

Tongaat Hulett suspends Zim sugar cane pre-payments

Sugar producer Tongaat Hulett's Zimbabwean subsidiaries have suspended advance payments for cane deliveries after the Harare authorities told banks to stop lending, the company said on Thursday, 12 May, exposing farmers to possible cash flow problems.

By Nelson Banyu ^{16 May 2022}



Source: Victoria Priessnitz

The sugar producer's two Zimbabwe subsidiaries, the 50.3%-controlled Hippo Valley Estates Ltd and the wholly-owned Triangle Limited operate the only sugar mills in the country, with private growers - mostly smallholder farmers - contributing about 40% of the total sugar cane milled.

Tongaat Hulett group spokesperson Virginia Horsley told Reuters that, although farmers were due full payment for their sugar cane only after the processed sugar is sold, the company has made advance payments to growers to help provide them with working capital.

"Tongaat has traditionally agreed to utilise its borrowing facilities with banks to advance payments to farmers on a cost-recovery basis," Horsley said.

"Tongaat is only able to advance these payments if it is able to access lending facilities and following the recent monetary measures announced, farmers were notified that advances would be suspended."

Zimbabwe's government on Saturday, 7 May, ordered the suspension of all bank lending with immediate effect, saying the aim was to stop speculation against the Zimbabwean dollar, which has been rapidly devalued on a thriving black market.

Analysts and business organisations have said the government's lending freeze could worsen the country's economic crisis.

On Thursday, the country's leading dairy processor, Dairibord Holdings Ltd, said it had cancelled a scheduled dividend payment to conserve cash.

"The changes in the financial operating environment and resultant uncertainty have significantly disrupted the credit markets," Dairibord said in a notice posted on the Zimbabwe Stock Exchange website.

"This caused the company to revise the announced dividend position supported with the need to preserve working capital for the company."

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