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The Development of Production Control in the South African Sugar Industry *

by
J.K. HUNTLEY,
Chairman, Sugar Industry Central Board

FAHEY CONFERENCE AGREEMENT

The first important step towards the development of the South African sugar industry into a properly organised undertaking was taken in 1926 with the coming into operation of the Fahey Conference Agreement. Prior to 1926 there had been growing dissension between the milling and planting interests in the sugar industry largely due to the dissatisfaction of planters with the conditions under which they were supplying cane to the mills. Matters came to a head in 1924/25 when there was a record world production of sugar accompanied by falling prices and when South Africa itself was faced with an export of 70,000 tons of sugar at reduced values. An appeal was made to the Government to assist the industry in arriving at a solution to its problems and the Government authorised the Board of Trade and Industries to investigate the economic position of growers and millers. The Board of Trade and Industries reported that the Miller-Planter Agreement of 1905 was inequitable to the planter.

As a result of the recommendations made by the Board of Trade and Industries a conference was held in 1926 and the outcome of this conference was the Fahey Conference Agreement which was signed by all delegates on the 4th September,

*An article on control of production of wine appeared in the previous issue. In the following issue an article on wattle bark will be published. For these commodities there is special legislation for control of production.

1926. In view of the fact that the Government was not prepared to give this Agreement the force of law it was necessary to obtain, by individual contracts, the endorsement of all planters and millers who were prepared to implement the provision of the Agreement. According to Report No. 194 of the Board of Trade and Industries: "the response was remarkably good; only 16 European planters out of some 600 refusing assent to the new order of things in the industry." The Government thereupon imposed the suspended duty of 3s. 6d. per 100 lb. upon imported sugar. The net protective duty of 7 per short ton had an immediate effect on imports of sugar and the value of sugar imported in 1927 declined to £50,000 as compared with £95,000 in 1925.

Again, quoting Board of Trade Report No. 194: "Salient points agreed upon at the Conference were:

1. the 99-year life of the original Miller-Planter Contract was not affected but revision every 10 years was provided for instead of the 25-year period;
2. cane was to be purchased upon sucrose content, instead of by weight of cane;
3. planters accepted the principle of participation in sugar export;
4. millers were to raise the efficiency of their mills progressively;
5. provision was made for planters taking up shares in an enlarged refinery and

6. the parties agreed to maintain and extend the 'Sugar Price Agreement with Manufacturers' (1925), whereunder manufacturers of specified commodities would continue to obtain sugar at prices lower than the wholesale price."

Falling world prices after 1928/29 and consequent dumping of low price sugar on the South African market which led to an increase in exports of sugar from South Africa again placed the sugar industry in a hazardous position and it was necessary for the Government to take cognisance of the situation with which the industry was faced. On the basis of Board of Trade and Industries Report No. 106, the Government in 1930 increased the sugar import duty from 8s. 0d. to 12s. 6d. per 100 lb. Imports fell off materially as a result of the increased duty and it appeared that the position of the South African industry in the domestic market was fairly well entrenched. However, this situation was radically changed by a break-down in the Chadbourne Agreement. The Chadbourne Agreement was an international agreement designed to control exports of sugar. South Africa was not a party to this Agreement. As a result of the break-down of the Chadbourne Agreement, Cuban sugar was offered for sale in South Africa at prices which bore no relationship to production costs and imports increased despite the protective duty of 12s. 6d. per 100 lb. In its report No. 132 of 1932 the Board of Trade and Industries recommended a protective tariff of 16s. 0d. per 100 lb. subject to a reduction in the local price of sugar. The Board of Trade's recommendations were adopted by the Government, the higher import tariff was imposed and the price of No. 1 refined sugar was reduced from 3³/₄d. per lb. to 3¹/₂d. per lb. and the price of mill-white from 3¹/₂d. per lb. to 3¹/₄d. per lb. The industry was further required to meet the cost of freight on its sugar consigned to Cape ports and to allow a higher concession to manufacturers than that allowed in 1926. Clearly, therefore, the increases in customs duty did not impose a burden on the consumer. In fact, the retail price to the consumer was lowered and manu-

facturers enjoyed increased rebates while the industry itself defrayed the freight on sugar shipped to Cape ports.

Despite the protective duties that had been imposed upon imported sugar and the greater industrial stability which flowed from the Fahey Conference Agreement, the catastrophic situation brought about by the world economic depression of the early 1930's had its effect upon the South African sugar industry.

It will be obvious from Table 1 that the steady increase in the percentage of the total crop exported coupled with a very considerable decline in export prices from 1927/28 to 1935/36 had serious repercussions on the average price until the stage was reached where it became no longer economic to produce cane for such a low return. It, therefore, became necessary to seek measures whereby the production of sugar could be controlled with a view to bringing about a more economic relationship between the local market and the export market.

FURTHER INVESTIGATION BY BOARD OF TRADE AND INDUSTRIES

On the 30th July, 1934, the Minister of Commerce and Industries, at the request of the South African Sugar Association, directed the Board to inquire into and report upon the following matters:

1. the working of the Fahey Conference Agreement and the necessity or otherwise of revising its provisions in relation to existing and probable future conditions in the sugar industry;
2. the desirability of bringing all present and future South African sugar producers under the terms of the said Agreement;
3. the position in the industry of small cane-growers and the need of according them special treatment in the future organisation of the industry;
4. whether or not sugar production should be controlled or restricted and, if so,

TABLE 1 - Sugar production, exports, percentage exported and approximate export values

Year	Total production	Total exports	Per cent exported	Approx. f.a.s. value per ton
	Short tons	Short tons		£. s. d.
1927/28	247,300	61,825	25	12.18. 6.
1928/29	295,934	85,840	29	12. 3. 9.
1929/30	298,635	127,245	43	9.15. 1.
1930/31	393,205	193,326	50	7.14. 4.
1931/32	325,899	159,517	50	7. 2. 3.
1932/33	358,905	179,320	51	5.14.10.
1933/34	391,173	190,678	50	7. 8. 8.
1934/35*	358,738	121,172	35	6. 4. 1.
1935/36	417,318	212,507	52½	6. 7. 9.

* Locust infestation

Source: S.A. Sugar Year-book, 1937

the means to this end which should be adopted;

5. the standardisation and distribution of the industry's products; and
6. any cognate matter that may arise in the course of the inquiry upon which the Board may feel called upon to report.

The inquiry opened in Durban on the 23rd August, 1934, and evidence was tendered on behalf of interested parties in the sugar industry. After full investigation of matters affecting the sugar industry the Board of Trade and Industries report was issued on the 17th April, 1935, and concluded with the following recommendations:

1. that an official intimation be conveyed to the sugar industry as a whole that the maintenance of the existing Customs Tariff duties on sugar cannot be assured if a satisfactory agreement is not adopted by the bulk of the industry on the expiry of the 1926 Agreement;
2. that on the organized industry presenting to the Minister undertakings to materially mitigate the incidence of

export upon small growers, to provide for restriction of production, and to maintain an export pool in which all mills will equitably participate, together with evidence that such undertakings are agreed to by substantial majorities of the planters and millers concerned, Government should pass legislation making the undertakings in question binding on all present and future producers for a period of five years; and

3. that the maintenance of the existing protective duties on imported sugar should be contingent upon the industry continuing to observe in full the undertakings heretofore given to Government about the wholesale price of sugar, manufacturers' rebates, and payment of coastal freights."

SUGAR ACT OF 1936 AND RESTRICTION OF PRODUCTION

Following upon the publication of the Board of Trade report in 1935, two industrial conferences, the Preparatory Conference in 1935 and the Plenary Conference in March, 1936, were held for the purpose of arriving at an industrial

agreement to implement the recommendations of the Board of Trade and Industries. The inquiry and the subsequent conferences culminated in the promulgation of the Sugar Act, Act No. 28 of 1936, and under Government Notice No. 1359 of the 11th September, 1936, the Sugar Industry Agreement 1936, was published. This was a most important mile-stone in the history of the sugar industry and in the 29 years which have followed the promulgation of the Sugar Act, the industry has operated under a Sugar Industry Agreement published under the Sugar Act, the original 1936 Agreement having been amended from time to time to keep abreast of changing circumstances.

For the purpose of this article, the most important feature of the 1936 Agreement was the provision for the restriction of the production of sugar. In terms of Schedule "A" of the 1936 Agreement, each mill was allotted a fixed sugar quota and the total industrial sugar quota was set at 476,488 short tons of sugar. The administration of the Agreement was undertaken by an industrial board known as the Sugar Industry Central Board and the Board consisted of three members, namely, a chairman appointed by the South African Sugar Association, a growers' representative appointed by the Growers' Association and a millers' representative appointed by the Millers' Association.

Provision was made in the Agreement for the establishment of local boards at each mill, known as Mill Group Boards. Mill Group Boards were made up of grower and miller representatives, were subsidiaries of and responsible to the Central Board and were required to carry out the directions and instructions of the Central Board respecting the discharge of their duties under the Sugar Industry Agreement.

As already mentioned, a mill sugar quota was established for each mill and the growers supplying such mill, including the miller-cum-planter derived their individual cane quotas from the mill cane quota which was the mill sugar quota

converted into cane at the cane to sugar conversion ratio. A grower's right to a cane quota was set out in Clause 28(a) of the 1936 Agreement as follows: "The allocation of a cane quota shall be regarded as attaching to the allottee in respect only of the farm or lands from which he delivered cane during the 1935/36 season, or had planted with cane for delivery, prior to the 1st May, 1936, and in respect only of the miller to whom he so delivered or is under contract to deliver." Thus, in order to be entitled to a quota, it was necessary for a grower to have delivered cane during the 1935/36 season, i.e. between 1st May, 1935, and 30th April, 1936, or to have had cane planted prior to 1st May, 1936, and to have entered into a contract with a miller for the delivery of such cane to the mill. The Agreement also laid down conditions regarding the transfer of quotas from one party to another, and any alteration in the terms of a quota allocation either as regards the allottee, the farm or lands, or the miller, required the prior consent of the Central Board.

The distribution of the mill cane quota among growers attached to that mill was based upon individual factors which became known as the grower's "mean peak". The mean peak was the highest average of the individual grower's delivery to any mill in two consecutive years between the years 1931/32 and 1935/36. In the case of a mill having non-European as well as European growers, an initial division of the mill cane quota was made between the two racial sections based on the ratio of non-European sectional peak supplies to the mill between the years 1931/32 to 1935/36 to total peak supply for the same period. Thereafter, the European and non-European cane quotas were separately administered. It will be remembered that one of the pre-requisites of industrial legislation was the safeguarding of the interests of the small growers. This was attained, in respect of cane quotas, by allowing every European grower with a mean peak or standard quota of less than 3,500 tons of cane, the right to deliver his total available

cane in any season, up to a maximum of 3,500 tons of cane. The additional quota pre-empted by small growers in this way was deducted from the initial quotas of growers whose standard (or initial quotas) exceeded 3,500 tons of cane. Because of the fact that each mill had its own fixed sugar quota and was responsible for the small growers attached to such mill the additional small growers' quotas represented a considerable burden to the large growers at mills where small growers predominated, whereas large growers at a mill which had attached to it only a limited number of small growers, were very much more favourably situated.

Provision was also made in the Agreement for the allocation of what was known as "preferential assignments" where it could be shown that financial commitments of individual European growers as at the 23rd March, 1936, were such that special consideration was justified. This provision was made to cover the case of the grower who had entered into financial commitments in regard to cane growing shortly before the introduction of restriction and whose mean peak was inadequate when viewed in the light of such financial commitments. Such preferential assignments in addition to the special provision for increased production by small growers, were also deductible from the standard quotas of the large growers and the incidence of this preferential assignment burden also varied materially from mill to mill. This principle of the localisation of the burden of small growers' increases and preferential assignments was certainly the most unsatisfactory feature of the initial restriction provisions and, as will be shown later, was superseded by an entirely new system in 1943.

Provision was also made as far as the non-European section was concerned for additional quotas for the smaller producers and for preferential assignments on grounds of financial commitments. No specific tonnage was laid down in respect of non-European small growers, it being left to the non-European Groups at

the various mills to fix such tonnage. In actual practice very little was done in this regard by the non-European Groups and it was only at a few mills that provision was made for increased quotas for the smaller non-European growers.

The 1936/37 season was the first in which the Sugar Industry Agreement 1936, applied but since the total industrial production for that year was less than the fixed quota of 476,488 tons sugar, it was not necessary to apply restrictions in that season.

In 1937 the South African Government became a signatory to the International Sugar Agreement, and in terms of this Agreement, South Africa was assigned a basic export quota of 209,000 metric tons, equivalent to 230,380 short tons. The South African sugar year is from 1st May to 30th April, while the International Agreement Year is a calendar year. The South African industry was able to take advantage of this position in 1937 and to produce sugar for export in excess of the quota of 476,488 tons under a special "B" Pool Agreement which was entered into to enable the fixed quota in Schedule "A" of the Agreement to be exceeded. In fact 507,219 short tons of sugar were made in the 1937/38 season. The price for cane delivered and sugar made under the "B" Pool Agreement was the export price.

Sugar produced and cane supplied under the Main Agreement, i.e. the 1936 Agreement, was paid for at the industrial average price calculated as an average price of all grades of sugar sold under the Main Agreement (i.e. 1936 Agreement) quota. Under Government Notice No. 1760 of the 28th October, 1938, a Supplementary Agreement was published to provide for the production of sugar in excess of the Main Agreement quota, principally for purposes of export. This Supplementary Agreement is generally referred to as the "B" Pool Agreement, additional sugar manufactured under the "B" Pool being principally for export and cane delivered in fulfilment of such "B" Pool quota was paid for at the export price. In fact,

a further pool known as the "C" Pool was introduced in 1938 and these Supplementary Agreements continued in operation until a new Sugar Industry Agreement came into being in 1943. There were several special features concerning these Supplementary Agreements regarding which it is difficult to generalise since the provisions of the Supplementary Agreements were integrated with those of the Main Agreement and it is not proposed to burden this article with a detailed discussion of such Supplementary Agreements.

AGREEMENT OF 1943

The 1936 Agreement was originally intended to operate for a period of five years and would normally have terminated on the 30th April, 1941, but due to the outbreak of World War II in 1939, the Agreement was continued year by year until a revised Agreement was published in 1943. An industrial conference was convened in November 1941, for the purpose of reviewing the 1936 Agreement, and this review continued through the whole of 1942 and it was not until June 1943, that agreement was finally reached on the terms of a new industrial agreement. The 1943 Agreement would be more correctly described as the 1943 Determination because, although its terms were agreed by the sugar industry, it was, in fact, published as a Determination by the Minister of Commerce and Industries under Section 2 of the Sugar Act. The Determination was published under Government Notice No. 1286 of the 16th July 1943.

There were several changes in the 1943 Agreement, as it is generally known, as compared with the 1936 Agreement and perhaps the most significant of these, as far as control of production was concerned, were the adoption of sucrose instead of cane as the standard of measurement of growers' quotas and the abandonment of fixed mill sugar quotas which had been the cause of much heart-burning in the 1936 Agreement. Another new concept, namely, the contingency quota, came into being in 1943. Growers were allocated basic sucrose quotas, each basic quota

representing the highest average of sucrose deliveries from the quota farm of the grower concerned in any two consecutive years for the years 1927/28 to 1940/41. For the years 1937/38 to 1940/41 only sucrose delivered under the Main Agreement or Clauses 3 or 4 of the Supplementary Agreement was admitted, all "B" or "C" Pool deliveries being excluded for the purpose of assessing quotas. European Miller-cum-Planters quotas were assessed at the highest average of deliveries in two consecutive years for the period 1927/28 to 1936/37.

As far as growers' quotas were concerned, there were certain minor exceptions where local circumstances had to be especially taken into account but these do not require elaboration. In the 1936 Agreement, European small growers had been given the right to deliver their available cane up to 3,500 tons per annum and in the 1943 Agreement these small growers were catered for by the allocation to them of contingency quotas. In general terms, 480 tons of sucrose were taken as the equivalent of 3,500 tons of cane and small growers whose basic quotas were less than 480 tons of sucrose and who had sufficient land to make it possible for them to produce 480 tons of sucrose annually, were allocated contingency quotas equal to the difference between 480 tons of sucrose and their basic sucrose quotas as established on actual performance. Where the total productive capacity of the farm was assessed at less than 480 tons of sucrose, contingency quotas were reduced accordingly. A contingency quota can possibly best be described as a licence entitling the holder thereof to produce and deliver cane (or sucrose) in excess of the basic quota already established by actual performance.

During the time the industry was negotiating the terms of a new agreement, a special Committee under the Chairmanship of Mr. F.C. Hollander, and known as the Mediation Committee had been set up by the South African Cane Growers' Association. The purpose of this Committee was to examine cases of hard-

ship arising from the application of the quota provisions of the 1936 Agreement and to make such awards as it deemed fit. These awards in the case of growers producing in excess of 480 tons of sucrose were added to the basic quotas of the growers concerned. This Committee also dealt with the question of the contingency quotas to be allocated to the small growers.

As previously mentioned, the 1943 Agreement dispensed with fixed Mill Sugar Quotas and under this new Agreement a mill's basic sugar quota in each year was the sum of the basic sucrose quotas of all its suppliers, plus any net increase in the production of contingency quota growers, converted into sugar on the basis of that mill's overall recovery and average polarisation for the season in question.

Another important change in the 1943 Agreement related particularly to the price to be paid for sucrose but had a bearing also on the quota provisions of the Agreement. This related to the distinction which was drawn between the industry's local market quota and the industry's export quota and was fully set out in Schedule "B" - Marginal Formula to the 1943 Agreement. The full details of this segregation of local market and export quotas are far too specialised and complicated to include here but suffice it to say that each Section's quota at a mill was divided into local market and export production and the price paid to that section depended upon the degree of performance under the local and export markets so that the price payable to each Section at each mill or group of mills which were combined for quota purposes, varied according to performance as compared with the corresponding Section at another mill. Section for this purpose meant (a) Miller-cum-Planter (b) European growers (c) Bantu growers and (d) other Non-European growers. Because a shortfall in local market or export market production at a mill was distributable to other mills it became necessary for all final quota schedules for a season to be calculated by the Sugar Industry Central

Board as this calculation could be done only industrially and not piece-meal. This was a cumbersome and time-consuming exercise and the principle of calculating a separate local market quota factor was abandoned when the Agreement was revised in 1948.

A serious anomaly which had resulted from the 1936 Agreement was put to rights in 1943, by the stabilisation of the position of what had become known as non-quota growers. These were persons who had cane in the ground when the 1936 Agreement came into force but who had not delivered cane in the 1935/36 season and who had failed to enter into contracts with millers to accept their cane. They were thus excluded from participation in quotas under the 1936 Agreement although they were granted temporary rights under the Supplementary Agreements of 1937 and 1938 to deliver cane. They were now allocated quotas under the 1943 Agreement and were admitted as quota growers.

Schedule "A" to the Agreement took on an entirely new guise in 1943. Whereas in 1936 Schedule "A" was merely a list of mill sugar quotas, in 1943 it became a Schedule of growers and their quotas and this it has remained ever since. Thus, with effect from the 1st May, 1943, every quota grower is listed in Schedule "A" with his sucrose quota set against his name and no party who is not so listed in Schedule "A" is entitled to deliver cane to a mill unless special permission for the delivery of such cane is authorised by the Sugar Industry Central Board with the approval of the South African Sugar Association.

Provision was made in the 1943 Agreement for the allocation of quotas to ex-servicemen and, in addition to providing for the creation of a small tonnage of ex-servicemen quota at three mills, a general provision was made in terms of which the sucrose equivalent of 400,000 tons of cane was set aside for allocation to ex-servicemen in accordance with arrangements to be made with the Minister. Quotas allocated under this pro-

vision were to be distributed by the Central Board and the basis of surrender of quotas of existing growers to accommodate quotas created for ex-servicemen was to be subject to the approval of the Minister. The Central Board was also given the right, under certain circumstances, to increase the quotas of growers who had been or were on full-time military service during World War II.

Following upon the Supplementary Agreements of 1937 and 1938, a clause was included in the 1943 Agreement to enable surplus cane to be disposed of in a "B" Pool, provided there was a market available to accommodate sugar made from such "B" Pool cane. "B" Pool production was, in the first instance, limited to five per cent of each section's basic sucrose quota but could be increased with the approval of the Minister. Clause 22 of the 1943 Agreement provided:

"22. If, in any season after making provision for sugar produced and to be produced from quotas allocated to ex-servicemen under Clause 17(e) the balance of the available market, both export and local, is less than the total of sugar produced and to be produced from quotas other than those allotted to ex-servicemen under Clause 17(e) allotted under this Agreement, such quotas shall be reduced proportionately."

In actual fact, during the war years, the production of sugar increased steadily with a very considerable increase in local market off-take so that although there was provision in the Agreement for restriction of production it was unnecessary to apply it.

Notes

- (1) Drought conditions which prevailed in 1946/47 and 1947/48 coupled with a serious shortage in fertiliser supplies resulted in a considerable drop in the crop in these seasons.
- (2) Local market sales do not represent the difference between mills' sugar

output and portion of crop for export but actual sales of white and Grade 2 sugars during the crop year period including carry-over from previous crop and excluding carry-over into following crop year and also exclude refining losses.

TABLE 2 - Sugar production, exports and local market sales

Season	Sugar output	Exports, raw sugar	Local consumption
	tons	tons	tons
1939/40	595,556	308,827	290,919
1940/41	572,880	234,025	328,835
1941/42	452,119	59,336	378,547
1942/43	524,975	48,316	455,696
1943/44	585,392	154,408	440,999
1944/45	614,158	111,990	483,787
1945/46	553,074	71,741	445,586
1946/47	474,769	10,000	440,560
1947/48	512,005	10,000	503,728

EXPANSION OF PRODUCTION, 1947

As will be seen from the figures in Table 2 there had been a marked increase in local market consumption during the period 1939/40 to 1947/48 and with the termination of hostilities it was necessary to give attention to South Africa's production for the export market which had declined practically to zero in 1946/47 and 1947/48. To this end an Expansion Committee was appointed by the Minister on the 9th September 1947, to consider the steps to be taken to expand sugar production in order to make greater supplies available both in the near and the more distant future. The Committee made the following recommendations:

1. that a production target of 725,000 tons of sugar be set for the year 1950/51;
2. that appreciable expansion of cane growing be undertaken by the Department of Lands at Umfolozi and Pongola;

3. that expansion be undertaken within the existing industry by established growers who had additional land available, and that this development be encouraged by a suspension of the existing quota limitations for a period of five years;
4. that milling facilities be expanded by millers; and
5. that the industry undertakes to accommodate the available cane supply by diversion arrangements.

The Committee also proposed the allocation of new quotas and the subsidisation of transport costs on cane diverted from Pongola.

AGREEMENT OF 1948 - CONTROLLED EXPANSION

A meeting was held in Pretoria on the 10th December 1947, between the Ministers of Economic Development and Lands and representatives of the South African Sugar Association and at this meeting the findings and recommendations of the Expansion Committee were accepted. The outcome of this meeting was that the Agreement was revised in 1948, and under Government Notice No. 1469 dated the 16th July 1948, the Minister of Economic Development published amendments to the 1943 Agreement and the Sugar Industry Agreement 1943, as amended in 1948, came into being. This Agreement was to endure for a period of five years.

Many of the clauses of the 1943 Agreement remained unchanged but there were significant changes in regard to the quota aspects of the revised Agreement. The 1936 and 1943 Agreements, particularly the 1936, were designed primarily to restrict the production of sugar within certain limits. The 1948 Agreement, on the other hand, provided for controlled expansion of production. Sucrose was again the standard of measurement of growers' quotas but Clauses 16(e) and 16(f) of the 1948 Agreement read as follows:

"16(e) that any grower for whom a quota is provided in Schedule "A" as amended from time to time, shall be entitled to fulfil or exceed his quota, each year during the five-year period 1948/49 to 1952/53, from cane produced by him on his appropriate quota farm or lands as registered with the Central Board;

(f) that at the end of every year of the said five-year period the Central Board shall increase the basic quota of any grower by the amount whereby his delivery in that year plus his delivery in the previous year, divided by two exceeds such quota, and that in the case of a grower who holds an additional contingency quota, such increase of basic quota shall be offset against his contingency quota, which shall be reduced or cancelled, as the case may be;"

This provision for an annual increase in basic quotas on the basis of actual production represented a considerable change from the principle of fixed quotas which had prevailed previously. The Agreement also provided that should it become necessary to reintroduce fixed quotas, the production of cane by miller-cum-planters should not exceed the quantity that may be produced on the acreage under cane as at the 9th September, 1947, plus acreage available for expansion, which acreages were set out in a document which had been lodged with the South African Sugar Association on the 4th June, 1948.

Subject to there being adequate milling facilities available, the Minister was empowered to allocate contingency quotas, not exceeding 480 tons of sucrose, to new growers, and, subject to the approval of the Sugar Association, after reference to the Minister, the Central Board was authorised to create new quotas where it appeared to the Board to be desirable to do so.

It will thus be clear from the foregoing that with the promulgation of the

1948 Agreement, the industry had embarked on a policy of controlled expansion and, in actual fact, a considerable number of new quotas came into existence as a result of the provisions referred to above.

In the 1943 Agreement a provision had been made requiring quota growers to furnish the Central Board with full particulars identifying the land to which their quotas were attached. This requirement was carried a step further in 1948, and the Central Board was charged with the responsibility of registering the land concerned as the grower's quota farm or lands in respect of the miller concerned and no change in respect of such registered quota land was permissible without the prior consent of the Central Board. Furthermore, no sale or transfer of quota without the transfer of a commensurate acreage of quota land would be permitted and any extension or substitution of quota land would be permitted only under certain circumstances. Thus, a measure of control was maintained over the land on which cane could be grown for delivery to a mill and, through this control, a curb was placed upon unlimited or haphazard expansion.

The Sugar Industry Agreement was amended in certain minor respects in 1952, but the provisions for control of production were not altered except that the five-year period referred to in the 1948 Agreement and mentioned in Clauses 19(e) and 16(f) quoted above, was extended to an eleven-year period and the date 1952/53 was amended to read 1958/59. All other quota provisions remained unchanged.

REVISION OF PRODUCTION CONTROL, 1956

On the 16th March, 1956, Government Notice No. 452 was published under Section Two of the Sugar Act 1936, and introduced three important changes as far as the control of production was concerned. The first of these related to contingency quotas which, up until this time, had not been subject to any time limit for translation into basic quotas on the basis of per-

formance. The 1956 amendment provided that, as at the 1st May, 1959, the Central Board would cancel any contingency quota which had not yet been translated into basic quota by that date, subject to the proviso that a contingency quota allocated after the 30th April, 1955, would not be subject to such cancellation unless at least four years had elapsed since the allocation was made. Furthermore, the Central Board was empowered, after full investigation of the circumstances of the case, to determine an extension of the period during which a grower was allowed to establish a basic quota.

The second important change in the 1956 Amendment concerned the registration of quota land. Up to this time it had been the practice to register the grower's whole farm as his quota land, regardless of the acreage actually under cane cultivation. As from the 1st May, 1956, the acreage to be registered as quota land was confined to the land actually under cane cultivation as at that date including cane land lying fallow for not more than two years at that date as determined by the Central Board. Furthermore, the allocation of a quota to any grower under the Agreement was subject to registration of the quota land of the grower concerned. During 1954 the Sugar Association had sponsored an Aerial Survey of cane lands for practically the whole of the sugar belt and the survey plans, most of which became available in 1956, were of very considerable assistance in the full scale re-registration of quota land which was undertaken with effect from the 1st May, 1956.

The third matter affecting control of production, for which provision was made in the 1956 amendment, related to the furnishing of crop statistics by growers. All growers were required, not later than the 30th April, in each year, to furnish the Mill Group Board with particulars in regard to the following matters:

1. Area of land and tons cane harvested in the season ending on the 30th April;

2. area of land under cane cultivation as at the 30th April, including any area still to be planted with cane in April as well as ploughed out cane fields under fallow or preparation for re-planting after 30th April;
3. area of land and estimate of tons of cane to be harvested in the forthcoming season as well as the next following season; and
4. area of new land, including virgin land, land under crops and grazing land etc. to be planted with cane in the forthcoming season as well as the next following season.

In December 1951 an Agreement had been entered into between the United Kingdom Government and the Commonwealth Sugar Exporting countries. This Agreement covered a period of 10 years from 1950 to 1959 and in terms of this Agreement the South African Sugar Industry was assured an export market out-

let for 200,000 long tons (224,000 short tons) per annum of which 157,000 long tons were to be sold to the United Kingdom at a negotiated price. This 224,000 short tons became an irreducible minimum for the purposes of negotiating a new International Sugar Agreement and this assurance of a guaranteed minimum export quota was of considerable value to the South African industry particularly in view of extremely limited export performance during the post-war years.

In examining the figures in Table 3 it is necessary to bear in mind that the 1946/47 crop was affected by serious drought conditions and this was true, to a lesser extent, of the 1949/50 crop with a very marked drop in the 1951/52 production, again due to severe drought. Thereafter, good seasons were enjoyed until the 1956/57 season when a short but very severe drought was experienced in January and February, 1956, when

TABLE 3 - Sugar - total production, domestic consumption, exports and imports, 1945/46 to 1958/59

Year	Total production	Local market	Export market	Imports
	tons	tons	tons	tons
1945/46	553,074	445,586	71,741	848
1946/47	474,769	440,560	10,000	780
1947/48	512,005	503,728	10,000	20,898
1948/49	607,845	567,908	15,024	10,905
1949/50	561,122	538,912	70,371	1,328
1950/51	685,798	602,353	79,641	378
1951/52	532,505	523,714	18,163	-
1952/53	670,188	600,070	-	-
1953/54	725,429	568,280	148,622	-
1954/55	828,555	621,152	200,509	-
1955/56	938,980	654,231	266,097	-
1956/57	848,645	672,526	183,381	-
1957/58	959,872	726,997	207,240	-
1958/59	1,135,473*	724,741	351,348	-

* Includes 7,236 tons Swaziland production
Source: S.A. Sugar Year-book, 1958/59

virtually no rain was recorded in the greater part of the Sugar Belt. This lack of rain was accompanied by extreme heat and the effect on the crop is clearly seen in the severe drop in production from 938,980 tons in 1955/56 to 848,645 tons in 1956/57. It will be seen from Table 3 that while the average annual increase in total production for the five years 1954/55 to 1958/59 was over 61,000 tons per annum the average annual increase in the local market was only 20,700 tons and indeed, the local market in 1958/59 was some 2,000 tons less than the local market off-take in 1957/58.

LIMITATION OF PRODUCTION

This trend had caused some misgivings as early as 1955, and it is believed that the provisions in the 1956 amendment of the Agreement which provided for the registration of actual land under cane as quota land and a limitation of the time permitted for the translation of contingency quotas into basic quotas were the first steps towards a future limitation of production. These misgivings had developed to the extent that in November, 1958, the South African Sugar Association agreed to impose a moratorium upon the allocation of further new quotas. This moratorium continued until April, 1959, when a directive was received by the industry from the Department of Commerce and Industries to the effect that the moratorium, which had been imposed without consultation with the Department, was to be lifted and all applications for new quotas which had been received since November, 1958, were to be considered. This lifting of the moratorium was followed by a spate of applications for new quotas. A considerable number of new quotas was allocated between April and August, 1959.

The danger of serious over-production in the near future was now becoming acute and in August, 1959, a large industrial delegation met the Minister of Economic Affairs in Pretoria to discuss the future policy of the industry. The outcome of this meeting was that it was agreed that allocations of new quotas

should cease on the 31st August, 1959, and that the industry would proceed to draft an amended Agreement to provide for the restriction of production, such restriction to come into operation from the 1st May, 1960. The requisite legislation by way of proclamation was duly drafted and an amended Sugar Industry Agreement was published under Government Notice No. 598 dated the 29th April, 1960.

AGREEMENT OF 1960 - RESTRICTION OF PRODUCTION

In terms of the amended Agreement, sucrose quotas as reflected in Schedule "A" as at the 1st May, 1960, became fixed sucrose quotas and were no longer subject to annual upward adjustment based on average production for two consecutive years. The machinery for the actual application of restriction was fully set out in Clause 25 of the amended Agreement. This is a long and somewhat complicated Clause and it is not proposed to reproduce it here. Suffice to say that the basis of restriction was the determination of an annual maximum industrial sugar quota representing the total tonnage of sugar required to fulfil the industry's local market and export commitments. Each grower had established for him by his Mill Group Board a farm mean peak in terms of cane, such farm mean peak being the sucrose quota of the grower concerned converted into terms of tons of cane. On the basis of the total of all farm mean peaks and the industrial cane quota (i.e. the industrial sugar quota converted into cane) the Central Board determined an industrial adjusting factor which was, in fact, the relationship between the industrial cane quota and the sum of all farm mean peaks. Individual grower's farm mean peaks multiplied by the industrial adjusting factor then gave each grower his delivery quota representing the tonnage of cane he was permitted to deliver for the season concerned. There were certain adjustments to these delivery quotas, as initially calculated, to provide for distribution of shortfalls on the part of certain growers but again, it is proposed to do no more than merely mention this aspect.

As may be imagined, the imposition of restriction following hard on the heels of expansion, without any intervening period of adjustment, created considerable hardship. The industrial adjusting factor determined at the commencement of the 1960 season was 75 per cent which was later amended to 77 per cent which meant that all growers suffered a cut of 23 per cent of their farm mean peaks. Many growers had been expanding their production in 1958 and 1959 but since deliveries of this additional production had not been made prior to 1960, the result was that in numerous cases growers' crops available for harvesting in 1960 were considerably in excess of their farm mean peaks. Provision had been made in the amended agreement for an independent Quota Tribunal to be set up to adjudicate on cases of exceptional hardship arising out of the quota provisions of the Agreement and something of the order of 700 applications for special consideration were made to the Quota Tribunal.

In November, 1960, the Minister of Economic Affairs determined that no grower should be required to carry over a surplus of more than 23 per cent of his available crop and this determination enabled those growers whose cane available for harvesting was in excess of their farm mean peaks, to deliver during the 1960/61 season, tonnages of cane considerably greater than they would have been entitled to have delivered in fulfilment of their delivery quotas calculated in accordance with the provisions of Clause 25 mentioned above. In 1961 a further provision was made, in terms of which the basic sucrose quotas of growers whose estimated production in 1960 and 1961 exceeded their quotas as at 1st May, 1960, were increased in terms of a formula set out in a special Schedule "G" to the Agreement. The industrial adjusting factor for 1961/62 season was fixed at 80 per cent which thus meant a cut of 20 per cent on farm mean peaks.

In November, 1961, the International Sugar Conference which had been convened in Geneva terminated without reaching

agreement on international sugar quotas and since that date the restrictive provisions of the International Sugar Agreement have been in-operative. Further, with the withdrawal of South Africa from the British Commonwealth in 1961, the sugar industry ceased to be a member of the Commonwealth Sugar Agreement. However, the industry succeeded in negotiating a five-year Agreement with Great Britain and Swaziland in terms of which it was to supply 150,000 long tons of sugar annually to Britain at a price which, although appreciably less than the Commonwealth Agreement negotiated price was nevertheless a considerable improvement on the then ruling world export price. This bilateral agreement, in fact, never ran its full term and was terminated by mutual consent with effect from the end of December, 1964.

The 1962/63 season commenced with an industrial adjusting factor of 75 per cent but, due to the absence of international sugar quotas and to the active selling policy adopted by the industry, it was possible to conclude satisfactory agreements for the export of substantial tonnages of sugar with the result that the industrial factor was improved to 85 per cent, then 90 per cent and, for all practical purposes, fell away entirely by the end of the 1962/63 season.

INCREASED PRODUCTION PERMITTED, 1963

The negotiation of favourable export contracts with considerable increases in tonnages to be exported led to a dramatic change in the conditions in 1963/64 as compared with those that existed in the 1960/61 season and, on the 21st June, 1963, the Minister of Economic Affairs announced that for the 1963/64 season, growers would be permitted to deliver the full tonnages which could be harvested from their registered quota land and that up to the end of the 1965/66 season quotas would again be increased on the basis of the highest average deliveries in two consecutive years.

During 1963, prices in the export market rose rapidly and attention was directed to a policy of expansion of production. After consultation with the industry in December, 1963 and January, 1964, the Minister of Economic Affairs on the 24th January, 1964, announced that it had been agreed to resume the allocation of new quotas and extensions of quota lands and that, as far as areas served by existing mills or mills which would shortly come into existence were concerned, applications were to be lodged with the Sugar Industry Central Board by the 29th February, 1964. This announcement was followed by a veritable flood of applications for new quotas and extensions of registered quota land, a total of some 2,700 applications being received by the closing date 29th February. The Central Board and special ad hoc Quota Boards which were set up to assist the Central Board in examining and deciding upon this mass of applications were occupied during practically the whole of 1964 on this task.

As far as new areas were concerned, the Minister had indicated that special provisions would be made as the need arose and special provisions were, in fact, made for quota applicants in respect of a new mill in the Natal Midlands, as well as for applicants in the Melmoth Area. The establishment of a new mill in the Malelane/Hectorspruit area of the Eastern Transvaal has also been agreed upon and the allocation of sucrose quotas to applicants in this area is at present receiving the attention of the industry.

A disturbing feature, however, is that the high export prices of 1963 and early 1964 have not been maintained and 1965 has seen a most serious falling off in export prices to the lowest price since the termination of World War II. The Geneva Conference of the International Sugar Council held during October and November, 1965, failed to reach agreement regarding export quotas or prices and the extremely low export prices still prevail.

Attention must be drawn to the effects of the unprecedented drought conditions which beset the South African sugar industry during the first half of 1965. So serious was this drought that a crop which, at the end of 1964 was confidently estimated to yield a production of 1,500,000 tons of sugar in 1965 has, in fact, dwindled to just over 1,000,000 tons. Favourable weather since the middle of this year has, however, improved the prospects of a more reasonable crop in 1966.

In view of the present situation both as regards the South African sugar industry and world sugar markets and prices, it might be apt to conclude this review with a quotation from Report No. 194 issued by the Board of Trade and Industries in 1935. In paragraph 62 under the heading "Restriction and Export" the Board of Trade had this to say:

"The industry expanded enormously on the eve of a heavy slump in world's sugar values. Now it is burdened with a planting and milling capacity out of all proportion to the needs of South Africa. As sugar production represents a long-period investment, restriction of output would be a much more serious matter than in the case of an annual crop, and in equity should be applied to the industry as a whole. And in the Board's view unless production is soon curtailed then the small planter and the smaller milling units have scant prospect of remaining in the industry. Therefore, without endorsing the industry's draft legislation in detail, the Board is of opinion that legislative sanction should be given to an equitable plan for restriction of production if and when a suitable scheme is formulated by the bulk of the industry."

SOURCES OF information

Report No. 194 of the Board of Trade and Industries;
South African Sugar Year Books;
Sugar Industry Agreements;
"The Future Development of the Sugar Industry" by Mr. A.A. Lloyd, February, 1952;
Post-War Expansion of the Sugar Industry" by Dr. G.H.S. Rossouw;
Sugar Industry Central Board records.