saharan Africa.

About 10 years ago CPC sold some of its brands to Hunt Leuchars & Hepburn subsidiary Robertsons. Tongaat won't be able to market these brands, which includes the Knorr range, in SA, but will export them into Africa, along with other leading CPC brands.

The deal has led to the formation of a new company, Tongaat Consumer Foods, which includes the CPC products and some operations from what was the foods division. Other operations which were not consumer-food orientated, like cotton, animal feeds and commercial caterers Supervision Services, have been repositioned under control of head office, which seems to imply their future in the group will be reviewed.

Besides CPC's strong brands, Savage says an advantage of the deal is the international marketing experience the connection can bring. Alain Loss, CPC Europe's marketing director of Knorr Products, has been appointed marketing director of Tongaat Consumer Foods. CPC has the option of taking up a R100m investment in the new company.

New developments can be seen as an extension of the refocusing and restructuring programme. Initially it involved concentrating on lossmakers, either by selling them or downsizing operations. Most of the pain, which included a 15% reduction in staff and a salaries and wages freeze in some divisions, seems to be past. Now management can concentrate on developing new markets and investing in its profit centres.

Savage says two principles underlie recent changes: a move to become more export orientated; and a realisation that the group had to become more internationally competitive with sanctions falling away. "We could have tried to grow organically, but the route

(3) Sugar

we have chosen is to form joint ventures," he says. "This increases export opportunities and allows us to draw on our partners' experience in world markets, while we offer them a gateway into other African markets."

This applies to the more recent deal with Singapore-based textiles group Tolaram. Tongaat has sold its Prilla Mills in Maritzburg to Tolaram, which plans to source raw materials locally and set up an export operation. Tongaat and Tolaram are discussing a joint venture in textiles.

"In foods we are moving downstream to more profitable, value-added products and the same applies to textiles," says Savage. "We have sold two mills and are focusing instead on design, printing and dyeing of fabrics."

Management is concentrating exports on markets in Asia, including China, which Savage says appear to offer better margins than the competitive markets in America.

The building materials division has 50% spare capacity after closures of inefficient plant. Savage says Corobrik is now poised for the upturn. When that comes, with the likelihood that a new government will emphasise development of new housing, the potential for the division seems vast.

Interim results, to be published this month, will probably still show effects of the drought on the sugar crop, one of the reasons turnover declined by 2,4% at year-end. But internal changes have stemmed lossmakers, and international links could offer good growth prospects. Some analysts believe earnings growth could be as high as 15% for the full year; at least one is predicting growth of 25% in the 1995 financial year.

The changing focus could also improve perceptions of the share, now trading at R23,75, after reaching R25,50 earlier this year. Part of the problem seems to be that Tongaat is still viewed as a sugar group, which with the drought and volatile world prices are not particularly exciting. Changes which have taken place, and the new emphasis on marketing and exports, could change that perception.

Shaun Harris

FOX

FM 12/11/93

C G SMITH SUGAR
FM 12/11/93

Green shoots sprouting

(3) Sugar

Rainwater has remarkable properties — it seems it can even make share prices grow. That seems to be the main reason behind the one-third appreciation of C G Smith Sugar over the past few weeks, which coincides with good rains on the Natal south coast.

Despite the 43% drop in EPS and the 39% cut in the dividend, though, Smith Sugar's results may not have been as bad as the market was expecting. After two years of drought and resulting crop failure, which has been severe on the south coast, nobody was expecting good results.

(3) Sugar

If any feature on the income statement can be considered encouraging, it's the 3% growth in turnover (competitor Tongaat-Hulett saw turnover decline 2,4% at its year-end). This is largely thanks to Smith Sugar's new mill at Umfolozi on the north coast (less affected by drought), which was included in full-year results for the first time.

Biggest surprise comes in divisional contributions to earnings, provided by MD Don MacLeod. As expected, sugar's contribution dropped to 59,4% (1992: 70%), warehousing and distribution, not affected by drought, increased to 36,2% (16,7%), but chemicals, the growth area, slumped to 4,4% (13,1%).

Chemicals performed poorly largely because of the Smithchem plant at Sezela on the south coast, which was also affected by drought. Its major raw material is cane, used to make furfural and furfuryl alcohol. In addition, R2,7m had to be spent importing water to keep the plant going.

Prospects for the 1994 year do not look too bright. MacLeod says about 50% of profit for this year depends on the present cane crop, which is in the ground and won't be saved by rains. He says it will be hard to improve on 1993 results, but expects Smith Sugar to resume its normal growth in financial 1995.

That's looking quite far ahead, but it appears some investors are taking the same view. The share was arguably too low at about 280c towards the middle of the year, when ratings were not far off the rest of the sector. At 360c, the price is now approaching the annual high of 370c.

The large exposure to sugar contains an element of volatility, though the long-term prospect of an improved performance is clearly attracting some investors. A lot of water could flow under the bridge between now and financial 1995, but there could be more sweetness in the share. *Shaun Harris*

Lonrho Sugar's earnings slide

14/11/93

MATTHEW CURTIN

LONRHO Sugar has reported a slide in interim earnings to 193c (286c) a share in the half-year to September 30, partly a result of commissioning problems at one of its largest mills, Sucoma in Malawi.

A company spokesman said yesterday the slide would be a one-off occurrence. Management's confidence in strong earnings next year was reflected in the decision to maintain a 110c interim dividend and hold the final payout at 120c [illegible]

The Swaziland-based company, a subsidiary of UK multinational Lonrho, owns sugar plantations in Malawi, Mauritius, Swaziland and SA, as well a hotel in Mauritius, a Swaziland livestock business, and a distilling plant in Natal. Results are reported in the Swazi emalengeni, on a par with the commercial rand.

3 Sugar

Sales improved to E260m (E246m), but pre-tax profit fell a third to E43,6m (R63,2m). Tax provisions rose to E12,2m (E9,39m), contributing to a steeper decline in after-tax income to E31,4m (E53,8m) before reduced contributions from minority interests of E9,6m (E21,6m). Attributable earnings fell to E21,8m (E32,2m).

As forecast by chairman RenéLeclezio in the company's 1993 annual report, teething problems with the expansion at Sucoma continued to dent profits.

Land under cultivation at Sucoma grew by 2 700ha to 10 500ha in the interim, lifting potential sugar output to 160 000t/year. That left the company well-placed to take advantage of regional markets hard hit by the drought, the spokesman said.

He said Lonrho Sugar's plantations were irrigated and therefore not severely affected by drought. Sales should grow strongly from 1994. Also, the group's Mauritian hotel and sugar businesses were profiting from the thriving island economy.

The spokesman added that the group had not been affected by the struggle for control at Lonrho's headquarters in London between main shareholder Dieter Bock and founder Tiny Rowland.

Tongaat weathers the drought

(3) SUGAR ARG 17/11/93

DAVID CANNING

DURBAN. — Tongaat Group has lifted interim attributable earnings by 8,2 to R70,8 million, despite the drought and, barring unrest ahead of the elections, expects full-year earnings to improve as well.

The group's interim report for the six months to September 30, released today, shows turnover marginally up at R1,97 billion but operating profit down 18,7 to R115 million (R141,5 million).

However, a lower effective tax rate, combined with lower interest rates and concentration on cash generation, helped earnings improve by 8,2 percent to 94,6c (87,4). The interim dividend has been lifted to 25c (23).

Tongaat says the drought and difficult trading conditions limited growth and impaired margins. However net financing costs were reduced. Despite estimated capex of R212 million this year, net borrowings are expected to fall some R120 million by March 31.

Drought stifles Tongaat

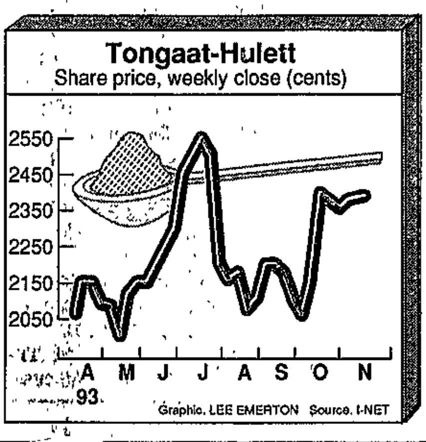
BDay 18/11/93

ROBYN CHALMERS

THE drought again took its toll on Tongaat-Hulett, which reported turnover virtually unchanged at R1,97bn (R1,95bn) for the half-year to September 30.

Operating profit declined 18% to R115m (R141m) but a fall in net interest paid, to R22,9m (R38,9m), stemmed the drop in pre-tax profit at 10% to R92m (R102,6m).

A sharp drop in the tax bill to R21,6m (R37,4m) led to an 8,1% improvement in after-tax profit at R70,5m (R65,2m).



Attributable earnings rose 8,2% to R70,8m (R65,4m), equivalent to earnings of 94,6c a share (87,4c). The interim dividend increased 8,7% to 25c (23c) a share.

Chairman Chris Saunders was bullish about earnings in the full year. He said the group expected to improve on last year's earnings of 200,5c a share, provided trading was not affected by unrest in the run-up to April's election. (3) Sugar

Saunders said the sugar division was again hard hit by the drought and adverse weather conditions had a material effect on agricultural activities.

"With most of Tongaat's six sugar mills closing for the off-crop by mid-December, sugar production is likely to be about 50% of a normal year. The division's sugar production in a normal rainfall season is about 900 000 tons — slightly more than 40% of the industry," he said.

However, if the good spring rains continued through the growing season the mills could reopen by mid-May and production return to normal levels.

□ To Page 2

Tongaat-Hulett

BIDay 18/11/93

□ From Page 1

Government proposals to deregulate the sugar industry were unlikely to have a significant effect on the group. The new fixed division of proceeds formula provided for a changed allocation of proceeds between the milling and growing sections of the industry. Saunders said the effect would be offset by increased opportunities to improve Tongaat's competitive position.

The building materials and aluminium divisions continued to be adversely affected by the recession, but the textiles, starch and glucose divisons performed well.

Saunders said the group's focus on consumer branded foods would be increased following the signing of a joint marketing and licensing agreement with US-based food giant CPC International.

"Tongaat is continuing to concentrate on improving its competitive edge by reinvesting in core businesses for growth, reducing costs, unlocking asset values and restructuring underperforming operations," he said. (3) Sugar

Star 18/11/93

Tongaat overcomes setbacks

BY DEREK TOMMEY

A sharp reduction in interest and tax payments helped Tongaat-Hulett offset a serious loss of income from its drought-hit sugar crop and report an 8,2 percent rise in attributable earnings in the six months to September.

Earnings rose from 87,4c to 94,6c and the interim dividend has been raised from 23c to 25c.

Chairman Chris Saunders and MD Cedric Savage say sugar production is likely to be only half that of a normal year.

Turnover rose 1,4 percent to R1,97 billion, reflecting difficult conditions. Operating profit dropped 18,7 percent to R115 million.

Net interest paid dropped from R38,9 million a year ago to R22,9 million, thanks to better cash generation and lower rates.

(3) Sugar

Tax payments were lower, partly because of the 10,2 percent cut in pre-tax profit, and partly because of agricultural tax allowances for the R100 million Heatonville irrigation scheme.

The building materials division (Corobrik) and the aluminium divisions (Huletts Aluminium) continued to feel the effects of the recession.

But the textiles division (formerly Whiteheads) and the starch and glucose divisions performed well.

The joint marketing, licensing and technology agreement with US food producer, CPC International, by Tongaat Consumer Foods will result in a sharper focus on branded foods.

CPC International has an option to acquire 50 percent of Tongaat Consumer Foods.

The directors say that despite estimated capital expenditure of R212 million for the year, net borrowings, amounting to R491 million at the end of September, should drop to R120 million by next March.

Provided trading activities are not affected by unrest ahead of the election, attributable earnings should improve.

TONGAAT-HULETT
FM 26/11/93
Encouraging trends

There are no surprises in the interim results. After two years of drought on the Natal coast, only recently broken, much reduced production from the mainstay sugar division was to be expected. But the accounts show a few encouraging trends. (3) Sugar

Even the marginal gain of 1,4% in turnover is significant against the 2,4% decline in financial 1993. More important is the 41% reduction, to R23m, in the interest bill, reflecting the four-pronged management strategy introduced more than two years ago to reduce costs, reinvest in core activities, unlock asset values and restructure under-performing and nonstrategic operations.

It shows better usage of Tongaat-Hulett's considerable cash generating ability, which MD Cedric Savage says is a tribute to management. "Concentration on cash generation has helped reduce loans to R491m (1992: R551m), which we expect to reduce further to about R120m by year-end."

FM 26/11/93

Planned investments and considerable spare capacity in some divisions also point to improved results. Perhaps the greatest potential for growth and increased profits is in the sugar and building materials divisions.

Rainfall above the long-term median in September and October and good rains this month are too late to help the present sugar crop and results for the second half. Sugar production is expected to be roughly 50% of the 900 000 t of a normal season.

If summer rain continues, though, the next crop should roughly double. Unlike competitor Smith Sugar, based largely on the Natal south coast, Savage says there has been little drought damage to canefields on the north coast. Little replanting will be required.

Corobrik has spare capacity of about 50% and, while there are still no signs of an upturn in demand, Savage says the considerable money set aside for housing must be released sooner or later. But Corobrik is not just waiting for the upturn. Effort has been directed towards exports, particularly to the Far East. It recently negotiated a R16m order for red face-bricks to Singapore, a market traditionally supplied by Australia.

Savage says it gives him great pleasure to see Corobrik internationally competitive, especially since it costs as much to transport bricks to the East as to make them.

Savage estimates that, at present prices and costs, usage of existing spare capacity within group companies could add about R120m to operating profit. (3) Sugar

The aluminium division, now exporting about 25 000 t, around 30% of its volumes, could be boosted if a preliminary report tabled at the Tongaat-Hulett's last board meeting to build a R1,4bn aluminium rolling mill at Maritzburg is passed.

Full-year results will be dampened by reduced sugar production, though Savage thinks it's possible to improve on the first-half 8% growth in EPS. Financial 1995 could be the year of strong growth.

But that is not yet reflected in the R24,50 share price, which, despite holding up through a difficult trading period, is still at roughly the same level and ratings as when the *FM* reviewed the annual report. What's needed is a set of results that clearly shows the benefits of management's actions in the past few years.

Meanwhile, investors prepared to take the risks associated with the weather and the influence political development could have on housing ~~and~~ gross domestic fixed investment could already find value in the share.

Shaun Harris

C G Smith Sugar hit by effect of Natal drought

B/Day 21/12/93

MARCIA KLEIN

SA's major sugar producer C G Smith Sugar, whose earnings to end-September reflected the effect of the drought, had made no forecast for the coming year, chairman Glyn Taylor said in his annual review.

He said a forecast was difficult in the aftermath of the drought.

If the Natal cane belt had a normal summer, with average rainfall, there would be a recovery.

However, a significant area required replanting to cane and it would take some time to return to normal production levels.

The group would update shareholders on its progress at the January AGM.

In the year ending September, attributable income dropped 43% to R50m on a 3% rise in turnover to R1,2bn.

Taylor said the decline was largely due to a major crop failure as a result of the drought, with a significant drop in sugar output.

The South Coast was worst affected and the paucity of cane supplies caused the Illovo mill to remain closed and Umzimkulu to operate for only eight weeks.

The cane crop dropped and heavy financial losses had been sustained in the cane-growing operation, he said.

Commenting on the GATT agreement, he said the EC, US and SA were all protected in some way.

(3) Sugar

Should a trade pact be reached on agricultural products, protective tariffs would have to be reduced over time.

This would put pressure on domestic sugar prices, and cause the industry to reduce its cost of production.

Ultimately, the application of these principles in global terms should result in an increase in the world price of sugar, which would benefit the SA industry, a significant exporter, Taylor said.

In the SA sugar industry, the partnership of millers and growers was involved in discussions with several aims including eliminating cane quotas and allowing delivery to any mill.

He said the industry needed to improve its competitive edge and develop incentives to operate within the partnership that will encourage a lower cost of production for SA sugar.

SUGAR — 1994

CG Smith pays stiff price of drought

Star 14/11/94

BY STEPHEN CRANSTON

The damage caused by the drought to the sugar industry is graphically illustrated in the CG Smith Sugar annual report for the year to September.

Sugar output fell from 731 000 tons in the 1992/3 season to 480 000 tons this season.

The Illovo mill was closed and Umzimkulu operated for only eight weeks. The company's own cane crop fell from 743 000 tons to 481 000 tons. At Sezela the crop fell to 26 percent of its potential.

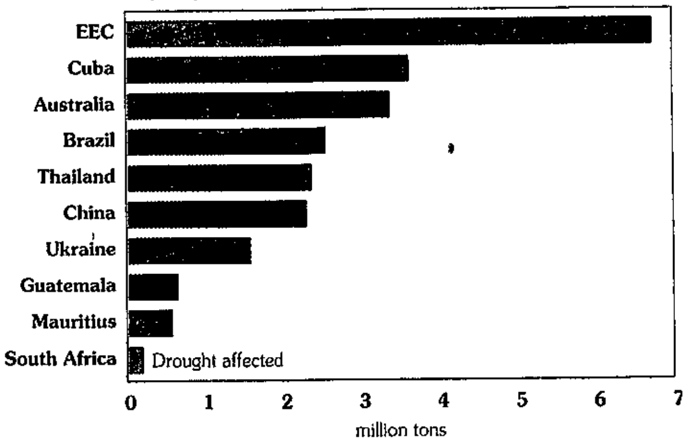
In the circumstances Smith did well to report profits as high as R50 million — representing a 43 percent slide from 1992.

Per capita consumption in SA continued to fall and sales to manufacturers of soft drinks and confectionery fell below figures for the previous season.

(3) Sugar

The sugar price rallied to $286 a ton, but SA producers were unable to export because of the drought and because contractual obligations to Japan, Korea and Israel had to be met by a substitution of foreign sugars.

Top sugar exporting areas 1992/93



Smithchem broke even. In order to produce enough furfural and furfuryl alcohol to meet commitments, cane was diverted to the Sezela mill.

The Merebank plant increased its contribution, with high production volumes of superior quality alcohol, and sales of lactulose rising.

The warehousing operations had a particularly good year. The milling season was one of the shortest on record and domestic market sugars were stored for a much longer period than usual.

CG Smith Sugar at a price of 385c sits on a P/E of 12,1 and has a dividend yield of 3,6 percent.

With the prospect of a better season in the 1994/5 season, there is some recovery potential in the share.

Tongaat gains new respect

Star: 9/5/94 (3) Sugar

BY STEPHEN CRANSTON

Tongaat Hulett has enjoyed a substantial rerating since October, with the share price more than doubling from R20 to R45.

Until recently, it was considered a rather staid, undynamic group, dominated by Natal's old-boy network.

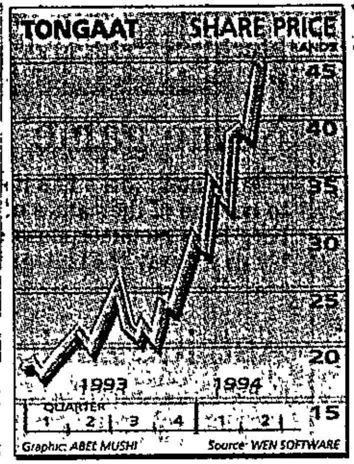
But the current MD Cedric Savage has undertaken substantial restructuring and the group has gained new respect.

The effects of the restructuring already came through in the year to March, with earnings per share up 16,1 percent to 213,8c.

The dividend was up 13,7 percent to 83c.

Sales increased by just 2,7 percent to R3,98 billion and operating profit was down slightly from R270 million to R266,3 million.

The main contributor to better profits was the sharp fall in finance charges from R77,4 million to R55,1 million.



Apart from the benefits of lower interest rates, Tongaat was bolstered by a R107,9 million net reduction in borrowings resulting from strong operational cash flows, the purchase by US-based multinational CPC of 50 percent of the consumer foods operation, and the sale of Prilla Mills and the group's poultry operation.

Savage says there was a marked improvement in operating income in the second half as strategies to improve competitiveness were implemented.

This strategy was not confined to cost cutting but also included capital expenditure to improve the group's competitive edge of R180 million, which included the Heatonville sugar irrigation project, the expansion of the African Products Bellville starch mill and the installation of the Hulett Aluminium lacquer line.

Two major expansion projects are being investigated — the expansion of the starch and glucose facilities and the aluminium hot rolling mill expansion — which would cost as much as R1,6 billion.

Savage says that the expected post-election emphasis on infrastructural development will directly benefit the brickmaking and aluminium divisions.

The joint venture with CPC International gives access to global technology for food processing — though unfortunately the rights to the top CPC brands in this country are already owned by Robertsons, part of the HLH group.

The sugar division is recovering from the previous two years of drought and the deregulation of the industry will benefit the company.

Tongaat's balance sheet is in very good shape.

It has cash resources of R321 million and net gearing of just 1,1 percent.

It also has considerable spare capacity in most of its divisions, so it can cope with increased demand from the economy without major capital expenditure.

Tongaat has quite a demanding rating of 21, ahead of most food shares except for blue chips such as Premier Group and Tiger Oats, but its dominance of the brick and aluminium markets give it greater growth potential over the next few years than other food shares.

Sugar growers may face another drought season

BDay 14/6/94

MUNGO SOGGOT

THE drought-hit 1993/4 season had been one of the most disastrous on record for the sugar industry, the SA Cane Growers Association said in its annual report.

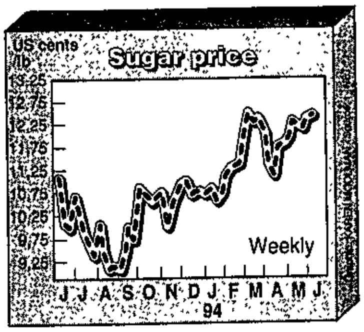
The association also warned that the industry could be in for another drought-hit season.

"Following on the disastrous consequences of the 1992/3 drought, many growers find themselves in a precarious financial position," it said.

Although drought-relief measures had helped out "qualifying growers", many growers could either not absorb more debt or did not meet the Land Bank's lending criteria.

"While initial early rains appeared favourable, the prospect of a further drought-affected season is very real and a cause for great concern," the association said.

Earlier this year the SA Sugar Association (Sasa) estimated that two seasons of drought had cost the industry about R1,5bn in lost production, including R600m in forex earnings.



(3) Sugar

The report added that the continuation of the drought had had an even greater impact on the industry than the previous season.

Local market production fell to 1,17-million tons in the 1993/94 year, against 1,39-million tons in 1992/93, and 1,38-million tons in 1991/92.

While tonnage for exports stood at 913 123 tons in 1991/92, the figure had been cut to 123 173 tons last year. In 1993/94 there was no production available for exports. The industry instead had to import 115 000 tons.

The cost of substituting sugar to meet export commitments also hit industry finances.

The production problems have caused sugar prices to rise sharply in the last six months.

The Cane Growers Association was confident that the industry's newly deregulated environment would "better serve the interests of growers in the long term".

Executive director Jack Wixley said recently that over the next four years many of Sasa's services would be deregulated so that they could be run by individual sugar mills.

Sasa, which was the industry's central organisation, would switch to a "user pays basis" instead of providing services funded by a central levy, Wixley said.

Drought trims sugar exports

Star 28/7/94

Durban — Prolonged drought has undermined South Africa's chances of establishing new sugar export markets as apartheid and sanctions were scrapped, the SA Sugar Association said.

Drought had caused crop failures in the 1992/1993 and 1993/1994 seasons, it said, adding: "Unfortunately the forthcoming season will also not produce sufficient export availability to establish new markets."

Current estimates for 1994/1995 season which ends next March indicated a crop of 1,69 million tons, up 45 percent on the past year and compared to a "normal" crop in years preceding the drought of 2,1 million tons.

South Africa, normally an exporter of high quality raw and refined sugar, exported no sugar during the 1993/1994 season and had to import around 115 000 tons of sugar

Local sales in the past year totalled 1,35 million tons.

Prior to the latest drought, the Far East — and especially Japan and Taiwan — was a major export market, industry sources say. The association usually does not disclose export details.

The association said relationships with possible new clients, which it did not identify, were being maintained and would be strengthened in the coming season.

(3) Sugar

Proceeds from 1993/4 sugar sales at R2,3 billion were virtually unchanged from the previous season and the sugar industry had to again postpone loan repayments, it said.

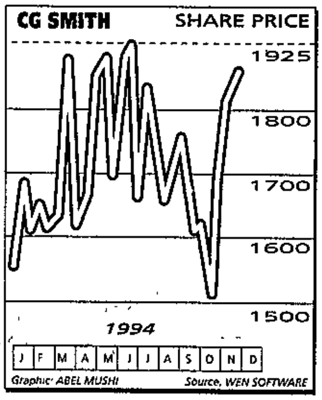
South African cane production at 11,25 million tons was 13 percent below that of the 1992/1993 season and less than 60 percent of a normal season.

Local sugar sales slipped 1,4 percent as a result of the slow economy. — Reuter.

CG Smith achieves 13% earnings rise

Star 16/11/94

■ BY CHARLOTTE MATHEWS



CG Smith returned a 12,6 percent rise in attributable earnings in the year to September to R499,3 million, against the previous year.

The results are satisfactory in view of major restructuring undertaken to respond to changes in almost all markets, including both deregulation and the need to become globally competitive, chairman Derek Cooper said yesterday.

Turnover grew 9,1 percent to R20,9 billion. Funding costs halved to R60,2 million, reflecting better cash management and gearing, now down to 9 percent, but the tax rate rose on higher STC and the transitional levy.

An extraordinary item of R134,8 (R51,6) million was incurred, mainly on the R111,1 million cost of discontinued operations.

(3) Sugar

On a slightly higher number of shares in issue, earnings a share lifted nearly 12c to 106c. A dividend of 36,8c (32,7c) has been declared.

CG Smith Foods, which holds controlling interests in Tiger Oats, Illovo and ICS Holdings and the whole of US-based Monitor Sugar Company, is 81 percent-held by CG Smith.

CG Smith Foods improved attributable earnings by 7,1 percent to R309,1 million in the year to September, against the previous year, on a 10,4 percent increase in turnover to R15,3 billion.

The group benefited from strong cash flow from operations, which helped reduce debt. Funding costs dropped to R57 million from R94,4 million.

However, the tax rate was higher and the share from associates was lower because Sea Harvest's figures have been consolidated since April 1993.

CG Smith Foods made earnings of 327,1c (305,5c) and is paying a dividend of 106c (99c).

Cooper said more profits had been made in the second half, partly because a better sugar crop had enabled Illovo to report higher earnings for the full year (78 percent drop in the first six months).

Another reason was that volumes, after a long period of no real growth, had started to pick up at the tail-end of the financial year.

Traditionally, spending on non-durable consumer goods lagged the rest of the economy, CG Smith Foods chairman Robbie Williams said.

On rumours the group might consider unbundling its interests, Cooper said there were no plans to do so.

"We are delighted that people want to buy the underlying subsidiaries since it endorses our view that we hold good quality companies.

"If there were an endemic large and growing discount between CG Smith and its various companies, we would be concerned, but at present it is on a par."

CG Smith shares eased 50c to R18,25 yesterday, while CG Smith Foods was unchanged at R52. This puts CG Smith on a P/E of 17 on latest figures, undervalued against 21 for the food sector and 20 for the packaging sector.

Sugar interests the fly in CG Smith's profit ointment

Star 17/5/94

BY STEPHEN CRANSTON

CG Smith, reporting for the first time since its unbundling from Barlows a few months ago, saw satisfactory contributions from all subsidiaries except CG Smith Sugar.

Smith Sugar's earnings fell 78 percent as a result of the drought, which limited CG Smith's earnings growth to just six percent at 48,7c a share.

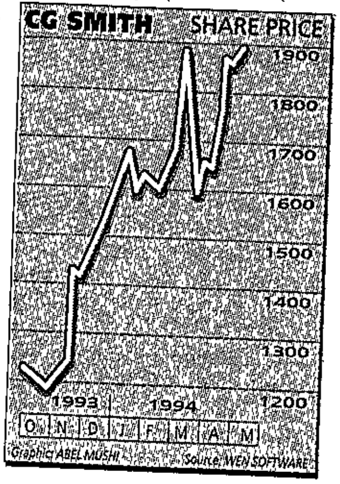
The dividend has been raised by the same percentage to 12,4c.

Chairman Derek Cooper says there was no volume growth in any of the group's operating markets, which are food, pharmaceuticals, packaging and textiles.

But he is confident CG Smith will enhance shareholder growth in the longer term.

Most recently, it sent Nick Dennis from ICS to Tiger Oats as MD to trim its costs, it merged Smith Sugar's three divisions into one operation, which will soon unveil its new identity as Illovo Sugar, and restructuring continued at Romatex. (3) Sugar

Group turnover increased by six percent to R10,17 billion, but operating profit was up just three percent to R750,7 million, reflecting the collapse by sugar and a general tightening of margins in other operations.



But the interest bill fell from R69,5 million to R30,1 million because of lower interest rates and lower average borrowings.

Nampak was the largest contributor to attributable earnings, with 47 percent, or R108,4 million.

Volumes fell by two percent, but an emphasis on improved efficiency and cost control and lower finance costs enabled earnings to increase by 15 percent.

There were substantial turnarounds at the glass and corrugated cardboard divisions.

CG Smith Foods, the holding company for Tiger Oats, ICS and CG Smith Sugar, reported a six percent decline in earnings to 142,8c a share, but has maintained the interim dividend at 36c.

Tiger Oats lifted earnings by 12 percent, despite losses from baking, maize milling and poultry, thanks to improvements by pasta, oats, wholesaling, confectionery, eggs and edible oils.

Adcock Ingram and Logos maintained their good growth performance and reaped the benefits of cost containment.

ICS reported a six percent increase in earnings, despite reduced profits from meat and continued losses at the troubled Clayville dairy.

Its poultry interests returned to profitability after the merger with OTK's interests to form Earlybird Farm.

There was a strong recovery in Romatex's earnings. The bulk liquid storage division handled increased volumes and the profitability of both the fabrics and carpet operations increased.

Gains were made by extruded fabrics, Filtaflo and foam, but these were offset by difficult conditions in the automotive and non-woven sectors.

Tongaat side-steps drought

CT 7/5/94 (3) SUGAR

JOHANNESBURG. — Tongaat-Hulett Group yesterday reported a rise of 16,1% in earnings per share for the year ended March 31 to 213,8c (184,1c).

Group MD Cedric Savage said during the second half of the year all divisions improved their performances despite the drought and difficult trading conditions.

Turnover rose by 2,7% to R3,98bn, (R3,87bn), while operating profit for the year remained relatively static at R266,3m (R270,0m), against a reduction of 18,7% at the interim stage. Net financing costs reduced to R55,2m (R77,4m), resulting in a 9,6% increase in profit before taxation to R211,1m (R192,6m). Profit after tax increased by 15,8% to R159m (R137,3m).

A net reduction in borrowings of R107,9m resulted from strong operational cash flows, the purchase by CPC International of 50% of the consumer foods operations, the sale of Prilla Mills and the group's poultry operations.

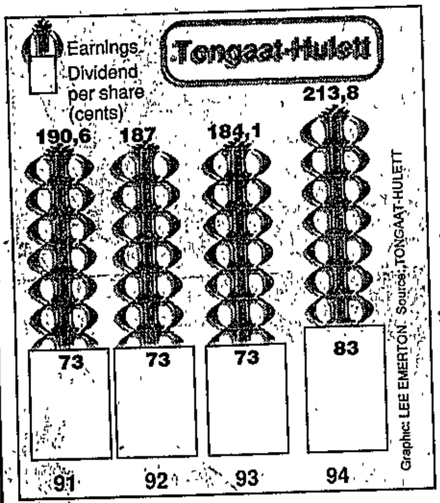
Total net borrowings dropped to R25,3m. Gearing improved from 6,4% to 1,1%.

The interim dividend and the proposed final dividend rose 13,7c to 83c per share (73c).

Tongaat-Hulett strategies bear fruit

B/Day 9/5/94

MARCIA KLEIN



ALL of Tongaat-Hulett's divisions experienced a significantly better second half to enable the Natal-based group to report a 16,1% rise in earnings to 213,8c (184,1c) a share in the year to end-March. (3) Sugar

The group, with interests in sugar, foods, aluminium, building materials and textiles, lifted turnover only 2,7% to R3,98bn from R3,87bn, and dropped its operating profit marginally to R266,3m (R270m).

MD Cedric Savage said operating income, which was 18,7% down at the interim stage, had shown an improvement in the second half due to strategies implemented to improve the group's competitiveness. Restructuring of the divisions, which was largely completed last year,

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Tongaat-Hulett

B/Day 9/5/94

☐ From Page 1

resulted in lower operating costs.

The small decline in operating profit was offset by lower net financing costs, which enabled the group to lift pre-tax profit nearly 10% to R211,1m (R192,6m).

This was achieved through a R107,9m reduction in net borrowings on the back of the generation of operational cash flow, proceeds arising from CPC International's acquisition of half of the consumer foods operations for R92m, and from the disposal of Prilla Mills and the poultry operations. The reduction in borrowings — with gearing now at only 1,1% (6,4%) — would allow the group to take advantage of "emerging opportunities". (3) Sugar

Attributable earnings before abnormal items rose 16,1% to R160m from R137,8m. But taking into account tax rate adjustments in the previous year, the earnings of R160m compare with R178,7m previously.

It declared a final dividend of 58c a share, which shareholders can take in cash or scrip. The full year dividend was 13,7% higher at 83c (73c) a share.

Savage said the results reflected an improvement in the performance of all of the group's divisions in the second half.

Tongaat-Hulett continued to focus on reducing costs, and to invest in core activities. During the year, capex of about R180m was spent, largely on its Heatonville sugar irrigation project, the expansion of the Bellville starch and glucose mill, and the installation of the Hulett Aluminium lacquer line.

It was currently looking at investing in additional starch and glucose facilities and had approved R10m to investigate a proposed aluminium hot rolling expansion — the total cost for this project is estimated at R1,6bn.

Savage said that through the three years of recession, management had focused on rationalisation. But now the focus was on growth, and higher liquidity placed it well to look at investment opportunities. The portfolio was being reviewed, and a management team was "scanning local and foreign markets for new investments".

In the coming year, the brickmaking and aluminium divisions would benefit from an emphasis on infrastructural development. The joint venture with CPC International would give the group access to global technology in food processing. In addition, the sugar division was recovering from two years of drought.

The new financial year had started off well, and the group was budgeting for increased earnings.

Tongaat boosted by restructuring

BDay 17/11/94

BEATRIX PAYNE

STEEL and sugar group Tongaat-Hulett, boosted by its recent restructuring, reported a 43% rise in attributable earnings to R101,1m for the six months to September.

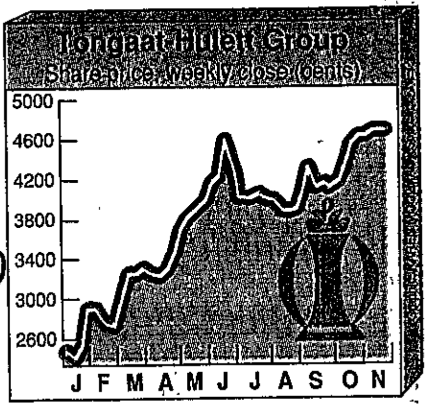
Earnings a share rose 41% to 111,3c and a dividend of 30c (20,8c) was declared.

MD Cedric Savage said the group was likely to continue to perform strongly in the second half. (3) Sugar

Turnover increased 18% to R2,33bn despite trading disruptions in April and May. Improved margins as a result of cost cutting at its operations saw operating profit surge 50% to R172,7m (R115m).

Interest charges fell to R17,9m (R22,9m) after a strong cash flow and substantially reduced borrowings. This left pre-tax profit 68% higher at R154,8m. Net borrowings fell 42% to R285,4m and Savage said the group expected to have no borrowings by year-end. The tax bill surged 134% to R50,6m as certain tax allowances in its farming operations no longer applied. After-tax profit rose 48% to R104,2m.

The group declared an abnormal income



of R18,7m arising from tax credits, but that was offset by abnormal payments related to the transition levy and a R13m provision for retirement medical benefits.

The dividend would be awarded as a capitalisation issue but shareholders could elect to receive it in cash.

All divisions showed an improved performance. The biggest contributor to profit

□ To Page 2

Tongaat

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□ From Page 1

was the sugar division, which showed "satisfactory" growth in earnings, although the drought was still affecting its performance. The division reported a net operating profit after tax of R46,7m (R29,5m). Tonnage rose 38% to 458 000 tons and the group had benefited from "good" export prices.

The Heatonville irrigation scheme, which was opened this month, would have a beneficial effect on earnings.

The building materials division experienced stronger demand off a low base and net operating profit rose to R8m (R1,9m). Capacity levels had reached about 80%.

Net operating profit from the consumer foods division rose to R8,9m (R7,3m) after it refocused its operations on retail, catering and exports. A number of new products would be launched next year through the venture with CPC International.

The starch and glucose division showed "steady" growth and earnings from both the aluminium and textiles divisions doubled. Savage said the board would make a final decision in March on a proposed R1,6bn expansion of rolled products capacity in the aluminium division.

The group had committed R286m to capital expenditure to reinforce the competitiveness of its core businesses and Savage expected earnings to continue to grow in the second half.

Drought costs sugar industry R1,5bn

MICK COLLINS

TWO seasons of drought had cost the sugar industry about R1,5bn in lost production, including R600m in forex earnings, the SA Sugar Association (Sasa) said on Friday.

The industry forecast for the 1993/94 sugar crop was 1,2-million tons — more than a million less than that produced in the 1991/92 season. (3) Sugar

The crop would be the smallest since the industry expanded into the Natal Midlands and the eastern Transvaal in the mid-1960s. Production would just about cover domestic consumption, Sasa said.

In its latest information bulletin, Sasa said the first hint of drought had come in December 1991 when only 63mm of rain had been reported. The trend had been reversed only last September. B/Day

The bulletin said it was difficult to predict how the 1994/95 crop would fare during the vital growing months of April and May. The season ends in March 1995.

"The rain received in Natal/KwaZulu so far has laid a good foundation for the new season and has brought much-needed relief to drought-affected growers and millers," Sasa said. Still of concern, though, was the eastern Transvaal region. 17/1/94.

Sugar profit shown in spite of drought

Weekend Argus Correspondent (3) SUGAR

JOHANNESBURG. — The damage caused by the drought to the sugar industry is graphically illustrated in the CG Smith Sugar annual report for the year to September. ARG 15/1/94

Sugar output fell from 731 000 tons in the 1992/3 season to 480 000 tons this season.

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In the circumstances, CG Smith did well to report profits as high as R50million, representing a 43 percent slide from 1992.

Per capita consumption in South Africa continued to fall and sales to manufacturers of soft drinks and confectionery fell below figures for the previous season.

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Smithchem broke even. In order to produce enough furfural and furfuryl alcohol to meet commitments, cane was diverted to the Sezela mill and water transported.

The Merebank plant increased its contribution, with high production volumes of superior quality alcohol, and sales of lactulose rising.

A ten percent import tariff on hydrogen peroxide was introduced early in 1993, which has stabilised prices received by Alliance Peroxide, a joint venture with AECI.

The warehousing operations had a particularly good year. The milling season was one of the shortest on record and domestic market sugars were stored for a much longer period than usual.

Earnings at Tongaat surge ahead

(3) SUGAR

CT 17/11/94

From BEATRIX PAYNE

JOHANNESBURG. — Steel and sugar group Tongaat-Hulett reaped the benefits of its recent restructuring to report a 43% rise in attributable earnings to R101,1m for the six months to end September, MD Cedric Savage said yesterday.

Earnings a share rose 41% to 111,3c and a dividend of 30c (20,8c) a share was declared.

He said the group was "delighted" with the results and it was likely to continue to perform strongly to the year-end.

Turnover increased by 18% to R2,33bn despite trading disruptions during April and May. Improved margins as a result of cost cutting at its operations saw operating profit surge by 50% to R172,7m (R115m).

Interest charges fell to R17,9m (R22,9m) after a strong cash flow and substantially reduced borrowings. This left pre-tax profit 68% higher at R154,8m.

Net borrowings for the period fell 42% to R285,4m and Savage said the group expected to be unborrowed by the end of the financial year.

The tax bill surged 134% to R50,6m as certain tax allowances in its farming operations no longer applied. After-tax profit rose 48% to R104,2m.

The group declared an abnormal income of R18,7m arising from tax credits, but that was offset by abnormal payments related to the transition levy and a R13m provision for post retirement medical benefits.

The dividend would be awarded as a capitalisation issue but shareholders could elect to receive it in cash.

All divisions showed an improved performance for the half-year.

The biggest contributor to profits was the sugar division, which showed "satisfactory" growth in earnings, although the drought was still affecting its performance. "It has done well to come through two and a half years of the worst drought in history and still remain profitable," Savage said.

The division reported a net operating profit after tax of R46,7m (R29,5m). Tonnage over the period rose 38% to 458 000 tonnes and the group had benefited from "good" export prices.

The Heatonville irrigation scheme which was opened this month would have a beneficial effect on earnings in the future.

The building materials division experienced stronger demand off a low base and net operating profit rose to R8m (R1,9m). Capacity levels had reached about 80%, he said.

Net operating profit from the consumer foods division rose to R8,9m (R7,3m) after it refocused its operations on retail, catering and exports. The cost of the rationalisation had affected profits, but Savage said these were set to increase on the back of the expected rise in consumer spending on food.

New products

A number of new branded products would be launched next year through the joint venture with CPC International.

The starch and glucose division showed "steady" growth and earnings from both the aluminium and textiles divisions doubled.

Savage said the board would make a final decision in March on a proposed R1,6bn expansion of rolled products capacity in the aluminium division.

He said the group had committed R286m to capital expenditure to reinforce the competitiveness of its core businesses.

Tongaat-Hulett to allot land for black farming

JOHN DLUDLU

SUGAR to aluminium producer Tongaat-Hulett would divide some of its sugar cane areas into farms for black growers as part of its black economic empowerment drive, chairman Chris Saunders said at the weekend.

Speaking at the Natal company's annual general meeting, Saunders said first-quarter operating results reflected a "satisfactory" improvement over last year, while the reduction in the tax rate would further benefit the Amic-owned group.

The recent rains had provided some relief to the sugar crop, although dry conditions which had prevailed for three years would only be alleviated by good spring rains.

(3) Sugar

MD Cedric Savage said Tongaat-Hulett's total investments would be more than R250m this financial year, mainly in the sugar, textiles, starch and glucose and aluminium divisions.

"More than R105m of this amount has been committed to the starch and glucose division to reinforce our cost leadership position and to ensure that capacity stays ahead of demand," Savage said.

A decision would be taken in November on whether to proceed with the proposed R1,4bn aluminium rolled products expansion project, Savage said.

This comes after an announcement that the US Trade and Development Agency will assist the group with a R2,3m grant to fund the feasibility study for the aluminium project.

Smith Sugar undergoes restructure

■ BY STEPHEN CRANSTON

Disappointing financial results and poor returns from certain investments, plus the forthcoming deregulation of the sugar industry, have forced CG Smith Sugar to restructure its business.

Star

Smith Sugar's track record over the last seven years has been dismal. Attributable earnings have increased at an annual compound rate of just four percent since 1987.

Last year was particularly poor, with earnings per share down 43 percent to 31,7c, th return on shareholders' equity down from 23,5 percent to 11,6 percent and the return on total assets down from 12,8 to 8 percent.

6/4/94

The current divisional structure is replaced by a single company structure. The separate chemical division and the warehousing and distribution division fall away.

(3) Sugar

Amalgamated

Some of the existing business units are amalgamated and the head office service functions are to be amalgamated and downsized.

All production units, whether for sugar, syrup or alcohol, report to production director Bernard Ravno, until now director of the sugar division.

Marketing and commercial warehousing fall under marketing director Glen Christie.

MD Don MacLeod says through these changes Smith Sugar aims to focus on its core business, to be the lowest-cost producer, to produce quality products and meet customer needs with high service levels.

A number of employees have been made redundant.

COMPANIES

Drought hits CG Smith Sugar

MARCIA KLEIN

CG SMITH Sugar's earnings plunged 78% to 5,4c (24,4c) a share in the six months to March as drought continued to affect the Natal-based producer's performance.

Directors said results included the second half of the 1993/1994 sugar season, which was "the second consecutive year of devastating drought for the industry".

The worst effects were felt on the Natal South Coast, where CG Smith Sugar has major cane growing interests, and the large Sezela sugar milling and furfural manufacturing complex. (3) Sugar

Apart from Pongola, the crop was also affected by the drought in areas supplying the remaining mills. Overall production dropped to 476 350 tons compared with the normal level of around 1-million tons.

Turnover was 13% lower at R501,4m (R574,8m), and operating profit dropped more than two thirds to R26.5m (R80,9m).

After a reduction in net financing costs and lower taxation, taxed profit was 76% down at R9,6m (R39,8m). B/Day

Attributable profit slid 78% to R8,5m (R38,5m), but the company declared a 36% lower interim dividend of 4,5c (7c) a share.

Directors said that the second half of the financial year would include the first half of the 1994/95 sugar season. Early estimates indicated a recovery in production for the full season to about 742 000 tons.

Better results were expected from the furfural operation and the alcohol plant at Merebank, where exports were good.

Directors said earnings in the coming six months would improve and estimated that taxed profits would be over R40m for the full year. In the 1993 financial year, taxed profits were R50m. 6/5/94

CG Smith Sugar forecasts losses

Star 21/1/94

BY STEPHEN CRANSTON

CG Smith Sugar will sustain material financial losses in the 1993/94 sugar season, says chairman Glyn Taylor.

At yesterday's annual general meeting he described the season as the most difficult ever experienced. (3) Sugar

Except for the Pongola mill, which had a virtually normal season, and Umfolozi, which was relatively less drought-affected, the company achieved only a 37 percent use of capacity over its five remaining mills.

Total production was less than 48 percent of that achieved in a normal season.

The company's own cane crop was only 38 percent of its potential. At these low levels it was unable to recover its fixed costs.

But Taylor said that the outlook for next season was more favourable.

On the assumption that normal weather would prevail, the estimate for the 1994/95 season was 750 000 tons.

World sugar prices would not drop significantly below the present $235 a ton, and prices could even edge higher.

The chemical division, though, was expected to show sharp recovery and could account for 30 percent of taxed profits.

Warehousing and distribution, however, would fall short of last year's good performance.

Earnings would be lower than last year's, but the drop would be limited and should be a low point from which good recovery and growth could be expected, he said.

Taylor also welcomed the recent deregulation measures negotiated within the sugar industry. The abandonment of "inflexible" regulatory provisions "gives us the opportunity of sharpening our competitive edge.

"We are looking at options with a view to raising throughput and fill the spare capacity at our mills," he said.

FM 21/1/94

C G SMITH SUGAR

FM 21/1/94

Soured by drought

(3) Sugar

Activities: *Sugar producer.*
Control: *C G Smith (70%).*
Chairman: *G Taylor; MD: D G MacLeod.*
Capital structure: *157,7m ords. Market capitalisation: R607m.*
Share market: *Price: 385c. Yields: 3,6% on dividend; 8,2% on earnings; p:e ratio, 12,1; cover, 2,3. 12-month high, 400c; low, 270c. Trading volume last quarter, 783 000 shares.*

Year to Sep 30	'91	'92	'93
ST debt (Rm)	109,2	235,3	230,5
LT debt (Rm)	108,8	140,0	128,9
Debt:equity ratio	0,62	0,73	0,58
Shareholders' interest	0,42	0,38	0,40
Int & leasing cover	5,8	5,2	3,5
Return on cap (%)	13,4	10,7	6,8
Turnover (Rm)	991	1 143	1 176
Pre-int profit (Rm)	134,7	142,9	92,1
Pre-int margin (%)	13,6	12,5	7,8
Earnings (c)	62,9	55,3	31,7
Dividends (c)	21	23	14
Tangible NAV (c)	279	324	342

Whatever else one may think about Smith Sugar now, there has to be admiration for the timing of the Smith group's decision to reduce its holding in this subsidiary.

It is almost exactly two years since the opening of Smith Food's R245m rights offer, whereby it effectively sold 30% of Smith Sugar to its own shareholders, enabling the company to be listed on the JSE. Smith Sugar was then a few weeks away from completing its second most successful production season (after the record 1988-1989 season) which would, in due course, enable it to announce record 1992 earnings.

True, EPS in its first year as a listed company fell about 5% short of the prospectus forecast but, by shaving cover, it paid the expected 23c dividend. The earnings shortfall reflected the expected impact of the intensifying drought, leading chairman Glyn Taylor to comment in his 1992 review that a decline in profit for 1993 could not be avoided.

Whether this adequately prepared shareholders for what was to come is a moot point. The effect of the drought on the 1992-93 sugar season turned out to be considerably worse than expected and it's predicted that sugar output for the 1993-94 season (which ends in March) will be down a further 34% to 480 000 t, bringing the cumulative decline since 1991-92 to 52%.

A problem for Smith Sugar is its September financial year-end — a hangover from when the whole Smith group had to change its year-end from March to September after being taken over by Barlows and a rather ironical situation in the light of the recent Barlows' unbundling which has once more set Smith free. Because of this unsuitable year-end, results of the sugar division comprise the second half of the production season ending concurrently with Smith's interim results, plus an estimate of the first half's results of the season in progress at the financial year-end. This means forecasting the results of that season as a whole.

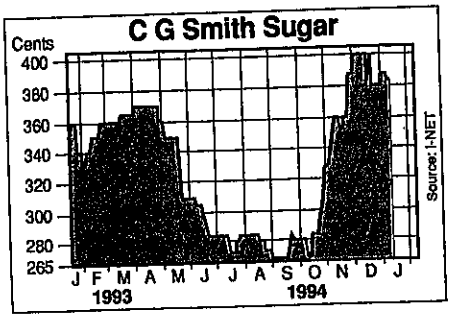
The September 30 year-end is equally inappropriate in terms of the balance sheet, which is inflated by seasonal working capital requirements. The 1993 asset total of R1,347bn was inflated by R395m (or 29%) through the inclusion of seasonal stock and debtors and, by extension, there is a corresponding deflation of ratios such as the gross return on total assets when these are calculated on year-end balance sheet values.

Another negative effect of the mid-season financial year-end which is particularly relevant now is that poor results from any one sugar season affect Smith Sugar for two consecutive years. Even if the sugar industry recovers strongly in its 1994-1995 season, the group's 1994 results will continue to be inhibited by the poor outlook for the current season.

Over time, these fluctuations will tend to even out. But in the short term it makes Smith Sugar a difficult company to assess and may partly account for the share's poor image. On a relative yield basis, Smith Sugar is rated at a 20% discount to Crookes and an even wider 25% discount to the more diversified Tongaat (both of which have March year-ends).

Possibly of more immediate concern to shareholders is that whereas Crookes and Tongaat have seen at least some capital appreciation as measured from their 1992 highs, the Smith Sugar share price of 385c is 26% below the 520c rights issue take-up price and compares with the best-ever 525c on the JSE. Clearly, Smith cannot be blamed for the drought and its effects on Smith Sugar. But, for the time being at least, it is also clear who came out on top when the group decided to lighten its holdings in the sugar industry.

Brian Thompson



'Govt deregulates sugar industry'

CT 21/1/94 (3) SUGAR

DURBAN. — The government has approved deregulation measures which are expected to bring about far-reaching changes in the local sugar industry, South African Sugar Association (Sasa) chairman Glyn Taylor said yesterday.

Speaking in his capacity as chairman of CG Smith Sugar, Taylor told the company's AGM that the measures negotiated within the industry had been approved by the government.

"The regulatory provisions that are due to be removed have been inflexible and disadvantageous to our company," he said.

The deregulation measures are designed to make the industry more competitive and include the phasing out of quotas, removal of land registration and expansion of new and small canegrowers, Taylor said.

Assked when these would come into effect, Sasa executive director Michael Mathews said: "We see some going into effect from April 1 and some only in four years time."

Sugar mills would also be allowed free entry into the industry. Tariff protection would continue while world markets were distorted, industry officials said.

● SA could produce a sugar crop of up to 1,8m tonnes in the 1994/1995 season if good rains continued to fall over the country's sugar-producing areas.

New sugar fund will sweeten farmers' lives

SBDay 21/4/94

MUNGO SOGGOT

THE Sugar industry had launched a R67m capital market funding instrument called the Sugar Stock in a bid to provide cash to 43 500 small-scale sugar farmers, the Sugar Association said yesterday.

The fund, created by Theta Securities, allowed investment in sugar stock to be issued by the Sugar Association in two tranches.

The first tranche was for R42m. Fedsure, Old Mutual, Metropolitan Life and African Life provided the risk capital.

The proceeds of the stock would be passed to the Financial Aid Fund (FAF), which would provide seed to small cane growers.

Theta Securities MD Leon Kirkinis said SA's small-scale growers — who normally farmed on tribal land — had no equity, making it difficult to access traditional forms of finance. But their product formed a huge crop which was a significant export earner.

Kirkinis said fixed rate loans were inappropiate because of the risks attached to farming sugar.

"The ability of the farmer to repay the loan depends on his crop, and his crop depends on the dollar price of sugar, the rand/dollar exchange rate, and variables like the weather," he said.

(3) Sugar

He said the funding instrument "mirrored" the cash flow patterns of sugar production and the factors which affected sugar production, giving investors a chance to invest in the risks and rewards of the crop.

Kirkinis said the final maturity for the sugar stock was six years.

"The interest payments comprise fixed and variable portions with the variable component linked to the value of production."

"In addition to a fixed interest element the Sugar Stock includes a series of warrants, called Harvest Warrants, entitling the holder to variable rate interest payments. The value of these warrants will be based on the proportional ratio of industry production, the dollar price of sugar, and the rand/dollar rand exchange rate," he said.

HLH forecasts lower earnings

Star 26/7/94

Hunt Leuchars & Hepburn Group has cautioned shareholders to expect lower than predicted results for the six months to September 1994. (3) Sugar

The company blames the ongoing drought in the Onderberg sugar cane farming area.

Group chief executive Neil Morris said in a statement that cane crop estimates have again been revised downwards because of the drought. Both sugar cane mills at Malelane and Komati were operating below optimum levels.

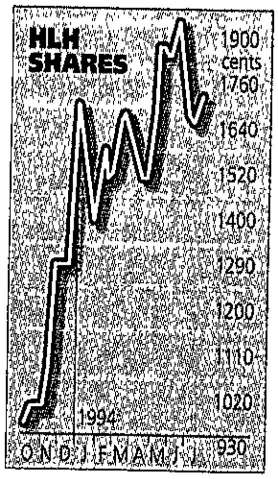
"This, coupled with the financing charges of the new Komati Mill, will significantly impact on the results of our sugar interests," he said.

Results from the Rainbow Chicken division were affected by an abnormally high chicken death rate since the latter part of the last financial year.

While the company achieved an encouraging turnaround in the last financial year, production losses this year would have a negative impact on earnings, Morris said.

The group's timber operations were still affected by a low level of offtake from the mining timber activities.

He said industrial action could also impact on the immediate prospects of the group.— Sapa.



COMPANIES

CG Smith to move sugar mill

MARCIA KLEIN

CG SMITH Sugar has announced a R196m relocation and expansion scheme for its Illovo sugar mill. B/Day

The mill, it said, would move to Eston, about 50km inland from its present site, and be renamed the Eston mill. The move would be to a better growing area, and would significantly reduce the average transport haul for growers. 18/5/94

Capacity would be increased to take advantage of potential for expansion of cane production in the area. In the longer term, cane supplies from areas surrounding the new site would build up to 1,7-million tons a year. This would enable Eston to double production to 200 000 tons a year.

The relocation and expansion would be financed from internal resources. At the March interim stage, CG Smith Sugar had deposits, cash and short-term investments of R206,6m, and gearing of 32,2%.

CG Smith Sugar, which would change its name to Illovo Sugar, announced earlier this month that its earnings had plunged 78% in the six months to end-March because of the prolonged drought.

Sugar served to dampen otherwise buoyant results of holding company CG Smith, which this week reported a 6% earnings rise. But CG Smith directors said sugar earnings would come back strongly in the current six months, and full year earnings would be down by only 10% to 12% on the previous year. (3) Sugar

CG Smith Sugar was set to launch a full range of Illovo white sugar packs on the local market during June.

Directors said the company had reviewed its structure, and decided to change from three divisions to a single structure. This had resulted in 350 redundancies. Annual cost savings arising from the restructure were likely to be more than R15m.

The company was considering disposing of some assets, including some non-strategic cane farms.

350 jobs go at Smith Sugar

Star 18/5/94

BY DES PARKER

Durban — CG Smith Sugar is laying off 350 staff in a shake-up that includes the R196 million move of its Illovo mill to Eston.

Chairman Glyn Taylor says the company, which is changing its name to Illovo Sugar, is changing its structure because of deregulation of the industry.

The three operating divisions will be streamlined into a single structure "which will give sharper focus to our core business of sugar and downstream by-products".

The retrenchments result both from the reorganisation and the relocation of the mill.

"Those affected were employed at head office and at plant level. Redundancy packages/early retirements have been negotiated with those concerned. Annual cost savings arising from these measures are likely to exceed R15 million."

(3) Sugar

Once Illovo mill was resited 50km inland from its present site, its capacity would be increased to take advantage of "substanial potential which exists for expansion of cane production in the area".

The project will be funded from internal resources and the mill renamed Eston.

Taylor estimates cane supplies over time will build up to more than 1,7 millions tons a year, almost doubling the yield to 200 000 tons of sugar.

CG Smith Sugar will launch a full range of Illovo-brand refined white sugar packs next month.

Lonrho Sugar's dividend up as group performs well

(3) SUGAR BD 14/12/94

MADDEN COLE

LONRHO Sugar Corporation has reported a 37% increase in attributable profit for the six months to September after a generally improved performance by the group.

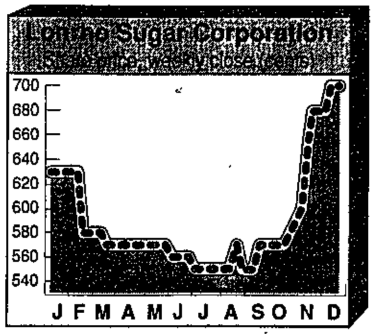
Results for the JSE- and Swaziland-listed company published yesterday showed attributable profit of R30,9m, up R8,3m from the comparative figure of R22,5m in the previous year. Earnings a share showed a corresponding improvement to 26c (20c).

The emalangeni, the currency of Swaziland, is at par with the rand.

Higher earnings allowed for a 19% increase in the company's interim dividend to 13c.

The number of shares in issue, earnings a share and the dividend took into account the 10-for-1 share split which became effective in October. Comparative figures had been restated, the directors said.

The published figures were half the estimated results for the current financial year. Last year's comparative figures are half the actual profit for that year. Actual figures for the first six months were not used as a basis for the interim report as they



could be misleading because of the seasonal nature of the group's operations, the directors said.

Pre-tax profit increased 45% to R63,4m, with tax coming in at R15,3m (R10,9m), leaving an after-tax profit of R48,1m (R32,9m). Minority interests increased to R17,2m (R10,3m).

The directors said group results for the current season confirmed the recovery predicted in the 1994 annual report. There had been considerable improvement in the performance of the Sucoma factory in Malawi.

Elsewhere in the group operations were proceeding at acceptable levels, they said.

Recovery in group profit would have been better if production had not been affected by a number of factors. The continuing drought in SA had again lowered production at Glendale and the crop in Mauritius was reduced by cyclone damage.

In Malawi, disruptions to agricultural operations at Sucoma during commissioning of the mill expansion last season had a depressing effect on this year's crop. But Dwangwa had recorded an excellent season and near record production was expected from Ubombo Ranches in Swaziland.

Lonrho shares closed unchanged at their annual high of 700c on the JSE yesterday, having gained 20c or 2,94% so far this month. The counter touched a low of 550c in June.

It was announced last month that chairman and joint CE Rene Leclezio would retire at the end of the month. He would be replaced as CE by Keith Roberts with Peter White becoming non-executive chairman.

Last month holding company Lonrho plc's joint MD, Tiny Rowland, stepped down after dominating the multinational conglomerate for 33 years.

Successor Dieter Bock, who will become sole CE of Lonrho, said this week he might reduce his 18,8% stake in the multinational. He said if he cut his holding to 10% it would give him enough control.

st Budget was an indi- tractive for the market.

Sugar production slashed by drought

MALELANE — Prolonged drought and low rivers will cut Eastern Transvaal sugar output for this year to slightly more than half of normal levels, industry officials said. B/Day 21/7/94

Normally, cane growers in the area produced about 10% of national production, they said. But the three-year drought would cut output to just more than 100 000 tons.

Transvaal Sugar Ltd spokesman Leon van Rensburg said that in a normal season about 2,2-million tons of cane were crushed — yielding about 220 000 tons of sugar at the company's Malelane mill.

Only about 1,2-million tons of cane will be crushed this year, Van Rensburg said. (3) Sugar

With the company's new Komati mill operational since March, the industry in the region had expected to produce up to 16% of the country's sugar.

"At this stage we will produce a little more than 50% of what we normally produce," Van Rensberg said. "In any person's business viewpoint it is a big setback."

The Eastern Transvaal reflected the crop outlook for the rest of the sugar industry. Estimates point to a 1994/1995 crop of around 1,7-million tons compared with a normal crop of 2,1-million.

The industry expected to lose about R1,8bn from below-average crops in the past three seasons.

The Eastern Transvaal industry expected the milling season to be shorter than in previous years, although mills were crushing cane slower and more efficiently to extract the maximum sucrose, Van Rensburg said.

The Eastern Transvaal cane fields were irrigated, unlike SA's main sugar-producing region of KwaZulu-Natal, which depended mainly on good rainfall.

Van Rensburg said the water level of rivers in the Komati basin, from which most of the irrigation water was drawn, had dropped considerably.

Weather bureau figures showed the Transvaal lowveld area was experiencing its worst drought in nearly 90 years, he said, noting that the normal rainy season was due to start in three months.

The drought had seriously affected small cane growers, mainly black farmers in the former Kangwane homeland. Almost 300 black farmers had managed to put their first cane in the ground this year, only to be faced with drought, Van Rensburg said. — Reuter.

Film ticket levy 'could

SA sugar exports on target

DURBAN — The SA sugar industry was confident that it could meet sugar export commitments in the 1994/95 season, industry officials said yesterday. B/Day

The SA Sugar Cane Growers' Association said on Tuesday that it feared a third successive crop failure after estimates for the 1994/95 sugar crop were revised down from 1,8-million tons to 1,6-million. 16/6/94

SA Sugar Association export manager Andrew Barr-Sim said the industry was confident of meeting its export commitments.

He said the industry would rethink its position if crop estimates were revised down further. (3) Sugar

Industry sources said if crop estimates dropped below 1,3-million tons — SA's domestic sugar requirement — exports might be affected. — Reuter.

Sugar industry to undergo drastic changes

MUNGO SOGGOT

THE SA sugar industry would undergo drastic structural change in the next four years to sharpen its competitive edge internationally, industry sources said yesterday.

SA Cane Growers Association executive director Jack Wixley said many of the Sugar Association's services would be deregulated so that they could be run by individual sugar mills. B/Day

The association, which is the industry's central organisation, would switch to a "user pays basis" instead of providing services funded by a central levy.

The SA Sugar Journal says GATT's erosion of protective tariff policies meant the sugar industry had to continue to compete as a leading, low cost player in the world sugar market. (3) Sugar

It says industry heads see current regulatory measures — such as quota restrictions — as "obstructing optimum economic efficiency".

In terms of the changes quota restrictions will be phased out; growers will not be required to register quota land; and there no longer will be a restriction on the free entry of new sugar mills.

It adds that the Sugar Association will pass on the responsibility for marketing to individual milling and refining companies. 12/4/94

Wixley said the sugar association's functions — such as cane testing — would be devolved to the sugar milling companies.

Standard Bank's AgriReview says in the past net revenue was divided between the growers and the millers, but that "from April 1, 1994 a new fixed division of proceeds will be introduced which will significantly improve growers' incomes".

Tongaat sells SFS to black consortium

SUGAR CT 8/12/94

Own Correspondent

JOHANNESBURG. — Aluminium and sugar group Tongaat-Hulett has sold an 80% stake in catering business Supervision Food Services (SFS) to a black-owned investment consortium, which includes Kagiso Trust Investment Company and Khulani Holdings, for R53m.

The deal would be effective from October 1, Tongaat-Hulett MD Cedric Savage said yesterday.

Other members of the consortium — each owns a 20% stake in the company — included FirstCorp Capital Investors and SFS management.

The company had been renamed Kagiso Khulani Supervision Food Services and its corporate image has been revised.

Tongaat-Hulett would maintain a 20% interest in the company in order to "contribute to the future success of this business".

The deal valued the entire company at R66m, based on the potential value of its earnings as it had no assets, Savage said.

The catering business had grown rapidly and had shown "tremendous potential", he said, but it had not been considered a core activity within the group and was ripe for a venture of this kind.

Chairman of the new company and Kagiso Trust Investment Company chairman Eric Molobi said his company intended to invest in sound businesses to reap dividends for investment in parent Kagiso Trusts's development projects.

The trust had raised its own funding for the deal with a combination of foreign and local equity.

"The catering industry is of particular interest to us as it is profitable enough while providing good employment opportunities and supplying basic nutritional requirements to large numbers of people," he said.

Nigel Dunlop would remain MD and new members of the board included Khulani Holdings spokesman Zuzi Buthelezi, Tongaat-Hulett director JB Magwaza, Johnson Njeke, Edmund Radebe, Steven Saunders, Russel Stevens and Fani Titi.

"Our principle is not to ruffle the companies we invest in and we want Tongaat to remain involved for continuity, as they understand the nature of the business," Molobi said.

Through its participation as board members, the investment consortium would help the group "reposition to meet the changing environment".

Kagiso Trust Investment Corporation was investigating four other investment opportunities in media, industrial groups and the service industry, but Molobi would give no further details.

Tongaat-Hulett director JB Magwaza co-ordinated the group's black economic empowerment programme. He said the group was looking at other non-core interests as possible vehicles for joint ventures with black business.

Sweeter prospects for sugar

SA IS expected to lift sugar production in a normal season to as much as 2,4-million tons, against just 1,7mt produced in the current season.

Glyn Taylor, outgoing chairman of the SA Sugar Association, said at its AGM yesterday that the industry was in an "expansionary phase", and that a "normal season would see it producing around 2,4mt of sugar."

(3) SUGAR

A Sasa spokesman said this was probable given the recent commissioning of the 150 000 ton per year Nkomati sugar mill, the increase in small-scale growers to 45 000 and a return to normal rainfall patterns.

SA's sugar industry has been hard hit recently by the drought, but usually produces about 2,1mt of sugar per season, leaving as much as 800 000t available for export.

CT 28/7/94

The current season's crop would leave about 400 000t for export. Taylor said although the season's estimate was down from the 1,8mt projected in April, it was still 45% up on production in the 1993/94 season.

He added that it was good to have the sugar industry's US quote reinstated. The quota will account for about 26 000t of sugar per year, with the value of the quota being well above the world sugar price. — Sapa.

Water shortage plays havoc with sugar crop

Star 21/7/194

Malelane — Prolonged drought and low rivers will cut sugar output in the Eastern Transvaal to slightly more than half of normal levels in 1994, industry officials said yesterday.

Normally, cane growers in the area produced around 10 percent of national production, they said.

But a three-year drought will cut output to just over 100 000 tons this year.

Transvaal Sugar Limited (TSB) spokesman Leon van Rensburg said that in a normal season something like 2,2 million tons of cane were crushed — yielding about 220 000 tons of sugar at TSB's Malelane Mill.

But the drought meant only about 1,2 million tons of cane would be crushed this year, Van Rensburg said in an interview.

With TSB's new Komati Mill operational since March this year, the regional sugar industry had expected to produce up to 16 percent of the country's sugar.

"At this stage we will produce a little bit more than 50 percent of what we normally produce," van Rensberg said.

"From anybody's business viewpoint it is a big setback," he said.

The Eastern Transvaal reflected the crop outlook for the rest of the South African sugar industry.

Industry estimates point to a 1994/1995 crop of around 1,7 million tons, compared with a normal crop of about 2,1 million tons.

South Africa's sugar industry expected to lose around R1,8 billion from below-average crops over the past three seasons.

The Eastern Transvaal sugar industry expected the milling season to be shorter than in previous years, although mills were crushing cane more slowly and more efficiently to extract the maximum sucrose, van Rensburg said.

The Eastern Transvaal cane fields are irrigated, unlike South Africa's main sugar-producing region in KwaZulu-Natal, which depends mainly on good rainfall.

B Sugar

Irrigation

Van Rensburg said the water level of rivers in the Komati Basin, from which most of the irrigationwater is drawn, had dropped considerably.

Weather Bureau figures showed the Transvaal Lowveld area was experiencing its worst drought in nearly 90 years, he said, noting the normal rainy season was due to start three months from now.

The drought has seriously affected small cane growers, mainly black farmers in the former Kangwane homeland.

Almost 300 black farmers had managed to put their first cane in the ground this year, only to be faced with drought, van Rensburg said. — Reuter.

Lonrho Sugar Corp lifts profit by 37%

(3) SUGAR CT 14/12/94

From MADDEN COLE

JOHANNESBURG. — Lonrho Sugar Corporation has reported a 37% increase in attributable profit for the six months to September after a generally improved group performance.

Results for the JSE- and Swaziland-listed company published yesterday showed attributable profit of E30,9m, up E8,3m from the comparative figure of E22,5m in the previous year. Earnings a share showed a corresponding improvement to 26c (20c).

The emalangeni, the currency of Swaziland, is at par with the rand.

Higher earnings allowed for a 19% increase in the interim dividend to 13c. The number of shares in issue, earnings a share and the dividend took into account of the 10-for-1 share split effective in October. Comparative figures had been restated.

The published figures were half the estimated results for the current financial year. Last year's comparative figures are half the actual profits for that year. Actual figures for the first six months were not used as a basis for the interim report as they could be misleading because of the seasonal nature of the group's operations.

Pre-tax profit increased 45% to E63,4m, with tax coming in at E15,3m (E10,9m), leaving an after-tax profit of E48,1m (E32,9m). Minority interests increased to E17,2m (E10,3m).

The directors said group results for the current season confirmed the recovery predicted in the 1994 annual report.

Recovery in group profits would have been better if production had not been affected by a number of factors. The continuing drought in SA had again lowered production at Glendale and the crop in Mauritius was reduced by cyclone damage.

In Malawi, disruptions to agricultural operations at Sucoma during commissioning of the mill expansion last season had a depressing effect on this year's crop. But Dwangwa had recorded an excellent season and near record production was expected from Ubombo Ranches in Swaziland.

Lonrho shares closed unchanged at their annual high of 700c yesterday, having gained 20c or 2,94% so far this month. The counter touched a low of 550c in June.

Tongaat in black business venture

(3) SUGAR

BEATRIX PAYNE

BD 8/12/94

ALUMINIUM and sugar group Tongaat-Hulett has sold an 80% stake in catering business Supervision Food Services (SFS) to a black-owned investment consortium, which includes Kagiso Trust Investment Company and Khulani Holdings, for R53m.

The deal would be effective from October 1, Tongaat-Hulett MD Cedric Savage said yesterday.

Other members of the consortium — each owns a 20% stake in the company — included FirstCorp Capital Investors and SFS management.

The company had been renamed Kagiso Khulani Supervision Food Services and its corporate image has been revised.

Tongaat-Hulett would maintain a 20% interest in the company in order to "contribute to the future success of this business".

The deal valued the entire company at R66m, based on the potential value of its earnings as it had no assets, Savage said.

The catering business had grown rapidly and had shown "tremendous potential", he said, but it had not been considered a core activity within the group and was ripe for a venture of this kind.

Chairman of the new company and Kagiso Trust Investment Company chairman Eric Molobi said his company intended to invest in sound businesses to reap dividends for investment in parent Kagiso Trusts's development projects.

The trust had raised its own funding for the deal with a combination of foreign and local equity.

"The catering industry is of particular interest to us as it is profitable enough while providing good employment opportunities and supplying basic nutritional requirements to large numbers of people," he said.

Nigel Dunlop would remain MD and new members of the board included Khulani Holdings spokesman Zuzi Buthelezi, Tongaat-Hulett director JB Magwaza, Johnson Njeke, Edmund Radebe, Steven Saunders, Russel Stevens and Fani Titi.

"Our principle is not to ruffle the companies we invest in and we want Tongaat to remain involved for continuity, as they understand the nature of the business," Molobi said.

Through its participation as board members, the investment consortium would help the group "reposition to meet the changing environment".

Kagiso Trust Investment Corporation was investigating four other investment opportunities in media, industrial groups and the service industry, but Molobi would give no further details.

Tongaat-Hulett director JB Magwaza co-ordinated the group's black economic empowerment programme. He said the group was looking at other non-core interests as possible vehicles for joint ventures with black business.

TONGAAT-HULETT

Fm 25/11/94

Sweeteners combining forces

(3) Sugar

Through four years of recession, the Tongaat-Hulett Group has been refocusing, cost-cutting and sharpening efficiencies. Management action began to show in the small improvement in results recorded at the March year-end, which came with little or no help from the economy.

The interim results released this week were expected to show a strong recovery. But the 43% jump in earnings was at the top end of forecasts and certainly better than most of the market was expecting, even after the strong rerating of the share over the past year which has seen the price more than double.

Results show Tongaat-Hulett benefiting from the beginning of an upturn in the economy — which with its tightened cost structures adds increased volumes at little additional cost — and the end of the crippling two-and-a-half year drought which ravaged the sugar industry.

The really interesting part is still to come in results for the full year and into the next financial year. A number of factors indicate that full-year earnings could grow more than 50%. An analyst believes Tongaat-Hulett will show average earnings growth above 30% for the next three years.

Strong results came largely from an operating margin which has firmed from 5,8% a year ago to 6,7% at year-end and 7,4% now. That took the 18% growth in turnover to a 50% jump in operating profit. MD Cedric Savage says this reflects the lower cost structure as well as the firming demand and resultant volume growth the improving economy has provided. With high fixed costs in many of Tongaat-Hulett's businesses, better volumes translated into lower unit costs.

A 44% increase in the dividend payout — more than the 41% EPS growth — shows the board anticipating a sound full-year performance.

Increasing help will come from the balance sheet. Strong cash flow has helped cut borrowings by two-fifths to R285m. This in turn reduced interest payments by R5m to R17,9m. Debt tends to be seasonal for Tongaat-Hulett, but Savage expects the group to be unborrowed by year-end.

Perhaps the firmest indication of full-year results can be taken from the improved performance of all six divisions over the first half. With many of its businesses entering peak demand season, this is essentially a second-half group.

All divisions recorded higher profits over the first six months than at any other time in comparable periods in the preceding four years. The same trend emerges in consolidated results since 1990. Last year, second-half earnings growth was 126% higher than in the first half; in 1993 it was 118% higher. This second-half gearing points to sound earnings for the year.

Biggest boost should come from the sugar division. Savage says tonnage is up 38% to 632 000 t. But with this year's crop still affected by the drought, he says that's only about 65% of the crop that can be expected in a season of normal rainfall.

So far, early rains have been good. If they continue to March, Tongaat-Hulett could get close to 850 000 t of sugar, well within the maximum 1 Mt capacity of the division. It would be aided by the estimated 45 000 t coming from the Heatonville region now the R100m irrigation scheme is working.

Prospects are also being sweetened by a world price of about US13c/lb, the highest for some time and a level that Savage believes could be maintained. Cost benefits from the recent closure of Mount Edgecombe mill will also filter through.

Most other divisions also show strong growth prospects, reflected in a capex bill of R286m. The bulk, R110m, is going on an accelerated programme to expand capacity in the starch and glucose division. Capacity at brick plants is up from about 50% at year-end to 83%, while the aluminium division is nearing full capacity.

A new management thrust is to seek joint venture or co-ownership partners for black economic empowerment projects. Savage says an announcement could be made soon — though he does not give details.

Savage ... *looking for partners*

This latest strategy also reflects a change of thinking. "We are getting away from the mind set of total ownership and being the biggest. What's important now is sustaining competitiveness and profitability — we are looking for partners with whom we can share skills and synergies," he says.

After these interims, and based on 12-month EPS, the p:e at the current R51 price is 24,2. That looks expensive and is well above the 21,3 average for the food sector, where the share is listed.

However, numerous factors are adding interest to the diversified Tongaat-Hulett: its cost-cutting and refocus will magnify benefits of improving markets; its profits will be sensitive to infrastructural and social spending; sugar, building materials and aluminium are expected to do particularly well; the textiles division is in a recovering industry; and a decision is expected early next year on the proposed R1,6bn rolled products aluminium plant, probably as a joint venture. These should help keep the share on the boil.

Shaun Harris

ON THE UP

Six months to	Sep 30 1993	Mar 31 1994	Sep 30 1994
Turnover (Rbn)	1,97	2,0	2,33
Operating income (Rm)	115	152	173
Attributable (Rm)	70,8	89,5	101,1
Earnings (c)	78,8	99,7	111,3
Dividends (c)	20,8	48,4	30,0

ABSA

Right direction

Absa is slowly recovering. But the market is waiting for a marked turnaround before it rates the share in line with major competitors. At least the banking group is now producing real returns and no longer losing market share.

Though the share price has risen lately and some rerating has occurred, it will probably remain around current levels until the turnaround comes. Staff morale is better than it has been since the two mergers and the group's tarnished image is slowly improving.

Half-year results to end-September show a fairly pedestrian increase in net income after tax of 10,7% to R337,9m. This was more or less in line with forecasts. Analysts are predicting a year-end increase of around 13%-14%. EPS rose 10,7% to 59,7c.

After-tax income suffered from a higher corporate tax rate, which rose 21,5% because of STC and a reduction in the deferred tax asset. CE Danie Cronje expects this asset to be exhausted by year-end.

A poor performance by the short-term insurance interests — held in Absa Insurance Company and Commercial Union, in which Absa has a 30% stake — also curbed growth. Underwriting losses by

Sweetener for Komatipoort

C|PRESS. 4/9/94

By KHANGALE MAKHADO

THE Eastern Transvaal Region received a shot in the arm following the recent opening of the giant R450-million Komati Sugar Mill near Komatipoort.

The mill overlooking the mountainous border with Mozambique is to create job opportunities for over 3 500 people in the region employed by about 250 new small growers from the Nkomazi region.

Addressing a colourful ceremony attended by 900 guests including top business personalities and well-known sugar barons, Premier Mathews Phosa commended Transvaal Sugar Limited (TSB) for having created so many jobs for people.

"Through the selfless efforts of TSB new sugar planting projects have been promoted in the area which will benefit some 280 small growers in the process," said Phosa.

Apart from creating jobs, he said, TSB was on record as having made available to their employees almost R4 million for the building or buying of houses in the area.

There are also four primary schools built by the company as well as a centre geared towards scientific and technical specialisation. (3) Sugar

"TSB has a very commendable record in terms of its focus upon development and reconstruction and the impression one gets is that they are looking at broader societal trends and social upliftment not only in the workplace but also outside of it," said Phosa.

Rembrandt Group chairman Johann Rupert told the gathering that it was only through a joint effort by both business and labour that the Reconstruction and Development Programme could succeed.

Referring to the unions, he warned them not to regard employers as the enemy, saying that both were in the same boat. "Drill a hole in the bottom and we all sink," said Rupert.

Illovo Sugar's sweeter pot

Star 4/11/94

BY CHARLOTTE MATHEWS

Sharply improved results in the second half of the financial year, reflecting recovery from the effects of the drought, helped Illovo Sugar to lift attributable profits 11 percent to R55,5 million in the year to September against the previous year.

The first half-year generated R8,5 million, or 15 percent, of those profits and the remainder arose in the second half.

In the current season, the company's estimated sugar production is 745 000 tons, 269 000 tons above 1993/94, which will give it a 45 percent share of overall industry production.

(3) Sugar

Turnover was R1,2 billion (R1,1 billion). After lower financing costs and a higher tax rate, the bottom line was boosted by an abnormal item of R8 million, arising mainly from sugar industry capital allocations, which no longer need to be repaid because of deregulation.

On earnings of 35,2c (31,7c) a share, the dividend is held at 14c.

Management said yesterday a strong rise in earnings in the coming year could be expected if weather patterns returned to normal because the cost base was now lower.

Drought blamed for bleak sugar outlook

BIDay 3/8/94

LOUISE COOK

SUGAR cane production could take at least five years to regain normal levels because of the three-year drought in Natal, SA Cane Growers' Association economics director Brian Sudgen said yesterday.

Sudgen said the expected sugar cane crop this season was a mere 15,3-million tons. From this 1,7-million tons of sugar could be produced — far short of the usual crop of about 2,2-million tons and a mere 60% of domestic consumption.

About 40 000 small-scale farmers in KwaZulu, KaNgwane and Transkei had been hardest hit.

The association's latest survey showed that average debt levels of commercial farmers had risen 30% from 1992 to R782 000.

(3) Sugar

SUGAR PRODUCTION

In need of go

FM 5/8/94

Sugar producers, after a season in which production fell to a 25-year low, see signs for cautious optimism. No-one predicts a major recovery but industry officials now expect better results.

Last season's 1,2 Mt crop — well below normal — couldn't have come at a worse time. The drought-hit crop occurred as international markets were opening up to the industry and the world price has shown more buoyancy and stability. (3) Sugar

Even so, says Sugar Association chairman Dick Ridgway, the industry has gone ahead with a top-to-bottom reorganisation and deregulation exercise which should enable it to be internationally competitive even under the latest Gatt rules.

Ridgway

Ridgway says the combination of two years of drought, reorganisation and the need to adjust to the new political dispensation, made the 1993-1994 season the most difficult and complicated.

Last season's drought caused production to drop to 1,2 Mt compared with a normal year which yields about 2,2 Mt.

Over the past two seasons, adds Ridgway, production was more than 1,7 Mt down on the norm.

This season, industry estimates suggest production will be limited to just under 1,7 Mt with good rains.

Output blow

Ridgway says domestic demand has remained stable and the industry continues to meet international commitments. Once again, though, diminished production has hurt potential export earnings, coming as international sugar prices hold above US12c/lb because of depletion of world stocks over the past two years.

With Gatt looming, Ridgway says the sugar industry realises it must contain costs. That is one reason why in April the sugar industry took its first steps towards deregulation.

The most significant offered free access to the industry through phased abolition of the quota system. Other measures, though agreed on, have still to be implemented.

Ridgway says the changes give growers and millers greater freedom and responsibility for managing their own affairs and the ability to improve efficiencies and cut costs. ■

Illovo recovers from drought

B/Day 4/11/94

BEATRIX PAYNE

ILLOVO Sugar — previously CG Smith Sugar — just managed to shrug off the effects of a drought-ravaged first half to post an 11% rise in attributable earnings to R55,5m for the year to September, the directors said yesterday.

An abnormal item of R8m relating to the deregulation of the sugar industry resuscitated the group's 5% fall in after-tax profit to R49,5m (R52,3m).

Earnings a share rose to 35,2c a share from 31,7c for the previous year.

Turnover increased 7% to R1,2bn but operating profit for the year was virtually unchanged at R92,2m (R92,1m).

Financing costs fell 12% to R23,3m on the back of lower interest rates and pre-tax profit rose 5% to R68,8m.

The tax bill jumped to R19,4m (R13,3m) as the effective tax rate increased to 28% from 20%. After-tax profit fell to R49,5m (R52,3m) and an unchanged dividend of 14c a share was declared.

The R55,5m attributable profit consisted of R8,5m during the 1993/94 sugar season and R47m for the remaining six months to September 30 1994.

The group reported a 78% slump in earnings a share to 5,4c a share for the six months to March. (3) Sugar

The directors said early prospects for the group in the coming year were "promising" because of substantially improved results for the 1994/95 season.

New sugar mill opened

B/Day

JOHANNES NGCOBO

A NEW sugar mill at Komatipoort in the Eastern Transvaal would crush about 1,2-million tons of sugar a year, Transvaal Suiker Beperk said.

The company said at the official opening of the mill last week it had spent about R430mconstructing the mill near Malelani.

Rembrandt group chairman Johann Rupert said the mill — which would employee 3 500 people — had been completed in record time and the company had saved R50m from the approved budget of R480m.

SA Suger Association chairman RK Ridgway said about 300 new farms — 200 situated in the former KaNgwane — would serve the new mill. 22/8/94

"With the stability provided by irrigation I am sure that these new farmers in KaNgwane will be viable. (3) Sugar

'The initial annual suger production of 130 000 tons will release a like amount onto the world export markets," Ridgway said.

Fm 26/8/94

SUGAR INDUSTRY

On a recovery track

Though SA's sugar industry claims to be a cost-efficient producer in the top bracket of exporting countries, it believes import tariffs are needed temporarily to guard against subsidised imports.

New SA Sugar Association and Hulett Sugar chairman Dick Ridgway says the industry is important. It employs 142 000 people — many of them in KwaZulu — and exports about 40% of annual production of 2,2 Mt of sugar. This figure should rise to 2,4 Mt/year.

But Ridgway says the industry's future depends on maintaining and improving productivity and on government continuing to adopt responsible economic policies.

"On the productivity side, deregulation has encouraged competition and efficiency. Provided labour remains responsible in wage negotiations — wages in SA tend to be much higher than that of other labour-intensive sugar producers — SA will benefit as Gatt becomes effective," he says.

He says SA is the world's sixth biggest sugar exporter and its sucrose is recognised as the best. The EC supplies about 25% of the world free market (about 20 Mt excluding preferential agreements and trade pacts). But its production costs are double that of SA, which is in the mid-cost range of the main exporters.

(3) Sugar

"When Gatt is fully operational, prices will, in theory, rise because supply and demand levels are close. The world market is about 114 Mt. In the last three seasons, the first reflected a 3 Mt-4 Mt surplus, supply and demand were even in the next, and this season looks set for a deficit.

"This means there are no surplus tons of sugar looking for a market. If protection is abolished, high-cost producers will need high prices to keep up production. The more efficient producers will reap the benefit through higher margins," he says.

In addition, high-cost producers could be forced out of the market, allowing the more efficient producers to expand.

But the industry is battling to recover from a succession of droughts. Two years ago, production was below 1,5 Mt against a norm of 2,1 Mt-2,2 Mt.

"Severity varied according to growing regions. Some communities suffered serious losses in the first year, only to be floored again by a second dry season which resulted in an output of just over 1,1 Mt — the smallest yield in 25 years."

That compounded the financial woes of many growers, in particular the dry land farmers, though some irrigated areas also suffered. Many growers incurred substantial additional borrowings and deferred replacement of essential capital equipment.

In spite of this, Ridgway says, there has been no land exodus partly because it takes time for the financial problems to bite and because growers established a committee to examine individual problems. The committee spent a lot of time with growers and bankers, structuring financial deals to enable growers to stay on the land.

He says that, after the droughts, the industry had hoped to stage a "fairly reasonable" recovery this season, even though it wasn't expecting a return to normal production. About 1,9 Mt-2 Mt would have helped bring about a recovery. Now, though, the projection has dropped to less than 1,7 Mt. Another year of severe drought in 1995 could have serious implications for the industry. ■

SUGAR INDUSTRY

FM 2/8/94

Protection remains

Partial deregulation of the sugar industry is expected to result in producers fighting for more lucrative shares of the local market. But don't expect to see prices tumble, as protection of the SA industry remains high.

The recent launch of Illovo Sugar's own retail brand (its white sugar was formerly sold under the Hulett label, under decades-old distribution and retailing arrangements) signified the first shots in what could develop into a lively fight for space on supermarket shelves.

(3) Sugar

Setting the tone for the "new" industry is a deal reached by growers and millers. Among the changes, producers can sell their own brands on the local market, the joint distribution arrangement between Huletts and Illovo will end from April 1995 and the profit-sharing agreement between growers and millers has been amended.

The current arrangement whereby SA Sugar Distributors (63% owned by Illovo and 37% by Hulett) handles their joint distribu-

FM 12/8/94

tion, will fall away, allowing each group to seek the most competitive distribution route.

Other important changes facing the industry include freedom of entry for all new growers; the end of statutory linkages of growers to mills (Illovo is spending R196m to move its sugar mill from Illovo to Eston, closer to growers); removal of restriction on entry to new sugar mills; and the fixing (for 10 years) of the division of sugar industry proceeds between growers and millers.

While some of these changes are significant, they are overshadowed by the degree of protection and regulation which remains. This is primarily due to the level of tariff protection against imports, currently standing at an effective 60% ad valorem. With world prices for white sugar currently about R1 000/t, against the local market price of about R1 800/t, local consumers would obviously prefer unhindered imports. Industry officials, however, point out that this would wipe out Natal's largest industry which supports about 1m workers and dependants.

But there's no danger of this, even allowing for Gatt regulations. SA Sugar Association market director Frans Oosthuizen says: "Our Gatt undertaking kicks off with a 124% ad valorem level as from January 1, reducing to 105% within six years."

He says a reason for Gatt's liberal approach to the SA proposal is that the European Union massively subsidises its own producers and allows its 4 Mt a year surplus to be sold at huge discounts on global markets. With the effective European producer price of R3 000/t for white sugar, against a global export price of R1 000/t, it is clear that SA producers feel they have a strong case for protection. ■

(3) Sugar

CIPress 26/6/94

Bitter lot for sugar workers

(3) Sugar

By SIPHO KHUMALO

MORE than 50 farm workers and their families face a gloomy future after being forcefully removed from a sugar cane farm near Stanger following a labour dispute with the farm owner.

The families, including children, have been forced to sit it out in the gusty winter winds in a makeshift camp where they took refuge after spending two days in the veld.

Workers say their mistake was to join a union and to demand fair treatment from Hyde Park Sugar Estate.

A spokesman for the evicted workers, Mcaselelwa Malala, said the matter came to a head when workers asked the farmer to provide them with free meals.

"In January he refused to talk to our shop stewards – he said his farm was not a shop stewards' farm and he advised us to go and talk to Mandela.

"The next thing he did was to order the womenfolk off his farm. Later he told all us to leave the farm," said Malala.

Malala said when the workers demanded that they be paid their pensions after being fired, the farmer offered them R100 each.

"But he said he was only prepared to pay us R100 each on condition that we boarded buses to our respective homes in Transkei and Zululand immediately after being paid," said Malala.

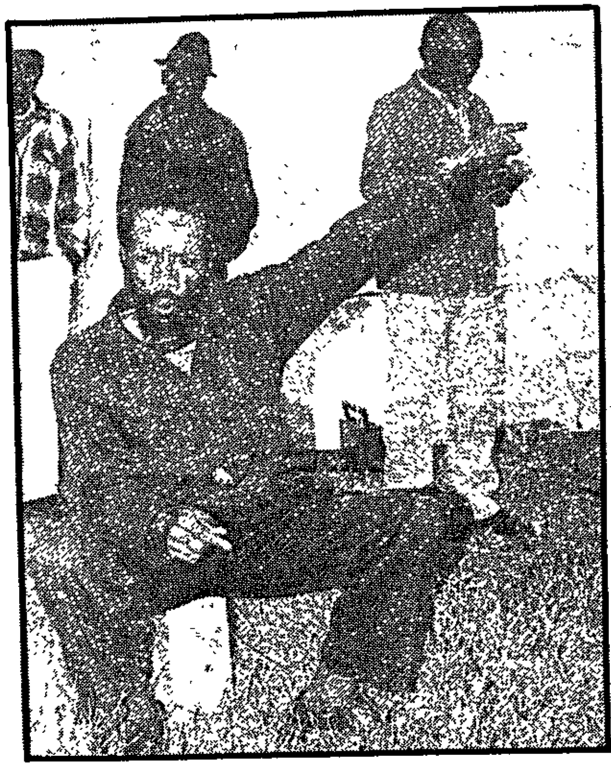
"When we refused to do this, the next thing the farm was invaded by the Internal Stability Unit who destroyed our properties and forced us off the farm."

They spent three days in the veld until Roslyn Moodly of the Stanger Child Welfare Society came to their rescue.

■ A spokesman for Hyde Park Sugar Estate, Zainul Ally, said his company had stopped subsidising the farmworkers' food nine years ago.

"These workers were fired in January after engaging in a series of illegal strikes. They were given a month to vacate the farm since they were no longer working, but they refused," said Ally.

■ See page 15.



TURFED OFF . . . Mcaselelwa Malala explains how they were kicked out of the farm where they used to work by the farm owner and have to camp outside Stanger on the Natal North Coast.

HOMELESS . . . Women and children – some of the 51 people evicted from a sugar cane farm in Stanger.

■ Pics: FRANCE DWAYISA

Sugar millers chairman urges support for RDP

Star 23/6/94

Durban — The chairman of the Sugar Millers' Association, Dick Ridgway, has called on business to support the Reconstruction and Development Programme (RDP). (3) Sugar

He told the annual general meeting in Durban yesterday there was now good reason to be optimistic about the future and that many positive factors had emerged.

"Among these is the fact that President Nelson Mandela has emerged as a leader and statesman of considerable standing and has been warmly welcomed by the rest of the world.

Membership of major world organisations such as the UN, the OAU, the Commonwealth and the International Labour Organisation would constitute a significant part of the process of re-establishing communications and access to the rest of the world.

"In short, the socio-political and economic climate is now conducive to growth and, although the road ahead will be difficult, I am confident that SA has the natural talents and skills to take advantage of the situation.

"However, the inhibitions imposed by the protracted period of isolation and sanctions have resulted in a decline in productivity, which will have to be improved.

"It is essential that business join with the Government in shaping our future. This should include support for the RDP, which will require appropriate and co-ordinated consultation to ensure that it is compatible with the long-term well-being of the economy," Ridgway said. — Sapa.

SOUR SEASON FOR SUGAR

The sugar industry has just had its worst season in years. Production for the 1993/1994 season was 1,172 Mt compared with an average 2,1 Mt, according to SA Cane Growers' Association chairman Rodger Stewart in his annual review this week. "Most parts of the industry continued to experience devastating drought and the result was that this was our smallest crop since the 1965/1966 season." FM 17/6/94

He adds that R1,8bn was lost in industrial revenue and foreign exchange earnings from the last three successive disastrous seasons. The growers share of this loss is R1,1bn. There was a correspondingly depressing knock-on effect to rural economies in parts of the eastern Transvaal and KwaZulu/Natal. Says Stewart: "The financial position of many a capable sugar farmer remains a cause of great concern." (3) Sugar

He adds that the association has, however, negotiated extended rehabilitation programmes for cane growers hit by the 1993 drought, with government departments, the Land Bank and the SA Sugar Association's Financial Aid Fund.

Cold 'no problem' for sugar

BDay

DURBAN — A spell of cold weather which had seen temperatures drop sharply and snow fall in Kwazulu/Natal would have no negative effect on SA's 1994/5 sugar crop, the SA Cane Growers' Association said yesterday.

Association economist Neil Frean said the sugar crop could benefit from the cold weather as it brought with it welcome rain to cane-producing areas on the southern and northern coast of the region. He said cane could tolerate only a certain amount of frost, but recent frost in the cane-producing areas was negligible. 24/5/94

Initial crop estimates for the 1994/95 season, which ends in March 1995, were about 1,7-million tons.

Usually there is a little rain in June and July, but Frean said early rains in September would certainly help boost this season's output. (3) Sugar

SA, usually an exporter of quality sugar, normally produces about 2,1-million tons a season but the two-year drought and an invasion of Eldana borer beetles had cost the industry about R1,5bn. — Reuter.

Star 11/5/94

Sugar crop under threat

The country's sugar crop for the 1994/95 season could fall to 1,6 million tons "or even less" if the Natal coast and Eastern Transvaal do not receive good rain in the next six weeks, an industry spokesman said.

"The industry is still very much under the threat of drought," said Chris Saunders, chairman of one of the country's biggest sugar producers Tongaat-Hullet Group Ltd.

The current official estimate given last month is 1,77 million tonnes. A crop of 2,3 to 2,4 million tonnes is considered good, but last year's drought-hit crop was 1,4 million tons.— Sapa-Reuter

(3) Sugar

Sugar interests sweeten HLH pill

Star 6/5/94

■ BY STEPHEN CRANSTON

The turnaround at associate Rainbow and improved sugar production have enabled Hunt Leuchars & Hepburn (HLH) to report an encouraging 149 percent increase in earnings per share to 70c in the year to March.

The dividend is up a conservative 26 percent to 27c. (3) Sugar

CEO Neil Morris says the improvement was off a low base, and the group has not quite recovered to 1992 earnings levels.

Sugar was the main contributor to the bottom line, with its share now 46 percent.

An improvement in the cane sucrose content, better factory recoveries, increased selling prices and higher volumes have contributed to better results.

The Komati sugar mill was commissioned just before year-end, and within budget but, because of continued drought, is not expected to operate at full capacity in the 1994/95 season.

Robertsons, which makes food and household products, was the other large contributor, accounting for 42 percent of earnings. It continued to gain market share and maintained good margins.

The big disappointment was HLH Timber. Mining Timber suffered from lower volumes and was unable to recover cost increases from customers.

Morris says problems should have been identified earlier, and the size of the operation reduced sooner. But last year it finally bit the bullet, made some management changes and reduced costs, which augurs well for the current year.

SilvaCel, which exports hardwood chips to Japan, exceeded expectations in its first year of operation.

HLH Timber Processors returned to profitability and expanded export markets for value-added pine products.

CAPITAL MARKET

FM 22/4/94

Sugar stock

The sugar industry has raised R42m in the capital market this year to repay a loan made in 1990 by the Independent Development Trust. The instrument is intended to provide market-related returns to investors while providing much-needed capital to the single biggest agricultural private sector job-creation programme. (3) Sugar

It has been designed by Theta Securities and issued by the industry's administrative body, the SA Sugar Association, which has already raised a first tranche of R42m from, among others, Fedsure, Old Mutual, Metropolitan Life and African Life. A second tranche for R25m will be issued later in the

FM 22/4/94

should make the notes ideal rand-hedge investments.

Repayments are then calculated as follows: (3) Sugar

- ☐ The estimated small growers share of production is 9,5% of the total; and
- ☐ 25% of the attributable proceeds go towards the sugar stock payments.

The association guarantees that investors will earn a minimum return over the life of the sugar notes equal to a rate of 70% of the likely outcome of the three variables as stated in the placing document.

The issue of the notes will free the funds to assist the industry's largely black and Indian small growers who have little or no collateral, such as land, to gain access to conventional avenues of finance.

The loan will be used to establish 30 000 ha of new cane fields for 15 000 small cane growers and the maintenance of another 15 000 ha of cane land.

Typically, R4 400 worth of fertiliser and seed is supplied to each farmer to establish each ha. This is repaid over an average of six years. Instalments are deducted as a fixed percentage before the grower is paid for the crop (substantially improving the loan collection process).

Assistance to small growers is administered by the sugar association's Financial Aid Fund, established in 1973, before which small growers accounted for only 2% of pro-

SUGAR INDUSTRY

FM 22/4/94

The toll of urbanisation

Tongaat-Hulett Sugar and some of its employees are tasting the bitter side of progress. One of the organisation's oldest mills, a victim of Durban's urban sprawl, will close at the end of September and put 270 out of work. (3) Sugar

Just over half of the 500-strong workforce at the 133-year-old Mount Edgecombe mill, near Umhlanga, north of Durban, will be retrenched when the mill closes after processing the next season's cane crop, says Dick Ridgway, the sugar company's chairman. The remainder either qualify for early retirement or will be transferred to the group's Maidstone Mill. Retrenchment and severance packages are being negotiated.

It was suggested that the recent drought, coupled with sugar-industry deregulation, may have contributed but Ridgway says the fundamental cause is that there is simply not enough cane production in the area for the mill to be viable. It has been lost to urban development. The problem is that more than 80% of milling costs are fixed and unaffected

FM 22/4/94

by the level of cane throughput.

Deregulation may have played a part in that but the abolition of the division-of-proceeds structures (the method by which millers and growers divided the net proceeds of each season's output) now makes it far less attractive to keep a relatively unproductive mill going. (3) Sugar

He adds that arising from the closure, the company is spending R75m on increasing the capacity of the Maidstone and Darnall mills near Stanger. "These will be able to accommodate the remaining Mount Edgecombe cane supplies and the company will subsidise the additional cost to growers of transporting their cane to the other mills. Mount Edgecombe mill is now supplied by about 16 000 ha of cane-growing land, of which about 9 500 is owned by the company."

The SA Cane Growers' Association says the Tongaat announcement was not unexpected. The main concern for those growers who intend staying in sugar cane is the extent to which Tongaat-Hulett's transport subsidies will cover their additional transport costs.

Mount Edgecombe is not the only mill to be affected by the problem of non-agricultural activities encroaching on cane-growing land. It is understood that Tongaat-Hulett's main sugar industry rival, C G Smith, intends relocating its Illovo Mill on the Natal South Coast to the Eston district in the Natal Midlands. Like Mount Edgecombe, much of Illovo's traditional cane-growing catchment area has been swallowed up by residential and commercial development. The reason for the relocation is that cane production has been boosted in the Eston Richmond area.

In general, the takeover of cane fields for development is nothing new. It was partly responsible, along with sugar-industry rationalisation, for the closure of six mills (out of a total of 23) between 1944 and 1962 — ironically at a time of exceptional growth in the local sugar industry.

There are now 17 mills in the country, including Mount Edgecombe and the new mill being built by Transvaal Sugar near Komatipoort. The blame for the loss of cane fields after the war was put on the need for additional dormitory towns around Durban and a growing demand for industrial and commercial enterprise. The post-war boom in coastal resort development also resulted in much subdivision of cane lands into residential lots.

Some people feel, however, that the encroachment of the forestry industry on to land formerly under cane and the two-tier quota systems (a means of regulating cane production that is now being phased out) had a far greater impact on the overall amount of land lost to sugar cane.

Mount Edgecombe mill, built in 1861, was originally owned by Natal Estates, which was taken over by the then Hulett Sugar Co and then after a titanic struggle by S&I Investments (a consortium formed by Tongaat and C G Smith) in 1962. ■

SUGAR — 1995

Illovo Sugar faces first wage strike

(3) SUGAR 13/7/95

STAFF WRITER

South Africa's major sugar producer, Durban-based Illovo Sugar, is still not out of the grip of drought — and now faces its first labour action over wages.

Almost 1 900 unskilled and semi-skilled workers downed tools last night to back demands for a 13 percent wage increase, bringing cane crushing to a stop at five of the company's seven mills.

The plants are Pongola in far northern KwaZulu Natal, Noodsberg and Eston in the province's midlands, and Umzimkulu and Sezela on the south coast. Gledhow and Umfolozi mills accepted Illovo's initial 10 percent offer.

The company has pegged its final offer to Food and Allied Workers' Union negotiators after mediation at 11,56 percent.

Neither side is prepared to guess the outcome or extent of the action — the first procedural work stoppage in the group.

Illovo — CG Smith Sugar until assuming the name of one of its oldest mills and the brand name of its leading product 12 months ago — is playing down the seriousness of the action.

In percentage terms, the difference between offer and demand is slight, and the offer compares favourably with the settlement figure of 10 percent at Tongaat-Hulett Sugar a few months ago.

In addition, the CG Smith group's sugar business has returned strongly to profit after poor rainfalls stumped yields in 1993 and last year.

Glynn Taylor, the chairman, has forecast taxed profit of R86 million — not far off the 1992 level of R88,9 million — when the group closes its books at its September 30 year-end. Last year's bottom line was R49,5 million.

After months of patchy rain, crop yields remain low and mills are working below capacity, so the group can absorb a certain amount of downtime.

"It might add a few days to the crushing season, nothing much more," a source said.

Taylor yesterday put the latest crop estimate for the group's suppliers at 825 000 tons of cane.

(3) SUGAR (56)

TONGAAT-HULETT

Awaiting finance details

Tongaat-Hulett's share price touched its high for the calendar year of just over R46 soon after preliminary results were announced late in April, and has since drifted down, to R41,25 earlier this week.

It's surprising, considering that the strong results recorded in financial 1995 were by far the group's best this decade (see table). Apart from a generally lacklustre stock market so far this year, the most likely explanation is that investors are waiting for formal finalisation of Tongaat's joint venture in the R1,75bn expansion of the aluminium division's rolled products mill.

Group MD Cedric Savage hopes an announcement can be made in about six weeks. The proposal — whereby Tongaat will sell half its interest in Hulett Aluminium to joint venture partners the IDC (30%) and Amic (20%) — remains on track, but a few important pre-conditions still have to be ironed out. FM 14/7/95

Some relate to government, including investment incentives for fixed investment

Activities: *Sugar, building materials, consumer food, aluminium, textiles, starch and glucose and property.*
Control: *Amic 43,5%.*
Chairman: *C J Saunders. MD: C M L Savage.*
Capital structure: *91,8m ords. Market capitalisation: R3,78bn.*
Share market: *Price: R41,25. Yields: 2,4% on dividend; 6,6% on earnings; p:e ratio, 15,1; cover, 2,7. 12-month high, R52; low, R36. Trading volume last quarter, 712 000 shares.*

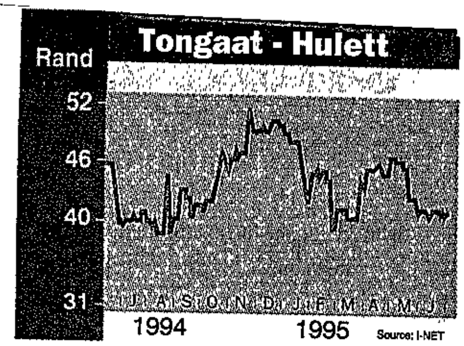
Year to March 31	'92	'93	'94	'95
ST debt (Rm)	64,1	6,5	208,7	111,0
LT debt (Rm)	216	288	139	61
Debt:equity ratio	0,14	0,02	0,01	n/a
Shareholders' interest	0,61	0,59	0,62	0,64
Int & leasing cover	2,7	3,5	4,8	10,7
Return on cap (%)	9,9	8,9	8,7	12,2
Turnover (Rbn)	3,97	3,87	3,97	4,42
Pre-int profit (Rm)	284	270	267	409
Pre-int margin (%)	6,9	7,0	6,7	9,3
Earnings (c)	201	239	179	274
Dividends (c)	73	73	69,2	100
Tangible NAV (c)	2 213	2 502	2 186	2 439

and the rate at which tariff protection is to be phased down. Probably the most important, though, is the conclusion of a raw material supply contract with Alusaf.

But while it may take a little more time, it seems unlikely there will be impediments here. What appears to be keeping investors in limbo is finalisation of the financing options for Tongaat's 50% of the project.

"We are looking at options," Savage says, "with the overriding principle that whatever form financing takes it will not affect EPS growth adversely."

As a precautionary measure, Tongaat will



ask shareholders at the AGM on July 28 for permission to increase authorised share capital. Savage says a rights issue is not being considered — rather, Tongaat might want to issue new ordinary shares for cash in terms of JSE regulations, that is, up to 10% of issued share capital in any one year and no more than 15% over three years.

"It's possible however that we will use a combination of options, including offshore finance for the purchase of equipment."

The balance sheet has ample capacity to gear up. Cash holdings exceed total borrowings by nearly R200m, and it can be assumed that a fair proportion of the cost of the expansion will be met through the sale of 50% of the aluminium division.

It's also likely any borrowings can be quickly retired through Tongaat's strong cash generation — net cash flow for 1995 more than doubled to R222,4m.

But until details of the financing structure are spelled out, investors may remain cautious. While Tongaat is now a very different combination of businesses than a decade ago, memories of historical overgearing probably remain.

The sound operating performance notched up by what are now seven Tongaat divisions (property is now a division in its own right) look set to continue. Particularly pleasing is the improved outlook for what remains the mainstay division, sugar.

Earlier forecasts expected production to remain hampered to an extent by the drought. But late rainfalls into the winter months in KwaZulu-Natal put early production estimates at just under 600 000 t which would be about 5% less than last year's output.

Aluminium continues to perform well with buoyant world prices, and the textiles division is achieving record volumes, turnover and profit. Savage says the building materials division continues to grow with the upcycle.

"Generally, we are gearing for growth. We remain driven by the need to increase EPS, and are now working off a low cost base," he says.

There is a significant firming in the return on capital ratio, an area Savage says is constantly emphasised to managers. The *FM*, due to a different definition, calculates 12,2%, though the trend is there. Tongaat's ratio is 15,8%, and Savage says it will improve further this year; he is targeting a return at least equal to the cost of money at about 18%.

Apart from the overhang of the mill expansion, the share may have run ahead of itself last year when interim results indicated Tongaat was in for a good year.

The significant investment the group is making in growth and profitability should bear fruit later. Once the aluminium project is confirmed and benefits become clearer, it would not be surprising to see the share move into a higher trading band. *Shaun Harris*

NEWS IN BRIEF

(3) SUGAR

Sugar quota boost

SWAZILAND and SA would be two of five southern African countries to benefit from the reallocation of almost 18 000 tons of sugar import quotas, the US embassy in Mbabane said yesterday.

It said Swaziland, SA, Malawi, Zimbabwe and Mozambique would benefit from proportionate shares of sugar quotas unused by India, Madagascar, Philippines, Taiwan and Thailand.

Sugar industry 'internationally competitive'

Nicola Jenvey (3) SUGAR

BD 27/7/95

DURBAN — The SA sugar industry would become a major global competitor when the General Agreement on Tariffs and Trade (GATT) ruling had broken down trade barriers, SA Sugar Association chairman Dick Ridgway said yesterday.

He told the association's annual general meeting the SA industry was internationally competitive on a sustainable basis. It would benefit when GATT had destroyed trade barriers, creating a supply and demand situation related directly to market forces. A recent survey by the London-based Landell Mills commodity brokers listed SA as the world's ninth cheapest producer with the cost of production 50% that of Europe.

"In Europe there are massive farmer support schemes and the protective tariff necessary to support the industry is $531 per ton compared with SA's $160."

The government-commissioned Monitor Report gave the sugar industry "a very positive ranking" on most issues in comparison with competitive industries, Ridgway said. It also recognised the impact of the European subsidy and tariff protection policy on the world market and the consequent need for protection to be granted to domestic industries on a worldwide basis.

Looking at domestic pricing the report concluded that "the price differential between local and international prices compared favourably with other sugar producing countries". He said the sugar industry would comply with the GATT requirements of reducing tariff protection from 124% to 105% over six years.

Turning to current affairs, he said government wanted to develop stronger neighbours and harness the potential strength of the Southern African Development Countries. The industry should align itself to government to develop strategies beneficial for SA and the region.

Sugar's prospects for expansion sweet indeed

ARG 29/7/95 (3) SUGAR

JOHANNESBURG. — Tongaat-Hullett's expansion projects and performance were on track and the group could expect strong growth for the year, according to group chairman Chris Saunders.

Speaking at Tongaat-Hullett's annual general meeting, Mr Saunders said, "we confidently expect to achieve our objective of real growth in earnings per share, and attributable profits this year should show an improvement of at least 25 percent over last year".

"Earnings for the first quarter of the financial year reflect a satisfactory improvement over those of the first quarter last year," he said.

In yesterday's statement he said the board of Tongaat-Hulett had approved the Afprod's greenfields project, to be located east of its Meyerton factory.

Work on the new facility would begin in October and was scheduled for completion in early 1997.

The plant would have an initial capacity of 1 200 tons of glucose syrups, corn starch and animal feeds a day and would enable Afprod to resume exports to Africa and the Far East, which were suspended when local demand caused capacity constraints.

"This development supplements expansion of the three plants at Germiston, Meyerton and Bellville to their maximum capacities," Mr Saunders said.

Final approval for the planned R1,75 billion expansion of the rolled products and extrusion operations of Hullett Aluminium in Maritzburg would be given probably within three months.

The statement said Anglo American Industrial Corporation would acquire 20 percent of the project and the Industrial Development Corporation 30 percent with effect from October 1, subject to the finalisation of shareholder agreement.

A ten-year raw-materials supply-agreement was expected to be concluded by the end of August. The contract was a major pre-condition to the project because of the high proportionate cost of materials in the finished manufactured product, the statement said.

The project would enable Hullett Aluminium to meet local demand for rolled products for the next 15 years, Mr Saunders said.

Addressing sharholders and staff after the meeting, group managing director Cedric Savage said the group's strategies for sustained real growth in earnings were working and all divisions had improved their results.

— Sapa.

Tongaat-Hulett on track for expansion

CT(BR) 31/7/95 (3) SUGAR

By Jon Beverley

Special Writer

The Tongaat Hulett group took another step in its expansion plans on Friday when Chris Saunders, the group's chairman, announced the go-ahead for a R600 million glucose and starch mill at Meyerton and said that the R1,75 billion expansion of the aluminum rolling mill at Maritzburg would be announced in about three months.

Speaking at their annual meeting, Saunders said the group was expecting to lift attributable profit by 25 percent in the year to next March.

There would be a real growth in earnings a share.

Attributable earnings in the year to March 31 were R249 million (R160 million) which translated to earnings a share of 273,9c (178,5c).

Later, at a staff meeting, Cedric Savage, the managing director, said the group had not achieved its targets in respect of margins (9,3 percent) and return on capital employed (15,8 percent) but that the aluminum, textiles and starch and glucose divisions were meeting the minimum standard.

"Those trying to close the gap and who have definite plans to do so are sugar, building materials, foods and property."

Savage said all divisions were in a growth mode and investing for incremental expansion: "We have more proposals for expansion than funds available, which is a welcome dilemma after the restructuring and retrenching problems of the past."

Saunders said the new African Products (Afprod) sugar and glucose mill would begin construction in October and was scheduled for completion early in 1997.

It would have an initial capacity of 1 200 tons of glucose syrups, corn starch and animals feeds a day allowing Afprod to resume exports to Africa and the Far East. They had been halted when domestic demand could not be met.

The plant would permit expansion to 3 000 tons a day. It supplements expansion of the three plants at Germiston, Meyerton and Bellville to their maximum capacities.

Regarding the Maritzburg rolling mill, Saunders said the shareholders deal with Anglo American Industrial Corporation, (due to buy 20 percent), and the Industrial Development Corporation, (also buying 20 percent), was being finalised and would be effective from October 1.

A key 10-year raw material supply agreement in which Hulamin would buy R1 billion worth of metal a year should be concluded by the end of August. "The contract was a major pre-condition because of the high proportionate cost of metal in the finished manufactured product," Saunders said.

Other issues still to be resolved lay with the department of trade and industry where it was hoped that a favourable ruling on the phasing out of tariff protection and support for investment incentives would emerge.

Tongaat-Hulett shareholders approve cash-raising scheme

3 SUGAR

BD 31/7/95

Nicola Jenvey

DURBAN — Food-based Tongaat-Hulett should show a 25% improvement in attributable profit this year as first quarter earnings reflected a "satisfactory" rise, chairman Chris Saunders said at the AGM.

Saunders told the meeting the board had approved the R600m African Products (Afprod) greenfields project at Meyerton.

Work would begin in October and was scheduled for completion in early 1997.

The starch and glucose plant would have an initial daily output of 1 200 tons and would enable the group to resume exporting to Africa and the Far East. Design would allow for expansions up to 3 000 tons a day.

Saunders said final approval for the R1,75bn expansion of Hulett Aluminium in Maritzburg would be given once preconditions were met. This was expected to take another three months.

The preconditions included investment incentives, the rate at which tariff protection would be phased down and a R1bn-a-year raw material supply contract with Alusaf.

At a general meeting which followed the AGM, shareholders authorised the directors to place for cash up to 10% of Tongaat's shares in any one year — with no more than 15% over three years — to help fund the aluminium project.

Saunders said the group was in a "sound financial position" and capable of accepting additional borrowings. However, it would not allow the debt-equity ratio to exceed 40%.

Current projections indicated borrowings would not exceed 25% over the next decade should both projects come on stream.

EXECUTIVE SUITE

By William Wells

transforming itself rapidly. More details will be available in October."

As part of the consolidation of Nethold, Richemont injected cash of about $150m and convertible redeemable preference shares of $200m (convertible to ords should Nethold list or which can be bought back by MIH) into the new company.

At the consolidation, about two months ago, it was estimated Nethold held cash of around $200m. That will not cover the acquisition cost, and with Nethold expected to absorb development costs and show losses for the next two to three years or so, the purchase price will not be financed from cash flow.

Debt could be taken on, though "funded internally" seems to rule this out. Another possibility is that Richemont will inject more cash into Nethold, raising speculation that Richemont might increase its stake and thereby gain control.

Bekker denies this. However, until details of the funding are clear, such speculation is likely to continue.

A public relations spokesman for Nethold was anxious to point out earlier this week that it was Nethold, not Johann Rupert and Richemont, which negotiated the deal with Mediaset's Silvio Berlusconi and which formed part of the consortium which is acquiring 19,8% in the Italian former Prime Minister's media empire for about $1,1bn.

Initial reports from Europe named Rupert and Richemont because they are familiar names in Italy, he said. Cobus Stofberg, formerly with MCL and now overseeing the Italian market for Nethold, and Rob Hersov, CE of Richemont's former media arm Ichor and now a Nethold director, represented Nethold at the negotiations.

A good working relationship appears to be in place between the two groups which control Nethold. Considerable value must be attached to Bekker and MCL's experience in developing pay-TV.

Easier to understand is Nethold's motivation for the acquisition. Apart from the need, previously spelled out by Bekker, to penetrate new markets and rapidly gain the critical mass necessary to compete globally, Mediaset is described by analysts as a mature, profitable business.

Operating three channels in Italy and the largest advertising subsidiary, it had turnover of 3 trillion lira (about $1,9bn) in 1994. This is forecast to rise by about a tenth this year, with net profit of about 330bn lira. It will not fall into the loss-making development category of other Nethold operations, including Italian pay-TV company Telepiu, in which Nethold has a 25% interest.

That means it should not affect Nethold's projected turnaround time of two to three years unless the company has to gear up to make the acquisition. It could speed up the route to profitability by providing stable dividend income.

Shaun Harris

(3) SUGAR

TONGAAT-HULETT

Ending the drought

FM 4/8/95

The success of Tongaat-Hulett's re-engineering programme of the past four years was summed up last week when MD Cedric Savage told the AGM it was the first time in eight years — during which staff numbers have declined from 50 000 to 23 000 — that the group could announce an increase in EPS of more than 50%.

That underpins Tongaat's strategy of achieving a basis for sustained real growth in earnings. A significant investment programme is under way. Apart from incremental expansion to support the growth of all seven divisions, two major planned projects — a new plant for the starch & glucose division and the expansion of the Hulett aluminium mill — will absorb at least R2,1bn over the next few years.

Tongaat-Hulett's Savage . . . *building for the next century*

This has implications for Tongaat's share price. So, too, might board and senior management appointments made last week, which usher in a new order of young executives in a flattened management structure.

The short-term outlook for earnings growth is strong. Chairman Chris Saunders says the first quarter showed a satisfactory improvement. He is confident full-year attributable profit will rise by at least 25%. The forecast should be regarded as conservative — 30% or more is likely.

In the longer term, earnings growth will depend partly on capital projects about to be embarked on, in particular the successful conclusion of agreements around the aluminium mill expansion and the timing of the project.

The R600m greenfields expansion for the new starch & glucose mill, near the Meyerton, Gauteng, factory has been approved. Initial grind capacity will be 1 200 t/day, with the ability to expand to 3 000 t.

The move will enable the division to resume exports (curtailed to meet domestic demand), develop new markets and meet local demand for at least eight years, says Savage.

Preconditions for approval of the aluminium mill expansion still need to be met. Clarity from government on capital investment incentives and the scaling down of tariff protection is required. Finalisation of shareholder agreements with Amic and the IDC, which together will acquire half of the equity in Hulett Aluminium — appears to be a formality. Savage expects the preconditions to be met within three months.

Most important is the 10-year raw materials supply contract with Alusaf. Both parties seek the most favourable deal. Alusaf will want compensation when world prices decline; Tongaat must want protection from the metal's spikes. Timing is significant. At present prices, the deal would be worth about R2m a day to Tongaat.

Lack of details on funding for the project and the R600m to be spent on the new starch & glucose mill has almost certainly been curbing the share price. Savage says funds are in place. About R400m will be realised following last week's shareholder approval to issue for cash new shares representing 10% of issued share capital. At least R300m will come from the Amic-IDC purchase of half of Hulett Aluminium. And Tongaat has R200m cash.

The consideration now is the most efficient, possibly most tax-effective, form of funding. Saunders says that at no stage will Tongaat allow gearing to exceed 40%. Current projections for the two main capital projects indicate gearing should not exceed 25% within 10 years, he says.

Succession planning has taken concrete form. Steven Saunders (35) is to chair the sugar division and joins the boards of the starch & glucose and property divisions. Bruce Dunlop (41) was recently made MD of the sugar division. Former chairman Dick Ridgway, Walter Strachan and Kees van der Pol retired from the main board last week. Wiseman Nkuhlu has been appointed to the board and Dunlop has become an alternate director.

Geoff Cleasby and J B Magwaza have been made directors of the building materials division. Magwaza's responsibilities are to be extended from black economic empowerment (he has been instrumental in selling large areas of cane land to small, black farmers) to include corporate affairs and public relations.

Richard Baker (44) is MD-designate of C P C Tongaat Foods and Peter Staude (42) takes the same title at Hulett Aluminium.

The appointments, especially the infusion of younger management, should be well received by the market. But some analysts believe the elevation of Steven Saunders may be viewed as a continuation of the old Durban family, and Anglo American, custom of promoting family members. Whatever his

P.T.O. →

Sugar mill to close after river runs dry

3 SUGAR CT(BR) 4/9/95

By Jon Beverley

Special Writer

The Glendale sugar mill will open this month to crush about 40 000 tons of cane and then close, with any further supplies of cane being diverted to the Gledhow mill.

This is the result of the severe drought in the Umvoti valley, which, in February this year, saw the river stop flowing for the first time.

The mill, owned by Lonrho Sugar, will not close completely as it has a contract to produce 500 tons of organically grown sugar for which there is a profitable niche export market.

Pesticides

The company was recently visited by European experts who gave permission after inspecting the fields and the processes at the mill for the production of organically grown sugar which is without any of the usual chemical pesticides.

There is an increasing demand, at premium prices, for this type of sugar in Europe.

Some modifications and maintenance, previously deferred because of austerity, is to be carried out and mill workers will be re-deployed in the building of a self-owned township for Glendale's workers.

The directors have welcomed the government's decision to build a dam on the Umvoti River.

Much of the cane grown for the mill depends on irrigation and a dam, expected to supply water by 1998, will enable the growing area to be expanded.

The dam will also help to overcome the ravages of past droughts.

A value-added aspect of the mill is a distillery, which the directors say enjoyed another successful year.

"Interesting progress is being made with light-rum products, distilled from cane juice, and export markets are being expanded."

Lonsugar operates mills and sugar cane estates in Malawi, Mauritius, Swaziland and South Africa.

Earnings for the year to March this year were up by 49 percent and dividends up by 25 percent and financial results presented a record for the group.

Results in Mauritius were affected by a cyclone and in South Africa by the drought, but Swaziland and Malawi recorded better results.

Production of sugar this year is expected to be about the same as last year, but sales will benefit because the European Union has allocated additional quotas to the African Caribbean Pacific countries of about 330 000 tons.

Some of this tonnage will come the way of Lonsugar mills.

The company has also secured an agreement with Portuguese refiners which will enable Mauritius to cut its exposure to the world market.

Lonsugar expects an improved average sugar price for this financial year, which, with carefully controlled costs, reduced interest charges and income from non-sugar activities such as tourism and citrus should see its profit grow.

Sugar estimate trimmed for poor cane crop

(3) SUGAR BD 19/9/95

DURBAN — SA's latest sugar estimate for the 1995/96 season has been trimmed marginally to 1,680-million tons of raw and refined sugar from the previous estimate of 1,686-million, an industry spokesman said yesterday.

SA Cane Growers' Association industrial affairs manager Hans Hackmann said that the estimate was slightly lower because of a poorer quality cane.

"The quality of cane went down which delivers less sugar," he said.

"Hopefully the quality will level off now."

He said the cane's quality was affected by very late seasonal rains.

Ideal harvest conditions are when it is dry.

Hackmann said that about 1,3-million tons of sugar would go to the local market, while the rest would be exported.

A final estimate was expected by November, shortly before the season closed early next year, he said.

SA's sugar crop has been subjected to a four-year drought, but late rains this year could push next season's production closer to "normal" levels of about 2,2-million tons of sugar, Hackmann said.

"We just have to hang on and see what happens. We pray the rain comes in the early summer so the crop can grow."

Most of the country's sugar cane growing regions had received good rains.

However, Mpumalanga, which produced about 10% of SA's sugar, had experienced a dry year this year.

SA exports sugar to, among other countries, Japan, Korea, Israel and the US. —Reuter.

Sugar beet plan could solve job crisis

(4FC) (3) SUGAR (173)

Kevin O'Grady

BD 21/9/95

EAST LONDON — The establishment of a sugar beet industry in the Eastern Cape could be part of the answer to the province's unemployment and poverty problems, according to agriculture MEC Tertius Delport.

Delport said yesterday that the provincial government had sponsored a team to travel overseas to investigate the acquisition of an inexpensive, or free, sugar beet mill to enable the industry to get under way.

A number of sugar beet-growing experiments had been undertaken in the province and had gone very smoothly.

Experts from England had also visited the province to assess the suitability of conditions for growing the crop.

"The experimental plots were of a very high quality," Delport said. "We will have a better idea when we can start growing when we know if they have been able to secure a mill."

"Obviously the industry must be viable or we would not be supporting it financially," he said.

The cost of buying a new sugar beet processing plant could run into hundreds of millions of rands, and there could be a saving if the overseas team was able to secure the donation of a redundant plant.

Trial plantings were originally done near Cradock after the end of the First World War with the idea of settling ex-servicemen as farmers. However, opposition from Natal cane farmers put an end to any further development.

Sugar exports to US cut 15%

(3) SUGAR

Simon Barber

WASHINGTON — The quantity of raw sugar SA will be permitted to export to the US at minimal tariff levels is to fall in the year beginning October 1 by 15% from this year's figure, under allocations announced by the office of the US Trade Representative.

SA's 1994/95 quota was 28 672 metric tons. This drops for the coming year to 24 220 tons. The tariff on imports within the quota ceiling is \$0,06 a pound, but \$0,17c/lb on imports above it, a trade official said.

However, if past experience is a guide, SA's effective quota may increase as a result of the trade office reallocating the unused quotas of other producers.

Since June, SA has received three separate reallocations totalling more than 5 000 tons. These, including one of 2 967 announced just last week, will lapse if not used before September 30.

The office has made the reallocations at the request of US refiners whose demand has been outstripping actual imports. Countries whose unused quotas were shared out in the latest round included Haiti (21 840 tons) and the Philippines (15 400).

The unused quotas are given to producers the office and agriculture department believe will be best able to fill them.

BD 27/9/95

Huletts subsidiary buys Zimbabwean corporation

(3.) SUGAR

FROM SAPA CT(BR) 4/10/95

Harare — Triangle Sugar Estates in Zimbabwe said yesterday it had taken over the entire shareholding of the Mwenezi Development Corporation from Aberfoyle Investments with effect from October 1.

Company sources said Triangle, wholly owned by Huletts, paid Z$30 million for the company, among whose assets are the 32 million cubic metre capacity Manyuchi Dam, Zimbabwe's fifth largest dam, the 15 000ha Mwanezana ranch where the dam is sited, extensive irrigation canals and a substantial housing development scheme.

The company's asset value is Z$150 million, the sources said.

Mwenezi's chairman, David Lewis, said Triangle, whose own 15 000ha irrigated sugar estates are situated east of the ranch, would spend Z$250 million over the next two years on developing 3 000ha for irrigated sugar cane and the clearing remaining 12 000ha for cattle ranching.

The new estate is forecast to produce 45 000 tons of sugar annually, using the water of the Manyuchi dam.

Zimbabwe's annual sugar output is forecast to reach about 400 000 tons in the harvest now under way, down from last year's record 524 000 tons, after five successive years of below-average rainfall slashed available irrigation water.

Triangle produces nearly half of the output, with most of the rest by Anglo America Corporation-owned Hippo Valley Estates in the Lowveld.

Tongaat-Hulett invests in black empowerment

Nicola Jenvey (3) SUGAR

DURBAN — Tongaat-Hulett was involved in a string of black empowerment projects worth more than R1,2bn, group MD Cedric Savage said yesterday.

The projects included an R800m casino investment, a R400m low-cost housing development, and plans to supply Eskom's electrification programme. The diversified industrial group said it expected the projects to be finalised by the year-end.

The casino development, on prime land at Zimbali, would be 50% owned by regional black entrepreneurs. The housing development — for 6 000 high-density units at Mount Moriah — was awaiting official approval from the provincial department of local housing.

Tongaat was currently finalising plans with Eskom and the Industrial Development Corporation to establish a R10m electrical insulator plant.

Other projects included developing medium-scale black sugar farmers in the Kearsney and Maidstone-Darnall areas.

Farmers would purchase about 70ha each for development, funded by the KwaZulu-Natal Finance and Investment Corporation.

Employer BD 12/10/95

The group was also looking at reopening a quarry and brick site in Grahamstown to create employment in the area.

The factory had been the town's second largest employer after Rhodes University.

However, financial approval was still needed from the IDC.

Savage said the group would meet its targeted 25% growth in attributable income for the six months to September, despite the negative effect of depressed demand.

Sales of building materials could have been tripled had work from the RDP come through, while the drought had left the sugar division with tonnage down 5% at an estimated 590 000 tons for the current season.

Sales in the starch and glucose division and in aluminium were marginally higher, but food product volumes and textiles had been static.

SA's sugar output expected to fall

(3) SUGAR CT (BR) 18/10/95

BY SEAN ROSS

SAPA

Total sugar production from southern Africa's three leading producers, South Africa, Zimbabwe and Swaziland, is expected to fall this season as a result of declining rainfall in the region.

South Africa, which usually produces about 2,1 million tons, is looking at a reduced crop of probably 1,68 million tons this 1995/96 season, which started in April.

The South African Sugar Association said late rains had affected cane quality, which had in turn affected yields.

Export availability volumes have subsequently fallen to about 400 000 tons from about 800 000 tons a season a year.

Domestic consumption is about 1,3 million tons.

Jack Wixley, the chairman of the association, said South Africa's long-term export commitments to Japan and South Korea had to be reduced because of the smaller crop.

However, he would not be drawn on the actual volumes destined for Japan and South Korea, but normal seasonal supply to those customers was about 500 000 tons.

Wixley also said the association would not be buying sugar off the market to supplement long-term supply shortfalls.

South Africa's sugar export programme would probably continue through to early November, he said.

In last year's season South Africa produced 1,67 million tons of sugar which left 350 000 tons for export, while in the disastrous 1993/94 season about 115 000 tons had to be imported, mainly from Swaziland and Australia following a paltry harvest of 1,17 million tons.

Meanwhile, Zimbabwe is looking to produce about 485 000 tons of sugar this season, according to the Zimbabwe Sugar Association.

Although less than the record 523 000 tons harvested last season, the forecast is an improvement on recent crop averages which had been hit by the near-drought conditions in the region.

Earlier this season the refineries of Zimbabwe Sugar, which monopolises the country's sugar trade, had to import 25 000 tons of sugar from Brazil to cover its stocks after the industry had delayed milling in the hope that cane fields could take advantage of late rains.

Zimbabwe's domestic market consumes about 260 000 tons, which leaves 225 000 tons available for export this season.

However, the Zimbabwe association's spokesman would not be drawn on likely export volumes given that stockpile and carry-over allotments still had to be decided.

In the 1994/95 season Zimbabwe exported about half of its 523 000 ton crop, including 46 000 tons and 25 000 tons to the European Union and the United States respectively.

Swaziland, which usually produces a stable sugar harvest as most of its cane fields are under irrigation, is looking at a decline in output this season following poor rains.

A spokesman for the Swaziland Sugar Association said output was expected to decline to 420 000 tons from about 490 000 tons normally.

However the spokesman said Swaziland's contractual export obligations would not be compromised by the decline in domestic output this season.

Illovo Sugar sees output rising to 817 000 tons

BD 19/10/95 (3) SUGAR

Nicola Jenvey

DURBAN — Illovo Sugar expected production to increase 45 000 tons to 817 500 tons in the 1995/1996 season, with the company accounting for 49% of total sugar output, chairman Glyn Taylor said yesterday.

Illovo's production in non-drought years was 42,5% of total output and its contribution in the 1994/95 season was 46,6%. Taylor said crop estimates indicated the improvement on the company's figures last year, with Sezela and Umzimkulu on the south coast leading the field. The south coast had been the first area to recover from the drought.

Each area had experienced a 15 000-ton improvement in output and would push Illovo's crop estimates to 817 500 tons from 773 000 tons in the 1994/95 season.

Illovo operated seven sugar mills, four of which had refineries attached. There were five cane-growing estates, and the group produced a variety of downstream by-products.

The drought experienced on the north coast had reduced the group's contributions to the industry, Tongaat-Hulett group MD Cedric Savage said. This was estimated at 590 000 tons for the 1995/96 season, a 5% drop on last season's 630 000-ton contribution and accounted for only 60% of Tongaat-Hulett's full sugar capacity.

It meant the group would contribute about 36% towards total sugar production in the current season.

Poor rainfall was mainly to blame. Savage said rains had been "on target" until June this year, but over the past three months, KwaZulu-Natal had experienced only 35% of the long-term mean average.

"These figures could be altered if there are good, steady rains over the next few months."

The group operated five sugar mills, a central refinery in Durban, several sugar estates and a cane and sugar transport division.

An SA Sugar Association spokesman said the October estimates were down marginally from September at 1,68-million tons. The crop cycle was almost complete and the figure was not likely to change significantly for the remainder of the season.

However, good rains until April would improve the 1996/97 crop. Before the drought, average production was 2,2-million tons, but since 1991 several new players, whose capacity had yet to be realised, had entered the market.

Illovo beats drought and posts year-end sweetener

BD 8/11/95 (3) SUGAR

Nicola Jenvey

DURBAN — Illovo Sugar hoisted attributable profit 68% to R93,2m in the year to September after recovering from the extended drought in the KwaZulu-Natal sugar belt, and sharply increasing production.

Share earnings rose to 59,1c from 35,2c, and a 14c (9,5c) final dividend was declared, lifting total distribution to 23c (14c).

Chairman Glyn Taylor said the CG Smith-controlled sugar producer grew turnover 31% to R1,5bn (R1,2bn) as it continued its drought recovery. Operating profit nearly doubled to R179,5m (R92,1m), of which 83% was derived from sugar and the balance from downstream by-products.

Costs related to the relocation of the Eston mill pushed net financing costs up 24% to R28,8m, while higher profits, a reduction in the value of new plant brought into use and increased provision for bad debts raised the effective tax rate to 39,4% (28%).

Taylor said higher production in 1994/95 had enable Illovo Sugar to achieve first half earnings of R41,7m (R8,5m), while earnings for the second half had amounted to R51,5m.

The early outlook for the current year was promising and forecasts for the first six months were for a 20% increase in earnings.

"Provided that the weather conditions and rainfall in the coming summer months are near normal, the earnings for the full year will show a satisfactory improvement in real terms," he said.

Crop estimates for 1995/96 of 819 000 tons represented a 46 000-ton improvement on the previous year and the group expected its industry share to amount to 48,5%.

"While pleasing, the tonnages still remain well below our capacity to produce a million tons of sugar in a normal season. Drought conditions did continue, but their effect on Illovo was lessened by a wide geographic mill spread and a mix of cane supplies — irrigated, coastal and inland," Taylor said.

Commenting on the downstream industries, he said significantly higher returns were achieved at Sezela with the furfuryl alcohol plant operating at full capacity. The Merebank plant had again produced record volumes of high quality alcohol and significant growth in exports was achieved in both traditional and new markets.

Higher sugar production boosts Illovo's earnings 68%

(3) SUGAR CT(PMR) 8/11/95

By John Sherrocks

Durban — Illovo Sugar's attributable earnings improved 68 percent to R93,2 million for the year ended September because of substantially higher sugar production.

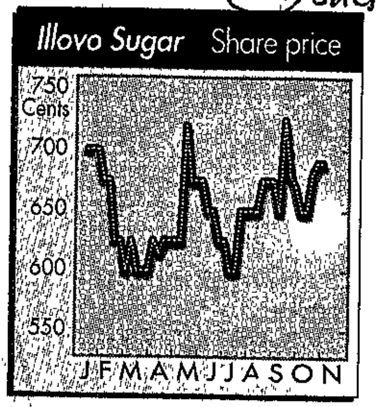
"Drought conditions continued to persist in many areas of the industry but their effect on the company was lessened (because of) the wide geographic spread of its mills and mix of cane supplies," said managing director Don MacLeod.

Turnover rose 31 percent to R1,5 billion (R1,2 billion).

Operating profit jumped 95 percent to R179 million (R92 million); 83 percent of operating profit was derived from sugar with the balance accruing from by-products.

Earnings a share climbed 68 percent to 59,1c (35,2c). A dividend of 23c (14c) was declared.

Net financing costs rose 24 percent to R28,8 million and the effective tax rate was 39,4 percent com-



pared with 28 percent last year.

MacLeod attributed the increase in financing costs to the relocation of the Eston mill and higher interest rates.

Above-average rainfall on the south coast and the diversion of cane from Eston had a positive effect on the Sezela furfural operations and production was restored to near-normal levels.

Lower furfural production in China and the Philippines pushed prices to four-year highs.

"The Merebank plant again produced record volumes of high quality alcohol and significant growth in exports was achieved in both traditional and new markets."

Noting that rainfall would be a pivotal factor, MacLeod described prospects for the year ahead as promising. The forecast for the first six months shows increased earnings of about 20 percent.

There have been further crop improvements this season and the production estimate of 819 000 tons of sugar represents an increase of 46 000 tons over 1994/95. The company's share of overall industry production is set to rise to about 48,5 percent.

MacLeod said the programme to sell more than 50 cane farms of between 55ha and 100ha to emerging black farmers was on target. To date, 5 600ha have been sold for R22,3 million.

Sugar groups give boost to black farmers

(3) SUGAR CT(BR) 9/11/95

By John Sherrocks

Durban — In a multimillion rand black economic empowerment drive the country's two leading sugar companies are to sell 100 medium-sized farms in KwaZulu Natal to black growers.

To help ensure the success of the ventures, Tongaat Hulett and Illovo Sugar are to subsidise interest payments on the loans being provided by the KwaZulu Natal/Finance and Investment Corporation (KFC) for five years on a declining scale.

For its R44 million project, Tongaat Hulett has selected prime cane land in the Maidstone, Darnall and Kearsney districts for subdivision into 70ha units.

The first four farms, being sold for an average of just under R1 million each, were officially handed over to four former Tongaat Hulett employees yesterday. A further 13 farms should be under new ownership by the end of this year. All 50 farms targeted by the group should have changed hands by 1997.

Tongaat Hulett employees are to be given first option, but consideration will be given to outside applicants meeting business acumen, technical capability and credit rating criteria.

Illovo is to sell 50 farms under cane, ranging from 55ha to 100ha.

Glyn Taylor, the Illovo chairman, said the black growers programme was part of a fuller farm sale project, which has already seen 5 600ha sold for R22,3 million.

Twelve black buyers, selected from 120 applicants, would take occupation this month, with another eight due to move in by year-end at Mid-Illovo in the Midlands and Shakaskraal on the north coast. In the pipeline for subdivision is another 5 000ha of land on the south coast.

Long-term cane supply deals have been signed between the buyers and Illovo.

Both companies are offering technical and managerial support.

Cedric Savage, the Tongaat Hulett managing director, said the group was involved in a number of black economic empowerment projects ranging from a joint casino development to the sale of a brickworks in Grahamstown.

JB Magwaza, the Tongaat Hulett group executive director, warned that unless South African companies "embraced and engaged very seriously black economic empowerment, the future would be very bleak".

Marius Spies, the KFC executive director, said loan subsidisation by the companies had enabled the financial barriers to be cleared.

Tongaat-Hulett outdoes forecasts

CT (MR) 16/11/95 ([illegible]) (3) SUGAR

By John Sherrocks

Durban — KwaZulu Natal's biggest corporate group, Tongaat-Hulett, outdid forecasts, posting a 35,3 percent increase in earnings a share to 150,6c (111,3c) for the six months to the end of September.

Sales volumes from the sugar division were marginally higher but the drought continued to affect performance. Rainfall during the July to November period was only 50 percent of the long-term median.

Sugar production from group estates for the year was expected to be about 6 percent down on last year's quota, equalling a 35 percent industry share.

Turnover for the half-year improved by 16,3 percent to R2,2 billion (R1,9 billion) and operating profit from continuing operations for the half-year rose by 33,7 percent to R214,7 million (R160,6 million) on improved margins.

Net interest paid was also sharply reduced to R2,9 million (R17,3 million) as a result of lower average borrowings, for a 40,1 percent improvement in pre-tax profit to R221,8 million (R151,2 million). Taxation absorbed R73,3 million (R50,3 million) and after-tax earnings before exceptional items improved by 37,2 percent to R138,7 million (R101,1 million).

Details of a share capitalisation award is to be announced on November 27.

Shareholders may elect to receive an interim dividend of 40c — a 33 percent increase on last year.

"The balance sheet remains sound and the net debt to equity ratio, after taking into account cash resources of R136,2 million, is 10 percent, which is satisfactory at the end of what is traditionally the cash-absorbing half of the year," said group managing director Cedric Savage.

"Capital expenditure in the period amounted to R124,4 million and an estimated further R140,3 million will be spent before the year end."

The final go-ahead for the R1,8 billion rolled-products expansion for Hulett Aluminium was still awaiting a satisfactory decision by the government on terms of a phased reduction in tariff protection.

Savage said financing arrangements were being negotiated. He attributed the disappointing performance of the building materials division to the continued delay in RDP delivery and the failure of the usual August to December seasonal surge.

Tongaat-Hulett reaps the benefit of past restructuring

BD 16/11/95 (3) SUGAR

Nicola Jenvey

DURBAN — Tongaat-Hulett's attributable earnings rose 37,2% to R138,7m for the six months to September as the industrial group continued to reap the benefit of past reshaping.

Sales rose 16,3% to R2,2bn, with strong performances from its aluminium, property, and starch and glucose divisions offsetting a disappointing showing from building materials, foods and textiles.

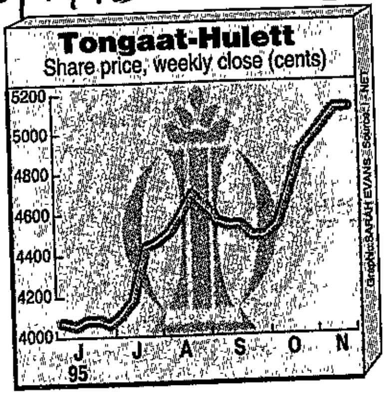
Operating profit rose nearly 34% to R214,7m, with last year's rationalisation bolstering margins. Finance charges fell to R2,9m from R17,3m, leaving pretax profit up 40,1% at R211,8m.

Share earnings rose to 150,6c from a previous 111,3c, while the interim dividend rose 10c to 40c. The group will again offer a scrip alternative.

Group MD Cedric Savage said the earnings growth had continued the rehabilitation in Tongaat's performance since its restructure.

Though growth in the second half was likely to be lower, he said Tongaat was still heading for a full-year outturn of at least 30%.

Savage said the sugar division continued to be reined in by the



drought and the 1995/96 production was expected to be 6% lower than the previous season. Group contribution to industry share would be 35%.

Capital expenditure in the six months amounted to R124,4m with a further R140,3m due to be spent before year-end, as construction began on its R615,7m starch and glucose Greenfields expansion.

The aluminium division had turned in a record showing, Savage said.

This was despite growing competition from imports and lower world prices.

The group was still waiting for "a satisfactory decision" from government on the tariff protection phase-down before approving the R1,8bn Hulett Aluminium project, he said.

Savage would hold the first of another series of meetings with government today and hoped for a final decision within a month.

Demand for starches and glucose syrup had remained at last year's level, but was now picking up, while the property division was gaining from sustained business and consumer confidence in KwaZulu-Natal.

But the continued delay on reconstruction and development programme projects and the low seasonal surge between August to December had contributed to below-budget returns in the building materials division.

Delayed commissioning of the CPC-designed factory at Klerksdorp and depressed food sales reduced the consumer foods division results.

Tongaat-Hulett's textile division suffered pressure on margins following an increase in illegal imports.

Savage said that although local demand was weak, production had been reduced slightly and the financial results of the low-cost division had proved "satisfactory".

NRB posts mediocre half-year results

CT(BR) 17/11/95

By Shirley Jones

Durban — Lagging behind the rest of the banking sector, New Republic Bank posted fairly pedestrian results for the six months to September this year.

Maintaining its dividend at 7c a share, the bank saw pre-tax income increase 16,3 percent to R8,6 million (R7,4 million) and income attributable to shareholders inch up 8,9 percent to R7 million (R6,4 million).

However, earnings a share decreased slightly to 24,1c from 25,9c on a higher weighted-average number of shares in issue.

Net interest income was down to R30,2 million from R31 million and total income dropped marginally from R36,9 million to R36,7 million.

This comes against a background of considerable growth in capital and assets over the past few years.

Bad and doubtful debts were reduced slightly to R5,9 million, representing 1 percent of advances on an annualised basis. The group's general and specific debt provisions carried forward were R15,6 million, or 1,3 percent of gross advances.

Advances showed no material increase because of the bank's policy of containing growth in this area during the upgrading of systems, concentrating on improving the quality of advances and the phasing out of core local trade finance as an advances product.

However, managing director Mac Mia said the group was in the grip of a rigorous rationalisation programme. He said the upgrading and rationalisation of systems would usher in further growth.

Engen optimistic over Congo wells

By Charlotte Mathews

CT(BR) 17/11/95

Johannesburg — Engen Exploration (Congo), a wholly owned subsidiary of Engen, has reported positive results from the oil well Moho Marine 1 in the *haute mer* exploration permit, it said yesterday.

An analyst, who asked not to be named, said the find looked promising and could be positive for the company's oil exploration arm. Engen announced in August that it planned to list its oil exploration and production assets separately.

According to the analyst, the well tests at Moho Marine 1, which showed flow rates of 3 500 barrels a day and 2 200 barrels a day on two levels, were significant in relation to Engen Exploration's other fields. The proximity of this field to the Nkossa field, 15km eastwards, would also enhance its viability.

Engen said further work would be be necessary to evaluate the importance of the discovery. The permit is operated by Elf Congo, which has a 51 percent stake. Chevron Overseas holds 30 percent, Hydro-Congo 15 percent and Engen Exploration (Congo) 4 percent.

Lonhro Sugar lifts attributable profit 29%

CT(BR) 17/11/95 (3) SUGAR

By Charlotte Mathews

Johannesburg — Lonrho Sugar of Swaziland, which is 94 percent owned by Lonrho International, lifted attributable profit 29 percent to 86,7 million Emalangeni (R86,7 million) in the six months to September compared with the same period last year, in line with forecasts.

The company has changed the basis of its accounting and restated the comparative figures. Previously it reported interim results at half the projected profit for the full year.

The directors said the seasonal nature of the group's business meant that most profit was earned in the first half.

In the second half of the financial year annual production was completed and canelands and sugar factories maintained for the next season.

Total turnover rose by 29 percent to E540,8 million on which profit before depreciation was 36 percent better at E216,8 million.

On earnings of 72,5c (56,4c) a share, an interim dividend of 19c (13c) was declared.

The directors said there had been a substantial improvement at Sucoma in Malawi where production was higher and good average prices were achieved, while the Dwangwa estate, also in Malawi, continued to produce excellent results.

The Glendale estate in South Africa was affected by the drought while in Swaziland, unusually cold and dry conditions during the growing season made it impossible to repeat last year's record season.

Both Ubombo and the Mauritian estates improved their performances, aided partly by higher average prices.

The current financial year should show a continued growth in earnings over last year.

Higher production in Malawi should compensate for lower out-turns at Ubombo.

High average prices are expected to hold for the rest of the year owing to the new "special preferential sugar" quota being delivered to the European Union, in addition to the normal Africa Caribbean Pacific's quota entitlements from Malawi, Mauritius and Swaziland.

Sweet harvest for Lonrho

BD 17/11/95 (3) SUGAR

Yuri Thumbran

SWAZILAND-based Lonrho Sugar lifted attributable profit 29% to 86,7-million emalengeni for the six months to September after benefiting from improved selling prices locally and internationally.

This translated into share earnings of 72,5c (56,4c), and a proposed interim dividend of 19c (13c). The results, reflected in emalengeni which corresponds to the SA rand, showed the UK multinational Lonrho subsidiary improved total turnover to 540,8-million emalengeni (417,3-million) after good performances from Malawian operations Sucoma and Dwanga.

Depreciation increased slightly to 12,7-million emalengeni (11,6-million), resulting in an increase in operating profit to 204,2-million emalengeni (147,8-million). The interest charge increased to 14,5-million emalengeni (8,4-million) with the tax bill coming in at 42,2-million emalengeni, up from the previous period's 32-million.

Directors said higher sales revenue was able to compensate for the effect of inflation on operating cost during the review period.

Although the SA drought was showing signs of abating, the quality of sugar at SA operation Glendale had been badly affected, reducing its profit.

They said it was not possible to repeat the record season experienced in Swaziland in 1994/95 due to the unusual cold and dry conditions experienced during the past growing season.

New sugar cane variety produced

By Shirley Jones CT (BR) 21/11/95 (3) SUGAR

Durban — The South African Sugar Association's experiment station at Mount Edgecombe has developed and released a more productive and disease resistant variety of sugar cane, and could release a further two by the end of the year.

This marks the realisation of some of the station's maj- objectives: the production of new cane varieties which provide maximum economic returns, optimisation of productivity of varieties, the development and promotion of sound farming practices and the transfer of appropriate and cost effective technology to the sugar growing community.

In the station's annual report, the chairman, Clive Halse, noted that despite significant downsizing of experiment station operations, the operation had succeeded in building a more client-driven service.

He said that the training and extension provided from Mount Edgecombe to the small grower community would contribute towards the RDP in KwaZulu Natal.

Halse pointed out that austerity measures had contained expenditure increases to less than 7,5 percent for the third year in a row, a figure which was well below inflation.

Between April 1 last year and March 31 this year gross expenditure amounted to R31,2 million of which R29,5 million was recurrent and R1,7 million capital.

Income from the year was R4 million, leaving net expenditure of R21,9 million, which was R4 million less than during 1993-1994.

CG Smith expected to see at least 30% growth

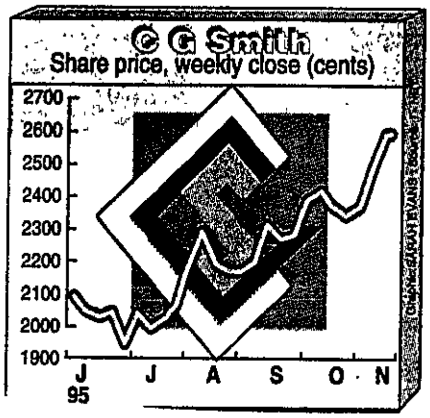
(3) SUGAR BD 2/11/95

Beatrix Payne

STRONG earnings growth from Illovo Sugar and ICS should help the CG Smith (CGS) group improve earnings at least 30% for the year to September — against a 12,6% rise to R499,3m last year — when it releases results today.

Most analysts expect its subsidiary CG Smith Foods — which accounts for about 60% of group earnings — to raise earnings 32% to 35% when it releases year-end results at the same time.

"But you can practically ignore CGS Foods as most of the numbers are out already and it is just a conduit into CGS itself," said one analyst, who did not want to be named.



Diversified protein food group ICS lifted earnings 41% to R108m during the review period and Illovo saw earnings surge 68% to R93,2m, based largely on a recovery from the drought in KwaZulu-Natal.

As their growth had come off a low base, neither was likely to maintain its earnings performance this year, which meant CGS might show earnings growth in the region of only 20% to 25% during that period, analysts said.

Packaging group Nampak, one of the biggest single contributors to CGS's earnings, reported a 31% rise in attributable earnings to R458m. Tiger Oats, which through CGS Foods was responsible for about 50% of CGS earnings, posted a 27% hike in earnings for the 12 months to September.

But results from Tiger and Nampak came in at the high end of most analysts' expectations and few expect the companies to maintain that level of earnings growth in the coming year.

One analyst said the key to maintaining growth in SA's food industry was to adjust cost structures and exit unprofitable operations so that growth was possible in the face of below inflation price increases.

Tiger was fortunate in that it had a number of very strong brands which would help maintain earnings growth, he said.

Tongaat-Hulett develops its taste for sweet success

(3) SUGAR

Sunday Times 26/11/95

JULIE WALKER

DIAGONAL STREET

CEDRIC Savage's comments about lower-than-average rainfall came a week too soon but it is a matter on which he is happy to have erred.

The Tongaat-Hulett managing director's comments came with the diversified group's interim results to September, announced a week ago. Turnover from the group's seven operating divisions climbed 16% to R2,2-billion and earnings a share by 35% to 150,6c.

"Sugar is a fairly robust crop but four successive years of drought haven't done it much good," says Mr Savage. The latest estimate for Tongaat's 1995 sugar crop is 585 000 tons — 6% below last year's. Grown on 35 000ha, Tongaat's sugar accounts for a third of the SA share of industry production.

The land on which sugar is grown is in demand for alternative use and Mr Savage says the best returns have to be worked out carefully. Tongaat's property division carries out the analysis. It is the leading developer in KwaZulu-Natal and makes a substantial contribution to cash flow and profit. In the year to March, property chipped in R13,5-million and is expected to do much better this year.

The big profit contributors are sugar, aluminium and starch and glucose, followed by textiles, building materials, property and consumer foods. Tongaat's biggest project, the expansion at Hulett Aluminium in Maritzburg, is also the largest ever to be undertaken without government incentives of any kind. Production capacity at the rolled products plant will be trebled to 150 000 tons a year.

Itemised at R1,75-billion, Mr Savage says the escalated cost will exceed R3-billion. "It involves the installation of hot-rolling facilities to produce a multi-purpose range of aluminium products." One such application will be can ends and whole can bodies for use in the beverage industry — these will be supplied to Rheem, the drinks-can maker owned by Highveld.

The penultimate hurdle was close to conclusion this week when Tongaat and Alusaf approached agreement on a contract to supply the plant with R2-million a day worth of aluminium — no small beer. "The cost of aluminium is the largest input cost in the whole process," says Mr Savage. The Hulett plant adds 50% on to the value of the raw material in the downstream process.

The final hurdle concerns tariff reduction. The government and Tongaat had agreed on a reduction in tariff protection from 22% to 15% — a figure endorsed by the Uruguay round of Gatt talks earlier this year. But the government now wants to phase down to 10%.

"There are plenty of examples of higher protection — for example, Brazil's exceeds 20%," says Mr Savage. "We can agree to go to 10%, but differ on the time horizon. However, I am confident that we will resolve the issue before the end of the year. Once we have, the project can get under way almost immediately." It will take three years to commissioning, and should run optimally from about year six. Mr Savage says aluminium is a growth metal used in many new applications.

To fund the project, Tongaat has sold a half interest in its aluminium division, 30% to the Industrial Development Corporation and 20% to Amic. "We started by looking at the project's end to see how much we could afford to keep and what to sell. By keeping half, we can still achieve our group objective of real growth in earnings for shareholders."

The scale of the aluminium project overshadows what in its own right is an enormous greenfields project at Tongaat's African Products to make starches and glucose syrups. Both projects are intended to meet local and export demand.

Tongaat manages to export textiles and many other products into what is a hostile world.

"I went to the Far East this year and saw how ruthless some of the world's companies can be. They simply close a factory and move it to a developing country next door where wages are as little as $15 a month. There is no concept of social responsibility and for South Africans it is a bit of a shock to see."

A former Sacob chairman, Mr Savage has been invited by the government of Australia to visit the country to discuss industry policy matters this month.

Mr Savage describes the stakeholders in Tongaat as Team South Africa. "It is not a case of management against government or labour. It is all of us together against competitors from the rest of the world. We don't need to argue internally, we have to find solutions."

I chose Tongaat-Hulett as one of my top 20 shares over five years and I'm not looking for an early substitution. At a year's high of R54,50, the share is on 17 times the past 12 months' earnings.

The whole market is flying, but Tongaat can be bought on any setback.

Concerns over cheap sugar

(3) SUGAR

Nicola Jenvey BD 19/12/95

DURBAN — The SA sugar industry has requested government assistance in curbing the growth in cheaper sugar imports from Swaziland, Illovo Sugar chairman Glyn Taylor said in the group's latest annual report.

Representatives from the SA and Swazi sugar industries would meet soon to thrash out the problem, and it was hoped a satisfactory outcome would be achieved, he said.

Taylor said Swaziland maintained lower sugar prices than SA as it benefited from favourable export prices to Europe under the Lome Convention and to the US under the quota system.

Because the SA domestic price was higher than the world price, Swaziland was selling its cheaper sugar in this country and its sales volumes had risen to 146 000 tons in 1995 from 25 000 tons in 1991.

"It is a serious concern that the growth in the domestic sugar market has been met by the incursion of cheaper sugars from Swaziland," he said.

Taylor said the early outlook for the current year to September was promising and interim earnings could improve 20% over 1995.

Although it was still too early to predict the 1996/97 sugar season, indications were that summer rains would be near normal levels and production volumes would rise.

Illovo's downstream by-product operations were also expected to have a good year with sharply higher earnings from furfural alcohol due to improved export prices.

Illovo posted a 68% rise in attributable profits to R93,2m for the year to September 1995, comprising R41,7m for the second half of the 1994/95 sugar season and R51,5m for the first half of the current season.

The group's substantially higher sugar production in the 1994/95 season had laid the groundwork for the recovery, with earnings for the six months to March 1995 up 391% on the corresponding period in 1994.

"This served to remind us of the severity of the drought and its damaging effects on company performance. Future growth is likely to revert to more normal levels," Taylor said.

Illovo's estimated production of 819 000 tons for 1995/96 was 46 000 tons higher than last season and would contribute about 48,5% to overall industry production.

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Illovo changes executive structure

(3) SUGAR ET (BR) 22/12/95

STAFF WRITER

Sugar group Illovo has announced a new executive structure to fit its decision to decentralise.

Managing director Don MacLeod said in the company's house magazine, which was released in Durban yesterday, that operating centres, warehousing and marketing will be treated as profit centres.

Meanwhile, the group, which saw annual profit recover to R93,2 million, said in its recent annual report that southern Africa needed a sugar protocol under which all producers in the region would participate in all the preferentially priced markets on a fair and equitable basis.

Chairman Glyn Taylor said it was a matter of concern that, over several years, the growth that had taken place in the domestic sugar market had been met by the incursion of cheaper sugar from Swaziland.

Price

"Swaziland's ability to maintain a lower price for sugar arises mainly from the fact that it enjoys favourable prices for sugar exported to Europe under the Lomé convention and from the United States under that country's quota scheme," Taylor said.

In terms of these arrangements, about 216 000 tons of sugar, nearly 50 percent of Swaziland's total production, is priced at levels well above the South African domestic price.

By contrast, South Africa has an export quota of about 26 000 tons for the United States and no other preferential markets.

"Against this background, the Swazi sugar industry's high fixed costs of production are largely covered by its preferentially priced exports, leaving a low variable cost to be met in its small domestic market and the world export market.

"As the South African domestic price has been higher than the world price, it has been attractive for Swaziland to sell its cheaper sugar into the region.

Swaziland's sales volumes have increased from 25 000 tons in 1991 to an estimated 146 000 tons this year.

The local industry has appealed to the government to assist in persuading Swaziland to exercise restraint.

SUGAR INDUSTRY (3) SUGAR

Sweetness and light

FM 30/6/95

Last week saw the launch of a project aimed at uplifting impoverished rural communities with links to the sugar industry.

President Nelson Mandela gave R12m to the SA Sugar Association Small Grower Development Trust's Siyakha (building together) programme.

The money, channelled through the national community-based Public Works Programme, is destined for the improvement and construction of infrastructure for people living in sugar growing areas of KwaZulu-Natal, the Eastern Cape and the Eastern Transvaal — an area populated by about 2,5m people.

What is significant is that Public Works Minister Jeff Radebe is using, rather than duplicating, administrative facilities established by the sugar industry to assist communities impoverished during the four-year drought.

There are several important spin-offs from this, the most notable of which is that virtually all of the R12m will be channelled directly into projects rather than funding a bureaucracy.

Other advantages are that the joint venture should encourage private-sector financial and technical contributions to the programme. The cash injection comes as the industry tries to extricate itself from the burden of bringing about upliftment in sugar industry-dependent communities. The industry insists that, to remain internationally competitive after the implementation of Gatt, part of this burden, which has led to the establishment of 45 000 small sugar farmers since 1972, must be borne by others.

Mandela

Effectively Siyakha will use the structure created by the Small Grower Development Trust's work-creation programme, implemented with a R5m Industrial Development Trust grant (supplemented by another R2m from the sugar industry), to create work, provide skills training and improve the quality of community-owned facilities to offset the effects of the prolonged drought.

The scheme, which has already employed 900 people over 125 000 workdays, resulted in the refurbishment of existing classrooms, building low-level bridges and culverts, sinking boreholes and restoring land damaged by soil erosion.

Siyakha will also promote the implementation of feasible projects identified by communities.

Main objectives are job and infrastructure creation, human resources development and community empowerment. ■

SUGAR INDUSTRY

After the dry white season

③ SUGAR FM 3/2/95

Good management through hard times is paying off for the big players

February is a critical month for SA's sugar industry, after three years of devastating drought in KwaZulu-Natal and, more recently, the Eastern Transvaal. After last season's 25-year low when total sugar production dropped to 1,2 Mt, this season's crop will certainly be better than the preceding two years.

But the extent of the recovery depends on how much rain falls before April. Good rainfall would mean a moderate recovery for an industry which employs 142 000 people and supports more than 1m others.

So far, the outlook is cautiously bullish. Estimates for the current season ending March 31 are now 1,67 Mt, of which about 350 000 t will be exported. These exports will be fed into a world market, where the price touched a four-year high late last year, and despite a recent fall is holding just below US14c a pound. For the industry, which last year had to buy stocks abroad to meet export commitments, having surplus capacity to export at a firm world price is the icing on its financial cake.

Mathews

Taylor

Ridgway

Recovery of sugar based companies started before the outlook for the industry improved. On the JSE these companies are represented largely by Tongaat-Hulett and Illovo Sugar. There are also Crookes Brothers and Lonrho Sugar, though these shares are tightly held. Transvaal Sugar is not listed, though parent Hunt Leuchars & Hepburn is.

Rainfall is vital to the large listed groups, particularly Illovo, which is more of a "pure sugar" share than Tongaat. At its financial year-end in September, sugar accounted for 77% of Illovo's turnover of R1,21bn. Tongaat's sugar division, one of six major divisions in the far more diversified group, accounted for 25% of group turnover of R4bn at its March year-end.

When the drought began in the 1992-1993 growing season — soon after Illovo, a CG Smith Foods subsidiary, was listed on the JSE at 520c — it centred on the south coast, where Illovo has three of its mills and a chemical plant. Illovo consequently bore the worst of the early stages of the drought and saw earnings plunge, having to close its Umzimkulu mill for the season. Chairman Glyn Taylor says prospects for the south coast have since improved.

The drought is now centred on the north coast. That shows in slightly revised estimates — Tongaat sugar division executive chairman Dick Ridgway says the current estimate for his division's output is 620 000 t, compared to the 632 000 t expected when interim results were published in November.

Tongaat's figures are a vast improvement on the previous season's 458 000 t, but still far below "normal" output, which with good rain can exceed 900 000 t.

Illovo, on the other hand, has revised its estimate upwards from 745 000 t to 773 500 t. Taylor says this will increase Illovo's share of total industry output from 42% to 46,6%. With each percentage point gained, worth about R8m at the pre-tax level, the effect on Illovo's bottom line will be notable. Better crop estimates have bolstered earnings. For the full year, Illovo grew attributable profit and EPS by 11%. Tongaat grew earnings by a hefty 43% to R101m at the interim, including a 58% rise in earnings from the sugar division.

Share prices for both groups anticipated the recovery, performing strongly over the past year ahead of improved results. Significantly, Tongaat has been outperforming the JSE Industrial index since early 1993, though strong recoveries in divisions like aluminium, textiles and starch & glucose helped to underpin the upward trend. Illovo, after reaching a low of R3,50 in April last year, has also since outperformed the Industrial index.

That puts both shares on dividend yields lower than the 2,4% average for the Food sector, with p:e ratios of 19,2 for Illovo and 18,7 for Tongaat, just below the sector's 20,4. Considering that the industry is only starting to recover, the high rating attached to both shares shows that the market is taking a favourable view of prospects.

Drought remains the biggest threat, despite the healthy price of sugar shares and the lush cane lands surrounding Durban which suggest the worst is over. Cane Growers' Association vice-chairman Rodger Stewart has a farm in Stanger which, for example, had 38 mm of rain in December against the 120 mm average, and 15 mm instead of 130 mm in January. Stewart emphasises the importance of rainfall between now and April. "With good rain, even after a dry December and January, cane will grow 1 m in four months for cutting in May or September."

But more drought would be bad for growers, who like millers operate in a fixed cost input industry. Stewart concedes that the debt burden has grown across the board for sugar farmers — by about 60% among the larger commercial growers.

One bright light in this bleak outlook is exports. Though these can amount to R1bn, more than the industry's single channel exporter, the SA Sugar Association (Sasa), will be able to realise this year, the 350 000 t available for overseas markets this year compares with zero exports last season. Apart from the favourable world price, the industry is also exploring post-sanctions opportunities to export to countries closer to home (reducing the transport component of cost), particularly in Africa, a net importer of sugar.

The medium to longer term outlook for the international market appears promising. Executive director of Sasa Mike Mathews says SA is one of the efficient producers, ranked ninth in the top 20 exporters. In terms of production costs SA is grouped with Thailand, Brazil and Australia (US$250-$300/t), substantially lower than Cuba ($350/t) and the European Union (more than $550/t). Mathews says a 15% depreciation of the rand would project SA to about fourth place.

Since the 1991-1992 season, world consumption has outstripped production. Mathews says the annual average increase in consumption is about 1,5%, or 1,7 Mt on current consumption of about 112 Mt. Supply, however, lags demand — one reason for the high world price. Estimates put stocks at 28,9% of consumption this year, the first time they have fallen below 30% since the 1989-1990 season.

But more immediate influences on the world price include Cuba's drop in production from 7 Mt to 4 Mt, following the scrapping of its preferential sugar-for-oil barter deal with the former Soviet Union. There are also rumours that India, the world's second largest producer (though not normally an exporter), has a good crop and will be exporting 1 Mt. If so, Indian exports should depress world prices. But China could import 2,5 Mt, which with Cuban cutbacks will stimulate prices.

Factors such as these make sugar one of

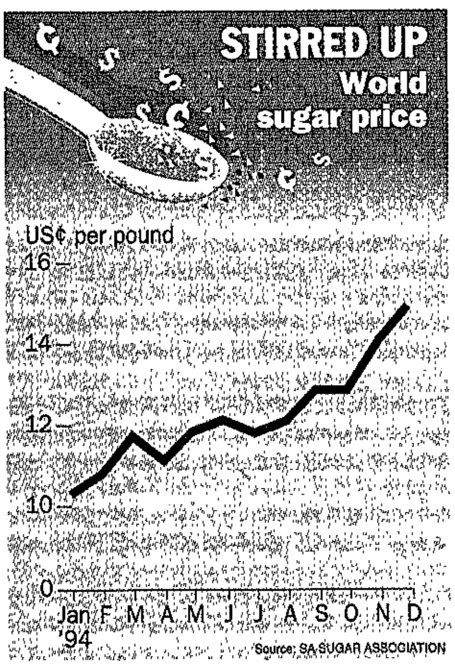
the more volatile soft commodities on world markets. Overall the view is that current world prices could hold, perhaps even firm. Taylor says the world price has been more stable in recent times and the global supply/demand equation for the coming year could see it edge higher.

The pity is that SA will only have just over a third of its normal export quota to exploit higher prices. If good rains fall to boost production levels and the world price does indeed hold, the 1995-1996 season could be a bumper year for exports.

But the sugar industry's longer-term viability hinges on it improving cost competitiveness in advance of the implementation of the new Gatt provisions. Gatt will result in reduced import duties and other price support systems. According to Guy Harris, Sasa's financial director, SA's sugar import tariffs are already in line with world sugar prices. That puts SA in a comfortable position now, though that could change if sugar dumping depresses the world price. By the time trade frees up and world and local market prices equalise, the World Bank predicts that the international sugar price may have escalated by 50%.

Central to the industry's approach to Gatt has been a process of phased deregulation. This has resulted in considerable streamlining and productivity improvement on the milling side. For growers the phasing out, over four years, of the quota system, which restricted access to the industry, should be a major benefit.

But at the same time international com-



petition could affect the industry's ambitious programme of small black farmer economic empowerment. Launched 20 years ago (though the industry sees it as mirroring government's RDP objectives) and backed by the industry's Financial Aid Fund, the number of small growers entering the industry has grown to 43 000.

There are two threats to the programme. Productivity needs to be boosted for small farmers to remain competitive — they cultivate 20% of the land under cane, but only produce 10% of the crop. Sasa says small growers' international cost competitiveness is blunted because the cost of the programme, a social development function, is borne by the industry, rather than by the State as in other countries.

Tongaat-Hulett and Illovo have also started a programme of drawing more private growers into the industry by selling what they call nonstrategic cane land. Illovo has earmarked about 9 000 ha, divided into farms ranging from 55 ha to 90 ha, for medium scale farmers. Taylor says sale of the land should earn about R80m for the company, which will be ploughed back into expansion. Tongaat will sell about 3 500 ha of its best land under cane with a market value of R46m, mainly to employees.

The sale of the land by the two companies represents a partial shift out of agriculture. Immediate benefits are that it will unlock the value of what are essentially under-performing assets, which can then be reinvested in better yielding activities, while ensuring the supply of cane to mills through contracts with the new farmers. Taylor admits that smaller farmers "should be able to make a better go" of cane farming than a large corporation.

Illovo is also selling off company housing, no longer required as urbanisation has moved residential areas closer to mills. While the houses will probably be offered to employees at a good price — Taylor says the price must take account of the limited marketing potential of a mill-bound residence — the exercise should raise between R35m to R40m for Illovo. Tongaat is also selling houses to employees.

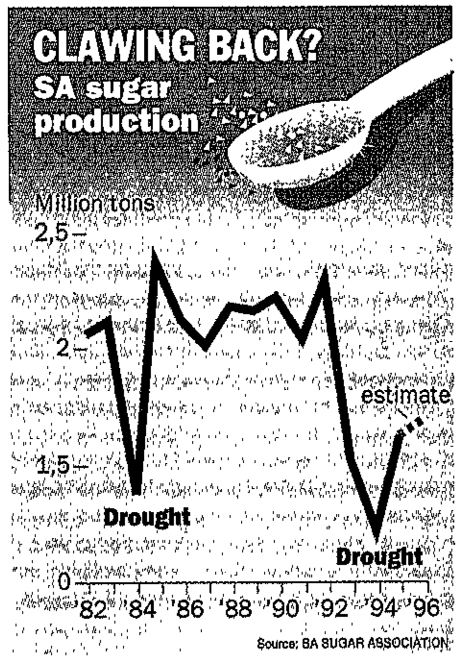
Those funds are going to be needed for expansion. Apart from increasing capacity at the Pongola mill, Illovo is relocating its former Illovo mill about 50 km inland from the coast to Eston. The R189m project allows increased cane planting inland whereas land around the old mill was restricted by urbanisation and expropriations. This will ultimately double the renamed Eston mill's capacity to 200 000 t.

Apart from adding an additional 100 000 t of sugar to Illovo's total output, Taylor says about R12m will be saved a year in transport costs by relocating the mill to the epicentre of its supply area.

Tongaat is also expanding its sugar activities. Of a group capex bill of around R286m, about R80m will be directed at major milling expansions at Maidstone and Darnall. Ridgway says both projects are on target and within budget. The sugar division also spent R100m on the Heatonville irrigation scheme.

Deregulation has meant more competition among the two major groups in the domestic market. SA Sugar Distributors, jointly owned by Tongaat and Illovo, has been scrapped in favour of the individual companies establishing their own sugar distribution networks. Both companies now compete directly.

Exports are still jointly marketed through Sasa, though Taylor says he would like to see a future stage when Illovo exports its sugar directly, despite the current advantages of the single channel system. Ridgway feels it is premature to consider direct exports, saying the present system has



proved to be efficient and cost effective.

Of major importance to both groups is the way they have honed costs and improved productivity through the drought by extensive restructuring and rationalisation. Both have strong balance sheets — Tongaat had reduced borrowings by 42%, to R285m, at the interim. Group MD Cedric Savage expects Tongaat to be unborrowed by year-end. Illovo saw gearing decline during the long drought.

Under normal weather conditions, sugar companies are strong cash generators. The fundamentals are in place for a sustained, perhaps even a spectacular, recovery if good rains fall ahead of the 1995-1996 season.

The medium term outlook for Tongaat and Illovo seems exciting. For example, it's estimated that under normal rainfall patterns Illovo is capable of producing close to 1 Mt. Should that happen next season, earnings should grow from the R80m-plus anticipated for this year to around R130m.

In the shorter term, prospects of an improved crop are reflected in the price of the respective shares. At the interim Illovo is expected to increase earnings to at least R40m, up more than 370% on the previous period. Analysts expect Tongaat to show full-year earnings growth of over 50%.

Investors should therefore be looking towards the 1995-1996 season. Performance through the drought strongly suggests a sound performance by both companies.

Shaun Harris and Herb Payne

Sugar industry to be investigated ③

BD 1/2/95 MARCIA KLEIN SUGAR

THE sugar industry will be investigated as part of a Competition Board probe into restrictive practices and monopoly situations in the liquor industry.

This follows complaints by white spirit producers (who produce sugar and sugar cane-based spirits) that the regulated sugar industry hinders competition with producers of grape-based products.

A government notice on Friday said the SA Sugar Association's control of the sugar industry would be looked at in terms of the Sugar Act. The Customs and Excise Act also appeared to protect grape-based producers against competition from sugar and sugar cane-based producers.

Board chairman Pierre Brooks said the Sugar Act affected the input costs of companies making drinks from sugar and sugar cane. The board would look at the Act rather than the association per se. There had been complaints that the Act allowed collusive price setting.

The investigation into the liquor industry would include the production, distribution and sale of alcoholic beverages. Complaints included vertical integration of the industry, "where the major wholesalers have interests in retail liquor outlets", and that some wholesalers had refused to supply certain retailers.

The board would also look at the alleged anti-competitive nature of KWV's interest in major wholesale distributors in the grape-based alcoholic beverages market.

AGRICULTURE (3) SUGAR

Sugar-daddies

FM 10/11/95

Two multimillion-rand projects have been launched in KwaZulu-Natal which will see the transfer of 8 000 ha of prime sugar cane land to black farmers over the next year.

The schemes, which have a combined value of R112m, have been launched by sugar giants Illovo and Tongaat-Hulett, assisted by the KwaZulu Finance and Investment Corporation (KFC).

Since the early Seventies the sugar industry has encouraged black farmers to become involved in cane growing, but so far they have been small-scale growers. There are now about 40 000 small growers supplying about 1 Mt of cane — or 10% of the market in a normal drought-free year.

Under the Illovo and Tongaat schemes carefully selected black farmers will become major sugar cane producers. The wealth generated by their efforts should then be the engine for further black empowerment and wealth creation.

Tongaat Hulett CE Cedric Savage says a major problem with all such schemes is that the emerging black farmers must buy the properties they are farming, but they risk being crippled by mortgage debt and the interest burden.

Savage

KFC executive director Marius Spies explains that one of the biggest problems is that agricultural operations have a low (about 5% a year) rate of cash generation and hence cash flow in the first five years is constrained.

In order to overcome this the KFC has worked with the sugar companies to establish subsidy schemes to assist the farmers in buying the land — about R14 000/ha at current market rates putting the cost of a 70 ha farm at under R1m.

Spies says the new farmers must pay a 5% deposit on the purchase price of the farms in order to qualify for finance. In the case of Tongaat, interest on repayments will qualify for a subsidy — provided and administered by the sugar company over five years.

Similar subsidy schemes have been worked out with Illovo which is to release 5 000 ha of land subdivided into farms of between 55 ha and 100 ha under cane in the Eston and Shaka's Kraal areas. The emphasis of its subsidies, however, is on the cost of the land.

Illovo MD Don MacLeod says the first stage involves the release of more than 50 farms (about 5 000 ha). "To date we have divided 1 600 ha into 20 farms and of those 12 have been sold and the buyers are due to take occupation this week. On the balance, agreements have been signed and the buyers will take occupation soon."

The Tongaat scheme, involving 3 500 ha, is, initially at least, only open to its employees, though Savage says it will probably be opened up to outside applicants at a later stage.

Farmers qualifying for land from both companies must undergo a rigorous selection process covering not only cane farming expertise and management ability, but also, in the case of Illovo, they have to be part of the local community.

The new farmers are tied into long-term agreements with the sugar companies which ensures that they have a market for their produce. ■

ILLOVO SUGAR (3) SUGAR FM 6/1/95

Recovery from drought

Recently renamed Illovo Sugar (formerly CG Smith Sugar) has borne the brunt of the three-year drought which sent the sugar industry into decline.

As SA's largest sugar producer, its fortunes are closely tied to the often volatile factors which affect cane growing and milling. Competitors like Tongaat-Hulett, while dependent on sugar production as a core activity, have some insulation through diversification into other businesses, from the weather and world sugar prices.

A breakdown of turnover, provided in an annual report which sets a high standard for full disclosure, shows how reliant Illovo is on sugar. The bulk of sales of R1,21bn, some 77%, come from sugar. The sale of sugar prepacks, syrup and molasses account for another 7,5%. Downstream by-products like furfural, furfuryl, ethyl alcohol and lactulose products — most of which are

Activities: *Sugar production and downstream by-products.*
Control: *C G Smith Foods 70%. Ultimate holding company is C G Smith.*
Chairman: *G Taylor. MD: D G MacLeod.*
Capital structure: *157,7m ords. Market capitalisation: R1,1bn.*
Share market: *Price: 700c. Yields: 2,0% on dividend; 5,0% on earnings; p:e ratio, 19,9; cover, 2,5. 12-month high, 750c; low, 350c. Trading volume last quarter, 2,5m shares .*

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	109	235	231	218
LT debt (Rm)	109	140	129	149
Debt:equity ratio	0,52	0,73	0,58	0,48
Shareholders' interest	0,42	0,38	0,40	0,41
Int & leasing cover	5,8	5,2	3,5	4,0
Return on cap (%)	13,4	10,7	6,8	6,6
Turnover (Rbn)	0,99	1,14	1,13	1,21
Pre-int profit (Rm)	135	143	92	92
Pre-int margin (%)	13,6	12,5	8,2	7,6
Earnings (c)	52,9	55,3	31,7	35,2
Dividends (c)	21	23	14	14
Tangible NAV (c)	279	324	342	365

exported — make up the rest.

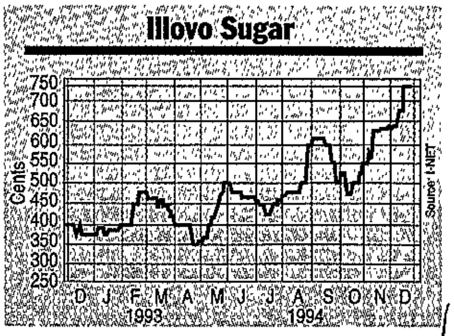
Not surprisingly, then, Illovo's bottomline was ravaged as drought hampered sugar production for the third successive season. Chairman Glyn Taylor says the 11% increase in attributable profit to R55,5m can be divided into R8,5m for the second half of the 1993-1994 sugar season to the end of March — when the full impact of the drought was felt — and R47m for the first half of the current season, when improved rainfall raised estimates of production to 745 000 t of sugar in the full season, 269 000 t more than in the previous period.

Recent rains, if they continue through to March, should ensure a decent crop for 1995. It's almost certain the 1994-1995 season will be substantially better for the industry, and for Illovo, which is expected to produce about 45% of total industry output.

Investors are clearly anticipating improved prospects. A year ago the share, then about 385c, was trading at a small premium to NAV. At its current R7, not far off its high for the year, the price is nearly double NAV.

EPS growth of 11% compares with share price appreciation of 79% to the September year end. The price has since gained a further R2.

This bullish view is influenced primarily by expectations of a better crop. Illovo's



large exposure to sugar means profitability can pick up as quickly in favourable climatic conditions as it declines during drought.

But it could also reflect some of the longer-term strategic decisions taken by the company. Illovo is attempting to remove its dependence on the weather.

The most far-reaching of such decisions is probably the R189m relocation and expansion of the Illovo sugar mill on the KwaZulu-Natal south coast. It will be moved about 50 km inland to Eston, the centre of its cane supply area. Taylor says the relocated mill will ultimately produce about 200 000 t of sugar, nearly double current production levels.

Significantly, the project is being financed internally. Despite the drought Illovo kept its balance sheet intact. Total borrowings have risen marginally to R366m, but the increase is more than offset by a near doubling of cash holdings to R91,5m. Gearing is at its lowest in five years.

Internally, and in line with further deregulation of the sugar industry, Illovo has been restructured to sharpen focus on core activities.

The previous three divisions have been replaced by a single structure. Costs have been lowered, with 536 jobs cut.

Illovo, like Tongaat-Hulett (*Fox*, December 16), is also selling non-strategic canelands to accommodate the entry of medium-scale growers into the industry. Taylor says about 9 000 ha of land under cane have been identified for disposal, but will continue to supply cane to Illovo's mills.

Much of this potential is already in the share price. While earnings growth should improve in the current financial year, a p:e ratio of 19,9, compared to Tongaat-Hulett's 21,5 and HLH's 24,3 (both diversified groups), must indicate the share reaching a level where it could be considered fully priced.

But strategic moves now underway make the share attractive in the medium to long term, particularly if the price weakens.

Shaun Harris

Cane growers appeal for aid from govt

BD 27/1/98

DURBAN — SA's 1995/96 sugar crop has been affected severely by drought and industry sources say the situation is deteriorating daily.

(3) SUGAR

SA Cane Growers' Association agricultural economics director Brian Sugden appealed yesterday to government for aid, saying many cane growers were facing their fourth consecutive year of drought and some smaller scale farmers could be forced out of business this year. The equivalent of an entire season's production, amounting to R2,5bn in revenue, had been lost to drought over the past three years.

He appealed for aid to rehabilitate the sugar cane fields in KwaZulu/Natal, Eastern Transvaal and northern Pondoland. "Many farmers have reached the end of their financial resources and cannot afford to rehabilitate their fields. Government assistance is essential to help growers with important field husbandry operations such as weed control and fertilising, essential for the cane plant's survival." — Reuter.

Tongaat-Hulett set for R2bn expansion

(1990) ③SUGAR

BD ~~28~~ 23/2/95

MARCIA KLEIN

THE Tongaat-Hulett group will go ahead with two major expansion projects totalling R2,2bn.

MD Cedric Savage said yesterday the board had approved, in principle, a R1,75bn Hulett Aluminium Rolled Products expansion in Maritzburg and a R580m expansion of starch and glucose division, African Products, in Gauteng.

Last year the group said it was looking at investing in additional starch and glucose facilities and was spending R12m for local and US specialists to investigate an aluminium hot-rolling expansion. Technology agreements with overseas aluminium operators are already in place.

Approval of the aluminium project, in which Tongaat-Hulett would have a 50% stake, was subject to conditions, including the formalisation of partnership agreements with the Industrial Development Corporation and Anglo American Investment Corporation, and discussions with local and central government authorities.

If outstanding issues were cleared up in the next few months, commissioning of the project would take place in 1997 and 1998.

Hulett Aluminium's output would increase to 150 000 (50 000) tons a year, while its total annual capacity would grow to 200 000 tons.

The increase in starch and glucose production would ensure the group's capacity stayed ahead of demand, Savage said.

Tongaat-Hulett had already committed R110m for expansion of this division in financial 1995 and had approved the new R580m plant to come on stream in 1997.

Initial grind capacity would be 800 tons of maize a day, with the potential to increase to 2 000 tons.

Savage said both projects, which were in addition to existing capex projects in other divisions, "will significantly enhance the medium- to long-term earnings growth potential of the group".

At the September interim stage, the group had committed R286m capex "in reinforcing the competitiveness of core businesses". At that stage earnings were 41% up at 111,3c a share on an 18% turnover rise to R2,3bn. This strong performance was expected to be repeated in the second half to end-March.

No eviction after 400 years on the farm

(4) Star 3/2/95

An 85-year-old man, who claimed he could not legally be evicted from the farm Buffelshoek near Lydenburg as his ancestors had lived there for more than 400 years, yesterday obtained a temporary restraining order in the Pretoria Supreme Court.

The order granted to Matobolo Johannes Maimela restrains farm manager J P G Botha from evicting, assaulting, threatening or interfering with the Maimela family.

Maimela, born on the farm in 1909, said his father, who died at the age of 115, and his grandfather, who died aged 110, both told him that they and his great-grandfather had been born and bred on Buffelshoek.

"We are now the fourth Maimela generation to live continuously on the farm. The Maimela family has been on the farm for approximately the past 400 years," he said.

A previous farm manager had given him permission to remain on the farm and continue tending his cattle when he reached pensionable age, but the situation changed when Botha became manager last year.

Botha demanded monthly rent of R5 for each cow. He shot randomly at his house, locked the gate to the farm and also closed off the water canal, Maimela claims.

He received a letter in December last year instructing him to vacate the farm within 30 days. He described Botha's actions as "cruel and violent" and said there had never been any provocation from his family.

Botha has until March 21 to supply reasons why a final restraining order should not be granted against him. — Sapa.

Tongaat's R2,3-bn expansion

The Tongaat Hulett Group has given the go-ahead to two expansion projects worth R2,33 billion.

Speaking after a Tongaat Hulett board meeting yesterday, group managing director Cedric Savage said the projects, approved in principle, would significantly enhance the medium- to long-term earnings growth potential of the Tongaat-Hulett Group.

The R1,75 billion Hulett Aluminium Rolled Products expansion in Pietermaritzburg would increase Hulett's aluminium division's output of rolled products from 50 000 to 150 000 tons a year.

Conditions

"The approval for the aluminium project, of which the Group will hold 50 percent, is subject to certain conditions being met, but we are optimistic that a final decision will be possible in the near future," Savage said.

"If the outstanding issues can be cleared to the satisfaction of the Board within the next few months, commissioning of the major project at Pietermaritzburg will take place during 1997 and 1998," he added.

Approval had also been given for a new R580 million plant at the African Products' starch and glucose production facility in Gauteng.

Savage said R110 million had already been committed for expansion in the 1994/95 financial year.— Sapa.

(3) SUGAR ([illegible]) Star 23/2/95

(3) SUGAR

TONGAAT-HULETT

Taking the plunge

FM 3/3/95

The announcement in principle that Tongaat-Hulett will go ahead with two large expansion projects totalling R2.33bn is a notable attempt to sustain real growth in earnings well into the next century.

It shows a firm commitment to the potential of aluminium products — the aluminium division is to receive the lion's share of the capital spending — but also raises questions about the sources of future demand and funding for the biggest project the group has yet undertaken.

Tongaat has not taken the decision to expand its aluminium rolled products plant at Maritzburg lightly. R12m has been spent on local and US engineers who helped on the feasibility study.

In 1995 money, the project will cost about R1,75bn; agreements still have to be signed, but it seems likely Tongaat will hold 50% of the expanded division (rolled products output will increase from 50 000 t/year to 150 000 t/year), the remainder held by major shareholder Amic and the Industrial Development Council (IDC).

When the project is commissioned in 1998, the cost, including working capital, will approach R3,5bn. Tongaat will be liable for about R1,75bn of that, almost half the group's present market capitalisation.

That's a huge investment in a project which group MD Cedric Savage says will probably only begin to offer reasonable returns after about five years. However, it shows Tongaat is planning for long-term growth now the restructuring and refocusing of the past four years, aided by the more buoyant economy, is coming through in strong results.

"The expansion has to be big to make the division internationally competitive. Our 50% stake was carefully determined, it's the optimal proportion for us in terms of funding requirements," Savage says.

Central to competitiveness is the division's supply of aluminium ingots from Alusaf. Hulett Aluminium is already Alusaf's largest customer. After the expansion, offtake of the metal should more than double from the current 100 000 t. "We are finalising supply agreements with Alusaf. Pricing will be based on a formula linked to the world price of aluminium. It's important for us to get aluminium at world competitive prices."

Savage says the expansion can be seen as a spin-off of government's encouragement for upsteam aluminium production, which led Alusaf to invest about R5,2bn in its new Hillside plant. Tongaat's expansion is aimed at further downstream beneficiation of aluminium products, including aluminium cans. But Savage lists other areas, like products for the automotive industry, rolling stock, and construction.

There are some reservations about the long-term potential of the aluminium can market, though the subject is under intense debate within the packaging industry. Should the US trend towards aluminium cans be repeated in SA, local demand will remain strong.

Savage says about 30% of the expanded capacity (total annual capacity will be about 200 000 t) will be exported, some to First World countries. Tongaat will have a competitive advantage exporting to the rest of Africa thanks to lower transport costs.


Savage

Funding still has to be finalised — and this is where Tongaat needs to give more details. A rights issue has been ruled out. Savage says the projects will be funded by equity and borrowings. "We have taken a 10-year view on all our businesses. Funding for these projects will be comfortably within our borrowing limits."

Tongaat, which reduced borrowings by 42% to R285m at the September interim, probably holds little gearing now and is likely to be cash positive by year-end in March. Cash flow is strong; there is considerable capacity to take on debt.

But the group has historically been overgeared and the latest projects could influence investor perceptions. When the announcement was made last week, the share price lost R4, though it has since recovered to R39.

The R580m expansion of African Products' starch and glucose plant in Gauteng shows similar long-term thinking. Savage says the greenfields plant is looking towards growth beyond the next three years — R110m has been committed to the division for short-term expansion.

The cyclical value of the share offers potential. All six divisions performed well at the interim when earnings advanced 43%. Full-year results are expected to be stronger (Tongaat is traditionally a second-half group), earnings possibly up by more than 50% on the previous year.

Tongaat's capex programme (apart from the projects mentioned, R374m is planned to be spent on other divisions to sustain business levels over the next five years) increases the long-term potential of the share. But shareholders will want more details on the aluminium joint venture once the agreements are in place. *Shaun Harris*

Cane growers' hopes fading

(3) SUGAR

CT (BR) 10/3/95

By John Sherrocks

Staff Reporter

At least 250 mm of rain must fall along the KwaZulu-Natal north coast this month if the sugar industry's projected target of 1,8 million tons is to be realised.

Despite the prayers of farmers facing financial ruin, there is little hope that the urgently needed soaking rains will come in time. In the past two months not even the normal summer monthly average of 100 mm has fallen in the worst-hit growing areas.

For those farmers whose debts run high, the situation is far more desperate than national targets not being reached.

So severe has the summer drought been that in the Natal Midlands some growers have lost entire crops for the season. Compounding the already difficult situation is the likelihood that the value of farms will decline as the drought bites deeper.

For an industry which is the single largest employer in KwaZulu-Natal, the repercussions could be devastating.

Fears of widespread job losses in the region are growing as the number of people being put on short-time or retrenched increases.

While good rains in December and January gave crops on the south coast enough water for the crucial growing months up to April, on the north coast and in parts of Zululand the possibility of an unprecedented fourth-season drought are very real.

When the SA Sugar Association made its presentation to local and overseas banks at the end of last year, it projected a production target of 2 million tons.

The continued drought forced this estimate to be revised downwards and it looks likely that the final figure will be down even further.

"We are now talking a crop of 1,8 million tons. Good rainfall up to the end of November and poor rainfall in December and January forced the crop to drop by about 200 000 tons," said the association's Guy Harris.

"We saw a quick recovery in 1983/84 after the drought but this year we face a longer period of coming out because of the three years of consecutive drought."

In a report submitted to a crisis committee convened by the SA Agricultural Union, Brian Sugden, agricultural economics director of the SA Cane Growers' Association, said the Zululand area — the largest cane region in the industry, which in a normal season produces about one third of the industry's total sugar output — was experiencing a "severe" summer drought.

Empangeni, Felixton, Amatikulu and Mtubatuba have recorded virtually no rain since November 1994 and the cane crop is severely stressed.

The sugar crop, which is planted over 103 000 ha, is expected to be about 50 percent of the region's normal production.

Sugden said that the overall 1995/96 sugar cane crop had been severely affected by below-average summer rainfall which had been a feature since the start of the drought in November 1991.

He said that the equivalent of an entire season's production had been lost to drought over the past three years, amounting to R2,5 billion in lost revenue.

Records kept by one Empangeni farmer show that within three years, from 1991 to 1993, his production plunged by a massive 86 percent. The 1994 figure of 6 858 tons (36t/ha) is alarmingly low alongside the 1991 figure of 22 567 tons (114t/ha).

According to Sugden, the average debt held by the larger-scale farmer in 1992 was R600 000.

By the end of 1994 that figure was expected to exceed R850 000.

The smaller farmer was not in a position to continue cane production without assistance from the state.

Some farmers in the Zululand area have had to replant their fields twice in the last two seasons.

Harris estimates replanting costs between R3 000 and R4 000 a hectare.

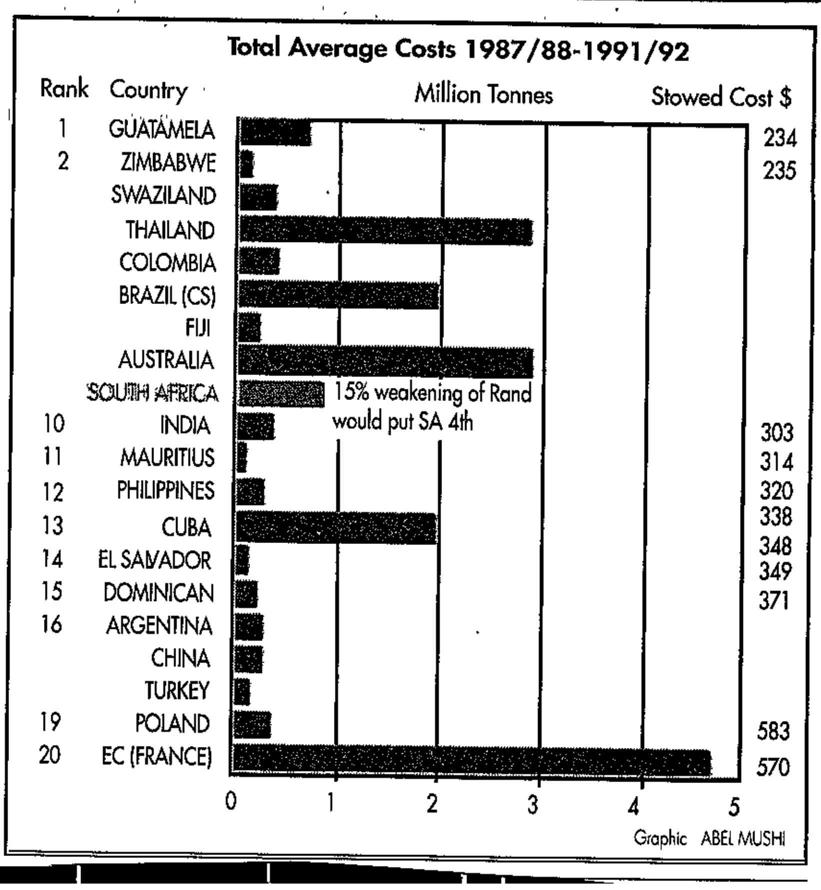
"There are farmers who are really hurting," he said. "A grower who has got a high level of debt, has had below-average rainfall and is perhaps looking at the cost of replanting ... is likely to be in a lot of trouble."

Sugden said many smaller-scale growers, who number over 20 000 in Zululand, would be forced out of sugar production in 1995 unless the state continued with its support programme initiated in 1992.

Larger-scale growers, particularly those with high debt ratios, would also require continued state support and extensions to the redemption period of drought relief loans.

The government has been asked to provide drought aid to resuscitate badly stressed crops in KwaZulu-Natal, Eastern Transvaal and northern Pondoland.

Sugar production



Drought will mostly affect sugar and maize industries

(3) SUGAR

MARCIA KLEIN

MAJOR food companies which have learnt to trade successfully through droughts are unlikely to be too severely affected by the current harsh weather conditions, which have seen some areas of SA experience the worst conditions in many years.

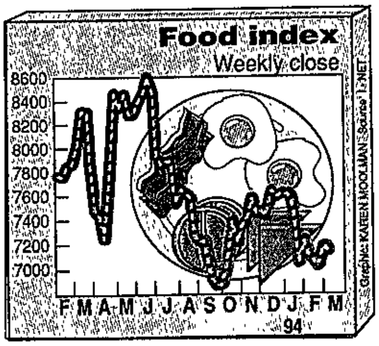
Market and industry sources said yesterday this was partly because results for this year would be off a low 1994 base, and partly because there had been rainfall in certain areas which could offset dry conditions in others.

BD 14/3/95

Improved management efficiency meant companies had become more adept at ironing out the cyclical factors affecting their profitability.

Sources said the only industries which would be affected to any extent were maize and sugar.

The National Maize Producers' Organisation said recently the official 1995 maize crop estimate of 4,87-million tons was optimistic and imports were likely to be needed — if crops



were low, 2-million to 3-million tons would have to be imported.

An analyst noted that last year, when there was a maize surplus, maize was being exported at a loss, so a shortage would not affect results as a lower maize price was expected.

The sugar industry was to a large extent reliant on weather conditions. There had been some good rain in December and January, although weather conditions in the Eastern Transvaal were poor. The growing area on Natal's south coast was not affected by the drought.

The Sugar Association said the industry was "concerned at the very dry conditions experienced over the past three months in many of the cane growing areas", and good rains during the rest of March and April were "urgently required".

It said it was too early to make accurate predictions for the 1995/96 crop, but sugar production was likely to be between 1,5-million and 1,6-million tons.

Major sugar company Illovo Sugar had estimated sugar production of 745 000 tons in the current season to end-March would be 269 000 tons above the previous year, giving it 45% share of the total industry.

Tongaat-Hulett said last year the crop to end-March would show a significant improvement over the previous year, but would still be way below the 2,3-million tons which could be expected when rainfall returned to normal. Analysts nevertheless expected fairly good growth from sugar companies.

The food index closed 24 points lower at 7 177,3 yesterday, compared with an annual high of 8 660,7 in June and a 6 672,1 low in September.

Drought may slash sugar crop to 1,6-million tons

NICOLA JENVEY

DURBAN — Industry estimates for the 1995/96 sugar crop do not exceed 1,6-million tons, and many large-scale farmers face the new season with debts of up to R900 000 as the prolonged drought stretches into its fourth season. BD 14/3/95

Current estimates were far below the 1,8-million tons forecast at the beginning of the year.

SA Sugar Association acting executive director David Hardy said at the weekend it was "still too early" for accurate predictions. But he said the season might yield a crop of between 1,5-million and 1,6-million tons. (3) SUGAR

"The sugar industry is concerned by the very dry conditions in many of the cane-growing areas, and good rains during March and April are urgently needed," he said.

Illovo Sugar MD Don McLeod said the maximum the industry could expect was 1,6-million tons, but final figures would "definitely" be worse than the 1994/95 crop.

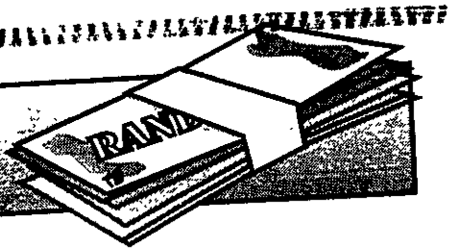
SA Cane Growers' Association executive director Jack Wixley said domestic market requirements — totalling 1,3-million tons a year — would not be affected by the drought.

However, exports were "in jeopardy".

He said the four years of drought had cost the industry about 2,6-million tons or more than one year's average growth.

"At the current export price of R1 200 a ton, this translates into R3bn in revenue lost to the industry."

s on Business



Top group to create more jobs

By Isaac Moledi

3 SUGAR

THE Tongaat-Hulett Group has allocated more than R2 billion for the major expansion of its projects in KwaZulu-Natal and Gauteng — creating more jobs in the two areas.

Group managing director Cedric Savage says R1,75 billion will be spent on the expansion of Hulett Aluminium Rolled Products in Maritzburg and R580 million on the expansion of African Products' starch and glucose production factory in Gauteng. "The approval for the aluminium project, of which the group holds 50 percent, is subject to certain conditions being met, but we are optimistic that the final decision will be possible in the near future," says Savage.

The Hulett Aluminium project, according to Savage, will provide Tongaat-Hulett shareholders with a substantial growth opportunity and has been subject of a major feasibility study. "If the outstanding issues can be cleared to the satisfaction of the Board within the next few months, commissioning of the major project at the Pietermaritzburg will take place during 1997 and 1998," he says.

sowetan 16/3/95

Tongaat creates black business worth R120m

CT 14/3/95 (BR) (3) SUGAR

By David Canning

Assistant Editor

Tongaat Hulett's black economic empowerment programme generated business worth R120 million for black sub-contractors in1994.

This was disclosed by Johannes "JB" Magwaza, group executive director responsible for the twin-pronged programme, at a recent meeting of the KwaZulu/Natal Chamber of Business's Corporate Forum in Durban.

The programme has included the passing of control of its Supervision catering division to black entrepreneurs and a number of subcontracting or "outsourcing" deals, which include washing of company overalls, trucking and supply of various components.

Magwaza, who is also national president of the Institute of Personnel Management, emphasised that Tongaat had not adopted its black empowerment programme out of benevolence. The initiative made business sense.

In fact, companies that neglected to implement such programmes did so at their peril.

Tendering, for example, was increasingly dependent on a company having an empowerment programme.

So was the securing of overseas business. Increasingly the company was being called on to disclose its record in black economic empowerment when it applied for contracts.

Tongaat had scored several times because of its activity in the field.

Magwaza said he monitored the performance of each of the group's seven main divisions every week on black empowerment issues. He reported on progress at monthly board meetings.

Magwaza said Tongaat Hulett had run into a steep learning curve in its implementation of its empowerment plan and problems it had encountered at times included:

- Criticism when it had favoured its own staff for empowerment. This was a deliberate policy as "charity does begin at home";
- The problem of greed. Months of work on lining up a project had been jeopardised because would-be entrepreneurs, with "crocodile-like teeth" had wanted too big a cut. As a result the group would be vigilant in analysing any individual wanting to subcontract to it;
- Lack of finance, a persistent problem. Little money had been forthcoming from foreign sources despite promises last year of substantial amounts. As a result Magwaza had to turn to normal sources of finance such as the SBDC, Development Bank and merchant banks.

Magwaza said the group's vision for its empowerment programme was the development of a South Africa where a substantial number of enterprises — of all sizes — were wholly or partly owned by black entrepreneurs.

"This will lead to economic growth and improved levels of employment across the country," he said.

Good rains boost estimate for current sugar crop

BD 13/4/95

(3) SUGAR

NICOLA JENVEY

DURBAN — Exceptional rains during the past two weeks should have raised the sugar crop estimates by 8%-12% to more than 1,7-million tons for the 1995/96 season, SA Cane Growers' Association director Brian Sugden said yesterday.

Official estimates made in March predicted 1,561-million tons for the season, but rains averaging 300mm in several areas on the KwaZulu/Natal north coast should raise the figure.

"Although the rains came too late to affect cane due for crushing in May, cane cut in November and December will have had time to benefit and this is good news," Sugden said.

SA Sugar Association director Guy Harris said the rain would have "more than stabilised" this season's crop, but would substantially prepare the soil for the 1996/97 crop.

Reacting to the Monitor Group's report on the sugar industry, Sugden said "it was time" someone countered the allegations that SA sugar exports were subsidised through higher domestic prices.

The in-depth analysis had found that the local and international price differential compared favourably with other sugar-producing countries such as Australia, US, Europe, Japan and Singapore. The report said the industry operated in "a distorted international environment" where only 25% of production was traded on world free markets.

"In SA tariff protection tends to fluctuate with the world price and is far lower than that afforded to US producers," the report said.

③ SUGAR

Sugar to go up: The price of sugar is to increase by about 8,7 percent on May 1, leading to ripple increases in products such as soft drinks, canned fruit and confectionery, Pick 'n Pay Supermarkets spokesman Michael Lafferty said yesterday.

CT(BE) 20/4/95

CAPE TIMES
BUSINESS REPORT
SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

Tough cost-cutting at Tongaat Hulett sees earnings up 53%

CT(BR)27/4/95 (3) SUGAR

Results exceed analysts' expectations but, with drought likely to knock the sugar division next year, the pressure won't let up

By John Sherrocks
KWAZULU NATAL BUSINESS EDITOR

Sugar and aluminium group Tongaat Hulett outdid the high expectations of analysts by posting a 53,2 percent rise in earnings per share to 273,4 cents for the year to March 31.

For Cedric Savage, managing director, who steered the Durban-based group through tough cost-cutting measures, the impressive results are especially sweet.

"The past year saw the benefits of restructuring and rationalisation programmes implemented to reduce costs and increase competitiveness, together with the impact of selective investment in production facilities," said Savage.

The pressure will not let up in the forthcoming year, particularly in the sugar division, which will be hit by drought.

For the reported financial year, sugar production was 35 percent up on the previous year. One analyst calculated that this year's profits could decrease by as much as R50 million as a result of the drought.

"As we move towards full capacity in some of our divisions, we are investing in our core businesses to allow them to expand further.

"Our strong cash flow position is assisting us in this regard," Savage said.

He said all divisions had performed well and each held potential.

For the first time, turnover topped the R4 billion mark (R4,42 billion), an 11,2 percent increase over the previous year's figure of R3,97 billion.


Cedric Savage

Operating profit for the year rose by 53,4 percent to R408,9 million (R266,5 million) as a result of further cost reduction and improved operating efficiencies.

Financing costs were well contained at R37,8 million, resulting in a record profit before tax of R371,1 million.

Although taxation also rose substantially, to R123,1 million, attributable earnings topped R248,7 million, a 55,1 percent increase. The dividend for the year, of 100c, is 44,5 percent above last year.

The group's improved financial position is reflected in its balance sheets which show a net cash-positive position of R119,8 million at year end.

Responding to analysts' questions as to how the R1,75 billion aluminium rolled-products expansion in Maritzburg would be financed, Savage said the group was negotiating to sell 50 percent of its investment in Hulett Aluminium to proposed joint partners in the project, Amic and the IDC, which would acquire 30 percent and 20 percent respectively.

Tongaat-Hulett reaps the benefit of rationalisation

BD 28/4/95

3 SUGAR

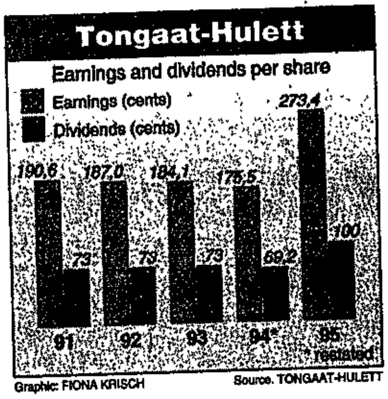
MARCIA KLEIN

STEEL and sugar group Tongaat-Hulett, feeling the full benefit of rationalisation efforts last year as well as an improved economy, reported a sharp 55% rise in attributable earnings to R248,7m (R160,3m) for the year to March.

It also announced it was negotiating to sell half its interest in Hulett Aluminium to the Industrial Development Corporation and Anglo American Industrial Corporation, its partners in the proposed R1,75bn rolled products expansion at its Maritzburg aluminium plant.

MD Cedric Savage said the results reflected the group's focus on growth following the restructuring of all its divisions. This had coincided with the upturn in local and world economies.

Turnover was 11% higher at R4,4bn (R4bn), and operating profit surged 53% to R408,9m (R266,5m). Strong cash flow and reduced borrowings enabled the company to slash net finance costs and lift pre-tax profit by 76% to R371,1m (R211,2m). After a higher tax bill, taxed profit was 56% higher at R248m (R159,2m).



Graphic: FIONA KRISCH Source: TONGAAT-HULETT

Earnings were 53% up at 273,4c (178,5c) a share. A final proposed dividend of 70c a share would bring the full year dividend up by 44,5% to 100c (69,2c) a share. Shareholders have been offered the option of a capitalisation award.

Savage said the sugar division "substantially increased its contribution" due to a partial recovery from the drought of the previous year. Sugar production was up 35% to 620 000 (458 000) tons, but this was still low. Following deregulation of the industry, the division has established its own sales and distribution network.

Aluminium division earnings reached "record levels" because of higher world aluminium prices and improved demand.

The building division performed strongly in the second half, and the textiles, consumer foods and the starch and glucose divisions improved profits.

Tongaat-Hulett has planned a number of major projects, including the rolled products expansion which would see it triple production capacity, mostly for export. The project awaited final approval, and an announcement was expected soon.

Proceeds from the sale of half its Hulett Aluminium interest would help to fund its share of the project's requirements. The project would be funded by export credit, other external borrowings and contributions from the partners.

Tongaat-Hulett has also approved a R580m new starch and glucose plant as well as some smaller investments in other operations.

The sugar division was expecting a 16% crop reduction crop to 520 000 tons due to the continuing drought. But action taken to reduce the effects of the drought, together with growth in other divisions, should enable the group to report real growth in earnings in financial 1996, said Savage.

TONGAAT-HULETT

(3) SUGAR FM 5/5/95

Results overcome drought problems

After the initial pleasure which investors will feel at Tongaat-Hulett's 53% advance in EPS and 44,5% increase in dividends, a few important trends should be noted.

One is that these gains came despite two years of drought which have hammered the sugar industry, particularly on KwaZulu-Natal's north coast, Tongaat's main cane supply area. At 620 000 t, the crop was still about 30% below a normal season.

Savage ... *getting all divisions to perform more sweetly*

The other is that after more than four years of recession and drought, during which management embarked on an often severe restructuring and cost-cutting programme, EPS of 273c have passed the 1990 peak.

Resumption of real growth is partly the result of overcoming one traditional problem: as a widely spread conglomerate, the old Tongaat invariably had a few divisions which pulled down group results.

Latest results, notes MD Cedric Savage, reflect an improved contribution from all seven divisions (property was made a division in the past year). "Diversification requires a subtle balance. If the group does not diversify, it's dangerous; if it is too widely diversified, profit growth can be hampered," he says. It seems Tongaat is getting the balance right.

COMING THROUGH

Year to March 31	1994	1995
Turnover (Rbn)	3,97	4,42
Operating income (Rm)	267	409
Attributable (Rm)	160	249
Earnings (c)	179	273
Dividends (c)	69,2	100,0

The final point is that Tongaat has overcome another traditional problem, overgearing, which certainly hurt investor perceptions. With borrowings of R171m and cash of R371m, it is now ungeared.

The cash will be needed this year and additional debt could be taken on as Tongaat continues a heavy investment programme aimed at sustaining long-term growth. The difference is that divisional management now has to compete for funding. Savage, noting that great emphasis is placed on return on capital, says there are only three considerations when it comes to funding individual businesses: the group is prepared to invest in a business, it is considering investing or it won't invest.

The largest capital project is the R1,75bn (at current cost) rolled products expansion at the Hulett Aluminium plant. The *FM* has noted before that, with Tongaat liable for half the cost, shareholders would require more details on funding. These have now been given. Tongaat is negotiating to sell half its interest in Hulett Aluminium to the IDC (30%) and Amic (20%), its joint venture partners. Savage says this will contribute significantly towards the group's share of funding requirements.

Final details of the expansion are still under negotiation, mainly the 10-year supply and pricing contract with Alusaf. Savage expects a final announcement soon.

Other forms of expansion include R110m on the Starch & Glucose division last year, with R580m more budgeted for a new plant this year. In the Sugar division, expansion of the Maidstone (R52m) and Darnall (R9m) mills will be completed in a few months.

Property operations are becoming increasingly important since a decision to unlock the value of nonproductive assets and sell part of Tongaat's vast land holdings (about 40 000 ha). Cash of R80m was realised by land sales last year.

With Tongaat now seemingly well on the way to strong earnings growth, and with the capital expansion to sustain that growth, prospects for the share look bright despite its strong rerating over the past year.

This year's results will be restrained to some extent by a lower-than-expected sugar crop. Still, earnings growth should be strong. That must indicate value in the share on a p:e ratio of 16,5, lower than most major food groups.

Shaun Harris

GENTECH

Stick it out!

If these results indicate anything it is that the white goods business hasn't been the happiest of places this past year.

Gentech, the Natal-based manufacturer of a variety of white goods — fridges, freezers, stoves and floor-care products — and importer of a range of higher priced products, in the Powertech/Altron stable, has produced a sobering result for financial 1995.

The bottom line is an attributable loss from operations of R2,4m; extraordinaries of R12,4m take the total loss to R14,8m.

The bad news continues into the balance sheet where net short-term borrowings now stand at R28,6m; long-term liabilities are small at only R1,7m.

FROZEN UP

Year to February 28	1994	1995
Turnover (Rm)	274	307
Operating income (Rm)	8,2	2,7
Attributable (Rm)	3,6	(2,4)
Earnings (c)	8,7	(4,4)
Dividends (c)	—	—

It is certainly gloomy stuff but this doesn't mean investors should lose heart. Indeed, having ridden the storm this far, it will probably be folly to fade away now.

Gentech's real difficulties stem from a recalcitrant Natal labour force which, over much of 1994, almost dared management to react.

It is possible this was a standard tactic with the previous owners, the Pickard family. This time, though, it didn't work.

After the general election-related disruption, Gentech's managers expected a return to normality. It didn't come; finally, a confrontation with the workforce was inevitable.

That resulted in a large retrenchment programme accompanied by a major factory reconstruction.

While that was in full swing, Gentech was obliged to increase imports substantially — and to absorb fully the inevitable knock in reduced margins.

Now, however, significantly better efficiencies are clearly in evidence. Also, there is some indication of an improvement in consumer demand. The purchase last year of Hoover's SA operations, which has already produced some growth in turnover, is expected to contribute materially over financial 1996.

The counter is trading at 280c, not far above its 12-month low of 255c. The market is merely reacting to a long succession of bad news.

However, investors buy for the future and the evidence suggests better days are not that far off.

David Gleason

Good rain benefits Illovo Sugar

JOHN SHERROCKS
KWAZULU NATAL BUSINESS EDITOR

The rain gods smiled on Illovo Sugar, enabling the Durban-based company to report earnings of R41 million for the half-year to March 31 — a sharp increase on the R8,5 million for the last comparable period.

While drought persisted in many areas, Illovo's wide geographical spread of mills limited the impact. Sugar production for the season rose by 297 000 tons to 773 068 tons, with Illovo's share of overall industry production up by 46,6percent.

Even though off a low base, Illovo's 391 percent increase in earnings to 26,5c (5,4c) is sweet news.

Turnover increased by 46 percent to R7,3 billion (R5bn). Operating profit was 223 percent up at R85,3 million (R26,4m). Pre-taxed income was 445 percent higher at R68,7 million (12,6m). An interim dividend of 9c a share was declared (4,5c).

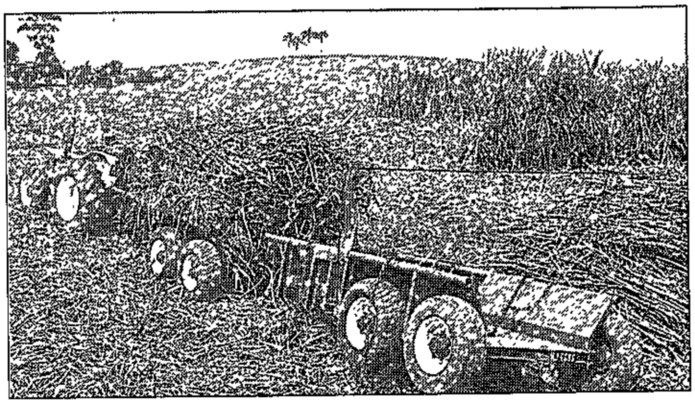
Chairman Glynn Taylor said the by-products operation at Merebank had performed well and there were improved results from the furfural plant at Sezela.

He said the relocation and expansion project for the Eston mill, which is being finance from internal resources and is due to start production in April 1996, is on schedule and within budget.

Managing director Don MacLeod said internal financing of the Eston mill would be assisted by the reduction of core borrowings to R6,7 million.

He said that given the improved rains in March and April, the prospects of increasing production by a further 40 000 tons were good.

It is forecast that taxed profits for the full year will be in the region of R86 million.



BOUNTIFUL: *The rain gods smiled on the sugar plantations*

3 SUGAR

CT(BR) 12/5/95

BITTER BATTLE *Sugar scientists struggle to convey their message.*

Sugar researchers still fighting 'bad food' image

CT(BR) 17/5/95 (3) SUGAR

By John Sherrocks
KwaZulu Natal Business Editor

Years after its product was given a clean bill of health, the world's sugar industry is still spending millions fighting propaganda.

The scientists who provide the ammunition for the battle are in Durban this week attending the annual conference of the World Sugar Research Organisation (WSRO).

The behind-closed-doors meeting, organised by the SA Sugar Association in conjunction with the WSRO, will focus on scientific programmes undertaken by sugar-producing countries around the world.

Besides research-related topics the two-day conference will focus on internal matters such as progress with the recently established information service.

Chuck Vlitos, a delegate to the conference and immediate past director general of the WSRO, said more than R120 million was spent annually on sugar research around the world.

While most of the money was spent on researching agricultural advances, about R12 million was given to nutritional research.

Vlitos said claims that sugar consumption was related to medical problems such as heart attacks, obesity and diabetes — ironically instigated by well-intentioned nutritionists — had been scientifically refuted years ago.

However, it was more difficult to remove perceptions that sugar is bad for consumers, especially when producers of artificial sweeteners encourage this view, said Vlitos.

"The scientific evidence is all there. With the exception of tooth caries, sugar has no detrimental effect on health.

"However, a perception has been built up that if a product has no sugar it is healthier than one containing sugar. No food is bad; it is just our diets that can be bad."

On the question of ethanol fuel, Vlitos said it was not a financially viable option yet for countries that had access to fossil fuels. However, he was confident that ecological factors and the dwindling supply of petrochemical products would eventually lead to increased use of ethanol.

Vlitos said the next major research would be the field of biogenetics, which would shorten the development of new crop varieties from 14 years to about 12 months.

Kudu gas could fuel Cape power station

CT (BR) 30/5/95

BY DEREK TOMMEY

MINING EDITOR

Within the next six or seven years the Western Cape is likely to become one of the country's major industrial growth areas, with South African and international firms flocking to the area to take advantage of its newest resource — gas powered electricity.

This is the outcome that is expected to flow from the development of a potentially major natural gas field, the Kudu field, situated 150km off the coast of Namibia by Shell Exploration and Production Namibia and Engen.

If everything goes according to the developers' expectations, they will start piping this gas to the Namibian coast and then to Saldanha Bay to fuel a new Eskom power station and possibly Iscor's new steel plant, just after the turn of the century.

A further pipeline may be laid to Cape Town to supply local industry.

But the Western Cape will not have to wait until the pipeline reaches Cape Town to benefit from natural gas. Ger Kegge, Shell Exploration and Production Namibia's managing director, says his calculations show that a gas-fired Eskom power station at Saldanha could produce electricity at a lower cost than Eskom would be able to supply to Cape Town in the future from its Highveld power stations.

Eskom does not fully agree with these figures, but has held preliminary discussions with Shell and Engen on the supply of gas to a future power station, he says.

Mike Deats, senior general manager of fuel and technical services at Eskom, says it is likely that Eskom may come to some kind of arrangement for the purchase of gas.

He says it makes sense to have additional generating capacity in the Western Cape as this will help improve the reliability of supply to the area.

Cape Town gets most of its power over long-distance transmission lines from the Eastern Transvaal and the balance from the Koeberg nuclear power station.

Kegge says Shell Exploration and Production Namibia is confident that the field contains a minimum of 3 trillion cubic feet of gas and may well hold much more. Drilling to determine the size of the field will begin soon.

An important requirement in the development of the field is large long-term commercial customers. Eskom and Iscor can meet this requirement.

Kegge says that in ballpark figures, it will probably cost about $1 billion to develop the field and pipe the gas to the Western Cape.

Top yield on sugar

CT (BR) 30/5/95 (3) SUGAR

BY JOHN SPIRA

GAUTENG BUSINESS EDITOR

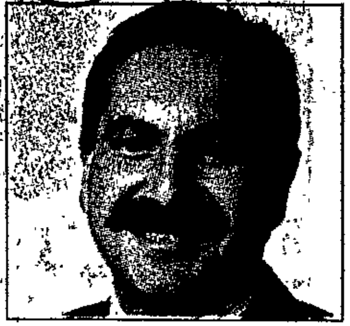
Investors in the JSE-listed Sugar Stock SU01 will receive the maximum yield due on their 1995 Harvest Warrants.

In March last year Theta Securities, the Rosebank-based firm of financial securities specialists, designed and placed R42 million SU01 stock. Investors included Old Mutual, Fedsure, Metlife and African Life.

The stock was issued by the South African Sugar Association to fund 9 500 small sugar cane farmers from disadvantaged communities. The sugar industry, via the association, wished to limit the negative effect of continuing drought on production and loan default by small cane growers.

The returns on the stock at the date of issue were capped at about 16,88 percent and had a floor return of about 8,9 percent.

Returns were based on expectations of a basket of factors that affect the small cane growers' earnings. The return is determined by:



Mr Leon Kirkinis, managing director of Theta Securities

- The South African sugar crop;
- The world spot price of sugar on March 31;
- The closing rand/dollar exchange rate on March 31.

Although the sugar crop and the rand/dollar spot were marginally below base projections, the world spot price of sugar, which increased from $231 a ton at the date of issue to $324 a ton on March 31 1995, exceeded expectations. World consumption exceeded world production for the third consecutive year.

ET (BR) 1/6/98

Tongaat sells Cane Carriers

(3) SUGAR

In a move to get out of non-core business, Tongaat-Hulett Sugar has sold Cane Carriers to road freight transport company Unitrans for an undisclosed amount, the parties have announced. Cane Carriers is Tongaat's cane haulage and sugar transport business.

Unitrans, owned 77 percent by Murray and Roberts, plans to invest R40 million over a year in the new business.

The business of Cane Carriers will be split between two Unitrans subsidiaries, Unitrans Sugar and Unitrans Zululand. The two companies will absorb all Cane Carriers' operating staff, said MD Bruce Dunlop — Staff Writer

P 7/6/95

Sasol's protection is slated

CT (BR) 9/6/95

By Derek Tommey

Private oil refinery operators are highly critical of the Arthur Andersen report apparently recommending continued protection for Sasol's synthetic fuel division.

The report has not been released to the public, but Sasol has indicated that it recommends the protection it has received should be continued at a reduced level, dropping from the current $21,40 a barrel to $17 a barrel by July 1999.

Sasol maintains that by that time the international oil price will be above the $17 a barrel mark and therefore the protection it will receive from that date will be effectively zero.

Sapia, which represents the major oil companies, says they are reserving their position to take appropriate action at an appropriate time.

They maintain that the report and its recommendations are an entirely inappropriate basis for formulating future policy on a number of issues affecting the oil industry, including Sasol's subsidies.

It is understood that in their submission to Arthur Andersen, the oil companies claimed that any subsidy to Sasol creates a distorted uncompetitive environment. The subsidy not only affects the South African oil industry, but also the chemical industry and, in a general sense discourages foreign investment and foreign trade in South Africa as the wrong signal is given to investors.

Sasol claimed that as a result of the subsidy, its synthetic fuels division made a huge contribution to the South African economy, adding value to the amount of R6,1 billion, saving about R5,6 billion a year in foreign exchange directly and indirectly employing nearly 59 000 people which is many times greater than the cost of its protection.

A Sasol spokesman said that it was hoped that the other oil companies would also demonstrate their transparency by inviting Arthur Andersen to conduct a similar scrutiny of their businesses.

An official of the National Economic Development and Labour Council said the report is to be submitted to its Liquid Fuels Industry Task Force for formal consideration, after which it would be released to the public.

Illovo looses dumping case

(3) SUGAR

CT (BR) 9/6/95

By John Sherrocks
KwaZulu Natal Business Editor

South Africa's largest sugar producer, Illovo Sugar has lost a long-running battle against an anti-dumping duty being imposed on its furfuryl alcohol exports to the United States.

The US-based International Trade Commission this week confirmed that furfuryl alcohol imported from South Africa and Taiwan had "caused material injury" to the domestic industry.

"That is, it upheld that we have been dumping," said Bernard Ravno, production director at Illovo Sugar.

He said the Federal Regulator was only due to set the level of the import duty on June 21 which he believed would be 11,55 percent.

Illovo, formerly CG Smith Sugar is a subsidiary of the CG Smith Group.

Furfuryl is an agricultural by-product which is used in metal casting manufacture.

South Africa is the second biggest supplier to the United States after China.

Inconvenient

Illovo said the duty would have no effect on their exports to the United States.

"If they had achieved the 68 percent they were aiming for it would have effectively closed down our exports . . . at 11,5 percent it will be somewhat of an inconvenience," a spokesman said.

In July last year, the International Trade Commission ruled that QC Chemicals of Indiana had made a "reasonable" case that it was being hurt from imports from South Africa, China and Thailand.

QC Chemicals brought the anti-dumping suit.

The complaint became the subject of an official inquiry by the commerce department in Washington.

Illovo contested that QC Chemicals was seeking protection because its own poor management made it uncompetitive.

QC Chemicals maintained its situation would worsen because Illovo would now be in the position to take advantage of the American general system of preference which gave South African exporters of about 4 000 products duty-free access to America.

Sweet success in sugar cane

CT(BR) 15/6/95 (3) SUGAR

By John Sherrocks

Kwazulu Natal Business Editor

The seed for training small-scale sugar cane growers planted by the Small Grower Development Trust three years ago has taken root, to the benefit of many of the organisation's 45 000 members.

Addressing the annual meeting of the trust in Durban yesterday, chairman Wilson Luthuli said that since the trust's inception, 1 300 people had received institutional training while over 2 000 people had received agricultural and business skills training at a total cost of R1,6 million.

A highlight of the year was the implementation of a pilot training programme in the Felixton Mill area for the training of growers, grower facilitators and contractors in business skills, vehicle maintenance, institutional development and cane husbandry.

Luthuli, co-founder of the trust, will be standing down as chairman and will be retiring from all other sugar industry affairs. He attended his last meeting of the SA Sugar Association Council in May.

High stocks will counter growth in sugar market

(3) SUGAR CT (BR) 22/6/95

BY JON BEVERLEY

SPECIAL WRITER

A slight increase in sugar output of 1,69 million tons — still well short of the potential 2,4 million tons — was forecast for the coming season by Tony Charlton, outgoing chairman of the SA Sugar Millers' Association at the annual meeting in Durban yesterday.

He called on the government to provide financial assistance to those sectors, including all farmers, not accommodated by banking institutions.

Millers were told that there would be sufficient sugar to meet local and export requirements in the coming year.

Charlton said he expected the local sugar market to grow by about 4 percent. However, with an "unusually" high level of stocks on hand, the requirements for the local market and for export are at much the same levels as last season.

He said imports from surrounding countries had blunted figures for local consumption in the past year. There had been economic growth, but this was not reflected in consumption which was down 8 percent, or 100 000 tons, to 1,235 million tons — a level last seen in 1989/90.

Deputy chairman Glyn Taylor said world output was expected to exceed consumption this year, unlike last year when output fell short by 5 million tons and the price rose to $348 a ton for raw sugar and $430 a ton for refined.

It was now at $300 spot and $220 for March 1996 futures. However, South Africa had sold about half of its planned exports — which included the high-priced American quota — at an average price of $299. In the past two weeks a 52 000 ton shipment to Japan had been secured at a premium of $66 a ton, Taylor said.

Global production was estimated to be 115 million tons with increases coming from Australia, Thailand and Brazil. Output from Cuba was falling.

The situation in China was difficult to assess. Chinese farmers were expected to produce 6 million tons with consumption at 8 million tons. However, consumption was low, at 6kg a head (against a world average of 19kg), and it was not known how China would react to increased demand.

Taylor said incentives for farmers, encouragement of high fructose corn syrup, and a change towards artificial sweeteners were possibilities.

He warned that because of the "China question" and other factors the world sugar market was becoming bearish, which was reflected in the world sugar price.

Charlton said there were 4 400 loan applications from small-scale farmers to the industry's financial aid fund this year. Together with working loans from existing farmers, this pushed up the fund's loans to R94,2 million.

He envisaged loans reaching R200 million within 5 years, which would turn the industry into a banker, a role it could not assume.

However, the industry remained committed to supporting small-scale farmers, he said.

The association felt that the government should be responsible for providing financial services, not only to sugar farmers but to small-scale farmers in general. This was what they had told the commission of enquiry into the provision of rural financial services.

Charlton said the long-term effect of South Africa agreeing to the provisions of Gatt should be relatively higher sugar prices as well as additional export opportunities in a world market in which South Africa would hold a considerable advantage as a low-cost producer.

But he warned that it would take time because it would take many years for the heavily subsidised and high-cost industries, particularly of the northern hemisphere, to respond and adapt.

Cane growers want govt aid

Nicola Jenvey 3 SUGAR
BD 22/6/95

DURBAN — Borrowings from the Small Growers' Financial Aid Fund would rise to more than R200m over the next five years and SA Sugar Millers' Association chairman Tony Charlton said yesterday it should be government's responsibility to provide financial services to sectors not accommodated by the banks.

Charlton told the AGM that although the sugar industry remained committed to supporting small-scale farmers, it could not be a banker.

"The responsibilities and risks inherent in an operation of this nature and magnitude should be transferred to an organisation which has, as part of its core functions, business of this kind," he said. Such a transfer would ensure lending could be widened beyond sugar cane crop production.

Good crops protect Lonrho Sugar results

BD 27/6/95

Marcia Klein (3) SUGAR

SWAZILAND-incorporated Lonrho Sugar Corporation increased its attributable profit 57% to 70,8m emalengeni (E45,2m) in the year to March as good crops in some areas shielded the effect of drought conditions in others.

Lonrho Sugar, with operations in Swaziland, Mauritius, Malawi and SA, was a subsidiary of UK multinational Lonrho. Results were reflected in emalengeni, which corresponded to the SA rand.

Directors said in line with expectations, the group's return to record profits was achieved after a full year contribution from its expanded operations at Sucoma in Malawi and "a record performance" in Ubombo in Swaziland.

In SA, Glendale's profits were slightly down on the previous year because of the drought which was in its fourth year.

Mauritian operations improved and results included for the first time the 117-room Grande Gaube Hotel which was bought during the year.

Group turnover increased 38% to E618m (E448,3m) and pre-tax profit was 64% higher at E144,2m from E87,7m previously. This was made up of a 66% rise in the performance of group operations to E131,8m and a 49% increase in that of associates to E12,4m.

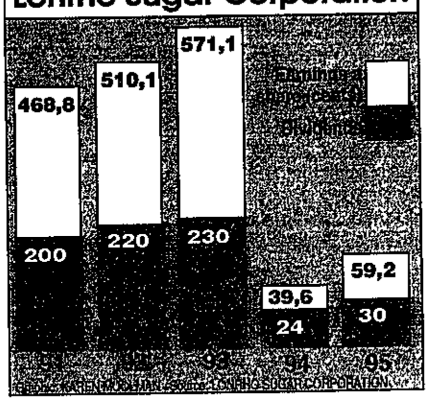
After taxation — which was at a rate of 23% — and minorities, attributable profit was 57% higher. Because of additional shares in issue, earnings rose 50% to 59,2c (39,6c) a share.

A final dividend of E0,17 a share was declared to bring the full year dividend up 25% to E0,30 (E0,24) a share, covered twice by attributable earnings.

At the September interim stage, the group reported a 37% rise in attributable profit to E30,9m. At that stage directors said half-year results were half the estimated results for the full year, but full-year results indicated the performance was better than expected.

The tightly held share closed yesterday at E7 off a December high of E7,50 and a June 1994 low of E5,50.

Lonrho Sugar Corporation



AGRICULTURE — SUGAR

1996

AUG. — DEC.

Export and research facilities are cancelled

SA-Swazi sugar deal sours

CT(PAR) 16/8/96 (3) SUGAR

By Marius Bosch

Johannesburg — South Africa's sugar industry was withdrawing the export and research facilities it provided to Swaziland because of Swazi competition in the domestic sugar market, Swazi officials said yesterday.

Andy Colhoun, the general manager of the Swaziland Sugar Association, said the South African Sugar Association had decided not to renew contracts giving Swaziland access to export facilities, research and training with effect from April 1 next year.

"They now consider us their competitors and they are not prepared to extend us any facilities that may make us stronger," he said.

South African industry officials said last month they had been increasingly exposed to the world market price as a result of Swazi competition.

They said inroads made by Swazi and Zimbabwean sugar into the South African domestic market would cost the industry about R275 million this year.

Colhoun said the association would not allow Swaziland to use the sugar export terminal in Durban from next April.

In addition, Swaziland's producers would not have access to the association's research facilities at the Mount Edgecombe experimental station. They would also be denied access to the association's industrial training centre at which a third of the students were from Swaziland.

"The effect of these actions is to damage the Swaziland sugar industry, its ability to train its people and to obtain access to new varieties of sugar cane," Colhoun said.

He said the association was legally entitled not to renew its contracts providing the facilities to Swaziland. That move would cost Swaziland about R3,5 million.

Swaziland benefited from duty-free access to South Africa through its membership of the South African Customs Union, which groups South Africa, Botswana, Namibia, Swaziland and Lesotho.

Colhoun said the domestic market within the customs union was about 1,6 million tons. Swaziland exported about 145 000 tons of finished and semi-finished sugar products to South Africa each year.

"What goes across the border into South Africa is a manufactured or semi-manufactured product. This has gone on for a long time but because of our cheaper price this amount has grown," Colhoun said.

"What they are complaining about is that they would have to export less if they had the market we have. But that is what competition is all about," he said.

Colhoun said Swaziland would not be hurt by the ban on use of South African export facilities because most of its sugar exports were shipped through the Mozambican capital of Maputo, which is much closer than Durban.

Swaziland's sugar industry is much smaller than that of South Africa. Swaziland expects a sugar crop of 458 000 tons for 1996-97 and South Africa is gearing up for a record crop of 2,4 million tons.

South Africa expects to export about 1,1 million tons of sugar during this period. Swaziland usually exports about 78 percent of its crop, mainly to Europe and the US.

The South African Sugar Association was not available for comment. — Reuter

Top Pagad man is free on R10 000 bail

(253) BD 16/8/96

CAPE TOWN — A leading member of People Against Gangsterism and Drugs (Pagad), Mogamat Nadthmie Edries, was granted R10 000 bail when he appeared in the Wynberg Magistrate's Court yesterday on charges of sedition.

Edries, 37, who was arrested in a dawn police raid on homes in the Cape Flats on Tuesday, was given stringent bail conditions and the hearing was postponed to September 17.

Charges of sedition and murder are being investigated against Pagad after the murder of Hard Livings drug lord Rashaad Staggie in Salt River on August 4.

Yesterday two men posing as policemen were arrested after they allegedly tried to free Edries at the Table View police station.

The two men, wearing bulletproof vests, said they had come to escort Edries to Wynberg, but he had already been taken there. Police later arrested the two, who were identified among protesters at the Wynberg courts. One is a police reservist.

They will appear on charges of impersonating policemen and attempting to free a prisoner.

Before the hearing Pagad supporters held a demonstration outside the court, calling on the authorities to free their leaders. A number of journalists were threatened with death when Pagad claimed they distorted the facts.

Earlier Pagad called on Justice Minister Dullah Omar to return to his house in Rylands on the Cape Flats. Omar on Wednesday said he had moved his family to a safe house amid the spiralling conflict and rhetoric between Pagad, the underworld and the police.

A Pagad spokesman said the organisation was very upset that some people, who claimed to be Pagad members, had threatened the life of Omar and his family.

Freedom Front security spokesman Joseph Chiole said Omar's move confirmed that SA had fallen into anarchy, while opposition leader FW de Klerk said Omar's move probably was wise if it was temporary, but would send a damaging signal if permanent.

Meanwhile, a Jewish community in Bulawayo said it would support Pagad if it embarked on a holy war to rid the community of gangsters and drug-related crime.

Bulawayo Hebrew Congregation's Rabbi Ben Isaacson said: "When... murderers proudly demonstrate for the right to continue murdering, and victims who have tired of the 'moral values' of a government which does not the know the difference between right and wrong are charged with sedition, all is lost." — Sapa, Reuter.

Support for Swazi sugar ends

(3) SUGAR BD 16/8/96

SA's sugar industry had withdrawn export and research facilities it provided to Swaziland because of Swazi competition in the domestic sugar market, Swazi officials said yesterday.

Swaziland Sugar Association GM Andy Colhoun said the SA Sugar Association (SASA) had decided not to renew contracts giving Swaziland access to export facilities, research and training with effect from April 1 next year.

"They now consider us their competitors and they are not prepared to extend us any facilities that may make us stronger," Colhoun said.

Industry officials said inroads made by Swazi and Zimbabwean sugar into the SA domestic market would cost the industry about R275m this year.

Colhoun said Swaziland would not be hurt by the ban on using SA export facilities because most of its sugar exports were shipped through Maputo.

SASA was not available for comment. — Reuter.

Illovo wins big Kenyan contract

CT 29/8/96 (3) SUGAR

Staff Writer

Durban — Illovo Sugar, part of the CG Smith Group, announced yesterday that it had won a R21 million contract to rehabilitate a sugar mill in western Kenya.

Illovo Sugar would act as project manager for the rehabilitation and expansion of the mill over a 14-month period. This would result in an increase in the crushing capacity of the mill, and would improve factory efficiency and the extraction rate of sugar from the cane, the company said.

The Kenyan mill, which is owned and operated by the South Nyanza Sugar Company on the eastern shores of Lake Victoria, is one of seven Kenyan sugar mills. In the previous two years it has produced 68 700 tons of sugar, and it was hoped that after the completion of phase one of this project production capacity would rise to over 78 000 tons.

Phase two will involve a further expansion of the mill, raising production capacity to over 124 000 tons a year.

The decision to upgrade the mill and enhance its performance comes as a direct result of increasing cane supplies in the region from a rising number of small-scale growers, now estimated at over 1 500.

Don MacLeod, the managing director of Illovo Sugar, said the decision to tender for the Kenyan contract was part of a longer term company objective to expand its international interests at the same time as keeping to its core business.

"Illovo Sugar is well positioned to play a meaningful role in the development of other sugar cane-producing countries, particularly those in Africa that share similar operating conditions," he said.

An Illovo project team was already on site, according to Glyn Taylor, the chairman of Illovo Sugar.

Taylor said the company would in future pursue an "into Africa" policy to take full advantage of valuable business opportunities in sub-Saharan Africa.

THE SUGAR INDUSTRY

WHY THE SUGAR BARONS ARE SMILING

(3) SUGAR

FM 30/8/96

Good rains have improved prospects for the sugar industry

The sugar industry is looking forward to its best crop in years. The prospect of a full recovery from four seasons of devastating drought, estimated to have cost the industry R3,5bn, is bullish for listed sugar companies.

But, in spite of the bright agricultural outlook, increased competition and cost-competitiveness are causing concern. And though the bumper crop, of about 2,4 Mt, is good news for the industry, old tensions between cane growers and millers are resurfacing.

Also, as with so many local industries, global reintegration is introducing new threats and opportunities.

This year's cane crop follows four poor seasons (April-March) of 1,5 Mt, 1,2 Mt, 1,7 Mt and 1,7 Mt.

The 1,2 Mt low point in the 1993-1994 season was the worst in 25 years — for the first time the industry, usually a net exporter, had to import sugar to meet its export commitments, losing valuable hard currency revenue.

Quoted companies are represented largely by Illovo Sugar, SA's biggest producer, and the Tongaat-Hulett group. Lonrho Sugar Corp and Crookes Brothers are smaller producers, with the shares tightly held and interests spread over the borders. Transvaal Sugar is not listed but has a listed parent, Hunt Leuchars & Hepburn (HLH).

For Illovo, the purest sugar investment on the JSE, crop recovery meant a 32 000 t increase to 805 774 t over the 1995-1996 season. Apart from the drought breaking earlier on the KwaZulu-Natal south coast, Illovo benefits from a wide geographic spread and mix of cane types, allowing different cane cutting cycles.

The first half of this season will come into full-year results, giving Illovo an estimated crop of 1,06 Mt or a 44,5% industry share.

Chairman Glyn Taylor has raised the company's interim forecast of a 29% earnings growth, claiming this should now be "comfortably exceeded." One analyst calculates Illovo will achieve full-year earnings growth of around 35% — remarkably strong in an environment of declining corporate profits.

Bruce Dunlop

The effect of sugar is more difficult to factor into the diversified Tongaat-Hulett group, but it will certainly underpin results this financial year. There seems little doubt the sugar division will resume its traditional role as the main contributor to group turnover and profits. Sugar division CE Bruce Dunlop is working on estimated production of 940 000 t, 60% up on the previous crop, producing turnover of R1,7bn-R1,8bn. Dunlop says though slower recovery on the north coast delayed the crop, "we are now fully out of the drought and looking at our best season for at least four years."

Ironically, cane growers find themselves in the curious position of possibly having produced too much cane and being forced to leave some unharvested because of insufficient milling capacity. They fear unharvested cane is likely to be ruined by the eldana borer — still the biggest threat to the crop other than drought — rather than saved as money in the bank for future harvests.

Jack Wixley, executive director of the Cane Growers' Association, says the problem, if it materialises, is likely to affect most areas, except the northern Midlands which suffered severe frost damage last year.

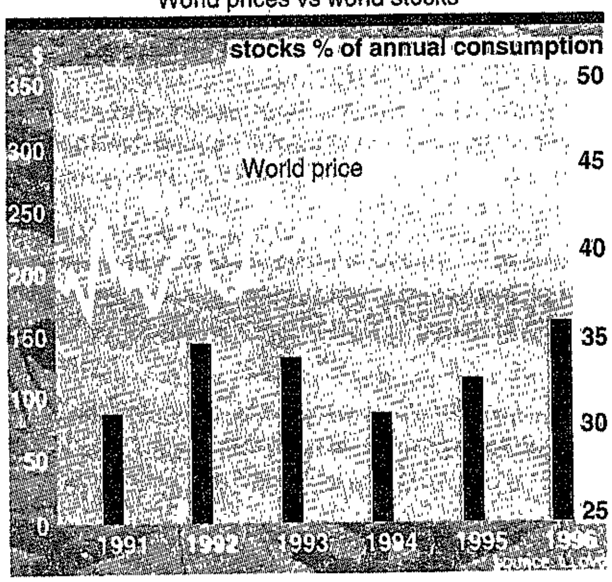
Post-deregulation rationalisation by millers might have some effect on capacity but this is likely to be minimal Illovo and Tongaat have committed significant capital to expanding mill capacity. But Wixley believes the impact on capacity will come mainly from the closure of Tongaat's Mount Edgecombe mill last year and teething problems at Illovo's recently relocated and modified Eston mill.

However, millers say processing the crop is more a question of timing than capacity. "It depends on the length of the season," says Dunlop. "If the mills crush into January (milling normally stops by Christmas), then we do have the capacity."

Illovo's Taylor is forthright on the subject. "It is ironic that after four years of drought, during which they built up enormous debt, growers now want to withhold some of the crop." He concedes there are problems, mainly with labour, in extending the season into January. But MD Don

OFF THE PEAK

World prices vs world stocks



MacLeod says some growers are prepared to continue delivering cane after the end of the year; if all followed suit, the whole crop could be crushed.

Though there has always been a partnership, including sharing proceeds, between growers and millers, tensions between the two surface periodically. With Illovo and Tongaat, the main millers, slowly moving out of agriculture through a programme of selling off nonstrategic canelands, to mainly smaller, black farmers, the divide could widen. There certainly appears to be more of a feeling now that millers should be millers and farmers should farm.

With drought behind the industry, the major preoccupations are improving productivity and trying to resolve souring relations with Swaziland over its growing sugar exports to SA. Swaziland is cited as the main culprit, though the row could grow into a regional issue if neighbouring producers like Zimbabwe, Zambia, Malawi and Mozambique increase their exports.

Swazi exports alone have risen from 25 000 t in 1991 to 146 000 t last year, taking a considerable slice out of the 1,3 Mt domestic market where, under the two-tier price system, the local price of refined sugar is much higher at R2 138/t than the world-comparative sugar price which peaked recently at R1 800/t.

Dunlop says the past few years' imports from Swaziland have extracted more than R200m from the local market. Other producers put the cost drain closer to R275m.

Swaziland has consequently been declared a competitor and the fight is turning nasty. SA has closed the door to Swaziland over the use of the sugar export terminal in Durban and has denied it access to the SA Sugar Association's highly regarded research and training facilities.

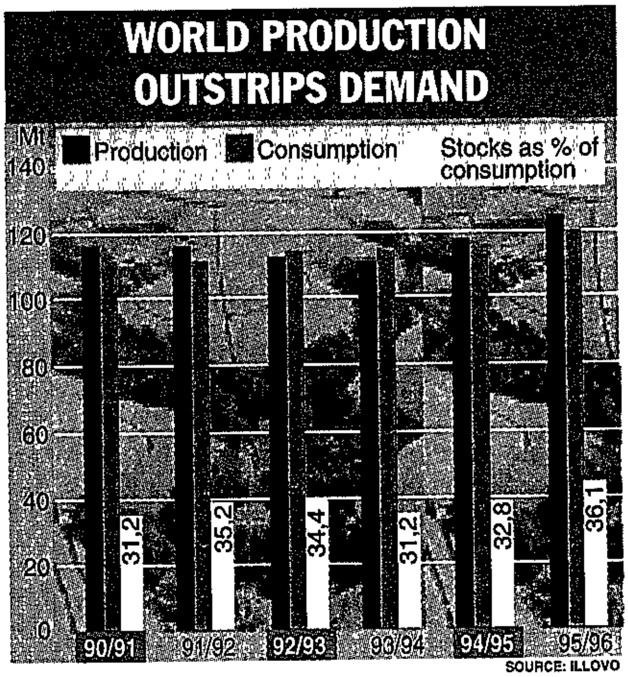
The complaint is that Swaziland is able to undercut prices by loading high fixed costs to preferential export quotas to the EU and US, then adding only low variable costs when pricing for the southern African market.

Swazi Sugar Association chairman Andy Colhoun says though some of the measures will hurt the industry's efficiency, shutting the Durban export gate has coincided with the modernisation of a Maputo harbour sugar terminal.


Glyn Taylor

Swaziland and Zimbabwe have signed an eight-year lease to operate the terminal — idle for four years — and are expected to export 400 000 t this year and 500 000 t in 1997 through it.

Colhoun justifies Swazi sugar exports to SA on the grounds that, as a member of the SA Customs Union, it is free to sell its sugar to SA and that this goes some way towards redressing the trade imbalance between the countries.



SOURCE: ILLOVO

SA Sugar Association executive director Mike Mathews responds that what the Swazis want to do is "simply sell their sugar over the fence into a market which will pay more than the world market price." He says sugar protocols regulate sales among neighbouring producers worldwide. There are two pacts in South America and others in the EU, Asia and North America.

MacLeod says the industry sees the Swazi practice as unfair, "lowering the average price for SA producers, which not only affects the big companies but also the 45 000 small farmers."

Dunlop says Tongaat's view is that until Gatt makes its impact felt on "distorted world markets," especially in relation to the high-cost producers in the EU and US, southern African producers need to agree on a sugar protocol to ensure regional trade and expansion is not undertaken at the expense of some industries.

Productivity is another vexing issue. Globally, SA is a low-cost sugar producer, ranked ninth among the world's most efficient exporters in an international survey by UK-based Landell Mills Commodities last year. And the exercise was done before the recent 20% depreciation of the rand.

But, in regional terms, Tongaat-Hulett group CE Cedric Savage estimates, Swaziland and Zimbabwe are about 40% more efficient than SA, mainly through labour costs (though increasing unionisation in Swaziland is closing the gap) and more reliable crops. As the world's southernmost cane producer, SA relies mainly on rainfall rather than irrigation. So cost containment and productivity improvements remain of concern.

The full value of the weaker rand will not come through in SA's export revenue this year, partly through the industry's policy of forward pricing. Favourable prices, at R4,05-R4,10 to the dollar, will boost a full export quota this year but the main benefit of the devalued currency will be felt in 1997. This, along with a good 1997-1998 season, sweetens prospects.

Much of this is probably already in the Illovo and Tongaat share prices, with some important differences. Prospects of full-year growth in earnings well over 30% lowers Illovo's forward p:e ratio from its historical 12,7 to roughly 10,5. That must represent value, particularly if the price loses any more ground in the current weak industrial market. Further out, it seems earnings growth will slow off a high base.

Tongaat is harder to factor but EPS are expected to increase by about 23% this year as some divisions, possibly building materials and textiles, hold firm on the back of strong growth in the sugar division. HLH, holding Transvaal Sugar, could at some stage prove to be a recovery stock but problems with Rainbow Chicken cloud forecasts.

The main sugar counters, though, seem to be offering more potential than most industrial shares now.

Shaun Harris and Herb Payne

Flood of Swazi sugar puts local industry under strain

(3) SUGAR

ST (BR) 23/9/96

By Andi Spicer
MINING AND RESOURCES EDITOR

Johannesburg — The South African sugar industry is currently under severe strain as imports from Swaziland and Zimbabwe are flooding into the domestic market at an alarming rate.

More than 230 000 tons of Swazi sugar are being imported annually, up from around 5 000 tons in 1989. Swaziland says that it exports about 145 000 tons, mostly in finished or semi-finished form.

Lost revenue within South Africa is expected to reach R275 million this season, Don McLeod, chairman of the South African Sugar Millers' Association (SASMA), said in June, while foreign exchange earnings are forecast at R1,3 billion.

"Unfortunately, South Africa has become increasingly exposed to the world market price as a result of competition from Swaziland whose ability to avoid exporting sugar by diverting it into the Southern African Customs Union (SACU) has placed it in a unique position as a low-cost producer with no exposure to the world market," warned the chairman of the South African Sugar Association (SASA), Tony Ardington.

The crisis comes as South Africa is expecting its best-ever crop with production in the region of 2,4 million tons with an export potential of 1 million tons.

SASA has been complaining bitterly over the issue and is steeling itself for a fight. It opened the shots last month by failing to renew contracts giving Swaziland access to the port of Durban, as well as research and training facilities from next April. Swaziland, however, can use Maputo in Mozambique to export its crop.

South African sugar is shipped around the world, and since the country emerged from isolation it has started to gain new markets. It has one of the most efficient cane-milling industries globally and is also one of the lowest-cost refiners, according to UK-based analysts Landell Mills.

Sugar is a highly protected industry internationally, with access to the huge US and European markets restricted by tariffs. While arguing that sugar is such an important foodstuff that domestic growers and consumers should be protected from shortages and gyrating world prices, the main western markets have effectively locked out producers such as South Africa.

In the European Union the Lomé convention gives ex-colonial states in the Caribbean, Africa and the Pacific preferential access to European markets. The United States has a quota system which also allows friendly countries to sell sugar into the US.

"The Uruguay round of GATT resulted in a number of commitments that were intended to lower internal price support, lower import tariffs and increase market access," explained SASMA's McLeod. He believes that GATT, or the World Trade Agreement as it is now known, will have limited results for the world sugar industry because the US and EU are not required to reduce their sugar tariffs.

This means that it is "important for the sugar industry to receive adequate tariff protection so that it can benefit from its world-competitive position when the world playing field is levelled in the future," he said.

South Africa can ill afford to lower its tariff protection while the barriers are still up in the world's major markets, said SASA.

And while not allowed into US and European market on any meaningful scale, South Africa at least had its domestic market until Swazi and Zimbabwean sugar flooded in.

"The southern African region as a whole is a net exporter of sugar, and it is important for a protocol to be reached between the South African and Swaziland industries who are in SACU, and for any extension of the customs union to provide for a protocol for the extended region," said McLeod.

In the meantime, the sugar war, as it has become known, could get nastier if the flow of Swazi sugar fails to dry up.

banks at a weekly auc- Stals said.

US markets give sugar industry a R10m boost

(3) SUGAR CT(BR) 23/9/96

By Andi Spicer

MINING AND RESOURCES EDITOR

Johannesburg — The South African sugar industry is set to earn an extra R10 million from greater access to US markets this year, said analysts on Friday.

The US government announced on Wednesday that it had raised the amount of South African sugar allowed under its preferential quota and tariff arrangement to 37 321 tons. This is a substantial rise on previous exports.

The quota is expected to rise during the year by another 13 600 tons if US stocks fall below 15,5 percent of estimated domestic demand. In January, March and May next year the quota will be revised to take into account US demand.

"This is valued-added sugar relative to other world markets, and the proceeds will be very valuable to the industry," a spokesman for the South African Sugar Association said on Friday.

He added that "all over the world exporters like to get as much of the US quota as possible as it pays substantially higher prices than normal rates".

The US closely controls its sugar imports through the quota and tariff scheme, giving preferential access to favoured trading partners.

Almost all of South Africa's 1 million tons of sugar available for export had been been sold. More than 5 000 tons had already been shipped, the association said.

This season's crop is projected at 2,37 million tons, compared with last season's 1,67 million tons, and is the best for 12 years after heavy rains boosted yields.

Black empowerment wins at Tongaat-Hulett

(3) SUGAR CT(BR) 12/9/96

By Shirley Jones

Durban — The Tongaat-Hulett group, one of the biggest investors in the country, is blazing a trail for black empowerment.

Cedric Savage, the managing director, said last week that the company had facilitated black-empowerment motivated deals worth about R1 billion since 1994 and had 20 more in the pipeline.

He listed the sale of Supervision Food Services to the Kagiso Trust and Khulani Holdings for R66 million, medium-scale farming projects worth more than R44 million, the Mount Moriah housing project worth between R100 million and R480 million and pending property deals worth almost R800 million.

Savage said non-core activities had been outsourced to black-owned small businesses and totalled R140 million during the past financial year. Outsourcing this year would be worth more than R170 million.

He said Tongaat had developed a realistic value system and code of ethics as far as black empowerment was concerned: the prime objective should always be to increase earnings a share while conforming to the new value system.

'Projects must not lead to enrichment of the few and impoverishment of the many'

"Business can and is playing an important role in black empowerment either directly through investment or contracting out, or through acting as an important facilitator in the process. Business, being practical by nature and close to markets, is often first to see the relevant opportunities and instigate and accelerate the process," he said.

However, he said appropriate black empowerment deals should benefit all concerned. "The programmes must work and be successful. We are not prepared to enter into projects unless they have a very high probability of success. They must lead to skills and expertise transfer and they must not result in black enrichment for the few and black impoverishment for the many. Therefore, they must be broadly based," he said.

He said the choice of business partners in black empowerment deals depended on the circumstances of each deal. But he questioned the roles of investment companies formed by trade unions.

"Investments by trade unions in businesses on the assumption that the investment will yield increased earnings and dividends can lead to potential conflict, especially if those businesses require a more flexible labour policy to achieve the desired financial results," Savage said.

He said that though business and the government's proposals for economic growth and black empowerment were broadly in agreement, those of organised labour differed in many aspects, particularly in the need for rapid economic growth as measured by GDP, cutting the budget deficit and privatisation.

"We believe there cannot be growth, job opportunities and sustainable empowerment without investment. World experience has proved that again and again.

"The alternative is continued downsizing and retrenchment," he said.

However, he emphasised that the country needed to be more investor friendly and unhindered by crime, the high cost of capital and exchange control problems.

He said projects in South Africa had to be economically feasible by world standards if the country wanted to entice foreign investors away from other alternatives.

"It's a fact of life that companies in South Africa have to be world competitive to be locally competitive because the international competitors are already in our own backyard. International competition is proving ruthless, it is colour blind. It doesn't care about domestic ideologies or the loss of jobs.

"Generally, the large capital-intensive businesses in South Africa have recognised this and have been adapting relatively quickly by investing in modern technology and state-of-the-art plant and equipment. Compared to capital-intensive industries, the labour-intensive industries in South Africa have been adapting relatively slowly.

"It is not just overseas countries that we have to be concerned about. Neighbouring countries in Africa are becoming an increasing threat to unskilled jobs in South Africa."

(3) SUGAR

SA farmers not sweet about Swazi sugar

ST (BT) 15/9/96

AGRICULTURE

By DON ROBERTSON

THE SA sugar industry has accused Swaziland producers of flooding the market with excess stock.

From next April, Swaziland producers will be prevented from using the Durban export terminal. Research and training facilities at the experimental station at Mount Edgecombe will be withdrawn.

SA Sugar Association chairman Tony Ardington said at the annual meeting last month that no more than 20% of the world's sugar production of 117-million tons was traded at the world market price. Only the most cost-efficient producers such as the South Africans were able to accept this price. But no producer could survive if all its production realised this price. "Unfortunately, South Africa has become increasingly exposed to this price as a result of competition from Swaziland. Swaziland's ability to avoid exporting sugar to the world market by diverting it into the Customs Union market has placed it in a unique position — a low-cost producer with no exposure to the world market.

"As a result of its preferential markets — a significant quota under the Lomé Convention and a US quota — and its access to the Customs Union, the Swaziland sugar industry now receives a price nearly 30% higher than that received by SA competitors," Ardington said.

It is expected that exports of sugar from Swaziland to the domestic market will reach about 230 000 tons, costing the local industry more than R200-million. This will reduce the average price of sugar by R83 a ton in South Africa, while producers and traders of sugar in Swaziland will receive an additional R440 compared with the world price of about R1 715 for white sugar.

SA's biggest sugar producer expects substantial profit growth

Illovo to beat its record

(3) SUGAR

By Shirley Jones

KWAZULU NATAL EDITOR

CT(BR) 18/9/96

Durban — Illovo Sugar, South Africa's largest sugar producer, will beat its interim profit and earnings a share results in the financial year to September 30.

A confident Don MacLeod, the managing director, said yesterday the company could expect significant growth on the previous financial year's record profit during which Illovo benefited from the drought which had created problems for other sugar producers.

Analysts agree growth in earnings is likely to be about 30 percent.

The trend is up simply because the crop has increased from 800 000 tons to over a million tons this year. Much of this goes straight to the company's bottom line, one analyst said.

MacLeod said the contribution to profits from downstream products would be up at 25 percent this year. The benefits in terms of export earnings of the expansion at the company's alcohol plant in Merebank, the second largest in the country, were beginning to show.

Export earnings from sugar per se was likely to be another positive factor, with the decrease in the value of the rand ensuring better returns despite a low world sugar price.

One of the most significant developments as far as analysts and industry sources are concerned is Illovo's ability to spread risk in the face of weather and price.

Illovo has achieved its aim of drawing a third of its cane from the KwaZulu Natal south coast, a third from the north coast and a third from inland, after the opening of the Eston mill this month.

"We believe that in terms of our base product, sugar, we have a good geographical spread as well as an effective spread of cane-cutting cycles, so our risks are much reduced. We also see ourselves growing in sugar," said MacLeod.

FURFURAL FOR THE FUTURE *Don MacLeod, managing director of Illovo, explains the company's strategy to increase downstream products*

Illovo Sugar announces R11,5m expansion plan

By Shirley Jones

Durban — Illovo Sugar is to invest R28,5 million in expanding output of downstream products as part of a strategy aimed at increasing profit considerably within the next five years.

Don MacLeod, the managing director of Illovo, said yesterday that growth would come not only from adding value to raw materials such as sugar and molasses, but also from compound growth via increased sugar production and investments in ventures in Africa.

MacLeod said the production of downstream by-products was fast becoming a valuable jewel in the crown of Illovo core operations and would make significant contributions to company profit.

These accounted for 12,3 percent of turnover in the past financial year and 16,8 percent of the company's profit. He said he expected this to grow to 25 percent of profit during the financial year to September 30 and to remain at least 25 percent of next year's profit on the back of a significant increase in Illovo's base sugar business.

MacLeod said that because meaningful value was added to downstream products, their contribution to profit was higher and margins better.

"We see sugar not as an end in itself but as an opportunity to add value."

He said the lion's share of the latest expansion would see furfural production at the Sezela plant along the KwaZulu Natal south coast increase to 20 000 tons a year. With the expansion, Illovo will produce more than 10 percent of the world's furfural, a solvent used in the petrochemical industry and as a raw material for the production of furfural alcohol used to make foundry resins.

MacLeod said furfural, of which Illovo was a low-cost global producer, had yielded consistently good returns. As a result, the company intended expanding its existing export markets in Europe, the US, Japan and the Far East.

At present, MacLeod said, the world market for furfural and furfural alcohol was worth over R1 billion. A world production shortfall had pushed up prices, which were expected to hold above the past five-year average.

In addition, a R1 million upgrade of Illovo's lactulose plant at Merebank, south of Durban, is planned. Lactulose is a primary ingredient for constipation remedies.

The first phase of the project, which will start immediately, is expected to increase production by 33 percent.

MacLeod is confident that Illovo and its joint-venture partner, UK-based Merck Pharmaceuticals, have markets for this production increase.

SA to explore sugar exports to North Africa

(3) SUGAR

Nicola Jenvey

BD 7/10/96

DURBAN — The bumper sugar crop, expected at 2,4-million tons for the 1996/97 season, had paved the way for SA to explore new export markets in North Africa and the Middle East, SA Sugar Association international export director David Hardy said at the weekend.

Hardy said that since SA had been reaccepted into the international arena, new markets had been available, but four years of drought had "snookered the possibility" of exploring markets. However, since the country had about 1,1-million tons of sugar (1995/96: 360 000 tons) available for exports this season, SA had entered into short-term contracts with Egypt, Dubai, Saudi Arabia, Kenya, Tanzania and Ghana.

SA already has long-standing export agreements with the US, Canada and China.

Exports would comprise about 800 000 tons of raw sugar and 200 000 tons of refined sugar. "This season will be the testing ground for future export explorations given that the export potential is 20%-25% higher than in previous years."

SA stands to earn about R1,3bn in foreign exchange through increased sales, depending on the world sugar price and exchange rates.

EU deal threatens Swazi sugar industry

(3) SUGAR

Louise Cook

A FREE trade agreement between the European Union (EU) and SA that included cheap sugar imports could "profoundly jeopardise" Swaziland's sugar industry, according to a European Research Office study.

The study, stemming from investigations of the effect of a free trade agreement between SA and the EU on African countries, said nearly half of Swaziland's sugar was exported to SA.

Sugar accounts for 67% of its agricultural production, 23% of GDP and 57% of foreign exchange earnings.

"For the EU to secure an early elimination of import duties and non-tariff barriers on sugar and chocolate confectionary (from SA) without addressing EU export and producer subsidies on those products was an obvious offensive interest. This would seriously affect the price of sugar and confectionery products on the SA market and the price and market share of Swazi sugar and confectionery producers."

Swaziland faced serious budgetary difficulties without taking into account the effect of an EU/SA free trade agreement, the study said.

In Namibia, sectors vulnerable to a free trade agreement included beef, beverages, motor vehicle components and fisheries, while in Lesotho generic pharmaceutical products, household electrical goods and canned vegetable production were at risk.

BD 28/10/96

Swazi sugar war leaves bitter taste

ST(BT)3|11|96 (3)SUGAR

COMMODITIES

By DON ROBERTSON

THE Swaziland sugar industry has slammed what it describes as "sanctions" imposed on it by its SA counterparts, asking whether this is in keeping with the policy of opening up trade with Africa.

Only last week, Trade and Industry Minister Alec Erwin committed South Africa to increased trade with sub-Saharan Africa.

At the International Sugar Organisation conference in London last week, Swaziland Sugar Association general manager Andy Colhoun challenged the actions taken by the SA Sugar Association in denying it access to export, research and training facilities. Swaziland is a member of the Southern African Customs Union and is entitled to export products to member states, he says, but South Africa's actions represent effective sanctions.

Swaziland and SA sugar producers have been at loggerheads since the beginning of the year, with South Africa claiming that Swazi exports of sugar into South Africa could reach about 230 000 tons this year, costing the SA industry more than R200-million.

Efforts by the two bodies to reach agreement failed and in September, South Africa advised the Swazi association that from April next year, export facilities at Maydon Wharf in Durban and research and extension facilities offered by the experimental station at Mount Edgecombe would be withdrawn. It also immediately withdrew training facilities and access to the Sugar Milling Research Institute.

In the past, Swaziland producers paid about R3,5-million a year for these services.

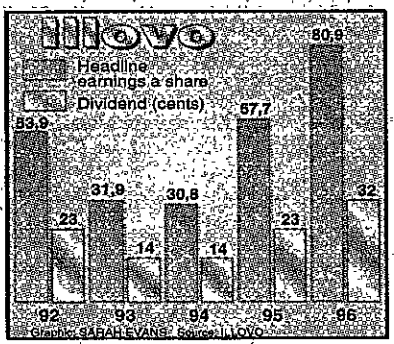
Colhoun told the multinational ISO conference that because the domestic price of SA sugar was substantially higher than the international price, customs union members competed to sell in this market. He insists, however, that sugar from Swaziland is generally not sold on the retail market, but through value-added products.

This stems from the early 1990s when SA sugar production slumped because of the drought and it was unable to meet demand. Companies such as Cadburys, Coca-Cola and Nestlé established operations in Swaziland and products such as chewing gum, chocolates and fruit concentrates containing Swazi sugar were exported to South Africa.

"Now that SA sugar production has recovered, the SA Sugar Association is unhappy about products containing Swazi sugar entering the market although Swaziland has every right to do it," says Colhoun.

Illovo income benefits from recovery in sugar crop

③ SUGAR BD 6/11/96



Nicola Jenvey

DURBAN — Sugar producer Illovo Sugar had lifted attributable income 60% to R153,2m for the year to September, benefiting from a substantial recovery in the sugar crop which boosted group performance, chairman Glyn Taylor said yesterday.

The CG Smith Foods subsidiary posted a 40% increase in headline earnings a share to 80,9c and a 20,5c (1995: 14c) final dividend was declared, bringing the total to 32c (23c).

Turnover rose 12% to R1,8bn, with operating profit of R208m showing a 16% increase over the previous year.

Net financing costs dropped 23% to R22,2m and the effective tax rate declined to 29,5% (38,8%) after lower STC and a partial utilisation of capital allowances.

The abnormal item of R22,5m (R3,2m) represented the disposal of non-strategic cane farms and certain lands not under cane. The project was progressing well and 19 medium-scale farms had been sold to black farmers.

Taylor said the sugar season ran from April to March, and earnings from cane growing and sugar production incorporated in the results were derived from the second half of the 1995/96 season and the first half of the season.

Illovo expected its share of overall industry output to rise to 48,6% and, with the expected record production in the current season, the contribution from sugar had been "very good".

The company is SA's largest sugar producer, with activities extending from cane growing to milling, refining and packaging and the manufacturing of downstream sugar-based by-products.

By-products contributed 29% to operating profit with furfural earnings increasing substantially due to good production volumes, high export prices and favourable rand realisations. About R26m was being spent on expanding plant capacity 15% at the Sezela furfural operation.

"The early outlook for the year to September 1997 is promising.

"The forecast for the first half of the financial year shows increased earnings of about 20% and, given favourable weather conditions in the coming summer months, a similar rate of improvements is anticipated for the full-year," Taylor said.

SUGAR *Mozambican mill to be reopened*

Illovo commits R90m to African expansion

(3) SUGAR

SHIRLEY JONES

KWAZULU NATAL EDITOR

CT (BR) 7/11/96

Durban — Illovo Sugar is to invest about R90 million ($18,5 million) in rehabilitating a Mozambican sugar mill in line with its expansion drive into Africa, Don MacLeod, Illovo's managing director, said yesterday.

Illovo would take a 50 percent share in Maragra Sugar, which comprises a mill, mothballed for the past 12 years, and 6 200ha of surrounding sugar land, he said.

At a presentation highlighting the company's strong results for the year to September 30, published on Tuesday, and promising a continued sound performance for the current financial year, MacLeod said Illovo intended continuing its move into Africa.

While it would have the management contract for both the running and rehabilitation of Maragra Sugar, it would share ownership with a consortium comprising a Portuguese family business, the Mozambican government and Mozambican banks.

MacLeod said Illovo would pay $9 million for its initial stake in Maragra Sugar, while the rehabilitation of the mill and surrounding infrastructure would require investment of a further $19 million, of which Illovo would be responsible for half. Finance is likely to be raised through offshore borrowings.

The rehabilitation of the agricultural half of Maragra Sugar would require a further $25 million — which would be funded by the other investors and a group of South African farmers who would lease the surrounding sugar lands.

MacLeod said much of the equipment was in good condition, and he expected rehabilitation to begin within three to four months, with the mill ready to crush cane by 1998. Output would depend on the availability of cane. At present, a limited area of just 100ha was planted, he said.

MacLeod added that Illovo was currently negotiating with the Kenyan government to obtain an equity stake in the Kenyan mill it was in the process of rehabilitating.

Tongaat-Hulett benefits from above-average rains

(3) SUGAR BD 21/11/96

Nicola Jenvey

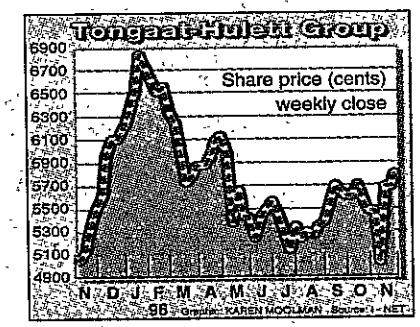
DURBAN — Food and industrial group Tongaat-Hulett lifted attributable income 45,3% to R201,6m for the six months to September after above-average rains boosted sugar earnings, and economies of scale and overhead savings benefited the building materials handling division, MD Cedric Savage said yesterday.

Headline earnings increased R188,7m (R138,7m) or 32,8% to 200c a share and a 52c (1995: 40c) interim dividend was declared. Shareholders were offered a capitalisation share award.

Sales from continued operations rose 22,2% to R2,3bn, with earnings from continued operations rising 24,5% to R216,2m.

Savage said although the aluminium division had shown improvements on the previous six months, the ownership change and depressed margins saw results in the first half of the year which were substantially below those achieved for the corresponding period. Sales had resumed the upward trend and were expected to hit record highs this month.

The good agricultural season



had boosted the sugar division with annual production estimated at 920 000 tons (578 000 tons).

Savage said full-year results — assisted by productivity improvements and structural cost reductions — would be significantly better than 1995/96.

He said both the textiles and starch and glucose divisions had performed well in stronger markets. The property division had improved substantially in the light of continued high levels of market activity and access to select group properties on the KwaZulu-Natal north coast.

The sale of Tongaat Food Distributors had enabled the consumer foods division to concentrate on the core business of value-added branded foods. Difficult market conditions would leave the results unchanged.

Income from international operations of R22,3m and higher net interest received of R42,4m contributed to the 32,6% rise in earnings before nontrading items. Investments in Zimbabwe and Whiteheads Fabrics UK — the distribution arm of the textile operations — generated R22,3m.

"Zimbabwe, the lowest-cost sugar producer in the Southern Africa Development Community bloc and in the lower 10% of the world's sugar producers in terms of costs, has good prospects for sustainable growth," Savage said.

The group's balance sheet was strong with net cash resources of R265m after R316,4m in capital expenditure largely arising from the expansion projects at African Products and Hulett Aluminium. Projected cash flows for the second half-year would push net resources to R400m.

Savage expected group earnings for the second half-year to be higher than at the interim stage and headline earnings were projected to increase 30%.

Illovo Sugar crop recovers from drought

(3) SUGAR
BD 5/11/96

Nicola Jenvey

DURBAN — Industrial food group Illovo Sugar is expected to post an increase of more than 30% in attributable income for the year to September when results are released tomorrow, after a substantial recovery by the sugar crop from drought.

Analysts predicted the CG Smith Foods subsidiary would post a 33% rise in earnings to 77c a share and declare a 30c total dividend for 1995/96. However, the group had incurred costs associated with the R189m relocation of its Eston mill, some of which would be included in this year's expenses.

Illovo is the largest sugar producer in SA. Its activities extend from cane growing to milling, refining and packaging, and the manufacturing of downstream sugar-based by-products.

In the 1995/96 sugar season Illovo raised production 32 000 tons to 805 774 tons and boosted its industry share to 48,6% from 43%.

Indications were that the group would exceed the 1-million ton mark for the current season.

Illovo's year-end falls during the middle of the sugar season and the group is forced to anticipate crop output for the current season and make any adjustments at the interim stage.

Analysts said Illovo had completed dividing its growing regions into three equivalent shares on the KwaZulu-Natal north coast, south coast and inland, and this policy was expected to bear fruit in forthcoming years.

The group would not be as affected by droughts should only a single area be hit.

Expectations were that the downstream products — including furfuryl alcohol plants at Sezela and Merebank — had achieved another good year and that Illovo would have looked again for growth in exports in traditional and new markets.

In the year to September last year, Illovo increased attributable profit 68% to R93,2m after recovering from the extended drought in the KwaZulu sugar belt.

Illovo sweetens profit by 60%

(3) SUGAR CT(BR) 6/11/96

SHIRLEY JONES

Durban — Don McLeod, Illovo Sugar's managing director, said the company's 60 percent leap in attributable profit to R153,246 million in the year to September 30, from R95,639 million the previous year, was highly satisfactory.

Headline earnings rose 41 percent to R128,465 million from R90,949 million over the previous financial year, because of a good sugar crop and a performance from by-product activities that outstripped predictions.

Turnover rose 12 percent to R1,76 billion, operating profit before interest and financing costs rose 16 percent to R207,687 million and profit before taxation and abnormal items rose 23 percent to R185,455 million.

Illovo declared a 32c a share dividend, 39 percent higher than last year's 23c a share.

McLeod said the fall in net financing costs from R28,8 million to R22 million was a positive development. Another highlight was the expansion and relocation of the Eston sugar mill during the 1996 financial year. He said this would encourage an increase in sugar cane from this area.

Tongaat Hulett lifts earnings

3 SUGAR

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The Tongaat Hulett group boosted headline earnings a share 32,3 percent to 200c (150,6c) for the six months to September 30 this year, the company said yesterday.

Total net earnings amounted to R201,6 million. Headline earnings from South African operations increased 20,6 percent to R167,3 million and total headline earnings amounted to R188,7 million from R138,7 million.

Sales from continuing operations rose 22,2 percent to R2,3 billion and earnings from continuing operations by 24,5 percent to R216,2 million. Income from international operations of R22,3 million and higher net interest received of R42,4 million contributed to the 32,6 percent increase in earnings before non-trading items.

The company announced a capitalisation award in the ratio of 56c to the average weighted trading price of shares during the three days ending January 9 next year, with the option of a 52c interim dividend.

Cedric Savage, the group managing director, said group earnings for the second six months were expected to be higher than during the first half-year and headline earnings for the full year were expected to rise 30 percent.

The group's balance sheet showed net cash resources of R265 million after capital expenditure of R316,4 million on expansion projects at its starch and glucose division and Hulett Aluminium. Net cash resources are expected to reach R600 million at the year end.

Savage said Tongaat Hulett was investigating expanding, particularly in low-cost sugar production areas such as Mozambique, Namibia and Zimbabwe.

CT(BR) 21/11/96

□ Business Watch, Page 18

Tongaat's figures whet appetites

ST(BT) 24/11/96

(3) SUGAR

TONGAAT-HULETT, a group I selected two years ago on a five-year view, has produced excellent results and expects to maintain the pace.

Sugar contributed R69-million to its R202-million net operating profit after tax in the six months to September, followed by starch with R38-million, international operations R21-million, property R18-million, building materials R14-million, aluminium R13-million, textiles R12-million and cotton R10-million.

Headline earnings a share improved by a third to 200c; shareholders can expect about 450c for the full year.

Chief executive Cedric Savage says all seven focused divisions are showing good growth. While 60% of capital employed is in food (including property — land released from sugar farming), food contributes 80% of profit.

Sugar interests are being extended throughout southern Africa. Production climbed from 578 000 tons to 920 000 tons, of which 45% was exported.

Present in Botswana and Zimbabwe, Tongaat is participating in the rehabilitation of Mozambique's sugar business and has entered a downstream investment with Tate & Lyle in sugar packaging in Namibia. Good early rains have been encouraging for the next harvest.

Although aluminium went through a tough time, Savage expects a record month for November after a market recovery. Tongaat sold half of Hulett Aluminium to be able to fund its half of a R2,4-billion investment in new aluminium facilities to get to a world-class cost structure. The rand's depreciation has already cost R50-million extra and this could double.

Textiles was a real success story. It is exporting Whitehead curtains and fabrics to Britain and Australasia. The cotton division's future is under consideration.

Consumer foods chipped in only R1-million, but a partnership with US giant CPC is expected to bear fruit and the division has been streamlined.

Savage says property is going like a steam train.

The group balance sheet is sound: borrowings of R424-million countered by cash of R690-million.

Tongaat shed 200c to R56 after the results, but in a falling market hit by the interest rate rise. At 12 times expected annual earnings, it is cheap at the price.

TONGAAT-HULETT (3) SUGAR

A SWEET MESSAGE

FM 29/11/96

Operations in Zimbabwe and the UK, included in group results for the first time, and a healthy balance sheet which earned net interest income of R42m (against a charge of R3m in the previous period), gave momentum to a better than expected first-half bottom-line.

Most divisions, though, are doing well. With capital projects due to come on stream by 1999, this points to a period of sustained real growth in earnings.

Dividends from Triangle Sugar in Zimbabwe and Whiteheads Fabrics in the UK, the distribution arm for textile products in Europe, totalled R22m.

With interest on the R690m (gross) cash pile, this more than offset revenue lost from discontinued operations, mainly a lower holding in Hulett Aluminium (50% sold to help finance R2,4bn rolled products expansion) and the sale, for R16m, of Tongaat Food Distributors, described by MD Cedric Savage as "noncore."

Pre-tax profit climbed 43,6% to R289,5m. Despite what Savage calls generally soft local sales, SA operations increased their contribution to headline earnings by 20,6%.

Cedric Savage

The sugar division resumed its place as mainstay contributor, lifting its contribution from 29,4% in the previous period to 36,6% as good rains boosted the crop. Savage says crop estimates are up from 578 000 t to 920 000 t.

Starch & glucose is the second largest contributor to earnings, roughly maintaining its contribution at 20,1%. About R405m of the R700m starch greenfields project has been committed, due to be up and running towards mid-1997.

The property division continues to do remarkably well, raising its contribution to earnings from 5,6% to 9,3%, while the building materials division has been streamlined and turned around, contributing 7,6% (5,6%).

As expected, the contribution from aluminium fell from 39% to 6,9% following the sale of half the business to Amic and the IDC. It was also hit by lower world prices and tariffs. Savage says while rolled products volumes fell 11% over the period, a recent upturn in activity saw a record set this month.

About a third of the estimated cost of the rolled products expansion has been committed, with start-up on target for the first quarter of 1999.

Consumer Foods, 50% owned by Tongaat with foreign partner CPC International, continues to disappoint. Savage says margins in the food business remain under pressure, though he adds the sale of Tongaat Food Distributors has sharpened the focus of the joint venture.

Textiles raised profits slightly, though its contribution slipped from 8% to 6,1%.

Savage says Tongaat, traditionally a second-half group, should improve earnings for the full year and expects an increase in the region of 30%.

That would be a strong performance from a food-based group, and makes the share look undervalued, despite strong rerating over the past two years.

Tongaat could be suffering from lukewarm investor perceptions of the Food sector. Certainly any concerns about capital projects straining the balance sheet should now be allayed. Savage says strong cash flow should raise net cash from the interim's R265m to about R600m by year-end. *Shaun Harris*

GAINING IMPETUS

Six months to	Sep 30 1995	Mar 1 1996	Sep 30 1996
Turnover (Rbn)	1,90	1,83	2,33
Operating income (Rm)	174	226	216
† Attributable (Rm)	139	193	189
† Earnings (c)	151	207	200
Dividends (c)	40	90	52

† Headline, excluding nontrading items

Encroachment leads to call for sugar protocol

(3) SUGAR CT(BR) 10/12/96

Shirley Jones

Durban — The intrusion of large quantities of Swazi sugar has curtailed the growth of the local 1,28 million ton sugar market and restricted local sales, Don MacLeod, Illovo Sugar's managing director, said in the company's annual report released yesterday.

MacLeod said Swazi sugar entered South Africa in large quantities mainly in large pack sizes which were sold directly into the industrial market or repackaged for distribution into the trade.

MacLeod called for a sugar protocol, firstly between South Africa and Swaziland and then between all sugar producers in the region. This would enable all regional producers to participate in preferentially priced markets and to expand to supply an increasing world market as the World Trade Organisation broke down trade barriers.

However, negotiations between industries and governments in the region had reached a stand-off, MacLeod said.

MacLeod said Illovo's performance in the domestic market had been good, in spite of the competition from Swazi Sugar and a domestic price increase of 5 percent, well below the inflation rate, in April last year.

Turnover increased 12 percent to R1,8 billion and operating profit 16 percent during the financial year to September 30 this year. Headline earnings increased 41 percent to R128,5 million.

MacLeod said Illovo stood to benefit from improved weather conditions. The company's sugar production this year, estimated at 1,02 million tons, 214 000 tons higher than during the last season, would set a new record, according to Glyn Taylor, Illovo's chairman.

MacLeod said the South African sugar industry would produce a near-record cane crop this season, 31 percent up on last year.

AGRICULTURE — SUGAR

1996

JANUARY — JULY

ILLOVO SUGAR (3) SUGAR

Sweet rains

FM 5/1/96

Activities: *SA's largest sugar producer. Also produces downstream by-products.*

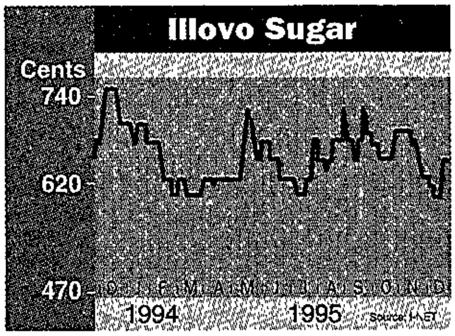
Control: *C G Smith Foods 70%. Ultimate control lies with C G Smith.*

Chairman: *G Taylor. MD: D G MacLeod.*

Capital structure: *158m ords. Market capitalisation: R1,03bn.*

Share market: *Price: R6,50. Yields: 3,5% on dividend; 9,1% on earnings; p:e ratio, 11,0; cover, 2,6. 12-month high, R7,50; low, R6. Trading volume last quarter, 2,4m shares.*

Year to Sep 30	'92	'93	'94	'95
ST debt (Rm)	235	231	218	181
LT debt (Rm)	140	129	149	139
Debt:equity ratio	0,73	0,58	0,48	0,50
Shareholders' interest	0,38	0,40	0,41	0,45
Int & leasing cover	5,2	3,5	4,0	6,2
Return on cap (%)	10,7	6,8	6,6	12,6
Turnover (Rbn)	1,14	1,13	1,21	1,57
Pre-int profit (Rm)	143	92	92	180
Pre-int margin (%)	12,5	8,2	7,6	11,4
Earnings (c)	55	32	35	59
Dividends (c)	23	14	14	23
Net worth (c)	324	342	365	403



The company's recovery from the drought is well on track. After four years of the worst conditions sugar producers can remember, results off a low base appear outstanding — turnover up 31%, pre-tax profits 119%, attributable and EPS 68%.

In effect, though, financial 1995 sees Illovo resuming the growth path it was on before the drought savagely curtailed profits in the 1993 financial year.

Much, but not all, of the recovery is due to the weather. With sugar accounting for 83% of operating profit (the remainder from byproducts) it's easy to see how dependent the company is on sugar production and, therefore, on good rainfall.

But Illovo did some extensive restructuring during the drought, refocusing on core activities and removing some cyclicality from operations by expanding production, relocating its Illovo mill to Eston (due to come on stream in April) and seeking further value from downstream production, including a joint venture with AECI to produce hydrogen peroxide.

Illovo's Taylor . . . *the company will produce more of the industry total*

Illovo also benefited from its wide geographic spread. With seven mills covering the entire KwaZulu-Natal cane belt, sugar recoveries were above the average for the industry.

Chairman Glyn Taylor says estimated production of 819 000 t of sugar (46 000 t more than the previous season) will grow Illovo's share of total industry production to about 48,5%, compared with the 42,5% of the total the company produces in a normal season. Estimates will probably be revised upwards after the recent rains which have fallen over the region.

Net borrowings are up to R318m to fund expansion projects and the Eston mill relocation, but gearing remains within historical norms. Illovo managed to keep its balance sheet intact through the drought.

Taylor says the forecast for the first half of this financial year is an improvement in earnings of about 20%. That could be bettered over the full year if good rains continue into the new sugar season, which begins in April, with the added prospect of higher earnings from better export prices for furfural and furfural alcohol from the company's Sezela byproducts plant.

Financial 1995's recovery was discounted in the share price some time ago and was probably overdone. Since then the price has stagnated. With the prospect of normal production being attained this year, the downrating may also have been overdone.

While it's difficult to compare an almost pure sugar investment like Illovo with other major food producers, a p:e ratio of about 11 looks too low against, for example, Tongaat-Hulett's 19,5.

The weather is always a factor in this share. But, accepting this risk, Illovo — as SA's largest sugar producer — is looking cheap.

Shaun Harris

Rains raise sugar exporters' hopes

(3) SUGAR

ST 7/1/96

GOOD rains should boost the country's sugar output by 25% to 2,1-million tons next season, doubling the amount available for export after the 1996/97 crop.

Hans Hackmann, industrial affairs manager of the SA Cane Growers' Association, said that the industry looked set to show a strong recovery after four years of drought.

The country could have between 700 000 and 800 000 tons of sugar available next year, up from 350 000 to 400 000 tons after this year's crop.

"But we still rely on good rainfall throughout the growing period up to April," Mr Hackmann said.

"If we get that further rain, we should be in for a pretty good crop."

Mr Hackmann said there had been no significant damage to the cane crop after heavy flooding in the Kwazulu-Natal producing area late last month.

Approximately 1,3-million tons of the annual sugar production is consumed domestically, with the balance being for export.

Mr Hackmann said around 80% of 1995/96 sugar cane crop had been processed, although some mills would not finish crushing until the end of February.

All sugar for export from this year's crop has already been sold.

It is still too early to measure the 1996/97 crop sales. However, about 200 000 tons of the crop is committed, under long-term supply agreements, to the Far East countries, including Japan and Korea. — *Reuter*

CG Smith expects 25% rise in earnings growth

(3) SUGAR

Edward West

BD 22/1/96

CG SMITH subsidiary Illovo Sugar was expecting earnings growth of about 25% in the six months to end-March, up on its earlier forecast of 20%, due to improved sugar sales locally and strong international prices, chairman Glyn Taylor said on Friday.

Earnings for SA's largest sugar producer jumped 68% to R93,2m in the year to end-September last year off a turnover of R1,5bn as a four-year drought in its sugar-producing areas drew to a close.

At the end of the interim stage, earnings had surged to R42m from R8,5m a year earlier.

Addressing the group's AGM, Taylor said sugar sales on the domestic market were 3,3% above last year — the company had a 47,5% share of this market — while world prices had risen sharply in recent months and were set to continue on high ground. Sales were buoyant and prices firm at its downstream byproducts plants.

"It is possible to largely bring the 1995/96 sugar season to account and, representing as it does the first half of our 1996 financial year, we can forecast with a fair degree of certainty."

Regarding the next season, Taylor said the good rains which had fallen since October had given Illovo Sugar its best crop prospects in a number of years, and it could well better the record production of nearly 1-million tons established several years ago.

The rains had been responsible for a reduction in sucrose content and the production estimate for the current season had dropped from the 819 000 tons predicted in the annual report to an expected 806 000 tons, still 33 000 tons above last season.

The R189m project for the relocation and expansion of the Eston mill was 90% complete.

The initial stages of commissioning had commenced and it would be ready to receive cane in good time for the new season whiuch started in April, Taylor said.

Sugar-rich SA explores new export markets

CT (BR) 25/1/96 (3) SUGAR

BY MARIUS BOSCH

Johannesburg — Boosted by good crop prospects after four years of drought, South Africa is exploring sugar export markets closer to home while maintaining traditional export commitments, industry officials said yesterday.

"It is a case of balancing the relations of many, many years including the dark days of sanctions. It is balancing those relations with new markets geographically closer," Andrew Barr-Sim, the export manager of the South African Sugar Association said.

Industry officials said good rains should boost sugar output by about 25 percent to 2,1 million tons next season, doubling the amount available for export in 1996-1997.

South Africa's last good crop was one of 2,3 million tons in 1991-92.

Barr-Sim said a crop of 2,1 million tons would give South Africa about 800 000 tons of sugar for export, double the 1995-96 level.

"Out of that, we would have to fulfil long-term exports to Japan."

Barr-Sim said about 300 000 tons of the crop is effectively committed under long-term supply agreements, mainly with Far East countries, including Japan and Korea. He declined to give a breakdown of the long-term contracts.

South Africa also has an American import sugar quota. Its allocation to the United States for fiscal 1996 was increased last week by 9 274 tons to 40 450 tons.

Since South Africa's transition to democracy and the lifting of sanctions, markets in Africa have opened up.

In the past two seasons, refined sugar has been sold to Kenya, Tanzania, Uganda, Ghana, Benin, Togo, Sierra Leone by the sugar association and its broker and partner in the region, London-based commodity trading house ED&F Man.

"What those markets in East Africa provide is a geographical proximity that favours South Africa with reduced freight rates compared to our competitors," Barr-Sim said.

In addition to east Africa, South Africa was also looking at exporting sugar to Mauritius.

"We recently concluded a sale of raw sugar to Malaysia which shows other countries are very keen on South African sugar and are lining up to buy," Barr-Sim said. — Reuter

ILLOVO SUGAR (3) SUGAR

SWEETER FORECAST

FM 26/1/96

With the 1995-1996 sugar season closing at the end of March, the company has uprated its earnings forecast for the first half of its financial year — which coincides with the second half of the sugar season — from an increase of 20% to about 25%.

Earnings grew by 68% over the 1995 financial year as the sugar industry began to pull out of the debilitating drought of the past four years. A first-half increase of 25% will put earnings at about R52m, similar to the R51,5m recorded in the second half of Illovo's past financial year.

Longer-term, chairman Glyn Taylor says recent heavy rainfalls offer the best crop prospects for next season seen by the industry for a number of years.

Based on good rains since October, Taylor believes sugar production for the 1996-1997 season could reach a record level close to 1 Mt. That compares with the 806 000 t expected in the current season, itself a 33 000 t improvement on the previous season.

For Illovo, the estimate provides it with about 48,5% of total industry production for the current sugar season. Taylor says this should decline to the more normal 42,5% share next season as other cane-growing areas recover fully from the drought. But at the same time he expects "good earnings growth" from more efficient use of factory capacities.

The bullish outlook in the annual report released late last year — plus the good rains — have probably been the main drivers of Illovo's share price, which has gained R3 since early December to its present R9.

The revised earnings forecast could underpin the upward trend, though longer-term Illovo is expecting a better performance from expanded capacity at its Pongola mill and the relocated Eston mill, due to come on stream in April.

The Eston mill, moved from Illovo on the KwaZulu-Natal south coast inland to Eston in the Midlands, will offer increased production capacity of about 20 000 t/year and estimated transport cost savings for cane growers of about R12m/year.

Taylor is also optimistic on downstream byproducts sales, saying world furfural prices have risen sharply in recent months and look set to continue for the foreseeable future.

Increased capacity and tighter control of costs lend long-term value to a share which is still looking a little underpriced on a p:e ratio of 15,2 against the food sector average of 21,6. *Shaun Harris*

CT.(BR) 7/2/96

Scientists create new, more robust sugar cane

(3) SUGAR

By Jon Beverley

Durban — Scientists at the South African sugar experiment station have made a breakthrough in the development of a new variety of sugar cane, which they hope will be able to cope with the eldana pest and be resistant to heavy doses of herbicide.

They hope to have the "new" plants out in the fields for tests as early as next year — only four years after the biotechnology division was set up by the sugar industry as part of an international effort.

Frikkie Botha, the head of the local team, said they had made a breakthrough using the development of "transgenic plants".

Genetic engineers at the station identify genes with particular characteristics and "fire" them into cane plants. This is done with the expectation that the plants will reach the planned "designer" status.

Not all the new plants prove effective, but this kind of genetic engineering is far more time-effective than conventional breeding methods, which can take up to 15 years to achieve a result.

The new batch of plants have been moved out of the laboratory and into a specially designed glasshouse. The next stage will be to grow the plants in an outside field.

The plants are based on one of the most popular cane varieties, the NCo310, which has been grown in South Africa for many years.

Field tests are to be followed by "bulking-up". The new variety will be introduced to farmers, who will gradually replant their fields.

Botha said they had targeted the eldana-combating gene, which is responsible for manufacturing a protein that is highly toxic to eldana larvae and non-toxic to other forms of life. The eldana grows in the core of the cane and can therefore not be combated by spraying.

The scientists are also hoping that the new cane plants will be able to survive heavy doses of herbicide. Increasingly large amounts of herbicide have to be used to keep fields clean as weeds become resistant to it. However, the cane is sometimes affected because of the large doses. The scientists also hope to identify the genes important in increasing sucrose.

Botha said the work at the station was conducted according to rigid international standards to prevent contamination. However, because of the way cane was fertilised in this country, there was no possibility of genes "straying" into other sugar cane.

Botha said genetic manipulation was "here to stay". With long-term strategic planning in view, the search for new genetic components was an important part of the biotechnology research effort. Novel genes that would be of particular value in the improvement of sugar cane were still being sought.

"And perhaps more importantly, the sugar cane genome itself is being probed for molecular control switches that would regulate the activity of inserted genes ... (This) would take genetic engineering to new and more sophisticated levels."

BREAKTHROUGH *Professor Frikkie Botha is the head of biotechnology at the South African sugar experiment station*

PHOTOS JON BEVERLEY

ADVANCED *Gwethlyn Meyer, an assistant research officer at the sugar experimentation station, shows off a piece of the high-tech equipment used by the agricultural engineering department in its quest to produce new 'designer' sugar cane which is resistant to pests and produce more sucrose*

AGRICULTURE

(3) SUGAR

SWEET TALK

FM 16/2/96

Negotiations are under way for the establishment of a R150m sugar beet mill in the depressed Eastern Cape.

The project should create jobs for about 4 000 in the production of 78 000 t of sugar and 775 000 50 kg bags of high-protein animal feed a year.

The venture is being backed by the East Cape Agricultural Co-operative and the Department of Agriculture.

"We are negotiating the financing of the mill which will, it's hoped, be operating by early next year. The new jobs will benefit about 20 000 people," says co-operative CE George Ward.

Jay Naidoo

Ward says sugar beet not only thrives in the drier Eastern Cape climate but can be grown in saline, irrigated areas. He expects support from and has already met Minister without Portfolio Jay Naidoo, who is in charge of the RDP.

Production could well lead to a broad restructuring of agriculture in the Eastern Cape. "It's a cash crop ideal for small farmers. The initiative could fit in well with the RDP. Labour intensity will depend on the farmer and sugar beet is well suited to family concerns," says Ward.

To meet the mill's demand of 3 500 t/day — or 525 000 t/year in the five-month milling season — 8 000 ha of the 40 000 ha of land available will be used.

Apart from the 800 small and more than 300 commercial farmers in the region, 800 more small farmers working on plots of 2 ha-7 ha will be needed. Ward says the venture is aimed at wealth creation and field tests have shown net yields of R6 500/ha-R7 000/ha.

The attractive returns along with the five-month growing season, compared with sugar cane's 18 months, might make Natal sugar producers nervous. But Ward says the project will yield only 5%-6% of the sugar cane crop "and will meet only a third of the sugar consumption needs of the Eastern Cape." ■

Low rainfall affects sugar production

(3) SUGAR BD 23/2/96

Nicola Jenvey

DURBAN — SA's sugar production for the 1995/96 season would be only marginally higher at 1,67-million tons after poor rainfall in several areas, but a bumper crop was expected for the next season.

Indications were that subsequent widespread good rains and high temperatures could see the 1996/97 season yield a crop close to industry production capacity of 2,3-million tons.

Industry spokesman Arch Hansen told the Agricultural Outlook congress in Pretoria yesterday the sugar industry would yield 16,75-million tons of cane this season against last season's 15,68-million tons.

Hansen said the higher number of trading days, improved economic growth and poor crops in Swaziland would raise domestic sugar sales by 52 478 tons for the year.

No official estimates are available for the 1996/97 season, but SA Cane Growers' Association executive director Jack Wixley said the good rains might push sugar production towards 2,25-million tons. Previous estimates had been at 2,1-million tons.

The industry had expanded production capacity to about 2,30-million tons from 2,1-million tons during the past four years.

Tongaat-Hulett Sugar MD Bruce Dunlop said the group's production during 1995/96 would drop slightly to 578 000 tons from 620 000 tons the previous year.

The Goedertrouw Dam, which feeds the Heatonville irrigation scheme, was 80% full and the fourfold rise in crop potential from that region could be realised.

Sugar association sweetens aid fund

(3) SUGAR

Nicola Jenvey

BD 14/2/96

DURBAN — The SA Sugar Association relaunched its financial aid fund yesterday following restructuring to strengthen financial and administrative services and transferring decision-making to small cane growers.

Chairman Tony Ardington said fund changes would ensure continued availability of finance to growers on a viable basis and a reduction in the industry's exposure to banking risks.

The fund had provided R176m in loans to 45 000 small cane growers since its inception more than 20 years ago.

Ardington said the fund committee, its overall policy formulating body, would now include 20 growers nominated through the SA Cane Growers' Association, 10 millers and five association representatives. Previously small growers were represented by the association's board of directors.

Regional interests would then be represented at the highest level, while efficiently communicating decisions to the grassroots.

Fund agents in each area would replace mill group local committees and assist growers to secure credit. Each region could now control its own credit flows.

Agents could become independent of the financial aid fund when accessing future credit.

"The fund has no wish to be the monopoly supplier of credit to small-scale growers," Ardington said.

Interest rates had always been "a bone of contention", even though the fund supported government's view that rates be market related.

SUGAR INDUSTRY

(3) SUGAR FM 23/2/96

GERM WARFARE

The sugar industry has claimed a major breakthrough in its battle against one of its costliest and most persistent enemies — the eldana borer.

Scientists at the SA Sugar Association's Mount Edgecombe experiment station, near Durban, stress, however, that though they have produced a genetically engineered clone of sugar cane which could be eldana resistant it will be years before it can be used on sugar farms. The cane must go through a rigorous and lengthy research and development process before it becomes a commercial proposition.

But, however long it takes, it should be worth it. Conservative estimates put the annual bill for eldana damage to the R3bn sugar industry at about R60m in direct costs and a further R250m indirectly.

The insecticide resistant borer, exclusive to the African sugar industry, but prevalent in most of southern Africa eats into the cane and then devours the sucrose-rich pith.

To minimise eldana damage growers harvest cane early (before optimum sucrose levels are achieved) and replant more frequently than would otherwise be necessary.

Failure to produce a chemical solution to the problem forced scientists at Mount Edgecombe to seek alternative methods of controlling or eradicating the pest

Three years ago it launched a biotechnology unit whose primary function was to find a way of containing the eldana.

The first breakthrough came when a genetic element from a ground-born bacterium which produces a protein noxious to the eldana was positively identified and isolated and then transferred to a bacterium living on sugar cane stalks.

However, attempts to deter the worm by spraying the cane with the bacteria had only limited success and the research station concentrated on producing a genetically engineered sugar cane which produces its own eldana resistant protein.

According to biotech research head Frikkie Botha the process involves manipulation of the sugar cane genes to include the bacteria gene which produces the protein.

In essence the process involves bombarding the sugar cane genes, contained in embryonic cane tissue cultures, with the genes responsible for the protein production in the bacteria. The cane, nurtured in sterile conditions, is fed special hormones which result in the development of cane plants.

The difficulty with the process is that since the bombardment of the genes is a random process (giving cane a range of properties) the scientists may have to produce hundreds of specimens just to obtain one potentially eldana resistant plant.

The breakthrough at the experiment station is that they have managed to produce cane, known as ER1 (eldana resistant) under controlled conditions which contains the bacteria gene.

The next step is to identify which cane has the correct genetic structure to resist the eldana.

Assuming all goes well and the Mount Edgecombe laboratory manages an effective eldana resistant, commercially viable variety of sugar cane then the process will begin to produce sufficient ratoons (sugar cane root stock) for planting on a commercial basis.

Botha points out that even at the most optimistic it will be at least five years before material might be bulked up for release to farmers. ■

Sugar industry on the verge of collapse after duty evasion

By Joe Khamisi (3) SUGAR

CJ(BR) 11/3/96

Nairobi—The sugar industry in Kenya, once an important source of government revenue, is on the verge of collapse because importers bribe officials to evade duty payments on their cheap imported sugar.

At least one sugar factory has closed during the past year. Four others are unable to sell thousands of tons of their product, which is going to waste.

The issue has left President Daniel arap Moi's government deeply divided and manufacturers and farmers angry. To save the industry from total collapse, the cabinet sanctioned an import ban on sugar on February 22. The government immediately moved to impound $10 million of sugar it said had been illegally imported. It also ordered a mandatory re-export of all imported sugar not yet sold.

The move was short-lived. Barely 24 hours after Simeon Nyachae, the agriculture minister, made the announcement, Moi quashed the order unilaterally and without consultation.

Reports said Moi beat the hasty retreat after protests from a powerful sugar import cartel that included some of his close aides and well-connected Asian businessmen.

But the move created confusion in the industry and raised questions about the government's commitment to protecting farmers and factories. It also underscored the huge clout importers have in influencing government decisions.

Kenya consumes 600 000 tons of sugar a year. About two-thirds of this is imported from as far away as Brazil.

Experts say Kenya has the capacity to meet 62 percent of its consumption needs. But the uncontrolled influx of sugar and high production costs have eroded the morale of farmers. Sugar yields have tumbled from 102 tons a hectare in 1978 to 80 tons a hectare.

Because the world market price of sugar is much lower than that of Kenya, sugar importation is particularly attractive.

Kenyan sugar is unable to compete with the imported variety because of high input costs. Sugar production is highly subsidised in countries like Brazil and their production costs are much lower.

The liberalisation process has attracted unscrupulous businessmen who use illegal means to evade paying tax. They can sell the imported commodity far cheaper than the retail price of the Kenyan product.

Some critics even claim that people in the government may have deliberately created an environment to stifle production to pave the way for huge imports.

Under the law imported sugar is subjected to a 15 percent Vat surcharge, a sugar development levy of 20 percent and a variable import duty.

But these duties, officials say, are never paid by importers. Instead, the government is reportedly losing billions of shillings in revenue through corruption at the ports of entry.

Amukowa Anangwe of the privately run Economic Development Institute says if the cost of production, insurance and freight charges were levied on imported sugar, it would cost much more than the local sugar.

"If importers paid all duties and levies, a ton of imported sugar would cost 38 000 shillings ex-factory against 34 000 shillings for the local sugar."

An imported kilo of sugar retails at seven shillings less than the local package. In an effort to control the damage, the government raised duty on imported sugar by 25 percent. Observers say that raising the duty will further fill the pockets of corrupt officials, who will now demand more bribes. — Independent Foreign Service

Tongaat-Hulett's African Products to open starch and glucose plant

'A R600m boost for SA economy'

(3) SUGAR

BY JAMES LAMONT

ET (BR) 11/3/96

Johannesburg – A R600 million investment in a new starch and glucose production plant by the Tongaat-Hulett group was a vote of confidence in an economy starved of direct foreign investment, said Cedric Savage, the company's managing director, on Friday.

Construction began last week at group subsidiary African Products' new wet-maize mill at Kliprivier in Gauteng.

Savage said the investment by the local company, unassisted by the government, reinforced local confidence in an environment of "little fixed foreign investment".

"The capital investment of R600 million is large within the Tongaat-Hulett Group and cannot be considered insignificant within South Africa," he said.

"In its market-led justification it stands on its own feet economically and has not been assisted by central government through any incentive schemes or otherwise."

Savage said foreign investors were deterred by reports of high levels of crime and violence in South Africa.

The new greenfields plant, when operational next year, will boost the company's production capacity by 50 percent. With an initial grinding capacity of 800 tons a day, the plant is expected to satisfy local demand for starch and glucose products for the next 10 years. It has the potential to earn up to R50 million a year in exports.

About 30 percent of production will be exported to a broad spread of markets. The plant will reduce the value of protein imports by about R20 million a year through its beneficiation process.

The plant has an extension capacity of 3 000 tons a day.

NEW GROUND *Cedric Savage, Tongaat-Hulett's managing director, turns the first sod at the new wet-maize mill at Klipriver*

PHOTO. JOHN WOODROOF

Savage said the project would create jobs in the wider economy, though the operation of the capital-intensive plant would require only 100 people.

"If South Africa can encourage more investment in big business, the spin-off for medium and smaller businesses are enormous," he said.

Nico Kruger, the managing director of African Products, said the raw material requirement of 150 000ha of maize a year was positive for the local agricultural sector.

"This investment sends a positive signal to the maize farmers of South Africa in the sense that we are adding value to this very important agriculture product, creating growth opportunities for the farming industry," he said.

African Products is the starch and glucose division, a high growth area, of the Tongaat-Hulett group.

Interim products are used in the beverage, paper, food, textile and pharmaceutical industries.

P.T.O.

COMPANIES

New mill will give Tongaat-Hulett a boost

(3) SUGAR

Amanda Vermeulen

TONGAAT-Hulett subsidiary African Product's (Afprod) R600m greenfields wet mill project, launched at Kliprivier on Friday, will boost the group's foreign exchange earnings by R50m a year.

Speaking at the launch, Tongaat-Hulett MD Cedric Savage said the plant would significantly increase the volume of starch and glucose products which could be exported to about 30% of total production.

"The potential foreign exchange earnings from the exporting surplus capacity of the new plant will be R50m annually." In addition, it would reduce SA's net imports of proteins, through its beneficiation process, by about R20m a year. BD 11/3/96

The first phase of the plant would be commissioned in 1997. Eventually the plant would have a daily capacity of 3 000 tons, requiring about 150 000ha of farm land to support it.

Savage said the project had not been assisted by central government through any incentive schemes.

He said the company would spend about R24m a year on services and in payments to the community. During construction about 1 000 people would be employed on site.

Illovo to subsidise dam project in Pongola area

BD 13/3/96 (3) SUGAR

Nicola Jenvey

DURBAN — Illovo Sugar is taking part in a R110m dam project in Pongola which could lift sugar cane output in the region 15%.

The cost of the project will be split equally between the CG Smith subsidiary, government and the local farming community, with the RDP office putting down a further R80m for additional water channelling.

Illovo Sugar operations director Barry Stuart said yesterday the group would finance its share through a farmer incentive scheme based on greater production from enhanced irrigation supplies from the dam.

The Pongola region produced an average 1,2-million tons of cane a year, but available irrigation would consolidate the crop at 1,4-million tons and sugar production at 160 000 tons.

Farmers would be paid an incentive bonus on additional yield, which over the 20-year loan period from 1998/99 would amount to about R35m.

Water Affairs and Forestry Minister Kader Asmal approved the government contribution to the scheme last month, while cane growers have introduced a self-imposed levy on irrigation cane production to fund their share.

Pongola Cane Growers' Association chairman Ferdi Brecher said the region currently produced 97 tons of cane a hectare, but the new scheme could push this towards 104 tons. During the drought production had fallen to 800 000 tons of cane.

The dam, due for completion in 1999, would provide a stable irrigation supply to the farming communities — among them 170 sugar cane growers — and drinking water to 250 000 nearby rural inhabitants.

The scheme would also provide impetus for the development of sugar cane on 700ha of land by emerging small-scale growers.

Hansard

QUESTIONS

†Indicates translated version.

For written reply:

Liability of directors/managers of companies

28. Prof B TUROK asked the Minister of Trade and Industry:

(1) Whether existing legislation relating to the personal liability or direct or indirect involvement or engagement in financial services of directors, officers and managers of companies which have been dishonestly or culpably mismanaged adequately protects investors in such companies; if not, why not; if so, what are the relevant details;

(2) whether he intends introducing legislation aimed at amending present legislation on the listing of preferential creditors of the free residue of a bankrupt company; if not, why not; if so, what are the relevant details?

N73E

The MINISTRY OF TRADE AND INDUSTRY:

(1) Section 424 of the Companies Act, 1973 (Act 61 of 1973) stipulates that when it appears, whether it be in a winding-up, judicial management or otherwise, that any business of the company was or is being carried on recklessly or with intent to defraud creditors of the company or creditors of any other person or for any fraudulent purpose, the Court may, on the application of the Master, the liquidator, the judicial manager, any creditor or member or contributory of the company, declare that any person who was knowingly a party to the carrying on of the business in the manner aforesaid, shall be personally responsible, without any limitation of liability, for all or any of the debts or other liabilities of the company as the Court may direct.

It appears that this section is not in all respects effective as successful applications to Court appear to be few. The matter has therefore been referred to the Standing Advisory Committee on Company Law for further consideration.

(2) This question appears to relate to a matter dealt with in the Office of the Master of the Supreme Court in connection with the winding-up of companies and should therefore be directed to the Minister of Justice.

3 SUGAR

Sugar/cement/paper pulp cartels

125. Dr K RAJOO asked the Minister of Trade and Industry:

(1) Whether any monopolistic cartels exist in respect of the (a) sugar, (b) cement and (c) paper pulp industries; if not, what is the position in this regard; if so, what are the relevant details;

(2) whether he will consider taking any steps aimed at breaking up such cartels so as to enable small South African businesses to trade in these commodities with overseas entrepreneurs; if not, why not; if so, what steps?

N235E

The MINISTER OF TRADE AND INDUSTRY:

(1) "Cartel" is a term that is used to describe a collusive agreement, arrangement or understanding among enterprises to fix prices, to share markets, or to supply commodities only on particular conditions or terms. Such conduct is illegal in terms of Government Notice 801 of 2 May 1986. Exemptions from that prohibition may be granted by the Minister of Trade and Industry acting on a recommendation by the Competition Board. Certain cartels are permitted in terms of specific legislation.

It could be said that there is a cartel in the sugar industry. This cartel is authorised by the Sugar Act, 1978 (Act No 9 of 1978). The cement cartel which existed for many years is at present being dismantled. The process will be completed by September 1996. The duopolistic paper pulp industry sometimes evinces the characteristics of a cartel. However, no substantive evidence has yet been uncovered which would warrant prosecuting the parties concerned for operating a cartel.

(2) Since cartels, apart from those created or authorised in terms of legislation, are already unlawful, there is no basis or need to take steps to break them up. It would be prudent for businesses wishing to trade in sugar, cement or paper pulp with overseas entrepreneurs to liaise with the relevant manufacturers on the availability of such products.

SA universities: botanists graduating

132. Mr M F CASSIM asked the Minister of Environmental Affairs and Tourism:

Whether a sufficient number of botanists are graduating from South African universities each year; if not, why not; if so, what are the relevant details?

N242E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM:

During a Manpower Survey by the Central Statistical Service of South Africa it has been determined that 315 posts in the open labour market have been identified for persons with a botanical or related qualification. 300 of these posts are filled and 15 are vacant.

The National Botanical Institute has recently advertised six posts where a qualification in botany was required. 120 applications were received of whom 50 applicants were in possession of a BSc (or higher) qualification.

These statistics do not on face value reflect a shortage of qualified people in this field.

Criminal Record Centre: persons wanted

141. Mr D H M GIBSON asked the Minister for Safety and Security:

How many persons were endorsed as wanted by the Criminal Record Centre in each of the provinces in (a) 1993, (b) 1994 and (c) during the period 1 January 1995 up to the latest specified date for which information is available?

N282E

The MINISTER FOR SAFETY AND SECURITY:

Provinces	*(a) 1993*	*(b) 1994*	*(c) 1995*
Western Cape	22 191	29 133	39 055
Western Transvaal	5 204	6 467	16 196
Witwatersrand	54 014	65 965	68 674
Eastern Transvaal	10 470	12 528	16 166
Far Northern Transvaal	3 391	4 194	13 653
Natal	32 437	38 829	46 210
Northern Transvaal	11 667	14 515	14 652
Northern Cape	3 687	4 642	4 963
Free State	16 224	18 486	21 307
Eastern Cape	20 226	25 387	33 476
Former TBVC states	25 107	28 244	*

*Included in above regions.

(c) Latest specified date: 1 January 1995 to 13 March 1996.

NEWS

Illovo's sugar crop will exceed 1 million tons, says director

BY JON BEVERLEY

Durban — Illovo Sugar could produce a record crop of more than 1 million tons of sugar in the coming season, said Don MacLeod, the company's managing director.

He said in an article in the company's in-house magazine that Illovo's production of 806 000 tons for the season that ended March 31 was 48,5 percent of the industry total.

MacLeod said the solid rains contributed towards record profit in the last financial year. He expected that the period to the end of March would record a rise of about 25 percent.

The cane crop was expected to pass the 9 million-ton mark in the new season, which would presage a "return to normal levels of sugar production," he said.

The good rains had caused problems after five years of poor rainfall. Sucrose levels were adversely affected and cane quality declined.

There were also problems with transport, in particular an increase in the amount of sand in cane deliveries to the mills. He said the relocated Illovo sugar mill at Eston would be running by the start of the milling season on April 1.

The R32 million expansion programme at Pongola was nearing completion. Once finished, the Pongola cane crop would be about 1,4 million tons, producing160 000 tons of sugar.

BY JON BEVERLEY

Durban — South Africa's sugar quota to the United States has been increased by 5 142 tons to 45 861 tons, Pamela Bridgewater, US consul-general in Durban, said yesterday.

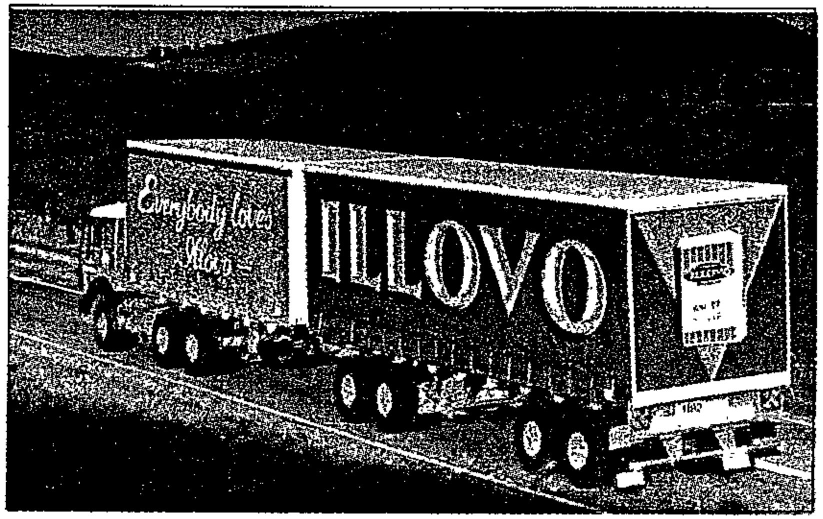
This sugar is exported at premium prices to the United States and the tonnage increase could mean an extra R4,4 million to South Africa.

Andrew Barr-Sims, who headed the SA Sugar Association's exports, said the industry was "delighted".

He said it proved that South Africa was seen as a regular and reliable supplier and that buyers could rely on it to produce the goods.

The premium price paid is based on the New York No 14 sugar futures price.

South Africa produces up to 2 million tons of sugar in a good year and consumes about 1,3 million tons. The balance is exported.



SWEET SMELL OF SUCCESS *Heavy rains have done wonders for the cane crop and should push sugar production to record levels*

(3) SUGAR CT(BR) 11/4/96

Tongaat-Hulett hopes are high

Nicola Jenvey 3 SUGAR

DURBAN — Tongaat-Hulett was expected to lift attributable earnings 35% to about R336m for the year to March, propelled by its aluminium and sugar divisions.

Analysts said the group, due to release its year-end results tomorrow, would gain from its aluminium division operating at full capacity during the year. It had given a record showing for the first half despite imports competition and softer international prices.

The sugar division would turn in higher profits due to improved prices. Sugar tonnages for the 1995/96 season would be 590 000 tons (621 000 tons). Analysts said good rainfall during December and January had come too late to affect the current season.

The starch and glucose division would show a marked improvement in its contribution to profit. Analysts expected the division to boost earnings even further once the R600m greenfields project came on stream in Gauteng.

Analysts said property arm Moreland Estates was proving a good income earner but building materials arm Corobrik had still to benefit from RDP spending.

Tongaat lifted attributable income 37,2% to R138,7m on sales up 16,3% at R2,2bn for the six months to September. Capex for the half year stood at R124,4m, although another R140,3m was to be spent in the latter six months.

30/5/96

Truth commission to subpoena alleged violators of human rights

Stephen Laufer

THE truth commission could subpoena a number of alleged perpetrators of human rights violations, deputy chairman Alex Boraine said yesterday.

He had discussed whether allegations should lead to a subpoena or criminal charges with Transvaal attorney-general Jan d'Oliveira and had reached an arrangement to be reflected in a proposal to the commission on Monday. Commission investigators would follow allegations so that there was some certainty before subpoenas were issued, and alleged perpetrators would receive advance notice as required by a court order.

But the commission had to deal with those whose actions had created victims, who "can't wait forever until criminal justice takes its course".

Boraine's announcement came after a harrowing day of testimony which an exhausted commission chairman Archbishop Desmond Tutu said was "slightly more devastating than most". Submissions had to be interrupted several times to allow weeping witnesses to compose themselves.

The widow of murdered lawyer Bheki Mlangeni, Sepati Mlangeni, said she contested any amnesty application by the perpetrators. Those who had sent the explosive earphones meant for renegade Vlakplaas commander Dirk Coetzee which blew up her husband "knew someone would die — how do you forgive such a cruel murderer", she asked in floods of tears.

Mlangeni's mother Catherine said she had found her son in pieces, his brains on the curtains. "We are a sick, angry, unhappy family."

Weeping former student activist Cornish Makhanya described how electrodes were connected to his genitals in the Lichtenberg police station in 1986. When the policemen turned on the current, "I got torn underneath."

An athlete prior to his arrest, Makhanya spent months in hospitals, including Sterkfontein Psychiatric Hospital. He was on medication, there was "nothing I can do with my life and I request help for my family".

Evidence of torture in 1963 given by former MK cadre Abdulhay Jassat allowed the commission to put earlier testimony on the deaths in detention of ANC activists Babla Saloogee and Ahmed Timol into the context of generally used SAP interrogation methods. He was hung upside down by his ankles from a third floor window as the two policemen holding him took turns in letting go. "I knew if either slipped I would crash to the concrete below and

Continued on Page 2

BD 3/5/96

Tongaat-Hulett

Continued from Page 1

3 SUGAR

The group approved the R2,4bn expansion to the Hulett Aluminium plant and African Product's R600m starch and glucose plant at Kliprivier during the year under review.

The 1994/95 drought affected the sugar division, which reported reduced production of 7%. A reduction in world aluminium margins, with a sharp drop in import duty tariffs to 14% from 22%, affected the aluminium division in the second half.

The starch and glucose division benefited from improved sales and the R204m investment in technology and capacity over the past two years. The textile division achieved a satisfactory performance under difficult trading conditions aggravated by illegal imports.

Demand for residential, commercial and industrial sites north of Durban remained high and sales exceeded last year's figures by 80%. Major projects launched during the year would contribute to future profits. The weakening rand was expected to boost exports from the textile and building materials divisions.

BD 3/5/96

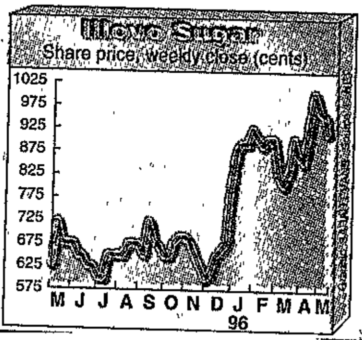
Improved sugar production helps increase Illovo's profit

Nicola Jenvey (3) SUGAR BD 9/5/96

DURBAN — Illovo Sugar raised attributable profit 29% to R53,7m in the six months to March after improved sugar production enabled it to increase its share of overall industry output.

Headline share earnings were 33,6c (26,3c) and an 11,5c (9c) dividend was declared. Net profit a share came to 33,9c from 26,5c a year before.

Chairman Glyn Taylor said turnover growth had been adjusted to 9% to R830,6m as Illovo had overestimated the full season's sugar production when reporting its final results in September. It had based full-year turnover figures on an anticipated 1995/96 crop of 819 000 tons and not the 805 774 tons received.



Operating profit was R93,7m, up from R85,4m, while net financing costs dropped 8% to R15,3m.

Illovo also had a lower tax bill of R24,6m (R26,4m) due to the decrease in company taxation.

Crop recovery on the KwaZulu-Natal south coast had raised sugar production by 32 000 tons to 805 774 tons this season and Illovo had contributed 48,6% to overall industry production compared to its usual 43%.

Higher returns were achieved at both the Merebank and Senzela by-products plants.

Taylor said full-year results would include the first half of next season, when sugar production was expected to amount to more than 1-million tons. Growth in attributable income would be similar to that achieved at the interim stage.

Illovo had completed the R189m Eston mill expansion project within budget and anticipated a substantial increase in cane production from the region. The Pongola expansion programme was also expected to increase yields.

Better crops boost Illovo's profit

By Audrey d'Angelo CT(BR) 9/5/96 (3) SUGAR

Cape Town — Illovo Sugar lifted taxed profit 29 percent to R53,7 million (R42,2 million) in the six months to March 31, figures released yesterday showed.

Turnover rose 9 percent to R830,5 million (R763,8 million) and operating profit increased 10 percent to R93,6 million (R85,3 million).

Pre-tax profit was R78,3 million (R68,7 million) and the tax bill was lower at R24,6 million (R26,4 million).

Net profit a share was 33,9c (26,5c) and earnings a share 33,6c (26,3c). The interim dividend rose 28 percent to 11,5c (9c) a share.

The directors said the company was helped by improved crops on the KwaZulu Natal south coast, which enabled it to increase its share of overall industry sugar production to 48,6 percent from about 43 percent.

A by-products operation at Merebank also produced increased volumes of alcohol following a plant expansion, which resulted in higher exports.

The directors said an expansion and relocation of the Estou mill was completed within budget.

TONGAAT-HULETT (3) SUGAR

COST-CUTTING AIDS MARGINS

FM 10/5/96

Strong results reflect a process that has been under way for some time. It's noteworthy that the 41% increase in net earnings was achieved during a difficult period for a number of divisions.

Group MD Cedric Savage says main factors are better efficiencies and productivity, which have improved operating margins. That shows in a 5,8% rise in turnover translating to a 22,7% gain in operating profit. But there is also evidence that earlier investment and strategic decisions are starting to come through.

An example is the starch & glucose division, the largest contributor to profits. This is where the group has focused much investment spending (R136m last year), and it's now paying off.

Savage says demand for its products was firm throughout the year, with volume up by about 3%. Spending continues — site works started in March on the new R600m plant at Kliprivier, due for commissioning late next year.

While results from CPC-Tongaat Foods were disappointing, mainly due to weak markets and slow development of the Klerksdorp dry products plant, Savage says if the earlier joint venture with CPC International had not been entered into, results would have been even worse.

The sugar division will almost certainly be the largest contributor to profits this year. The tail end of the drought saw sugar production of 578 000 t, down 7% on the previous period, but this is expected to grow by 56% next March after record summer rains. That puts crop estimates around 900 000 t, not far off the 1 Mt capacity.

Savage says all five mills are in good shape to handle increased capacity, while consideration is being given to further investments at the refinery.

Building materials were again disappointing due to low investment in buildings and construction. Unit brick sales were down 3% on average, though regional demand varied enormously. And it seems extraordinary that Tongaat can profitably export bricks to the East.

Tongaat Textiles continues to benefit from its earlier move into downstream products and exports, though trading conditions were weaker due to cheap imports, falling consumer demand and sharp increases in raw material costs.

However growing contributions are coming from the property division, which has become the largest land developer in KwaZulu-Natal.

The aluminium division had a difficult year. Demand declined, world prices softened and margins came under pressure from import tariffs cut from 22% to 14%. This, however, is where much of the action will be at the end of the century as the R2,4bn expansion of the Maritzburg rolled products mill kicks in, though its contribution will decline initially as 50% of the division has been sold to the IDC and Amic.

The benefit is on the balance sheet, where the R314m received, together with cash generated by other divisions, leaves net cash of R734m. Savage says much is dedicated to the capital projects, but Tongaat will remain cash positive at year-end. "The key condition for both projects was that they would not affect our trend of real growth in earnings."

Longer term, Tongaat may buy back the IDC's 30% of the aluminium project, possibly in seven to eight years' time when it is fully operational.

In the short term, the falling rand will benefit Tongaat as its six manufacturing divisions all export, accounting for 20%-25% of turnover. "In the long run, the weakening of the rand will tend to increase consumer inflation and slow down the economy," Savage cautions.

Similarly, higher interest rates may reduce consumer demand, but will benefit Tongaat because of its net cash position and strong operational cash flows.

Prospects have seldom looked brighter for Tongaat. In the short term, Savage expects all divisions to do better. Longer term, the two capital projects offer sustainable growth well into the next century. This adds long-term value to a share which, on a p:e of 16,7 times, looks reasonably priced against the sector average of 19,6. *Shaun Harris*

LOOKING AHEAD

Year to March 31	1995	1996
Turnover (Rbn)	3,91	4,13
Operating income (Rm)	360	442
Attributable (Rm)	286	404
Earnings (c)†	274	357
Dividends (c)	100	130

† Excluding non-trading items.

Sugar cane export income set to soar

Nicola Jenvey

DURBAN — SA's 1996/97 cane export earnings could more than triple to about R1,25bn compared to last year's R400m, Illovo Sugar MD Don McLeod said yesterday.

Early indications were that SA would have about 1-million tons to export compared to 360 000 tons last year, although final export earnings would depend on the exchange rate, world sugar price and seasonal net production, he said.

SA Sugar Association export manager Andrew Barr-Simm said that high rainfall could push the 1996/97 crop to 2,25-million tons. The local market needed 1,3-million tons. Exports would comprise 800 000 tons of raw sugar and 200 000 tons of refined sugar.

Among new markets were Japan, Korea, Singapore, Philippines, Egypt, Dubai and Morocco, while SA had longstanding agreements with USA, Canada, China, Kenya, Ghana and Tanzania. In the 1995/96 season Illovo Sugar raised its share of industry output to 48,6% from its usual 43%.

McLeod said crop recovery on the KwaZulu-Natal south coast had raised sugar production by 32 000 tons to 805 774 tons. The company consequently raised attributable profit 29% to R53,7m in the six months to March. Sales grew to R830,6m (R763,8m).

Drought-hit Tongaat-Hulett's sugar division, however, reported a 7% cut in contribution to group earnings for the year to March. Tongaat lifted attributable income 41% to R403,6m while turnover grew 5,4% to R4,1bn.

The sugar terminal's three silos could store 520 000 tons. Industry sources foresaw no congestion problems once exports began.

③ SUGAR

BD 16/5/96

17/5/96

Boom for sugar industry

By Jon Beverley

CT (BR) (3) SUGAR

Durban — The combined effects of the weakening rand and South Africa's entrance into the international sugar trading community has benefited the local industry, sources said yesterday.

This year's sugar crop was expected to reach 2,25 million tons if Swaziland sales continued at the same rate and local market sales reached 1,3 million tons, almost 1 million tons could be exported.

Andrew Barr-Sim, the South African Sugar Association's export manager, said the association was aggressively seeking new markets.

A first shipment of 45 000 tons would go to East Africa and talks were under way with Iran on the possibility of shipping two to three 14 000-ton cargoes.

Sales to the United States had been helped by the quota system that had been adjusted three times in the past year and now stood at 50 000 tons.

Other sales prospects lay in Malaysia, Singapore, the Philippines, Morocco and Dubai, where a refinery was being built.

Barr-Sim said two positive factors were the steady price for raw sugar and the high premium it enjoyed in the Far East.

COMPANIES

High prices boost Lonrho Sugar

BD 24/5/96

Edward West

(3) SUGAR

LONRHO Sugar Corporation lifted attributable profit 41% to 99,6-million ecus in the 12 months to March on the back of high average selling prices achieved throughout the group's operations locally, in Swaziland, Malawi and Mauritius.

Share earnings increased 41% to 83,3c a share and a 21c final dividend brought the total payout for the year to 40c (30c). Finance director Graham Clark said conditions were ideal for another good year.

Group total turnover grew 24% to 763,4-million ecus and operating profit was 26% higher at 216,9-million ecus. Overall the group produced 499 429 tons of sugar, slightly up on last year's 446 618 tons. Finance costs were lower at 14,4-million ecus from 19,5-million ecus due to lower borrowings.

The Malawi operations achieved good results with both factories and estates improving outturns.

In Swaziland unusually cold and dry conditions were experienced in the growing season while the drought in SA depressed cane quality at Glendale.

In Mauritius non-recurring profits were realised on the sale of a portfolio of non-core investments and the sale of 20% of the equity in the milling operations. Group taxation was lower due to an increased proportion of profits being generated in Malawi where expansion-related tax allowances significantly reduced tax.

Clark said of note were new "special preferential sugar" quota entitlements to the European Union, granted in addition to the normal ACP quotas of Malawi, Mauritius and Swaziland. The new quotas guaranteed EU market access at good prices, he said.

Neighbours threaten SA sugar

By Jon Beverley

CT(BR) 4/6/96 (3) SUGAR

Durban — South Africa's sugar industry is facing serious problems from competition across the borders and declining investment potential, Cedric Savage, the managing director of the Tongaat Hulett group, warned sugar technologists yesterday.

Speaking at the annual congress of the South African Sugar Technologists Association, he said the milldoor price of sugar in South Africa was R1 273 a ton compared with Swaziland's R664 and Zimbabwe's R657 a ton.

Swaziland, as part of the customs union, had no import barriers and had about 252 000 tons to sell. Zimbabwe, with a similar sales volume, was faced with import tariffs that Savage believed would change this year.

He said investors would hesitate to put money into the South African sugar industry because of its very low profit margin of about 10 percent of turnover.

Swaziland and Zimbabwe were able to operate at a lower price because of better and more productive growing conditions and lower labour prices.

Swaziland could deliver sugar to Durban at a lower price than local producers.

Savage said that should South Africa proceed with its policy of opening up the southern African market, other countries would come under strong pressure to lift labour costs. But they would retain their advantage with more favourable growing conditions.

The government was investigating the tariff structure in the sugar industry as well as other agricultural sectors.

Savage said the government planned to sign a trade protocol in August after pressure from other Southern African Development Community countries to lower barriers between themselves.

He said he would not be surprised if Zimbabwean sugar found its way into South Africa duty-free by the end of the year.

It could reach the South African market at a lower price than those of local producers and at a similar cost to Swazi sugar.

As with clothing and textiles, some middlemen could circumvent trade barriers by using Botswana, he said.

Increased sugar inflows from Zimbabwe and Swaziland would encourage investment out of South Africa

"It is not impossible to envisage one-third of domestic sales in South Africa being supplied by Swaziland and Zimbabwe. This could mean a lowering of sales revenue to South African producers as more product is pushed into exports."

Savage said his group estimated the costs of producing sugar would have to be reduced by 10 percent from current levels.

Industrywide this would be equal to about R285 million.

The largest cost was for salaries and wages, which accounted for at least 28 percent of all costs.

SA's neighbours pose threat to recovering sugar industry

BD 5/6/96 (3) SUGAR

THE sugar industry in SA faces increasing competition from southern African neighbours, jeopardising future investment, a senior industry official said earlier this week.

Painting a bleak picture for the industry only just recovering from five years of devastating drought, Tongaat Hulett MD Cedric Savage said production costs had to be reduced. Otherwise, the industry faced the possibility of neighbouring producers grabbing up to a third of the SA market.

Savage told a sugar congress on Monday that current estimates indicated growing costs a ton of sugar were as much as 40% higher in SA than in neighbouring countries.

"By now it should be clear that urgent attention is required to reduce costs of producing sugar in SA," he said. "Both Swaziland and Zimbabwe have capacity in excess of their local demand and their preferential market quotas. Their surpluses will be disposed of at the best possible price, which means SA has to be the number one target," he said.

SA producers suffered a distinct disadvantage in the domestic market compared to other regional producers, also including Mozambique, Malawi and Zambia. The average mill door cost a ton of SA sugar was R1 272, against a cost in Swaziland of R664 and in Zimbabwe of R657.

In addition, Swaziland — a member of the Southern African Customs Union — had the benefit of duty-free access to SA while Zimbabwean sugar could find its way to SA through middlemen at a lower cost than local production. He said Pretoria was investigating the tariff structure in the sugar industry. The probe began after pressure from the Southern African Development Community (SADC).

"The SA government is determined to lower barriers between SADC countries as fast as possible and it is planned to sign a trade protocol to this effect in August this year."

Savage said SA was the most attractive market in the SADC.

"It is well known that investment follows trade and increased sugar flows between Zimbabwe and Swaziland to SA will encourage investment out of SA.

"It is not impossible to envisage one third of domestic sales in SA being supplied by Swaziland and Zimbabwe."

SA expects its 1996/97 sugar crop to be the best in four seasons at 2,25-million tons. The country's last good crop was one of 2,3-million tons in 1991/1992. Domestic consumption is about 1,3-million tons.

Zimbabwean sugar officials were unaware yesterday of new moves to export sugar duty-free to SA.

Zimbabwe normally exports about 250 000 tons of sugar a year, most of it to the European Union. About 60 000 tons are exported to its neighbours, including SA. — Reuter.

Imported sugar 'could undercut local product'

CT (BR) 5/6/96 (3) SUGAR

By Jon Beverley

Durban — The sugar industry had commissioned a team of consultants to analyse all aspects of the industry and to report on their findings, Tony Charlton, the vice-chairman of the SA Sugar Association, said yesterday.

He was responding to Cedric Savage, the main speaker at the annual congress of the SA Sugar Technologists Association, who warned that changes to southern African trade agreements could see South Africa buying cheaper sugar from Zimbabwe and Swaziland.

Savage, the managing director of the Tongaat-Hulett Group, said that with its narrow margins the South African sugar industry did not present an attractive avenue for investment in growth.

Charlton said the report was being analysed with the view to drawing up a future plan.

The industry has declined to disclose the topic of its investigation and when it is likely to announce its plan.

Charlton said the industry was aware that it had to improve its global competitiveness.

"We will strive to do this."

The industry had funded the Experiment Station, which supplied technological assistance to many countries in Africa and the southern hemisphere.

"Ninety percent of the sugar cane grown south of the equator consists of varieties developed at the Experiment Station."

The Sugar Milling Research Institute examined data from mills outside the country and advised mills on a wide scale.

Charlton said the industry had an extensive development role which it financed without outside help.

The industry training centre had trained over 16 000 artisans in 17 trades in the past 20 years. Trainees came from all parts of Africa.

Small cane farming operations had been developed over 20 years through the Financial Aid Fund, leading to the establishment of 45 000 black farmers.

The scheme was seen as a model for rural financing in South Africa and "probably farther afield".

The two major sugar companies, Illovo and Tongaat-Hulett, had sold farmland to provide bigger farms to black sugar cane farmers.

At farm and worker level the industry was investing in primary health care, nutrition, environmental issues, social welfare, education and training, and the empowerment and upliftment of people in the rural areas. The KwaZulu Natal Water Development Fund and the Trust Fund for Education were two of the instruments used.

SA firm takes on Vietnamese sugar project

By Jon Beverley

Durban — A South African company has secured a contract as the engineers, consultants and project managers for a R427 million sugar mill and refinery in Vietnam.

Arnold Taylor of Techserve said construction had started last September on the project, which was due to be commissioned next December.

He said the construction period was longer than normal because of the plant's distance from supply sources and to cope with the expansion of the existing Vietnamese cane fields.

The mill will be able to handle 8 000 tons of cane a day, which makes it the same size as the bigger South African mills. It will also have a refinery.

Taylor said the firm was involved with other sugar projects in Africa. These included the rehabilitation of three boilers at the Mafambisse factory in Mozambique where Tongaat-Hulett was assisting with the rehabilitation of the mill.

In Kenya, Techserve was designing and supplying an evaporator and auxiliary cane carrier for Mumias Sugar.

The company also has projects in Uganda and Tanzania. It is also supplying and installing a refined sugar centrifugal station for Mhlume in Swaziland.

SA sugar faces stiff competition

(3) SUGAR

Sowetan 10/6/96

Sowetan Business Correspondent

SOUTH Africa's sugar industry is facing serious problems from competition across the border and declining investment potential, Cedric Savage, the managing director of the Tongaat Hulett group, warned sugar technologists last week.

Addressing the annual congress of the South African Sugar Technologists Association, he said the milldoor price of sugar in South Africa was R1 273 a ton compared with Swaziland's R664 and Zimbabwe's R657 a ton.

Swaziland, as part of the customs union, had no import barriers and had about R252 000 tons to sell. Zimbabwe, with a similar sales volume was faced with import tariffs that Savage believed would change this year.

He said investors would hesitate to put money into the South African sugar industry because of its very low profit margin of about 10 percent of turnover.

Swaziland and Zimbabwe were able to operate at a lower price because of better and more productive growing conditions and lower labour prices.

Swaziland could deliver sugar to Durban at lower price than local producers.

Savage said that should South Africa proceed with its policy of opening up the Southern African market, other countries would come under strong pressure to lift labour costs. But they would retain their advantage because of more favourable growing conditions.

The Government was investigating the tariff structure in the sugar industry as well as other agricultural sectors.

Savage said the Government planned to sign a trade protocol in August after pressure from other Southern African Development Community countries to lower barriers.

Trade barriers

He said he would not be surprised if Zimbabwean sugar found its way into South Africa duty-free by the end of the year.

It could reach the South African market at a lower price than those of local producers and at a similar cost to Swazi sugar.

As with clothing and textiles, some middlemen could circumvent trade barriers by using Botswana, he said.

Increased sugar inflows from Zimbabwe and Swaziland would encourage investment out of South Africa.

"It is not impossible to envisage one-third of domestic sales in South Africa being supplied by Swaziland and Zimbabwe"

'Business must look at more than price'

Textile return sweeter than sugar

CT (BR) 6/6/96 (3) SUGAR

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The return on investment from Tongaat Hulett's subsidiary David Whitehead is above that of its sugar interests, Cedric Savage, the chief executive of Tongaat Hulett, said this week.

Speaking at a sugar technologists' congress, Savage said though just 8 percent of capital had been allocated to the company's textile interests over a five-year period, the return on investment had been 109 percent.

That compared with a return of 100 percent from cane, which had been allocated 34 percent of capital over the same period.

"The textile division was the first Tongaat Hulett business to be affected by international competition, mainly because of the rapid reduction in import tariffs. In this division, management has been able to reposition the business by focusing on areas where own manufacture is competitive by investing downstream into decorating and finishing and outsourcing raw materials," Savage said.

Jim Crook, the chief executive of David Whitehead, is less inclined to analyse figures.

He has been traditionally outspoken in his belief that protection offers no short cut to international competitiveness.

South African businesses defined competitiveness too narrowly, he said. If local companies intended looking at price alone, they had little chance. A value package was needed, he said. That could be achieved through investment.

Whiteheads has spent R30 million on new plant over the past year and a further R100 million has been set aside for the next three years.

Whiteheads has compared itself with overseas textile producers to see how it could best meet the needs of clients, suppliers, employees and shareholders.

Crook said that Whiteheads was satisfied with its 5 percent growth in the year to March 31. It expected a further 10 percent growth in this financial year.

Though 30 percent of the company's production was exported, expected growth could cause this to increase to 33 percent, he said.

The downside was that investment and increased automation had forced Whiteheads to reduce its workforce by 380 people year on year. The same factors had affected other textile manufactures.

Productivity had improved, but the company was unable to take full advantage of this because of a sluggish market over the past six months.

Crook said the local retail market remained depressed, but Whiteheads registered a slight uptick in the wake of the devalued rand, which boosted exports and could lead to a slight drop in imports. But he warned that this was little more than a short-term benefit because many of the company's expenses were in dollars.

"However, complaining about hurdles is like punching blanc mange. We have to ask how we can immunise ourselves against the negatives.

"For example, there is little a small KwaZulu Natal-based company can do to stop illegal imports other than devise strategies to deal with them," he said.

Whiteheads had maintained a progressive attitude towards developing international markets and this was where its future focus would lie. It recognised the need to balance this with maintaining local market share.

Crook said that international growth prospects were multifaceted, but growth on the home front simply meant grabbing market share from competitors.

He said that the company's product ranges had become more focused and keenly targeted as opposed to the scattered approach of the past.

New overseas-bound household textiles and furnishing fabrics were now going out on a monthly basis, Crook said.

Hulett begins mill expansion project

BD 18/6/96 (3) SUGAR

Nicola Jenvey

DURBAN — Six years of investigation and negotiation bore fruit at the weekend as Hulett Aluminium celebrated the sod-turning ceremony for its R2,4bn rolling mill expansion project.

Shareholders Tongaat-Hulett (50%), the Industrial Development Corporation (30%) and Anglo American Industrial Corporation (20%) said about R1,4bn of the project would be sourced within SA, including civil engineering contracts, buildings, foundations and equipment installation.

Tongaat-Hulett group MD Cedric Savage said the incremental expansion pushed Hulett's annual output to 150 000 tons from 50 000 tons. Two further expansion phases would raise this to 450 000 tons.

Once fully commissioned, the rolling mill would generate annual export earnings of R800m and boost GDP by R1,5bn.

Poor harvest sours sugar's performance

CT(BR) 21/6/96 (3) SUGAR

By Shirley Jones

Durban — High production costs, poor cane quality and a poor harvest for the 1995-96 season has made the year to March 31 extraordinarily difficult for the sugar industry.

Jack Wixley, the executive director of the South African Cane Growers' Association, said in the annual report that the effects of the prolonged drought continued to be felt. Sugar production over the past four seasons averaged 1,5 million tons compared with the normal crop expectation of more than 2,2 million tons.

Wixley said this was equivalent to losing more than one full year's production.

He said recent rains and a greatly improved crop in the coming season improved prospects for the industry's recovery.

Recovery would also require a few good seasons, good management practices and favourable marketing conditions in the domestic and export markets.

Economic pressure stemming from the drought was only one of the difficulties that the industry faced during the review year. Wixley said land reforms, the new Labour Relations Act and the continuing unionisation of farm workers had been problematic.

The industry was also burdened with problems from changing policies on agricultural credit, Gatt and trade and tariff protection, he said.

Bumper sugar crop for SA

③ SUGAR

Sowetan 21/6/96

SOUTH Africa's 1996-97 sugar crop is expected to be more than of 2,4 million tons and break the back of a four year drought which caused losses of approximately R2 billion, SA Cane Growers Association (Sacga) chairman Rodger Stewart says.

Speaking at Sacga's annual general meeting in Durban on Wednesday, Stewart said the prospect of above average crop was "very welcome" after crops of 1,5, 1,2 and 1,7 million tons respectively during the last four seasons. Cane quality has also returned to acceptable levels.

However, the drought had affected the industry and resulted in growers losing more than one year's full crop, valued at approximately R2 billion.

Forced off land

"Consequently, growers who were able to borrow are deeper in debt and those not so fortunate have been forced off the land," Stewart said.

This year's above average crop placed pressure on milling facilities. A number of mill areas were discussing crop restriction to ensure a fair share of milling capacity if part of the crop had to be left in the field.

Stewart said growers were committed to maximising the use of milling capacity by minimising the fibre content of cane and optimising cane supply.

For the first time in the post-sanctions era the twin commercial benefits of South Africa and substantial export availability presented international marketing opportunities, Stewart said.

"Inevitably, much sugar will find a home in the areas where we have a freight advantage relative to our major competitors," said Stewart.

New markets

"Therefore, while sending cargoes into a number of new African and middle Eastern countries, every effort has been made to ensure comparable returns from traditional Far Eastern markets," Stewart said.

An investigation was also conducted to place the South African market in a global perspective.

"SA will have the ability to retain a profitable market share of local and export markets when the general agreement on trade and tariffs' mechanisms have achieved their desired results of restoring an equitable world market," added Stewart.

Stewart highlighted the plight of some small scale cane growers, particularly those in the Amatikulu area of northern KwaZulu-Natal who were hard hit at the end of last season when heavy rains caused damage to rural roads. – *Sapa.*

COMPANIES

Coke in sweet 45 000-ton deal with SA Sugar Association

(3) SUGAR ST(BT) 23/6/96

By CIARAN RYAN

COCA-COLA is to buy 45 000 tons of refined sugar from the South African Sugar Association (Sasa) for export to its East African bottlers.

Carl Ware, Coca-Cola's Africa group president, describes the deal as a "breakthrough" for both sides: "It provides Coca-Cola with a good quality, steady supply at a competitive price and it opens a whole new market in Africa for Sasa."

Mr Ware says the company has previously been forced to supply its East African bottlers with locally produced sugar, which often failed to meet the required quality standards.

"This is the first time we will be using South African sugar in our East African bottling plants. The benefits for Coca-Cola include considerable cost savings and improved economies of scale in the manufacturing process, which gives us a distinct competitive advantage."

Coke has plans for major expansion in Africa, having recently formed a US$400-million joint venture with The SA Bottling Company, which has also been designated an anchor bottler to increase Coca-Cola's penetration in Africa.

Coca-Cola swapped its bottling interests in Kenya, Tanzania, Namibia and Uganda for a 14% stake in the new company, the balance being held by the Gutsche family. Two new bottling plants are planned in Mozambique and another in Uganda. An extension has been added to the Maputo plant and a new bottling line installed. The total cost of these projects is about US$30-million.

Mike Mathews, executive director of Sasa, says Coke's purchase of will amount to 5% of the country's export surplus. The sugar crop is expected to exceed 2,4-million tons this year, up from the previous estimate of 2,25-million. Domestic consumption will absorb 1,3-million tons, leaving 1,1-million tons for export.

The Coke contract, which is valid for a year, gives the company supply priority in times of crop shortage. The supply agreement provides for a more stable pricing structure than is currently the case in East Africa, where prices are determined by the highly volatile world sugar price.

Sugar is the only single-channel agricultural industry left in South Africa. This is a voluntary arrangement between cane growers and millers, and has resulted in substantial investment in infrastructure, as well as training and research. Domestic consumers pay about R2 000 a ton for sugar, about double the world price.

The world sugar market is subject to massive distortions, says Mr Mathews, where only about 9% of production of 120-million tons is used to determine the commodity prices. Three-quarters of all sugar is consumed in the producing country, leaving a balance of 30-million tons for trade. Of this 30-million tons, 6-million tons is sold under long-term contracts, leaving a balance of 24-million tons, 11-million of which is raw sugar and 13-million refined white sugar.

"Europe, with its common agricultural programme, has turned the world into a dumped market for sugar. With import protection of US$650 a ton and generous support programmes for farmers, this has turned Europe from a net importer into an exporter of sugar."

In comparison, South Africa's import tariffs are US$130 a ton against US$530 a ton in the US.

Illovo Sugar to expand community project

CT (BR) 24/6/96 (3) SUGAR

By John Sherrocks

Durban — Illovo Sugar is set to launch the second phase of its medium-scale farm development project, with the sale of further land to emerging growers about to be concluded.

The first phase, in which 1 600ha of prime farm land in KwaZulu Natal was transferred to 20 medium-scale growers, was officially launched last week.

Derek Hanekom, the land affairs minister, said the project showed what could be achieved when the private sector and the community worked together.

The first phase of the project involved selling 20 subdivided farms on the north coast at Chaka's Kraal and in the Eston and Midlovo areas of the Midlands South region.

Don MacLeod, the managing director of Illovo, said that the project was a natural extension of the industry's small-cane initiative. It allowed emerging farmers to make more than supplementary incomes.

Three company farms on the south coast have been identified for the second phase of the project.

Sugar loses millions

(3) SUGAR Sowetan 28/6/96

THE loss of revenue from inroads by Swaziland and Zimbabwe sugar was expected to cost the industry R275 million in the 1996-97 season said Don MacLeod, chairman of the South African Sugar Millers Association.

"The quantity of sugar that entered the South African market from Swaziland was most disturbing," MacLeod said at the organisation's annual general meeting in Johannesburg yesterday.

This and imports from Zimbabwe to neighbouring states as well as small quantities of world imports, have taken up much of the Southern African Customs Union market growth during the past few years.

"We believe that this is disruptive. The situation is receiving the urgent attention it requires," MacLeod said.

He said this season's crop would be an all time record for the industry, and production of 2,4 million tons was expected.

After meeting local market demands, more than a million tons would be exported.

Overall, the industry was expecting to earn R1,3-billion in foreign exchange this season. – *Sapa.*

HAMMERING LABOUR *Cedric Savage says competitiveness on world markets demands reductions in the workforce and capital-intensive production* PHOTO JOHN WOODROOF

Tongaat-Hulett to shed more jobs

CT (BR) 5/7/96 (3) SUGAR

By James Lamont
INDUSTRIAL EDITOR

Johannesburg — The Tongaat-Hulett group will shed more jobs in this financial year despite plans to invest R1 billion in its operations and predictions of a 37 percent growth in activity this year, Cedric Savage, the group managing director, said yesterday.

He said that labour numbers were falling because world competitiveness demanded more capital-intensive production.

In the past seven years, the industrial and agricultural group has reduced its workforce from 50 000 to 20 000, yet has enjoyed record profits.

Its labour reduction strategy would appear to fly in the face of the government's macro-economic plan, which encouraged investment in labour intensive industry.

Savage estimated that the jobs lost this year would be "under 10 percent" of the current workforce. However, he put the job cut in the sugar industry alone at 10 percent.

The cuts will come in spite of an expected 60 percent increase in sugar production, which rose from 578 000 tons to 920 000 tons because of high summer rainfall.

Savage said that sugar production in 1995/6, which was affected by the the drought, contributed to "difficulties at the operational level".

Sugar from Swaziland had already found its way into South Africa duty-free and depressed South African prices.

Tongaat Hulett exports 44 percent of the sugar it produces.

Savage said the group's objective was to sustain real growth in earnings a share. This had persuaded the group to sell half its exclusive holding in Hulamin, Hulett's aluminium division, which dragged group operating earnings R9,8 million lower to R442,1 million in the year to March 31.

The group received R313 million in cash from the sale, which was used to reduce borrowings. Savage said it hoped to have net cash of R250 million in hand by the end of March next year.

SUGAR INDUSTRY (3) SUGAR

CRUSHING BLOW

FM 5/7/96

Natal cane growers may not be able to benefit in full from the record crop forecast for this season.

Millers, mostly on the north coast, may not be able to cope with crushing all the cane in the catchment areas. And they were looking forward to a bumper harvest after four years of drought.

SA Cane Growers' Association chairman Roger Stewart says pressure on milling capacity has resulted in several mill areas discussing methods of crop restriction to ensure parity if part of the crop remains unharvested.

If this happens, it will be a cruel blow to the farmers who have collectively lost R2bn and it will probably take several good seasons to restore the industry to shape.

Association executive director Jack Wixley stresses, however, that it is still too early to accurately determine the seriousness of the problem; there are signs that it may be easing. Nevertheless, he adds, it seems inevitable that mills will not be able to handle the whole crop in some areas.

He explains that several factors have combined with the exceptional cane crop, estimated to be about 22,7 Mt, to bring about the problem.

Capacity has been affected by the move of the old Illovo mill to Eston. In the process, the mill was significantly modified and, according to Wixley, this has resulted in some teething problems. Another has been the closure of the Mount Edgecombe mill — a victim of urban creep to the north of Durban.

The problem for the growers and millers is that mills serve the needs for specific areas and transport costs preclude excess cane being switched from an overstretched mill to one with spare capacity.

Compounding the problem is the reality that if the cane is not harvested — or if cutting is delayed — it is likely to be lost to the eldana borer, which is probably the industry's biggest scourge after drought.

Farmers traditionally harvest before cane sucrose contents have peaked, to avoid wide destruction by the borers. Eldana is estimated to cost the industry more than R300m a year.

In terms of pecking order at the mills, small growers — about 40 000 mainly black sugar farmers — will be given priority since, according to Wixley, they can least afford losses. ■

US increases SA sugar import quota

(3) SUGAR

Simon Barber

BD 9/7/96

THE US has increased the amount of raw cane sugar it is willing to import from SA this year at double the world price to 51 000 tons from 46 000 tons.

The decision, gazetted last week by the office of the US trade representative, meant an extra R4,5m in revenue for SA growers, SA Sugar Association executive director Mike Mathews said yesterday. Coming on top of increases in March and April, this was "marvellous news" for farmers who had seen their margins slashed by drought during the past four years.

To protect its growers, the US sets an annual quota on imports, which is divided up between 39 countries. Quota sugar is purchased at a substantial premium over world prices. The US pays about 22c/lb, while most other importers are paying about 11c/lb.

SA's quota is set at 2,3% of the global quota, which has risen to 2,2-million tons for the year to end-September. It has risen 20 000 tons since March.

See Page 14

Mills may battle to process bumper sugar cane crop

BD 9/7/96

(3) SUGAR

A SUGAR crop of about 2,44-million tons for the 1996/97 season is expected — the best in the industry's history, the SA Cane Growers' Association said. But the country's mills might struggle to process the record quantity of cane.

The industry is recovering from five years of drought, which caused the loss of millions of rands in revenue. The last good crop was 2,3-million tons in 1991/92.

Association chief economist Brian Sugden said the best crop yet had been in the 1984/85 season with 2,37-million tons produced.

"If we exceed 2,4-million tons, it looks like the best crop we have had. But I have my reservations that we will get the crop off this season." It might be necessary to extend the crushing season, which traditionally ends in December, into January, Sugden said.

He says a sudden cold snap will have no major impact on the 1996/97 crop. A crop of 2,44-million tons will give SA in excess of 1-million tons for export, double 1995/96. — Reuter.

tion transactions which have had no effect on Absa's earnings."

Since year-end Absa sold about 52% of its interest in the J D Group, realising a net surplus of R128m, which it says will be accounted for this year.

Now that Absa has public goodwill on its side, it's imperative to show strong earnings growth to convince the investment community it's capable of closing the ratings gap.

Chances of doing this seem fair. The *FM* believes the share, trading at R23,25 earlier this week, is worth about R26-R27 in the short term. Longer term, share price appreciation should outstrip the other banks if management keeps earnings growth on track *Shaun Harris*

TONGAAT-HULETT (3) SUGAR (189)

CASH IS KING

FM 12/7/96

At operating level, financial 1996 wasn't easy for Tongaat-Hulett. Contributions to net earnings from five of Tongaat's seven divisions declined, leaving starch & glucose and property to save the day.

But the rescue was only partial. After starch & glucose's 22% raised contribution to R71,3m and property's 73% increase to R23,4m, net earnings of R288,4m were nearly 5% lower than in 1995.

The strong increase of 41% in total net earnings came largely from interest earned on Tongaat's surplus cash (R736m at year-end) and nontrading items, largely profits on disposals of some businesses and land. The overall result belies the recent 21% softening of the share price, down from January's peak of R69.

Investor perceptions could have been influenced by the effects of high real interest rates on consumer demand and the comparative failure of the RDP

Caution among foreign investors, who are large holders of Tongaat shares, would have played a part. It is possible investors wanted more detail on the financing of capital projects, especially the R2,4bn expansion of the aluminium rolled products mill.

In fact, the balance sheet and cash generating ability of the group should allay fears that Tongaat's half of the capital cost will affect growth

Group CE Cedric Savage says financing the project was predicated on capital and financing costs not affecting Tongaat's trend of real growth in EPS. "We realised we could not absorb the full effect of the expenses. That is why we took the decision to sell half the aluminium division," he says, a disposal to the Industrial Development Corp (30%) and Amic (20%) which raised R314m — a profit of R126m.

So Tongaat's reduced interest in the aluminium division has been proportionately consolidated from October 1, the date of the sale This distorts annual comparisons but divested operations are separated on the income statement.

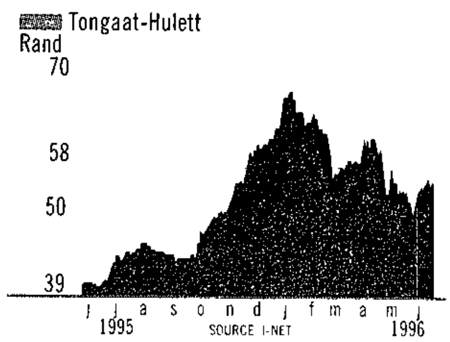
Reduced income from aluminium will take nearly R10m off the pre-interest line, but this is offset by the additional R22m in interest Tongaat is earning from the disposal.

Funding for the aluminium project will

- **ACTIVITIES:** *Seven operating divisions involved in sugar, building materials, consumer foods, aluminium, textiles starch and glucose and property*
- **CONTROL:** *Anglo American Industrial Corp 44%.*
- **CHAIRMAN:** *C J Saunders MD C M L Savage*
- **CAPITAL STRUCTURE:** *93,9m ords Market capitalisation R5,12bn*
- **SHARE MARKET:** *Price R54,50 Yields 2,4% on dividend; 6,6% on earnings, p e ratio, 15,3, cover, 2,7 12-month high, R69; low, R40,75 Trading volume last quarter, 14,3m shares*

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	6,5	209	111	69
LT debt (Rm)	288	139	61	18
Debt-equity ratio	0,02	0,01	nil	nil
Shareholders' interest	0,59	0,62	0,65	0,69
Int & leasing cover	3,5	4,8	10,8	n/a
Return on cap (%)	8,9	8,7	12,2	12,6
Turnover (Rbn)	3,87	3,97	†3,91	4,12
Pre-int profit (Rm)	270	267	411	469
Pre-int margin (%)	7,0	6,7	10,6	11,4
Earnings (c)	239	179	‡274	‡357
Dividends (c)	73	69,2	100	130
Tangible NAV (c)	2 502	2 186	2 439	2 786

† Excludes turnover from divested operations of R512m
‡ Headline, excluding non-trading items of R27,1m ('95: R1,9m).



UNIT TRUST PAYOUTS

Last day to register for unit trust total distributions*: Jun 30.
Amounts and payable dates:
GENERAL EQUITY FUNDS:
Community Fund 3,71c, Jul 2; Composite All Share 0,86c, Jul 31; Fedgro 3,72c, Aug 7; Guardbank 60,35c, Jul 31; Guardbank Prosperity 2,34c, Jul 31; Guardbank Stability 3,96c, Jul 31; Marriott Equity 13,51c, Jul 4; Norwich 15,20c, Jul 10; Old Mutual Growth 5,52c, Jul 22; Old Mutual Sentinel 8,38c, Jul 22; RMB Balanced 4,187c, Jul 5; RMB Equity 11,518c, Jul 5; Sanlam Index 19,4c, Jul 26; Standard Growth 1,05c, Jul 15; Standard Index 1,46c, Jul 15; Standard 45,19c, Jul 15; Syfrets Growth 3,25c, Jul 2; Syfrets Trustee 1,25c, Jul 2; UAL Blue Chip 17,45c, Jul 1.
SPECIALIST FUNDS:
Fedgro Global 1,06c, Aug 7; Fedgro Index 1,63c, Aug 7; Guardbank Industrial 4,26c, Jul 31; Guardbank Resources 3,95c, Jul 31; Old Mutual Gold 2,26c, Jul 22; Old Mutual Mining 9c, Jul 22; Old Mutual Top Company 10,02c, Jul 22; RMB Top 40 1,067c, Jul 5; Sanlam Industrial 22,9c, Jul 25; Sanlam Mining 4c, Jul 31; Sanlam Optirand 1,3c, Jul 26; Sanlam Provider 24c, Aug 6; Standard Gold 3,32c, Jul 15; Standard Industrial 3,29c, Jul 15; Standard International 2,05c, Jul 15; Syfrets Balanced 1,76c, Jul 2; Syfrets Defensive 0,35c, Jul 2; Syfrets Mining & Resources 1,04c, Jul 2; Syfrets Strategic 0,40c, Jul 2; Syfrets Prime Select 1,84c, Jul 2; UAL Managed 16,22c, Jul 1; UAL Mining & Resources 3,24c, Jul 1.
INCOME/GILT FUNDS:
Absa Income 3,41c, Jul 15; BOE Peoples Income 3,56c, Jul 31; Community Income 7,07c, Jul 2; Fedgro Income 3,47c, Jul 15; Guardbank Income 4,16c, Jul 31; Marriott Income 3,16c, Jul 4; Metboard Gilt 4,31c, Jul 15; Metboard High Income 3,95c, Jul 15; Old Mutual Income 3,16c, Jul 22; RMB Income 3,544c, Jul 5; RMB Gilt 3,787c, Jul 5; Sage Income 7c, Jul 31; Sanlam Income 2,9c, Jul 29; Southern Bond 7,3331c, Jul 31; Southern Income 20,8254c, Jul 31; Standard Gilt 7,17c, Jul 15; Standard Income 3,21c, Jul 15; Syfrets Gilt 40,19c, Jul 2; Syfrets High Income 1,16c, Jul 2, Syfrets Income 3,65c, Jul 2; UAL Maximum Income 36,4c, Jul 1.
* =Total dividend and interest.

Tongaat plans to cut work force by 1 100

(3) SUGAR BD 16/7/96

Nicola Jenvey

DURBAN — Tongaat-Hulett plans to trim its 22 000-strong work force by 5% this year as it enters the final phase of a long-running rationalisation drive.

MD Cedric Savage said yesterday the losses would stem from outsourcing non-core activities, and natural attrition.

Savage believed Tongaat, whose operations include aluminium, sugar and bricks, would optimise its labour requirements with the plans.

The group had a work force of 50 000 before the long-running cutbacks. The moves were vital to sharpening its competitive edge.

"The programme will produce a finely tuned internationally competitive group with a high proportion of youth in its management and skills within its work force," Savage said.

Early retirement encouraged four years ago had accelerated the natural attrition programme and the group's affirmative action drive, he said.

The group had also rationalised its building materials division, including Corobrik, to match current sluggish demand.

Corobrik MD Harry Voorma said plans were under way to close its Maritzburg factory as outdated technology had rendered the plant inefficient.

The division was involved in "sensitive" negotiations with unions and the factory's closure date still had to be decided. It would result in about 100 jobs being lost.

The group's restructuring helped underpin a 41% rise in attributable income to R403,6m for the year to March, on sales just 6% higher at R4,1bn.

Tongaat is now engaged in a heavy expenditure drive. It is involved in a R2,5bn expansion at Hulett Aluminium, and is spending R720m on a starch and glucose factory at Klip River.

The group closed up 25c at R53 on the JSE yesterday, against a R69 year high in January.

Sweet scheme for sugar exports

(3) SUGAR CT (BR) 25/7/96

By Jon Beverley

Durban — Continuing imports of cheap Swazi sugar into South Africa are reducing the market share of South African sugar in southern Africa and have led to a call for a co-operative protocol aimed at attacking world markets.

The protocol was proposed by Tony Ardington, the chairman of the South African Sugar Association, at its annual meeting yesterday.

He said the profitability of Swaziland's sugar industry was enhanced by the 200 000 tons of sugar that was sold at a premium price through the Lome agreement and US quota arrangements.

Ardington said the present "structural problem" between the sugar industries of South Africa and Swaziland was "hugely damaging to this (South African) industry, to the regional economy of the most densely populated areas of South Africa and indeed to the economy of the country as a whole".

Efficient producers in southern Africa needed to combine resources and expand their output so that export markets could be attacked.

He said the reduction in tariffs brought about by the General Agreement on Trade and Tariffs (Gatt) would reduce the amount of residual sugar on the world market.

Ardington said producers had been battling to survive over the past four years of drought, but the new crop of 2,4 million tons would be the largest the industry had ever produced.

It would also allow the industry to export its surplus, making use of its geographic location relative to the Middle East and Africa.

He said the industry should avoid long-term exporting arrangements and remain flexible and better able to exploit marketing opportunities.

Significant developments over the past year had been the sale of farms by Illovo Sugar and Tongaat Hullett to black growers.

The restructuring of the financial aid fund, which helped finance small-scale cane growers, had also been significant, he said.

Tongaat-Hulett to commit R1bn to capital expenditure

BD 29/7/96 (3) SUGAR

Nicola Jenvey

DURBAN — Tongaat-Hulett had committed R1bn in capital expenditure for the year to March 1997, as the R2,5bn Hulett Aluminium project and R720m African Products greenfields expansions got underway, chairman Chris Saunders said at the weekend.

Saunders told the group's AGM the expenditure — R690m to the aluminium division and R310m to starch and glucose — was within Tongaat's financial capabilities and that it aimed to hold R250m net cash-on-hand by year-end.

Tongaat had met expectations in the first quarter and operating results reflected "a satisfactory" improvement over the corresponding period 1995/96. Saunders said current year prospects remained "encouraging" and further real growth in earnings could be expected.

Group MD Cedric Savage announced extensive board changes, key executive appointments and retirements.

Doug Aitken and Menanteau Serfontein were appointed full directors of the group board, while Steve Saunders was appointed to the executive committee.

CPC Tongaat Foods MD Richard Baker, properties division MD Gordon Hibbert, starch and glucose division MD Nico Kruger and aluminium division MD-designate Peter Staude were appointed alternate directors.

Textile division executive chairman Jim Crook and Corobrik executive chairman Errol Rutherford would retire.

Saunders said the above-average rainfalls meant sugar was projecting a 63% improvement in production to 940 000 tons.

Building materials would continue concentrating on structural cost reductions through overhead and production rationalisation. However, the division was "poised" for a quick reaction to any upturn.

CPC Tongaat Foods had shifted to branded foods and the division would launch new products in the medium-term in addition to the three launched in 1995/96.

Saunders said textile margins had been under pressure from illegal imports, but the division benefited from strong competitive advantages in fabric design, decoration and finishing.

The group closed up 50c at R53,50 on the JSE on Friday, against a R69 year high in January.

Tongaat-Hulett shuffles management

CT (BR) 29/7/96 (3) SUGAR

By Jon Beverley & James Lamont

Durban — Sweeping changes have been made to the top management of the Tongaat-Hulett group as three directors go into retirement.

Cedric Savage, the managing director, announced more than 20 other promotions after the company's annual meeting last week.

Among the most significant changes is the retirement of Errol Rutherford, the head of Corobrick. "JB" Magwaza will replace him as non-executive chairman.

Jim Crook, the head of the textiles division, retires and Steven Saunders, the son of chairman Chris Saunders, comes in as non-executive chairman.

Des Winship, the chief executive of the aluminium division, steps down but will remain involved in the Hulamin rolling-mill expansion worth R2,4 billion. Peter Staude will become the managing director.

Savage said the group had been changing for the past four years because it had to respond to international competition "right on the doorstep". It needed fewer, but more skilled, people at the top.

The group would be investing R1 billion this year and expected to end this financial year with about R250 million in cash and keep borrowings within prudent ratios.

In another development Sej Motau, the former group corporate affairs manager at Transnet, is to take up a high-powered post at Sasol, the synthetic fuels producer, from the beginning of August.

Motau will replace Pat Davies as the group communications manager. Davies, will remain in top management as a special adviser.

Sugar row sours trade

(3) SUGAR

SWAZILAND, accused by SA of damaging SA's economy by exporting cheap sugar, has hit back at its bigger neighbour, saying that the SA sugar industry feared competition. (SA)

SA Sugar Association chairman Tony Ardington said last week SA had increasingly become exposed to the world market price as a result of competition from the tiny mountain kingdom of Swaziland.

Swaziland Sugar Association chairman Andy Colhoun said Swaziland was entitled to export its sugar to SA.

"Swaziland has as much right to export sugar products to SA as SA has to export wine, fruit and vegetables to Swaziland," Colhoun said.

The South Africans complain that Swaziland had been put in a unique position of being a low cost producer with no exposure to the world market through its ability to export sugar duty-free to SA as a member of the SA Customs Union.

SA's sugar industry said last month it could lose R275m or more in the current season because of inroads made by Swazi and Zimbabwean sugar on the domestic market. — Reuter.

BD 30/7/96