

Tongaat, Gledhow Mill defaults lead to R1bn loss for SA canegrowers as RV falls by 8%

The sugar industry is set to suffer a significant financial loss as the final revenue price (RV) for the 2022/2023 season experiences an 8% decline. The drop is largely due to the failure of Tongaat Hulett (THL) to pay the South African Sugar Association (Sasa) more than R900m by the end of March 2023, and the default by the Gledhow Sugar Mill, which is also in business rescue.



Source: [Freepik](#)

According to SA Canegrowers, these defaults violate the Sugar Act and Sugar Industry Agreement, leading to a significant decrease in growers' revenue and endangering the livelihoods of numerous small-scale and commercial growers.

In total, the defaults will cost the industry R1.5bn, of which R1bn is deducted from the growers' proceeds (the RV price). More than 20,000 small-scale growers will have to carry their share of the cost of these decisions, with the RV price (the final revenue determined for growers) dropping by R424 per tonne at the end of the season. The resulting decline in revenue now threatens the livelihoods of thousands of small-scale growers and the workers they employ.

In declining to meet their industry obligations, the BRPs at these companies are withholding funds generated from the work of the mills' supplying growers to the detriment of these growers' operations, workers, and suppliers.



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31 Oct 2022



"We believe that the industrial obligations set out in the Sugar Act and Sugar Industry Agreement are mandatory and apply to all members of the sector, including growers, millers and refiners.

"The payments in question are levies and monies collected on behalf of the Grower Associations, Sasa, and the other millers. The Grower Association and Sasa levies are critical income sources for Sasa and the Grower Associations in particular, while the millers' redistribution is also important to all millers' sustainability. Every section of the industry is therefore suffering immense hardship owing to the decision taken by the business rescue practitioners," says Andrew Russel, chairperson, SA Canegrowers.

"SA Canegrowers has written to Minister Ebrahim Patel to request government's intervention in light of the business rescue practitioners' decision not to pay the amounts owing to the industry. Even as the industry explores possible legal action, urgent action is needed to protect the industry's small-scale growers, workers, and value chain partners from financial ruin.

"Urgent and decisive action is needed from all role-players to ensure that South Africa's sugar industry is not fatally impacted. We will explore all options available to us to ensure that we protect the one million livelihoods the industry supports," adds Russel.

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