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The rise and decline of small-scale sugarcane production in South Africa

A Historical Perspective

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PLAAS Working Paper 28: The rise and decline of small-scale sugarcane production in South Africa: A historical perspective

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TABLE OF CONTENTS

1. INTRODUCTION	1
2. FROM FAHEY TO VAN BILJON: A BRIEF HISTORY OF THE NATIONAL-CORPORATIST SOUTH AFRICAN SUGAR REGIME	2
3. SMALL-SCALE GROWERS EX MACHINA: THE EMERGENCE OF SMALL-SCALE PRODUCTION IN THE ERA OF RATIONALISATION.....	5
4. TOWARDS A REGIONAL REGIME: RE-REGULATION AND THE BOOM AND BUST OF SMALLHOLDER PRODUCTION.....	10
5. CONCLUSION	18
REFERENCES	21



ABSTRACT

South Africa's sugar industry has long been distinguished by its large number of small-scale sugarcane growers (SSGs) farming on 'communal' land and its peculiar, privately administered regulatory structure. In recent years, however, the number of small-scale growers has declined precipitously from a peak of around 50 000 in the early 2000s to fewer than 14 000 in 2011, a trend attributed by many to the impacts of drought. Over the same period, South Africa's sugar milling companies have been investing heavily in countries to the north, heralding substantial shifts in patterns of national and corporate production. As Brazilian sugar imports begin to penetrate the domestic market, the industry's organizing regulatory framework is also set to change, after more than 10 years of confidential negotiation. A re-appraisal of the structure of the industry, and in particular of the role of SSGs within it, is thus overdue.

This paper argues that the relationship between the rise and fall of small scale sugarcane production and the industry's governing regulatory structure is closer than usually appreciated. Critically, the emergence of SSG production in the late 1970s to the early 1980s can be traced to industry-subsidised initiatives, disguised as micro-credit, which brought commercially inalienable Bantustan land into cane production under strong miller oversight. From the late 1980s to the early 1990s, however, the elimination of these subsidies encouraged millers to withdraw from direct oversight and to subcontract farmer support, while simultaneously instigating an increase in SSG numbers by removing restrictions on grower registration. Enduring drought must certainly be understood as an important proximal factor in the rapid decline of SSGs in the 2000s, but their rapid increase in the first place was structurally fragile. In particular, these processes reflected SSGs shifting *structural* relationships to South African sugar milling and planting capital. Understanding these changes thus requires locating them within a longer-term historical drama characterised by crisis and competition, and driven by key contradictions of South African capitalism during and after 'late' apartheid.

Keywords: sugarcane production; small-scale growers; outgrowers



ACRONYMS

BIC	Bantu Investment Corporation
BTI	Board of Trade and Industry
CED	Corporation for Economic Development
CMO	Common Market Organization
DAFF	Department of Agriculture, Forestry and Fisheries
DAEA	Department of Agriculture and Environment Affairs
DoP	Division of Proceeds
DTI	Department of Trade and Industry
FAF/UAF	Financial Aid Fund/Umthombo Agricultural Finance
GSO	Grower Support Officer
ISA	International Sugar Agreement
KFC	KwaZulu Finance Corporation
LDC	Least Developed Country
MAFISA	Micro Agriculture Finance Institute of South Africa
NAD	Department of Native Affairs
PSE	Producer Support Estimate
PSF	Price Stabilisation Fund
SACGA	South African Cane Growers' Association
SAMA	South African Millers' Association
SASA	South African Sugar Association
SASRI	South African Sugar Research Institute
SGDT	Small Grower Development Trust
SIA	Sugar Industry Agreement
SPF	Supplementary Payment Fund
SSG	Small-Scale Sugarcane Growers
THS	Tongaat-Hulett's
TSB	Traansvaalse Suikerkorporasie Beperk



1. INTRODUCTION

As a consequence of South Africa's long history of racialised dispossession, the post-apartheid ANC government inherited a commercial agricultural sector defined by high levels of concentration and capital intensity, and of course, its (predominantly white) racial character. While policies to liberalise and de-regulate the sector from the 1980s onwards had, by the late 1990s, effectively removed most of the direct systems of subsidy and support received by white commercial agriculture, since then the rigours of global competition have resulted in the emergence of agro-food complexes of an increasingly integrated and industrial character (Bernstein 2013). Meanwhile, government has been frustrated in its attempts to incorporate black farmers into this emergent agrarian structure — over which it has less and less control — and attracted widespread criticism for the 'failure' of its land reform programme (Hall 2010).

The South African sugar industry, however, has appeared to stand apart from these trends. Although sharing the concentrated and capital-intensive character of much of South Africa's other agro-industries, the sugar industry has long been distinguished by its peculiar regulatory structure, and ongoing tariff protection from a world market in which many countries subsidise their producers. In terms of its social character, the industry has been marked by its unusual claim to large numbers of black, small-scale sugarcane outgrowers (SSGs), farming predominately under customary tenure in the former Bantustans (now termed communal areas), a feature largely attributed to the industry's extension of small-scale credit from the 1970s. Yet both of these distinguishing features are now in considerable flux.

In recent years 'South African' sugar capital has pursued an aggressive strategy of expansion and investment in enterprises located in South Africa's northern neighbours and, as cheap Brazilian sugar imports begin to penetrate the domestic market, the industry's regulatory structure is set for far-reaching reform by 2015, after more than ten years of confidential negotiations. Meanwhile, the number of registered small-scale sugarcane growers has declined precipitously amidst a long-term drought, from a peak of around 50 000 in the early 2000s to approximately 25 200 in 2012, of which only less than 13 044 actually submitted cane (SASA 2012: 17). Citing widespread fraud, default and the writing off of millions of rands in unrecovered loans, the industry has closed down its much-lauded credit scheme, and shifted the emphasis of its support to large- and medium-scale black sugarcane growers and the proactive facilitation of land reform. Yet while the happenstance of drought and the idiosyncrasies of small-scale production present significant constraints to small growers, neither condition is particularly novel, and do not account for their *generalised* decline. Questions of why the industry was compelled to terminate its credit facility when it did, and why small-grower production is so negatively affected by drought, requires a critical examination of the conventional narrative of the small growers' growth and decline.

In this paper I contend that the connection between the fortunes of small-scale sugarcane growers and the industry's organising regulatory structure is more intimate than is commonly supposed. Rather than 'small-but-independent' farmers nurtured by credit, a narrative which implicitly centres the growth of small-scale production on the 'correction' of a market 'distortion', I argue that the rise and fall of small-scale sugarcane production is closely tied to growers' shifting terms of incorporation into the broader industry, as mediated by different iterations of the regulatory structure. In particular, these changes conditioned a shifting structural relationship to fractions of South African sugar milling and planting capital. Understanding these changes hence requires locating them within a longer-term historical drama, one of crisis and competition reflecting key contradictions of South African capitalism during and after 'late' apartheid.

2. FROM FAHEY TO VAN BILJON: A BRIEF HISTORY OF THE NATIONAL-CORPORATIST SOUTH AFRICAN SUGAR REGIME

The initiation of South African sugar production in late-19th century Natal was somewhat peculiar insofar as conventional patterns of colonial trade with the European metropole were being disrupted by the end of the slave trade and rapid growth of the production of sugar beet in Europe. Nonetheless, early experiments in plantation production took hold during a brief period of reasonably high world market prices, and were quickly consolidated by the Natal government erecting import duties and importing over 150 000 indentured Indian labourers between 1860 and 1911 (Richardson 1982: 518–20; Halpern 2004: 26; Richardson 2009: 50–4; Friedmann & McMichael: 100).

As in Europe's tropical colonies, at first glance the plantation form's combination of sugarcane cultivation and sugar milling-processing appears as a necessary adaptation to the particular technical requirements of sugar production. This is due not least of all to the peculiar labour cycle imposed by the crop's requirement for immediate processing, thus defined by long growing periods punctuated by hurried harvests. As observed by Sidney Mintz (1986) in his seminal book *Sweetness and Power*, early sugar plantations embodied something of an intrinsically industrial-capitalist logic:

The combination of field and factory, of skilled workers with unskilled, and the strictness of scheduling together gave an industrial cast to plantation enterprises, even though the use of coercion to extract labor might have seemed somewhat unfamiliar to latter-day capitalists.

Mintz, 1986: 51–2

Nonetheless, as Richardson (1982) convincingly argues, the emergence of Natal's sugar plantations were not an inevitability, but were rather primarily conditioned by the relative concentration of landed property, driving high prices for land held largely for rental or speculative purposes (Richardson 1982: 520; Atmore 1985: 89). The social basis of the plantation system would be further reinforced up until the dawn of the twentieth century. As limits to expansion in the domestic market failed to compensate for low world sugar prices, many of Natal's plantations consolidated and took an increasingly corporate character as struggling individual planters were forced into the hands of merchant banks (Richardson 1982: 522–6; Graves & Richardson 1980: 226).

The opening of Zululand to sugar production, following its conquest and annexation in 1904, would provide a boon to sugar capital, but in a new social form which would fundamentally alter sugar production in South Africa. Most foundationally, while remaining *technically integrated* within vertical supply relationships, the expansion heralded the *social division* of sugar capital into two fractions: centralised sugar processing ('millers'), on the one hand, and sugarcane cultivation ('planters'), on the other. With the explicit objective of establishing a class of independent white commercial farmers, government surveyors allocated plots for the purposes of supplying new, centralised mills and processing facilities established by consolidated companies. In addition to enjoying the promise of a guaranteed supply base and government-fixed sugar prices, the mills were further erected largely on the basis of government-guaranteed loans (Minaar 1992: 19–20; Richardson 1982: 527; Lincoln 1995: 52).

In this initial phase, the Zululand expansion represented something of a 'triple-win' for milling capital, beneficiary settler-planters and the Natal and then Union government. But the emerging social division of sugar capitals created new contradictions, giving rise to struggles that would come to define the character of the industry. Perhaps even more fundamental was the more

pronounced, socially-defined division of the labour force, between skilled, largely white mill labour (much of which was sourced from Mauritius) and black field labour. Having missed the opportunity to exploit a servile, indentured Indian workforce, the Zululand planters were compelled to rely almost exclusively on African labour from the neighbouring reserves, the sourcing and disciplining of whom was a continual and preoccupying struggle. Most problematic was the fact that sugarcane farm wages remained endemically below those offered on the mines. While the prospects of above-ground work in the cane fields offered some enticement to men unwilling to work in underground mines, planters often experienced widespread desertion of labourers and competitive under-cutting of the wages they offered, particularly during peak harvest periods, and hence came to rely on offering advance wages. The 'problem' of African labour indeed became one of the central issues around which incipient planters' unions organised, coming into frequent conflict with the Department of Native Affairs and Department of Health. Although both departments refused to acquiesce to planter proposals to demarcate portions of the reserves exclusively for sugarcane production, and sought to shut down border 'trading stores' established to source Mozambican labour, planters' lobbies similarly acted to frustrate government's attempts to raise the living standards of black field labour (Beinart 1990: 6; BTI 1927: 4; Minaar 1992: 92, 96; Lincoln 1980: 43).

While unwilling to grant planters extraordinary powers over African labour at the expense of mining capital, government was more willing to ensure planters' commercial survival with interventions against the interests of milling capital. Government's influence over the industry's absolute surplus had always been strong owing to its powers to fix sugar prices and impose duties on sugar imports, but from the 1920s onwards the Board of Trade and Industry (BTI), under the chairmanship of first AJ Bruwer and then FJ Fahey, sought to manage the relative distribution of the industry's surplus between planter and miller sections (i.e. fractions of capital) by exerting control over the terms of exchange between them. A formula known as the cost-based Division of Proceeds (DoP) was implemented as the industry's central allocative mechanism, dividing *total industry proceeds* (in the domestic and export market) according to the *average costs* claimed by each section. Divided by measures of output, this would form the basis of cane and sugar prices. Although the DoP's premise on the division on average costs ensured a consistent incentive to improve productivity, special redistributive measures were also instituted to augment the earnings of small planters, while refiners (owned by milling capital) were granted a 'first charge' claim on total proceeds (and hence could make riskless investment). Vertical control over the sugar surplus further enabled government to ensure special rebate concessions to manufactures, industry absorption of freight charges, and an obligation to produce a cheap variety of 'grade 2' sugar (BTI 1931: 25; BTI 1947: 10, 30, 32-4) ¹.

Critically, however, the careful management of the *vertical* distribution of surplus was dependant on extending *horizontal* control over production. A persistent concern was the industry's dependence on a volatile world-market. Although import duties protected the domestic market from international competition, the industry was periodically lured into expanded production for export to take advantage of brief increases in world prices, typically followed by sharp price drops and declining sugar values for the industry as a whole. Two key measures were imposed to combat such recurrent crises of 'over-production'. The first was establishing a principle of *pro-rata* export, whereby each miller would contribute output to export commitments proportional to their share of national production, effectively dampening competition for domestic market share. Secondly, a system of quotas was instituted to exert

¹ Although summarised for brevity here, the actual sequence of events leading to government establishing and later modifying the DoP reveals the particular tensions between fractions of capital that underlay the centralised milling model. Initially, planters had been subsumed under Miller-Planter-Agreements (MPAs) carrying strictures of supply and pricing which heavily favoured millers. While millers had generally successfully resisted altering the terms of exchange, a concession allowing planters to share in export profits backfired when international prices dropped in the post WWI period. Planters successfully resisted sharing in export losses, and there was a breakdown of co-operation amongst millers. It was millers' desperation for higher import duties that first compelled them to negotiate with planters and a government broadly sympathetic to planter interests (BTI 1947:11-12; BTI 1927: 6).

quantitative control over total production, premised on estimates of domestic consumption and international export commitments governed by South Africa's obligations to the International Sugar Agreement (BTI 1947: 32–4, 44)².

The emergent national-corporatist regime was ultimately crystallised in the ratification of the 1936 Sugar Act that granted the re-constituted South African Sugar Association (SASA) statutory powers of self-regulation, and promised a new era of 'order' and 'rationality'. Most optimistically, it sought to promote productive efficiency, while 'resolving' the tensions between millers and planters, and simultaneously restraining the impulse to over-production and hence export-dependence. Moreover, although by dampening direct competition for market share the new regulatory edifice encouraged a tendency towards greater concentration in ownership, government was openly ambivalent so long as sugar prices were fixed by legislation and the distribution of total proceeds was carefully managed through strictly delineated terms of exchange. Extraordinary domestic growth during the post-WWII era appeared to vindicate this optimism. Productivity-enhancing agronomic methods and new varietal strains, together with innovations in loading, handling, and indeed milling techniques, kept pace with rapid growth in domestic sales. Moreover, despite persistent complaints from white planters, African labourers remained sufficiently disciplined to constrain widespread uptake of mechanical harvesting technologies (BTI 1947: 120–8; Van Biljon 1970: 7, 70).

However, by the early 1960s the promise of high export prices once again lured the industry into a phase of purposeful expansion, with the particular goal of attaining a high world quota during the re-negotiation of the International Sugar Agreement (ISA). The expansion was further preceded by a bitter war amongst different milling companies over ownership and control of the industry, culminating in a hostile takeover of Huletts, and concentrating the industry's ownership structure in a complex web of cross-cutting share-holdings, at the centre of which was the company CG Smith (Van Biljon 1970: 12; Lincoln 1980: 40). But the expansion did not pay off. Despite South Africa obtaining the desired quota, local production rose far beyond what was originally envisioned and a subsequent decline in world prices left milling capital (in which Afrikaners now had a stake in the form of the Traansvaalse Suikerkorporasie Beperk (TSB)) highly indebted (Nedbank 1976: 103, 133–5). Despite the fact that preventing export dependence had been an explicit purpose of the quantitative controls on production instituted in the 1930s, the industry once again found itself in a chronic state of over-production, from which it would not fully recover for over 30 years.

Government consequently stepped in to mediate yet again, extending a guaranteed loan to the industry and launching another Commission of Inquiry in an attempt to find structural solutions to the unfolding crisis. But the recommendations of the new Van Biljon Commission of Inquiry marked a fundamental shift in emphasis. Under Fahey, the BTI had focused on managing the vertical distribution of surplus, and controlling the overall or 'absolute' surplus rested largely on measures to restrict output within the confines of the relatively high-priced domestic market. Yet despite the fact that the crisis had largely been engendered in the first place by a purposeful expansion in production, the Commission's recommendations eschewed measures to restrain output in favour of *promoting* sustained competitive engagement with the world market. Its recommendations centred on maximising productive efficiency by 'rationalising' the industry's high-cost structure and promoting greater capitalisation. Some of the more notable recommendations included a phasing out of all subsidies to smaller producers as well as the complex system of miller transport subsidies to planters, the institution of a price-stabilisation fund (PSF) to ride-out 'lean' export years with surpluses garnered in 'fat' years, and a new tier

² As with the DoP, the institution of quantitative controls over production was heavily influenced by government's concern for the welfare of planters. Of particular concern was the rapid drop-out of planters after their agreement to share in export losses over the course of the Great Depression. Until quantitative controls were instituted, government considered millers to be acting with 'equanimity' in response to the drop out, opting to simply extend their own estate production rather than act in concert to reduce national production (BTI 1947: 32–4).

added to the DoP which accounted for a 'Return on Capital'. Furthermore, government's abolition of 're-sale price maintenance' in 1969 empowered retailers to sidestep wholesalers by purchasing directly from the industry's sales distributors and further engage in price competition, largely through new 'pre-packed' sugar, effectively extending industry integration with retailers and cheapening sugar at no detriment to milling capital (Van Biljon 1970: 15–17, 33, 49, 62, 64, 67).

3. SMALL -SCALE GROWERS EX MACHINA: THE EMERGENCE OF SMALL-SCALE PRODUCTION IN THE ERA OF RATIONALISATION

The full scope of 'rationalisation' would however be delayed by windfall earnings garnered in the early 1970s when record export prices were recorded³. These peak prices briefly re-awakened hopes for further industry expansion, and with government's debt fully amortised, simultaneously provided a basis for delaying its recommendations, particularly in relation to transport costs. At the same time, however, the apartheid government's policy of 'homeland' consolidation meant that some 17 000 ha of cane-growing land were about to be acquired for incorporation into the Bantustans. It was in this context, and hence no coincidence that the industry first initiated experiments to substantially extend cane production into the Bantustans themselves.

The centre-piece of the proposed expansion was the Financial Aid Fund (FAF), a small-scale grower credit scheme established with R5 million from the industry's record export earnings (SASYB 1972/3: 21). The underlying logic of the programme was fairly straightforward: owing to a lack of infrastructure, agricultural equipment and education, KwaZulu farmers were seen as largely 'subsistence oriented'. Moreover, owing to the prevailing system of customary tenure, potential farmers were unable to use their land as collateral for loans for purchasing inputs or equipment. FAF would allow a potential grower's crop to be used as collateral, and thus create a revolving small-scale credit fund offering low interest rates over a ten-year period. In addition to small-scale growers benefitting from the stewardship of experienced white planters and millers, industry constructed three training centres (costing R600 000) to help transfer knowledge of the latest scientific cane-farming practices (SASYB, 1984/5: 157; SASYB 1981/2: 48).

Certainly, initiatives to 'develop' small black farmers by drawing them into commercial sugarcane production were not an entirely new phenomenon. As observed by Vaughan (1992a), the idea of bringing black farmers into commercial production had been pervasive in earlier state planning documents such as the 1955 Tomlinson Commission, and asides on this issue can be found in Board of Trade and Industries (BTI) documents from the 1930s (Vaughan 1992a: 2; BTI 1931: 16). By the 1950s, the Native Affairs Department (NAD) had established a limited assistance programme for small-scale sugarcane producers, providing finance for fertilizer, seedcane and ploughing. As a result of such assistance, a total of 1 060 new SSGs began sugarcane cultivation on 4 409 ha, increasing the total area under small grower production to 7 616 ha by 1956 (Bates & Sokhela 2003: 107). Underlying such initiatives was the ideal of nurturing commercially independent, black 'yeoman' farmers, as articulated by one NAD official:

³ The increase is generally attributed to an unusually large amount of sugar imported by the Soviet Union and European Community after experiencing particularly poor crop years. The ISA responded by ordering signature countries to reduce their mandatory stocks, but the measure failed to abate the increasing price and quotas were effectively suspended. Augmented by speculation, prices boomed to an unprecedented peak: whereas in 1967 prices had stood at R32 per ton, by 1974 they had hit R243 per ton. (BTI, 1976, p. 7) The industry windfall in 1972 and 1973 amounted to R100 million and R190 million (versus an average of R30 million per annum from 1967-70) (BTI 1976: 7), enabling the industry to fully amortise the balance of its R16 million debt to government, allow a 0.5c per kg price decrease, and pay R19.6 million into the price stabilisation fund, which reached R94.5 million by 1975 (BTI 1976: 9).

Our whole aim is to make the Bantu [sic] self-sufficient, but experience has shown that this is not achieved by giving everything for nothing. At the same time we appreciate that the Bantu [sic] lacks capital. For that reason we will help in the initial stages of the scheme. We hope eventually that the tribal authorities for the area will take over complete management.

Cited in Vaughan 1992a: 3

In principle, the vision informing the FAF was not radically different. From its inception the Fund considered itself as 'not simply a provider of monetary aid [but a] development agency' and favoured a policy to pursue the "establishment of fulltime farmers on viable land units" (SASYB 1974/5: 50). Much to the frustration of the Fund, however, both of these conditions would prove difficult to achieve. One obstacle was the prevailing patterns of land distribution in KwaZulu, which were found to be 'fragmented' in 'uneconomic' sizes. Furthermore, with Bantustan economies characterised by high levels of migrant labour, the Fund's early policy of seeking 'full-time' farmers and not extending support to those seeking to augment off-farm income was similarly problematic, and exacerbated by a general shortage of labour and insufficient interest in agriculture, particularly by young men (SASYB 1975/6: 50).

Moreover, the expansionary conditions which had provided the main impetus for promoting small-scale production receded as quickly as they had advanced. As high world prices regressed to their chronic pre-peak lows, the 1970s gave way to renewed struggles, both between government and the industry as a whole and between miller and planter fractions of capital. In relation to the former, as funds from the PSF were rapidly depleted and industrial costs surpassed export earnings, the industry urged a reluctant government to raise domestic sugar prices. While government resisted, millers and planters also struggled with each other over the distribution of the industry's standing surplus in increasingly arcane battles over the definitions of 'depreciation' and 'return on capital' employed in the Division of Proceeds (BTI 1976: 18–26).

In spite of these constraints, the figures paint a compelling picture of FAF's apparent success. In 1972, the year before FAF's inception, 3 455 small-scale growers delivered 376 986 tons of cane; seven years later, in 1979, those figures had more than doubled, with 8 070 growers submitting 873 023 tons from an area of around 38 000 ha (Rorich 1982: 8). Moreover, FAF continued to expand and attract more resources in the face of the recessionary and inflationary conditions of the 1970s. Indeed, the liquidity of FAF had come under growing pressure, as annual lending exceeded R1 million as a result of rapidly inflating development costs. Though initial per hectare development costs were anticipated to stand at around R200 per hectare for the initial 5 000 ha, by 1977 per hectare costs had risen to R630, and by 1981 over R13 million had been extended to SSGs for 13 338 ha of new development and 6 527 ha of ratoon management. Despite these pressure, the Fund's overall capacity was nonetheless raised to R10 million, and was further granted another R1 million from the industry's development fund, a concessionary R500 000 from Barclays at 3% interest, and began turning to financial markets to augment its reserves (SASYB 1974/5: 49; SASYB 1975/6: 49; SASYB 1978/9: 49; SASYB 1980/1).

Understanding why FAF and small-scale sugarcane production not only persisted but expanded throughout the 1970s, however, requires closer examination of the political and economic terms of small-grower incorporation into the sugar industry. A key feature of the initial expansion was the way in which FAF's developmental mission articulated with South African 'homeland' policies and with the KwaZulu Bantustan government's 'development' structures. From the outset, one severe problem was the weakness of prevailing infrastructure, particularly in regards to roads and local cane depots (or 'zones'), compelling FAF to seek 'cooperative

action' with the Bantu Investment Corporation (BIC) (SASYB 1974/5: 50), which had been involved in funding sugar initiatives for several years. The BIC was replaced by the Corporation for Economic Development (CED) in 1977, but following the recommendations of the 1978 McCrystal Report, it too was replaced by individual Bantustan development agencies (in this case, the KwaZulu Development Corporation), and six years later, the KwaZulu Finance Corporation (KFC).

The CED had always supported the establishment of miller-owned 'development companies' to facilitate a 'tripartite alliance' between the KwaZulu Department of Agriculture, millers and small-scale black farmers. In 1976, the first of such companies, Sukumani, was established by Tongaat, and provided with soft loans from the CED (and later, the KFC) for on-lending to small-growers, contractors and for capital works such as the building of loading zones (Rahman 1997: 8). In 1980 C.G Smith's development company, Inkanyezi, was founded and by 1982 it employed 64 extension officers in addition to the KwaZulu government's own 60-plus (SASYB 1984/5: 157; SASYB 1981/2: 48). Furthermore, when a crippling drought occurred in the early 1980s, relief emanating from the KwaZulu government was further channelled through the Fund (SASYB 1980/1: 49). The precise extent of KwaZulu government assistance, particularly relative to that provided by FAF, has not been quantified (SASYB 1984/5). In 1982, however, the chairman of SASA commented in public on its significance:

With regard to the backing that the Fund receives, I must pay tribute to the tremendous role played by the KwaZulu Department of Agriculture and Forestry, which together with millers and growers have provided all the infrastructure and extension services necessary for the development of sugarcane lands in KwaZulu. It is estimated that the infrastructure provided by KwaZulu has to date matched in value the loans advanced by the Fund.

(emphasis added) SASYB, 1981/2, p. 39

These strong institutional links between the KwaZulu government and miller 'development' companies such as Sukumani and Inkanyezi, are only part of the picture. Of crucial importance was the position of the development companies within the regulatory structure of the industry as a whole. In particular, as miller subsidiaries, development companies were incorporated within the division of proceeds as 'millers' costs, thus increasing millers' claims on total industry proceeds. As observed by Rahman (1997), development companies therefore enjoyed three bonuses:

The first involved political and financial backing by state agencies, the second concerned the operation of the FAF credit system which came tied with their services; the third is the attribution of their overheads and variable costs as milling costs by their miller parents. As milling costs, though they are in reality sugar growing costs, they went towards the cost based division of proceeds! These development companies not only did profitable business with smallholders, they recouped their overheads and variable costs in the division of proceeds.

(Emphasis added), Rahman, 1997, p. 23

Critically then, the supply of small-scale sugarcane was firstly cheapened through the effective subsidy of the KwaZulu government, and secondly augmented millers' relative claims on the total industry surplus through the division of proceeds, i.e. *at the expense of planter capital*. This augmented claim was accentuated with the introduction in 1990 of the 'two-pools' system of cane pricing. Within this system, returns to growers and millers would hence be subdivided into

an 'A-pool' representing the higher-priced domestic quota and a surplus 'B-pool' production which would fetch lower world market prices. Small-scale grower production, however, would always receive 'A-pool' prices. Thus by increasing the small-scale cane proportion of their supply base, millers would simultaneously further increase their share of returns from the domestic market. As such, small-scale grower production acted as something of an extension of millers' own-estate production. While born of a short-lived impulse by the industry to expand levels of production, small-scale growing was maintained, under conditions of contraction, as a strategy that served the interests of a particular fraction of sugar capital — the milling companies.

The 1980s saw an intensification of world market dependence and continued exposure to the pressures induced by global 'over-production'. While the strain of export-dependence had been briefly offset by the spike in world prices in the early 1970s, two severe droughts in 1980/81 and 1983/84 prevented the industry from realising the benefits of a second dramatic peak in export prices. In addition to missing this second potential export windfall, by 1985 the ISA had completely collapsed, taking with it the advantage of South Africa's exceptionally large quota. Exports were also beginning to be constrained by gradually advancing international sanctions against apartheid South Africa (Lewis 1990: 3). As industrial costs stubbornly exceeded total proceeds with an increasing proportion of production accounted for by a constrained and low-priced world-market, and with an increasingly debt-burdened industry calling for domestic price increases, government launched yet another investigation into the structure of the industry in 1982 (SASYB 1982/3: 194; SASYB 1983/4: 44).

Starting where the Van Biljon Commission had left off, the Rorich Commission argued for greater 'flexibility' through 'rationalisation'. Its most far-reaching recommendation was the complete removal of all the transport subsidies hitherto provided to planters by millers. Yet the Commission's reasoning that planters would thus be 'incentivised' to switch to more economical means of transportation, and that the removal of the subsidies would encourage the exit of white planters located at 'uneconomic' distances from mills, was accompanied by a recommendation to issue new quotas to plant 65 683 ha with cane and produce an estimated additional 335 000 tons of sugar per year. Two-thirds of this expansion would come from small-scale black growers in the Bantustans, with 33 200 ha in KwaZulu, and further 1 000 ha, 6 000 ha, and 4 000 ha from Mangete, KaNgwane and the Transkei respectively (Rorich 1982: 14). In their original depositions to the Commission, SASA had been reticent about any the potential for 'horizontal' expansion to new cane areas, arguing that 'vertical' improvements in productivity would allow projected growth in demand to be met. Anticipating the exit of 'uneconomic' white farmers, however, less capital-intensive black growers were seen as helping to meet this demand. Indeed, miller plans to construct newer and ever more consolidated processing facilities, which would need large quantities of throughput to be economic, were anticipated to include provision for expanding small-grower supply bases⁴.

There was also a national-political dimension to the decision to provide more quotas to small-scale growers. Representations made by the KwaZulu government stressed the positive 'developmental impact' afforded by increases in small-scale cane production (as evident in higher numbers of black farmers registered, a larger area under cane, etc.). But perhaps an even more cogent argument was the potentially *legitimising* role of small-scale sugarcane production.

⁴ Perhaps most notable was Tongaat-Hulett's endeavour to consolidate its Empangeni and Felixton mills into 'Felixton II', which at a cost of R150 million would boast an output capacity greater than the previous mills combined, and CG Smith's similar effort to raise the capacity of its Sezela, Illovo and Noodsburg mills (SASYB 1980/1: 19). While these expansions were anticipated to yield economies of scale, both the short-term increase in capital expenditure and the boost in output they pre-supposed accentuated the squeeze between high production costs and low export returns. To the extent that small-growers acted as an effective extension of millers' own-estate production, they could act as a 'wedge' against planting capital, in a class strategy analogous to that pursued by milling capital in the 1930s, when millers expanded their own cane production while less-capitalised planters dropped out of the industry as a result of the heavier burden they carried of low international prices under stringent terms of exchange.

KwaZulu government representatives argued that a failure to expand small-scale production would 'cause scepticism among the KwaZulu people regarding statements by leaders of the sugar industry that it is in the interests of the country to ensure positive economic development for Black people' (Rorich 1982: 10). Indeed, in the wider context of South Africa's involvement in the Mozambican civil war, the link between local economic stability, political legitimacy and national security was also made explicit: in the case of expanding an irrigation project at KaNgwane and local cane production by white farmers near the TSB mill, government emphasised the 'gravity of the potential danger to South Africa if border regions should become depopulated' (Rorich 1982: 12).

Independent studies of small-scale sugarcane farming in the 1980s, however, threw doubt on the notion that an independent class of sugarcane farmers was emerging, as implied in the industry's claim that it was promoting 'development'. One of the earliest and most cited studies was Cobbett's investigation of sugarcane farming in two communities located about 100km from Pietermaritzburg: Nqunquma, where farmers had supplied the Noodsberg mill since the 1960s, and Newspaper, where farmers had supplied the Glendale mill since the 1970s. Producing on small and unequally distributed land-holdings, only about 14% of homesteads at Newspaper with more than 4 ha under sugarcane were able to meet their basic subsistence requirements from sugarcane earnings, and none such homesteads did so at Nqunquma (Cobbett 1984: 11). With cane growing resulting in the displacement of both food cropping and cattle grazing, both communities had become dependent on a mixture of cash-income from sugarcane and migrant labour earnings, a pattern confirmed by Vaughan in the Glendale, Sezela and Amatikulu supply areas (Vaughan 1991: 8; Vaughan & McIntosh 1993: 443, 447, 453).

Furthermore, small grower production regimes were marked by substantial if somewhat varying levels of direct miller intervention. Cobbett (1984: 8–9) for instance found that at the Newspaper site, a condition of loan finance to small-scale growers was control by the mill over its use and application, in effect leaving only the task of weeding under the control of applicant homesteads. In Nqunquma, concerns over trajectory could be inferred by the fact that many sugarcane growing homesteads had fallen into a vicious spiral of decreasing returns, input purchases and yields following the repayment of their loan. Similarly, Vaughan observed that in the Sezela and Maidstone areas a substantial proportion of cane establishment was undertaken by the mill, in which 'teams of labourers employed by the mill weed and fertilize for growers on request' (Vaughan 1992b: 441), a process replicated in ratoon management. As one Sezela mill staff member asserted, 'We must stop trying to make farmers out of growers who own "postage stamps" [insignificant parcels of land]' (Vaughan 1992a: 13). Rather than inspiring a class of independent farmers, as observed by Vaughan, 'the relationship between grower and company may, in these cases, resemble that between lessor and lessee' (Vaughan 1992b: 428). While Vaughan found a difference of attitude at the Felixton and Amatikulu mills, where authorities stressed their 'objective is to develop people not land', it was admitted that this was contingent on an 'expanded and refined' extension system, intended 'to maximise cane supply through very close monitoring of the production process' (Vaughan 1992b: 440).

For Rahman (1997), the differences between these 'developmental philosophies' were materially conditioned by relative levels of urbanisation in different sites, which influenced the availability of non-agricultural employment opportunities, as well as population pressures resulting in residential land-leasing or 'shack-farming'. In 'more rural' areas with lower population pressure and fewer employment opportunities, miller intervention had less of a 'military' character, with millers performing few physical operations themselves, and marked by lower uptake of FAF loans (Rahman 1997: 9).

In many sugarcane growing-areas millers had further purposefully sought to introduce a new intermediary class by encouraging the emergence of small black 'contractors'. Employing a discourse of support for 'entrepreneurs', miller development companies together with KwaZulu

government development institutions adopted a policy of extending loans to selected individuals within small grower supply areas for purchasing tractors to provide short-haul cane transport and land preparation services. Although such initiatives pre-date the 'rationalisation' of the cane transport system (i.e. the removal of miller transport subsidies and 'transport costs' from miller cost claims on the division of proceeds), that they gained stronger emphasis after rationalisation is surely not coincidental. In Cobbett's study, local business elites took up these opportunities at Newspaper, creating cartels to control pricing and to some extent reinforcing existing wealth differentials, while in Nqunquma a plethora of initial contractors quickly went out of business (Cobbett 1984: 13). Vaughan (1992a) provides similar examples of contractors facing severe difficulties in sourcing and managing labour, in equipment failure, and general disorganisation. While the decision to foster this class of black, intermediary contractors was justified as a way of fostering 'employment' opportunities, the empirical evidence suggests that, at best, small-scale contracting was profitable for a small elite capable of organising themselves to prevent competition, thus at the expense of small-holders, and at worst, an economically volatile and ultimately unprofitable enterprise (Vaughan 1992a: 7).

Encouraging small-scale sugarcane production thus came about largely as a result of an implicit convergence of interest between milling capital and the apartheid state. A burgeoning crisis of over-production had resulted from increased capital investment, expanded output and a growing reliance on the volatile export market. Although the increase in small-scale production was initiated during a brief expansionary phase underpinned by an unprecedented peak in export prices, and was motivated in part by the threat to supply posed by the process of land acquisition for Bantustan consolidation, the instrumental role of small-growers in helping millers to navigate the pressures of the contractionary phase that followed, sustained the early growth. As recessionary conditions deepened, small-growers not only provided a source of effectively state-subsidised cane to increasingly fewer and more capital-intensive mills, they enabled millers to enlarge their share of the total industry surplus. These benefits were particularly significant for millers in the course of transport rationalisation (with its anticipated reduction in cane supply from outlying areas, and increase in costs claimed by planters from the DoP), i.e. in further shifting the cost burden of the rationalisation to the planter capital. Meanwhile, in a general context of growing civil unrest, industrial action, and loosening control over African mobility, small-scale sugarcane production also presented an opportunity to bolster and legitimate the KwaZulu government's authority by nurturing a conservative class of commercial agriculturalists.

Indeed, the expansion of small-scale sugarcane production continued apace through the 1980s and early 1990s. The number of registered growers had expanded to over 20 000 by 1989, when restrictions on registration were lifted. This would see the further immediate 'entry' of 7 500 'illegal' growers, bringing total number to well over 30 000 (Vaughan & McIntosh 1993: 447). By the early 1990s, small-scale growers had increased their total share of the national area under cane from 1.3% to 20% (Bates & Sokhela 2003: 117). In the democratic era, however, the regulatory framework upon which small-holder production was predicated would fundamentally shift.

4. TOWARDS A REGIONAL REGIME: RE-REGULATION AND THE BOOM AND BUST OF SMALLHOLDER PRODUCTION

As I have argued thus far, the origins and initial growth of small-scale grower production was intimately linked to their structural relation to fractions of sugar capital within a wider national-corporatist regime. Rather than emerging organically as a response to a market gap enabled by the provision of small-scale credit, or as the outcome of simple, benevolent developmentalist policies, the core impetus behind expanding small-scale sugar production derived from a 'class strategy' by milling capital to contend with the pressures resulting from 'rationalisation' and

deepening world-market integration, and one which would succeed largely at the expense of grower capital. Similarly, the rapid decline of small-scale sugarcane production cannot be understood without an appreciation of the substantial, though in some ways obscure, shifts in the political economy of South African sugar industry since 1994. Two broad, on-going, and interrelated processes are of critical importance. The first is the reform of the industry's regulatory structure, while the second concerns the aggressive northward expansion of South African sugar capital. Both processes have fundamentally altered both the structural position of small growers and their wider political importance.

Given that intensive government support to agriculture under apartheid generally was clearly aimed at sustaining a class of white capitalist farmers, the incoming ANC government was strongly influenced by arguments that liberalisation, deregulation and greater competition would lower food costs and pave the way for new black entrants into commercial agricultural production (Department of Agriculture and Land Affairs 1996; Bernstein 2013: 24.). While the Rorich Commission had already endeavoured to introduce more 'flexibility' in the sugar industry through rationalisation, there was a risk that the new democratic administration would extend this neoliberal logic to sugar and completely dismantle the regulatory structure. The survival of this structure through the 1990 and early, 2000s, however, is testament to the industry's political foresight and savvy, and its continued statutory powers of self-regulation can largely be understood in terms of the inter-locking arguments it made and the strategies that it pursued.

The first, and perhaps most basic, argument was that sugar was a 'special' case. As sugar industries worldwide remained both protected and enjoyed substantial subsidy, de-regulation would lead to a 'dumping' of subsidised sugar on the domestic market and ensure the collapse of the domestic industry. Secondly, while de-regulation might thus ensure a steady supply of cheap imported sugar to consumers and downstream manufacturers, this could threaten around 85 000 permanent and casual jobs on mills and farms in addition to 350 000 jobs linked more indirectly to sugar (Godfrey et al. 2003: 11). Moreover, unlike other sub-sectors, the sugar industry could boast the participation of thousands of small-scale black sugarcane farmers as well as a growing number of large black farmers benefitting from the industry's pro-active transfer of estate lands and its role in market-based land reform⁵. The final argument and strategy, however, would be the most-subtle: the industry would pre-empt government by undertaking its own measures of limited de-regulation; first, by amending the existing Sugar Industry Agreement (SIA) in 1994, on the verge of South Africa's first democratic elections, and then subsequently replacing it with a different agreement in 2000.

The new regulatory dispensation carefully sought to lend an appearance of enhanced 'flexibility' and greater 'competition' whilst preserving the oligopolistic structure of the national-corporatist regime. While government price control was abolished and sugar now consequently priced from the point of sale from individual mills (rather than on a national free-on-rail to Durban basis), SASA established a 'notional' cane price by which to calculate proceeds for division in the DoP, now premised on a fixed proportional division between miller and grower sections. However, as cane prices reflected the major variable cost of all mills, any difference in sale between the notional price and actual sales was for the account of the miller, thus

⁵ The transfer of estate lands to medium and large scale black 'New Freehold Growers' (NFG) began in 1995 and Inkezo was established to facilitate transfer of white commercial farms in 2004. By 2006 358 black sugarcane farmers had benefitted from purchasing or transferring 42 397 ha of land – about 10% of land under cane. The industry further argued then that if combined with the estimated 74 226 ha under small-scale sugarcane production the total cane land area under black hands would amount to 28% – close to government's land reform target of 30% of white-owned agricultural land. The performance of NFGs has been mixed, but on average sustained lower yields in that period (Armitage et al. 2009: 355-7; Kleinbooi 2009: 197-8). Although not disaggregated in these terms, in SASA's 2012 industry directory 21% of land under cane is now in the hands of NFGs, but to what extent this is a consequence of the transfer of more cane-lands combined with a total decrease in the area under cane (from 412 979 ha in 2008 to 378 307 ha in 2012) is unclear (SASA 2012: 5-27). This shift in emphasis to supporting large- and medium-scale rather than small-scale farmers paralleled government's 'second cycle' in land policy that favoured redistribution for larger, 'commercially viable' farming operations (Hall 2010).

dissuading price competition (DTI 2003: 4). Secondly, although quantitative measures of control were formally abolished, a new system of 'flexible market shares' was instituted, in which each miller's proportional share of national production entitled it to a corresponding share of the domestic market (based on continual rolling estimates), with the balance being demarcated for export. Should a miller over-sell, however, they would be bound to redistribute proceeds in excess of their 'market share', minus a manufacturing allowance, to 'under-sellers'. This system of 'flexible market shares' allowed SASA to retain a measure of quantitative control and effectively prevent predatory pricing or other strategies to increase local market share (DTI 2003: 14). Critically, sharing the domestic market provides a basis to maintain the system of single-channel export market for bulk sugar, effectively spreading exposure to the world market proportionate to each mill's production rather than the destination of its actual sales. The domestic tariff, previously based on achieving import parity with the domestic price, was meanwhile replaced with a 'flexible' tariff derived from the long-term average world price of sugar, and adjusted upward to accommodate 'distortions' of subsidy in other producer countries (DTI 2003: 11).

Despite the more 'flexible' features of the new regulatory structure, the sugar industry continued to enjoy substantially higher levels of support than other sub-sectors⁶, and its relationship with government remained tense. This was made forcefully clear by the Competition Tribunal's rejection of a planned merger between Tongaat-Hulett's and TSB in 2000, soon after the new Sugar Industry Agreement had been approved. The Tribunal viewed the merger as an attempt to 'pre-empt efforts to intensify competition through progressive deregulation' (Competition Tribunal 2000: 15) and was adamant that the industry continued to be characterised by oligopolistic practices of collusion and market segmentation.

We repeat: the manner in which the equitable proceeds arrangement is operated provides no incentive for producers to reduce excess supply. They will always be able to sell their excess production on the international market at a more or less attractive price; and they will, because of the operation of the equitable proceeds arrangement (including single channel marketing), always be able to maintain the domestic market price at import parity. Hence even when prices are low internationally they will have the cushion of the domestic market and when prices increase internationally they will earn a windfall. Hence there is no incentive to reduce excess supply — on the contrary there is every incentive to expand supply ad infinitum while continuing to deny domestic consumers any advantage from this expansion in output. Whenever domestic regulators question the equitable proceeds arrangement they will be met with the same refrain: 'if we divert our excess supply to the local market it will cause a catastrophic drop in price' — the likelihood is that this excess supply will continue to expand thus rendering this argument increasingly powerful. But it is a self-fulfilling prophecy.

Competition Tribunal 2000: 20

While the industry grappled with the state's ambivalence over (or, in the case of the Tribunal, hostility to) its regulatory structure, the new democratic dispensation also created new opportunities. Although South African-based sugar capital has historically had a presence in Southern Africa more broadly, in recent years milling companies have aggressively expanded into Southern Africa, bolstered by South Africa's post-apartheid reintegration into the Southern

⁶ A 2006 OECD index of Producer Support Estimates (PSE) for different agricultural countries and sub-sectors showed that 23.2% of the domestic sugar price was effectively subsidised, compared to a national average of 5% for other agricultural commodities (OECD 2006: 4).

African Development Community (SADC). Often entering via the preferential purchase of ailing state companies, this northward expansion has not only enabled millers to take advantage of better agro-ecological conditions for cane production, but afforded new opportunities in a shifting global economy of sugar production in consumption. Most notable among these are new European market-access opportunities available to 'Least Developed Countries' (LDCs) under the EU's 'Everything-But-Arms' (EBA) resolution⁷ and rising international prices partially as the result of the burgeoning market for ethanol⁸ (Richardson 2009: 92–115; Richardson 2010: 919; Hall 2011: 10; Lincoln 2006: 125).

This regional expansion has heralded a dramatic shift in patterns of production and corporate profitability. Indeed, as can be seen in Table 1 below, the production profile for the two largest milling companies, Illovo and Tongaat-Hulett's, has shifted dramatically over the past decade: whereas in 2002 the South African market accounted for 57% and 70% of Illovo and Tongaat-Hulett's production respectively, it now accounts for only 29% and 44% (and a relatively marginal proportion of operating profit), with TSB now surpassing both companies' share of the South African market. Aggregate production in South Africa has also declined dramatically, from a peak of 2.75 million tons in 2003 to 1.82 million tons in 2012. Moreover, of this amount only 1.68 million tons was absorbed by the domestic market, 44.9% of which comprised industrial sales, leaving only 137 176 tons having to be exported in 2012 compared to the 1.47 million tons exported in 2003 (SASA, 2012, p. 26). With the decline attributed largely to drought, cane production has declined from 21 million tons from 430 000 ha in 2005 to 16 million tons from 378 307 ha in 2011 (and 16.8 million tons in 2012). This has been accompanied by a decrease in the number of large-scale commercial farmers, from around 2 000 in 2003 to around 1 730 (including 323 black farmers) in 2012 (Germishuis 2007: 3; Esterhuizen 2012: 4; SASA 2012: 17, 26).

The new opportunities for regional expansion have enabled milling capital to overcome (or at least, dramatically forestall) some of the compounding contradictions of industrial agro-accumulation within South Africa without undermining its oligopolistic regulatory structure. As discussed above, from the 1970s onwards these contradictions manifested most fundamentally as a gradually advancing crisis of rising costs, with income from the higher-priced domestic market increasingly failing to compensate for greater volumes of sugar destined for a low-priced world-market. The expansion northwards has brought opportunities for cheaper sugar production as well as enhanced marketing opportunities. Furthermore, the northward shift in milling capacity has also helped to lower national production in South Africa, and hence help ease the 'saturation' of the domestic market.

The impact of these seismic shifts in the political economy of sugar production in Southern Africa on South Africa's small-scale growers, has received little attention to date. As argued above, growth in small-grower production was largely predicated upon its usefulness to millers as one component of their 'class strategy' aimed at increasing their relative share of the industry's surplus in a broader context of rationalisation. For different reasons, support for small-scale black growers also attracted the political support of the apartheid state. Reform of the industry's regulatory apparatus after the advent of democracy maintained its core functions, but its impact on the terms of small-grower incorporation was dramatic, most conspicuously in

⁷ This has occurred concurrently with the dismantling of Europe's Common Market Organization (CMO) on sugar, resulting in the slashing of formerly protected EU sugar prices, and coming largely at the expense of African-Caribbean-Pacific countries which previously enjoyed preferential access to the protected, and hence higher priced, European market under the Lome and Cotonou conventions. Richardson (2009) has convincingly argued that the EBA acted as a wedge in sacrificing the interests of Europe's domestic sugar producers and ACPs toward concluding new bilateral free trade 'Economic Partnership Agreements' (Richardson 2009: 92–115).

⁸ Indeed, the preferential terms of investment offered by host countries marked a stark contrast to the ambivalence of the DTI and the hostility of the Competition Tribunal. Tongaat-Hulett's 2000 annual report noted that 'in view of the Tribunal's finding that further expansion in the domestic market is barred to Tongaat-Hulett Sugar, the SADC countries and other international arenas will be pursued to provide appropriate avenues for investment' (Tonga Hulett Group Ltd 1999: 14).

Table: Comparison of regional sugar production and operating profit by Illovo and Tongaat-Hulett's in 2002 and 2012

Country	Company	Mills	2002						2012					
			Production				Operating Profit*		Production				Operating Profit	
			Total (mt)	Export (%)	National (%)	Company (%)	%	Rm	Total (mt)	Export (%)	National (%)	Company (%)	%	Rm
South Africa (total)**	Total		2.403	48.00%	100%	-			1.822	7.50%	100			
	Illovo		1.110	38.50%	46.5%	57%	42%	314.9	0.441	5.00%	24%	29%	7%	94.43
	THS		0.860	?	36%	70%	?	?	0.486	?	26%	44%	26%	354.00
	TSB		0.431	?	17.9%	100%	100%	55	0.615	?	34%	100%	100%	352.00
Swaziland	Illovo	Umbombo	0.179	0.00%	36%	9%	10%	78	0.224	?	35%	15%	6%	80.94
Zimbabwe	THS	Triangle and Hippo Valley**	0.296 (0.544)	?	54% (100%)	24%	?	?	0.372	?	100%	34%	45%	621.00
Malawi	Illovo	Dwangwa and Nchalo	0.215	46.50%	100%	11%	20%	153	0.283	42%	100%	19%	39%	526.11
Zambia	Illovo	Nakambala	0.199	51.70%	99%	10%	21%	160	0.374		93%	25%	33%	445.17
Tanzania	Illovo	Ruembe and Msolwa	0.072	0.00%	42%	4%	-	-	0.113	0%	38%	7%	11%	148.39
Mozambique (total)	Total		0.100	20%	100%				0.344	58%	100%			
	Illovo	Maragra	0.015	0.00%	22%	<1%	-	-	0.091	?	23%	6%	4%	53.96
	THS	Xinavane and Mafambisse	0.071	?	71%	6%	?	?	0.233	?	67%	21%	29%	402.00
USA	Illovo	Monitor Sugar	0.162	0.00%	36%	8%	7%	50	-	-	-	-	-	-

Compiled from: Tongaat-Hulett's 2012: 18–20, 65; Tongaat-Hulett's 2002: 26; Illovo 2012: 2, 10–11, 28–30; Illovo 2002: 18–23, 39; Remgro 2012: 52; Remgro 2003: 8; Remgro 2004: 19; SASA 2012/13: 26; Zacarias & Esterhuizen 2013: 5–6; Helm 2003: 4)

*Excludes Tongaat-Hulett's sugarcane operations in Swaziland. Operating Profit was not reported for TSB, and headline earnings are used here instead.

** Excludes 'independent' Glendale, Umfolozi and UCL company mills.

*** Hippo Valley was acquired by Tongaat-Hulett's in 2006 from its parent company, Anglo American. The bracketed figure represents production of Zimbabwe as a whole, the unbracketed represents Triangle estates alone.

the reform of the division of proceeds (DoP) in 1994, just two weeks before South Africa's first democratic elections.

The initiative to reform the DoP was driven largely by the SACGA's concern over the 'cost' basis of the division, particularly the extent to which millers' cost claims were rapidly out-pacing growers'. As a consequence of the Rorich Commission's initiative to rationalise the industry and lower its overall cost base, growers now shouldered the full burden of cane transport costs. SACGA bemoaned the fact that in their efforts to lower transport costs, growers were 'giving up [whatever savings were being made], and the millers picked them up in terms of the division' (Rahman 1997: 22). SACGA also contended that millers were manipulating costs by postponing savings, maintaining uneconomic mills (such as Mt Edgecombe) to increase their cost base, enjoying refinery-first charges, and, moreover, were claiming small-grower 'development' costs. With South Africa on the verge of political transition, both miller and grower sections were loathe to invoke yet another government inquiry, and sought to find an 'in-house' resolution. They made the decision to dismantle the cost basis of the division of proceeds, and agreed to apportion proceeds henceforth in terms of a fixed, 64:36 proportional split between grower and miller sections respectively. In addition, the two-pool system (see above) was abolished four years later, in 1998, effectively removing this further incentive for millers to support small-scale growers.

The impact of the new DoP would have immediate reverberations. The mill at Mt Edgecombe was closed within a year, and the mill at Eston was relocated. Moreover, mill-based 'development' companies, no longer able to use their costs to claim the mill's share of total industry proceeds, were prompted to:

[take a] 'hard look' at their small growers, their circumstances (especially grower debt levels and bad debts) and their importance to the mill concerned ... the costs of development (establishment), re-planting and ratoon management ... a procedure to manage withdrawal ... [and] whether there is local capacity to provide the services formerly provided by the development companies ... mills may need to subsidise contractors, transport costs etc.

Rahman 1997: 23

With 'development companies' facing closure and miller support services to farmers similarly set to dwindle, the industry looked for new measures to sustain small-scale production. Although the material basis of millers' support for small-scale production had been removed, small growers had retained their political importance to the industry as whole, particularly in lending support to its contention to government that drastic deregulation and/or liberalisation of sugar would have severe negative impacts on the rural economy and the welfare of poor, black South Africans. Despite the reality that small-scale cane growers remained under-capitalised and constrained by the small size of their land parcels, it was argued that with the right arsenal of institutional supports, they could overcome these constraints. Moreover, with South Africa on the brink of political transition, particular effort was made to imbue the new institutional structures with an overtly 'democratic' flavour.

Endeavours to promote the representational inclusivity and the capacity of small-scale growers were among the industry's earliest initiatives in the lead up to 1994, and focused on incorporating the KwaZulu Cane Growers Association into SACGA. Small-scale growers were now to be directly represented in SACGA and given equal voting powers to their large-scale counterparts, despite their much lower proportional contribution to total cane production. The Small Grower Development Trust (SGDT) was established in 1992, with an initial R21.6 million, to facilitate this transition. Given a broad mandate to 'promote economic empowerment of SSGs

and ... develop viable and independent cane growing communities' (Bates & Sokhela 2003: 116), a key focus of the SGDT was on training elected small-scale grower representatives, while covering the operational costs of their structures. SACGA also adopted a number of new administrative and advisory functions aimed at enhancing small-grower capacity. Notably, there has been the deployment of 'Grower Support Officers' (GSOs), tasked with institutional and technical support for small growers. Their duties include (though in practice often exceed) facilitating the functioning of representative organisations, coordinating cane-supply logistics in communal areas, and conducting training in cane husbandry (Armitage et al. 2009: 359).

Technical and financial support mechanisms for small-holders were also reconfigured. One early effort was a new 'partnership' or 'joint-venture' launched between the South African Sugar Research Institute (SASRI) and the provincial Department of Agriculture and Environment Affairs (DAEA) in 1996 to replace the extension support previously provided by millers and the KwaZulu government (Eweg 2009: 7). A second notable change was FAF's 2001 re-launch as Umthombo Agricultural Finance (UAF). While remaining committed to extending small-scale credit, Umthombo was no longer able to rely on mill staff to administer and oversee the application for loans, and therefore sought to maximise the efficiency of their modest staff complement by adopting a more stringent screening process (Bates & Sokhela 2003: 113). This new complex of institutional support mechanisms was the result of a subtle but crucial *structural* shift. Previously integrated into the industry as veiled extensions of milling capital under tight management regimes involving direct interventions in production and logistics, small growers were now reconstituted as small but 'independent' capitals, 'democratically' incorporated within SACGA. Yet in their intimate pairing, the simultaneous processes of *rationalisation* and *democratisation* masked a net decrease in material support to small-scale growers, who despite their inclusion in representative structures, remained vertically subsumed in monopsonic relation with miller processors. In other words, insofar that growers' remained embroiled in close and less advantageous relations of exchange with millers, their realignment as a small 'independent' fraction of planting capital disguised their accentuated marginality in the wider social division of a still highly technically and economically integrated process of sugar production.

Nonetheless, high levels of growth in both small-scale grower numbers and production in the 1990s appeared to vindicate the new regime and give credence to the industry's claims to be promoting 'development', particularly in the 'more rural' areas of Sezela and Umfolozi⁹. By 1999 the numbers of small-scale growers had swelled to around 50 000, and their share of national production doubled from 7% in 1992 to 14% in 2002 (Bates & Sokhela 2003: 107). For perhaps the first time in the industry's history, small growers indeed appeared to be emerging as 'developing' independent growers, and by 2003 SSGs were no longer officially registered as mill 'employees' (Godfrey et al. 2003: 11).

By the early 2000s, however, the new regime had already begun to show signs of what, in hindsight, can be identified as unsustainable tendencies. One disquieting pattern was the marked unevenness in small-scale production. By 1997 only around 8 000 small growers were estimated to survive solely off income from cane-production, and by 2003 (Sokhela and Bates

⁹ Indeed, anticipation of changes to cane supply following the removal of mill-site rights and reform of the division of proceeds would certainly seem to have been the motivation behind CG Smith's sale of its Glendale mill and the purchase of the more rural Umfolozi mill, and Tongaat-Hulett's attempt to purchase the ailing Ntumeni mill, both in 1992. Illovo (formerly CG Smith) sold both the Glendale and Umfolozi mills in a BEE transfer to the Sokhela family in 2004 and 2005, while the Umfolozi mill was subsequently purchased by a consortium of white cane growers in 2009. Ultimately Tongaat-Hulett's did not purchase the Ntumeni mill, which subsequently closed down after filing for bankruptcy. However, Ntumeni had become largely dependent on its small grower supply base as a result of Tongaat-Hulett's refusal to surrender any mill-site rights to some white-commercial farmers situated close to Ntumeni, but nonetheless compelled to supply the more distant Amatikulu mill. What was left of Ntumeni's supply base was effectively absorbed into Amatikulu, which appeared to have suited Tongaat-Hulett. Indeed, according to Minaar (1992) there were 'accusations that SASA was colluding with Tongaat Hulett's to block the scrapping of the registered quota land (RQL) regulation which ties cane production to specific mills' (Minaar 1992: 163).

2003: 109) estimated that more than 50% of total production originated from only about 20% of growers. With estimates of the minimum economic land size for South African dryland cane production of around 10 ha (Mbowa & Nieuwoudt 1998: 405), low incomes were obviously in part the result of the small size of land-holdings within the former Bantustans (and also their highly unequal distribution), as well as constraints to growth in farm size. This is evident in the partially observable (but systemically untraceable) tendency for under-resourced growers to enter into leasehold arrangements with other, better-resourced growers seeking to exceed their customary allocations (Munro 1996: 11).

A second factor was weakening support and oversight capacity. The SASRI-DAEA partnership was not able to provide the personnel and degree of organisational oversight previously available through milling company teams comprising section managers, field officers and extension officers. Although the SGDT would train more than 20 000 small growers by 2007, it could not attain financial self-sufficiency; by 2002 small-scale sugarcane growers contributed only R2 million of the R27.2 million in costs incurred by the Trust (Bates & Sokhela 2003: 113; Armitage et al 2009: 359).

Of particular concern to Umthombo, however was the growing tendency for growers to engage in fraud, whereby after receiving a loan a grower would submit their cane under a neighbour's production code and enjoy the full returns from the crop without amortising their debt with the fund (Bates & Sokhela 2003: 114). Despite a low default rate in the early 2000s, without the direct oversight of production by millers, and the industry and state subsidies that supported it, FAF/UAF was suddenly exposed to the economic vulnerability and the opportunism of its targeted beneficiaries. The growing prevalence of fraud and default eventually compelled Umthombo to close its credit facilities and write off millions of rands in unrecovered loans.

By the time drought had begun to afflict KwaZulu-Natal in the mid-2000s, small growers found themselves subject to a generalised (though uneven) cost-price squeeze. In response, the SASRI-DAEA partnership successfully distributed over R60 million worth of 'free' fertilizer in eight weeks, with SACGA also ensuring some effective redistribution of proceeds through a flat rebate for VAT and diesel fuel. In addition, Supplementary Payment Fund (SPF) transfers (of which 64% was effectively contributed by large-scale growers and 36% by the milling companies) more than quadrupled growers' net operating income from R367 to R1 654 per ha, although with only few hectares at their disposal, the effective returns to small-scale growers were limited (Armitage et al 2009: 363)¹⁰. Moreover, although Umthombo's financial services have since been restricted largely to a savings/retention service¹¹, government's Micro Agriculture Finance Institute of South Africa (MAFISA) has recently earmarked about R50 million for sugarcane, of which about R7 million has been disbursed (DAFF 2012). SACGA has continued to seek novel institutional responses to address the constraints faced by small-scale growers, and to date these have largely revolved around promoting co-operatives and assisting with incremental re-planting schemes (Munsamy 2012). While these interventions have no-doubt helped to arrest the rate of decline of small-scale production, however, they have also failed to reverse it.

The massive growth of small-scale sugarcane production in the 1990s and early 2000s, characterised in part by the prevalence of leasing agreements between producers and fraudulent credit practices, was thus something of a 'bubble', ultimately 'popped' by the harsh circumstances of the drought which gripped KwaZulu-Natal in the mid-2000s. Attempts to

¹⁰ To provide some sense of context, the National Planning Commission provides a rough poverty line reference of R524 per capita, per month (NPC, 2013). While providing an important source of additional income, sugarcane production in South Africa is hence generally insufficient to push individuals or homesteads with the average size of landholdings (1-4 ha each) out of poverty.

¹¹ When a grower submits their cane, a section of growers proceeds can be withheld as 'savings' for later re-investment in planting, inputs, ploughing etc. However, growers often are unaware of the service, or face frustrations in accessing the funds timeously.

institute more open and 'democratic' institutions to represent small-scale growers, while laudable in themselves, were not a substitute for the material and structural underpinnings of small-scale production provided by the previous regulatory dispensation, 'patrimonial' as it was.

The shifting terms of small-scale growers' incorporation into the South African sugar industry is critical to understanding their rise and decline. Equally important, however, is the role of the regulatory structure of the sugar industry as an instrument for mediating its deeper contradictions, at once social, economic, and political. The nature of these has also shifted over time. In the first instance, while reform of the DoP undermined the material interest of millers in supporting small-scale production at the expense of large-scale planters, millers' aggressive expansion into Southern Africa has effectively ameliorated the chronic crises of domestic over-production, relative instability of cane supply and low-world price dependence which characterised the national-corporatist regime for many decades. Secondly, a pointed industry strategy to pre-empt land reform through the facilitation of transfers of estate lands and white farms to medium and large-scale black growers has reduced the singular political importance of small-scale growers as black agriculturalists dependant on the industry for their support and survival.

These shifts are perhaps most evident in waning industry interest in preserving its national-corporatist character. The review of the Sugar Act poised for completion in 2015 is likely to decentralise industry-wide governance to 'vertical slices' comprising particular mills, their supplier growers, and downstream processing (SACGA 2013: 7). In the absence of more information, the implications for cane-pricing and the division of proceeds remain unclear, but dismantling the milling-grower division would certainly preclude any return to the kind of surplus-shifting regulatory measures which characterised small growers' original terms of incorporation, and is likely to accentuate the bargaining power of monopsonistic millers in relation to their supplier-growers. While the recent increase in Brazilian sugar imports would suggest that the sugar tariff will probably remain in place or even rise, at least in the short term, the recent passing of mandatory biofuel blending schedules for ethanol indicate that biofuel production is set to emerge as a potential alternative mechanism for 'surplus removal' to exports (Wenberg 2013; Mail & Guardian 2013; Sugar Online 2012). In tandem with the growing proportion of total sugar consumption accounted for by manufactures, this combination of reforms appears set to encourage heightened levels of industrial integration in South Africa's sugar market, a reduction of the surplus-product sold in the low-priced world market, and an effective 'shake-out' of less efficient and less capitalised growers and mills. In the context of the increasingly regional and corporate character of sugar production, South Africa would seem to be set to be 'carved-out' as a specialised enclave of domestic production and consumption, in contrast to but complemented by, production for preferential export markets located in the region.

5. CONCLUSION

My analysis of the rise and fall of small-scale sugar cane production is somewhat provocative. Perhaps most challenging is its opposition to many conventional perspectives on what fundamentally constrains the livelihoods of the landed poor of South Africa and how to improve their welfare. Many such perspectives resemble the position articulated by the Native Affairs Department (NAD) more than 60 years ago (see section 3 above). Although the NAD's vision of 'self-sufficiency' has undergone something of a semantic recoding into the currently fashionable notion of 'sustainable livelihoods', the goal of nurturing the economic autonomy of the poor remains central to both mainstream and 'radical' positions. Often the constraints on such autonomy are understood in terms of either 'market failures' or 'market distortions', or alternatively market 'domination' by corporations. In post-apartheid South Africa, however, as

in many other countries, the most influential vision at present is one premised on promoting market competition via liberalisation and deregulation.

Yet it is small-scale cane growers' very decoupling from large-scale milling capital that today underlies their relative poverty. A key factor is the massive downscaling of production and logistical support services previously performed by millers for small growers as a group. Reconstituted as 'independent' capitals, growers now compete directly with a highly-capitalised large-scale grower segment. Their 'independence' is analogous to that of hypothetical garment piece-workers 'freed' from producing 100 shirts an hour using company machinery, and now sewing 10 shirts an hour using their own sewing machine and paying for their own raw materials.

Even if those garment workers enjoyed greater representational rights, subsidisation of thread by the company, and access to small-scale credit services, these would be a paltry substitute for the objective decline of their productive conditions and the reduced income they received as a result. Such is the nature of the shift of small-scale growers from being 'propertied proletarians', or effective 'lessees' of land, to 'autonomous' petty-commodity producers. It is autonomy to attempt to survive by any means possible, or to wither away, in the face of the generalised and unrelenting drive to increase the scale of production and improve productivity that underpins competition in a capitalist economy, or what a large-scale commercial farmer recently referred to as 'Natural, Simply Capitalism' (cited in Bernstein 2013).

But while these 'natural' forces may have a general character, the contradictory forms in which they are constituted, and which mediate them to a degree, are always highly uneven and contingent. In the historical account of the sugar industry presented here, it is clear that its regulatory structure has played a critically important role in ensuring the survival of both large planters and small growers in different periods. With the backing of the state, a core function of the regulatory structure was to provide a means to codify preferential terms of exchange on the domestic market. In contrast to conventional developmental approaches that seek to adapt targeted beneficiaries to the rigours of the market, here the market was adapted to the structural limitations of particular producers.

The analysis in this paper, however, also exposes the considerable tensions and contradictions inherent in the national-corporatist sugar regime. Perhaps the most obvious and enduring constraint to intra-industry surplus redistribution is the overall limit of the value of the surplus. Secondly, whatever its internal distribution mechanisms and their outcomes, a core tension arises when the interests of one particular industry is buttressed at the expense of others. How can one evaluate an industry's broader contribution to employment and trade against the relative benefits of efficient (that is, cheap) production of commodities, both as direct wage goods and/or raw material to downstream manufacturers? Thirdly, the values prevailing on the world sugar market act as a final limit, even when tariff protection from other producers is considered politically feasible. Indeed, as we have seen, the mercantilism (i.e. manipulation of the terms of trade) of South Africa's sugar regime in the past was viable only in the context of an expanding domestic market.

These fundamental tensions reflect, of course, the highly contradictory dynamics of capitalism more broadly. Encouraging petty commodity production is not necessarily the most 'socially optimal' option in many contexts. But it is the question of *having the option* that concerns us here.

The regionalisation of sugar capital seems to have resolved the problem of 'over-production' from the perspective of ensuring *corporate profitability*, but as an issue of *national development*, the contradictory politics of regulation remain highly relevant. The current trajectory would appear to represent the best compromise as far as the interests of large-scale

sugar capital are concerned. The emerging dispensation appears set to effectively address the issue of 'surplus-removal', comprising as it does both 'demand-side' statutory measures that support a bio-fuels market, and 'supply-side' regulatory reforms which threaten to 'shake-out' less capitalised growers by restructuring the industry on a decentralised (but vertically and industrially-integrated) basis. From the perspective of the state, this may well go some way to preserving existing levels of employment in sugar milling operations while achieving the price benefits of liberalisation in the long-term, even if this is at the expense of sugar consumers in the short-term.

But such a path carries the foreboding corollary of entrenching the highly concentrated and capital-intensive character of a key component of South Africa's agro-industrial economy. Perhaps most disturbingly, the review of the Sugar Act threatens to cement (or even further catalyse) the generalised decline of small-scale sugarcane production, permanently eliminating the legislative basis of the systemic mechanisms which underpinned their historical growth, and further narrowing the range of economic opportunities available to the landed poor in South Africa's former Bantustans.

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