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Tau reforms sugar rules to curb imports and steady embattled industry

Regulatory overhaul targets cheap imports and industry financial stability

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Minister of trade, industry & competition Parks Tau has moved to amend the constitution of the South African Sugar Association. Picture: NOXOLO MAJAVU

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Minister of trade, industry & competition Parks Tau has handed the embattled sugar industry greater autonomy to rein in cheap imports in one of the biggest regulatory reforms of the sector in a generation.

The move comes as the industry's bastion, Tongaat Hulett, teeters on the brink of collapse.

Chief among the challenges facing the industry are cheap sugar imports that are flooding the domestic market, with

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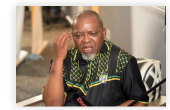

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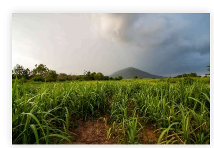

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industry data suggesting imports up to December reached 163,000 tonnes, a 155% surge from the prior year.


Tongaat-Hulett's new CEO to lead last mile of business rescue plan

Tau has moved to amend the constitution of the South African Sugar Association (Sasa), and the sugar agreement with the industry body is set to determine the quantity of sugar required for the local market, the quantity of carry-over stocksand the quantity of sugar to be exported each year.


Minister of trade, industry & competition Parks Tau. Picture: (Freddy Mavunda)

One of the major changes will see the South African Farmers Development Association (Safda) take part in the decision-making echelons of Sasa, joining the SA Canegrowers at the high table.

Sasa executive director Sifiso Mhlaba said the amendments arise in response to critical needs in the sugar industry to improve financial risk and ensure the financial sustainability of all industry members.

"The amendments introduce measures to strengthen industry cash flow and reduce Sasa's overall funding exposure with specific reference to the local market redistribution as well as the export financing. The measures improve liquidity and

South Africa, anchoring the rural economies of KwaZulu-Natal and Mpumalanga."

In an interview with Business Day, Safda executive chair Siyabonga Madlala said the reforms gazetted into law by Tau on Friday are a big breakthrough for the industry.

'Boost for sugarcane growers'

"This marks a major boost for sugarcane growers, as the amendments reinstate the local market carry-over, which is expected to increase the local market demand estimate by about 200,000 tonnes and raise the recoverable value (RV) price by about R430 per tonne of RV, helping offset the impact of imported sugar this season," Madlala said.

"Carry-over stock represents sugar produced but unsold at the end of each milling season, which is transferred to the next season as opening stock under Sasa's pooling system."

This ensures the value of unsold sugar is recognised in the industry accounts, stabilising revenue and supporting more predictable and sustainable RV price payments for growers, he said.

"With these amendments, the industry is once again able to use the carry-over mechanism as a financial stabiliser, benefiting growers and the broader South African sugar industry."

The amendments come days after the business rescue practitioners of 134-year-old Tongaat Hulett applied to the high court in Durban to place the cash-strapped company under provisional liquidation.

Tongaat, besides looking for an urgent financial injection, in November asked Tau to speed up the implementation of measures to protect the local industry from cheap imports that had eaten into its sales volumes through the fast-tracking of amendments to the sugar industry agreement.

In the letter addressed to Tau and Sasa, Tongaat business rescue practitioner Trevor Murgatroyd asked authorities to level the competitive space in the milling and refining prices, including reining in rising imports from Eswatini.

“These interventions … are essential to ensure the future viability of Tongaat Hulett and to conclude the ongoing business rescue…. Tongaat Hulett directly employs several thousand people in KwaZulu-Natal and sources sugarcane from more than 15,000 small-scale and community growers,” the letter, dated November 4, reads.

“The livelihoods of these stakeholders and indeed a significant portion of the about 65,000 direct jobs and 1-million-plus livelihoods sustained by South Africa’s sugar industry hang in the balance. The urgency of reform cannot be overstated.”

Tongaat had not responded at the time of publication to a request to comment on what the latest development means for its survival.

Tongaat entered business rescue in October 2022 following severe historic accounting irregularities, financial misstatements and governance failures under former senior management, who are facing criminal charges.

The implosion of Tongaat will put more than 200,000 jobs at risk, hit 27,000 small growers and 1,100 large farms, and put the KwaZulu-Natal rural economy on the brink.

South Africa has bled about 65,000 jobs over the past five years.

The reform by Tau comes just months after he gave the sector leeway to collaborate on price increase percentages for sugar products.

Tau in August gave sugarcane producers, sugar producers and downstream sugar users the green light to collectively determine producer price restraints, including co-ordination on the pricing methodology to be adopted in determining price increases of sugar products and the timing of such price increases.

4 Comments Pamela Saxby ▾

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Martin Neethling

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This report implies that the changes now are reform-minded, when in fact they are simply a reinstatement of how it was previously done. The calculation of local market demand always included carry-over stock, but in Minister Patel's endless wisdom, this was changed in early 2024. It was touted then as a band-aid to assist Tongaat-Hulett, but predictably simply created a new set if problems, all of which were aired at the time.
Much damage was done to many industries under Minister Patel, who operated on the conviction that central planning and control could and does trump market forces.
SA's sugar industry has been particularly battered, from the Health Promotion Levy, the subsequent 'Sugar Master Plan' (when industry right through the value chain reminded Government that what it said

would happen, did), and Patel's subsequent tinkering after the damage was done.

It's crucial that we don't lose sight of the cause and effect, of the decisions that have brought us here. Hopefully Minister Tau has retained some of this corporate memory. The Business Day must.

Job well done anc.