

Sugar Industry's Prospects

Mr. G. C. Sulin's Survey of Past Year

The annual general meeting of the South African Sugar Association was held in Stability Buildings, Smith Street, Durban, on Thursday, 22nd July, 1954.

Mr. G. C. Sulin, the chairman, presided and in his address said:

Gentlemen:—It gives me pleasure to present for your approval the annual report of the Council and the accounts of the Association for the year ended 30th April, 1954. Both the report and the accounts have been in your hands for some days, and I do not think it necessary for me to make detailed reference to the results of the operations of the Industry as reflected in the report, or to the financial transactions recorded in the accounts, although when they are open for discussion, I shall be pleased to receive any questions or comments which any delegate may wish to submit.

It is by now common knowledge that the Sugar Industry exceeded its previous record of production by a substantial margin during the year 1953-1954. Since the previous record crop of 685,798 tons of sugar was produced in 1950-1951, the Industry has suffered two consecutive seasons of the most adverse climatic conditions, and the programme of expansion designed some years ago to meet increased consumption was seriously dislocated. It is therefore with pleasure that I am able this year to emphasise the consolidation of the progress made last year in recovering from this setback to the Industry's development. You will recall that it was in 1947 that an Expansion Committee set a target for the short-term future of 725,000 tons to be reached in the 1951-1952 season. There is no doubt that this level would have been attained had it not been for the serious droughts of 1950 and 1951, in consequence of which it was not until the 1953-1954 season which has just ended that production reached a total of 725,429 tons of sugar. Although we cannot overlook the possibility of future setbacks, and experience has shown that these can be severe, I nevertheless believe that the productivity of the Industry has reached a level at which the requirements of the South African local market are assured for many years to come, and consumers need not fear a recurrence of the shortages experienced in varying degrees since the war.

Quota Controls Removed

The most important feature of the Industry's marketing policy during the year was the removal on 1st June, 1953, of all quota controls on sugar distribution in the local market. For a period of 8½ years circumstances had made it necessary for the Industry to regulate distribution within the limits of available supplies; at times this unavoidably caused inconvenience to direct consumers and interfered with the manufacturing programmes of secondary industries. The Industry welcomed the termination of this long period of controlled distribution and all the adminis-

trative difficulties which it involved, and looked forward to the return to conditions of open market trading.

It was anticipated that with the withdrawal of quotas, there would be an increase in local market consumption, and a preliminary allocation of 678,000 tons was made to meet this increased demand. The long period of restriction had, however, given a false impression of the true level of sugar consumption in South Africa. No one knew how the release of invisible stocks accumulated during the period of shortage would depress the demand. The trend experienced in other countries following the removal of rationing was therefore repeated in this country, and the market requirements reflected a decrease of approximately 30,000 tons compared with the previous year of more or less unlimited supplies, representing an overall fall of about five per cent. This decrease was attributable in about equal proportions to direct consumers and to manufacturers.

I do not consider that this temporary recession in consumption is a true reflection of the normal requirements of the domestic market. After allowing this past year for re-adjustment to the new conditions of plentiful supplies, we may expect to see a more accurate level of consumption re-established this year at a figure estimated at 600,000 tons.

Since the basis of the economy of our Industry is this large and stable internal demand, it is appropriate that we should review the position against the general background of the past few years, and the prospects for the future. It is only 15 years ago that the sugar requirements of South Africa for the first time reached a total of 300,000 tons—only half of the present total. The war and post-war periods were responsible for tremendous developments in the national economy, which were reflected in sugar consumption being doubled in this brief span of years. It is extremely doubtful whether any one of us in 1939 would have been bold enough to predict that the sugar requirements of the Union during the following decade would reach a total of 600,000 tons, the figure attained in 1950.

Future Prospects

It is to-day equally difficult to forecast to what extent the undoubted future prosperity of South Africa will affect the consumption of sugar. I believe that with the enormous expansion of industry that is taking place throughout South Africa, and the consequent strengthening of purchasing power, particularly of the large non-European population, there must follow a greater demand for sugar acknowledged as one of the principal energy-producing foodstuffs so essential to the human body.

In reviewing the prospect of future market outlets I believe it is essential to give the subject serious and close attention. All those responsible for the production of sugar, whether as cane growers or sugar millers, and all those

concerned in ensuring the supply of the future sugar requirements of this country, either as administrators of industrial policy or as the responsible officials of the Government, should see in clear perspective the road which lies ahead.

There have arisen at times vague fears in the minds of some producers concerning the threat of over-production, with the ensuing economic strangulation imposed by quota restrictions. These feelings of uneasiness are perhaps due in some measure to reports of a downward tendency in world free market prices, and reductions in the quotas of suppliers to the world free market.

It is true that in certain parts of the world there are producers who will experience difficulty in finding markets for their surplus production, but in the Commonwealth we are fortunate in having established the security of our sugar industries upon a sound foundation, the cornerstone of which is the Commonwealth Sugar Agreement. Among Commonwealth producers, South Africa is even more fortunate in not having to depend for the economy of its Sugar Industry on its export market, both as an outlet for production and for price.

The overall quotas established under this Agreement have been recognised as irreducible in the International Sugar Agreement, and for the period of the Agreement, which at present extends eight years ahead to the end of 1961, South Africa's export quota is 200,000 long tons, equivalent to 224,000 short tons. In addition to this quota an agreement has been entered into with The Rhodesian Refinery for the supply of 27,000 long tons up to and including the year 1959. Although this market may diminish as production in the Federation increases, it provides for an appreciable time an additional outlet for our Industry, and raises the total of the export outlets to about 250,000 short tons.

It is therefore reasonably safe to assume that during the next eight years the prospective markets available to the Industry will increase to a level of well over 900,000 short tons of raw sugar. This assessment of the situation should dissipate the uncertainties in the minds of producers. Rather than induce an atmosphere of pessimism, it should serve to stimulate even greater efforts to raise the level of production not only by physical expansion in the Industry, but by improving still further the present high standards of agricultural and milling efficiency.

No Room for Complacency

Here I must reiterate the assurances given in the report of the Council that the purpose of the amendments to the Sugar Agreement, which are now receiving Government consideration, is to ensure that in the event of control of production becoming necessary at some future date—a contingency which at present seems highly unlikely—this will be effected with the least possible dislocation and economic inconvenience to producers.

In assessing the future prospects of available markets, I must also emphasise that there is no room for complacency and that despite the creation of new production records in succeeding years, the Industry must continue its efforts to develop economic production. We have a duty to fulfil to the consumers in this country by meeting their full

requirements in the years ahead; we have a duty to the Government in carrying out our obligations in return for which we are assured of a reasonable return for our product; and we have a duty to our export market buyers in the United Kingdom and Canada.

It is of the utmost importance to the future of this Industry that we should preserve the hard-won markets which have been established overseas. For several years, through lack of performance, the prestige of South Africa as an exporting country was at a low ebb. We were in serious danger of losing our status and forfeiting our rights to participate in these markets. It was only the dramatic recovery of the past two years that enabled South Africa to vindicate its claims to a substantial quota in the export market. These claims must continue to be upheld, and it must therefore be a major objective of the Industry to fulfil to the very maximum its obligations to supply its share of the sugar requirements of the Commonwealth importing countries.

This call to greater effort will be of no avail unless the Industry is able to go forward in the full confidence that it has the complete support and co-operation of the Government in assuring, at all times, a sound and stable economy, based on an internal market price which is remunerative to efficient producers.

If we are to continue to enjoy the confidence of the Government, as I believe we shall, then it is incumbent upon us to ensure that this Industry is developed to the highest degree of efficiency. In carrying out this task I am quite certain we shall not fail and, in turn, we shall have earned the right to recognition by the Government, and by the consumer, of our legitimate claim always to maintain a price structure giving fair and reasonable returns.

The Price of Sugar

The price of sugar in South Africa is to-day among the lowest in the world. There are few countries which enjoy a retail price of 5d. per pound for refined sugar, and can purchase a direct consumption sugar of good quality at 4d. per pound. These prices have now been maintained for two years and, although it was thought that the upward spiral of production costs had reached its peak, the Industry was disquietened by the heavy burden which increased wages and higher railway tariffs placed upon its economy. The advantageous prices offered in the export markets reached and passed their peak before the Industry had recovered sufficiently to derive full benefit from them. These prices are receding, and while negotiated price sugars are still above the prices received in the local market, it must be borne in mind that it is only a portion of the export market which enjoys this higher price.

The downward tendency in export market prices, together with the continued pressure of rising costs, must emphatically dispel any notions that the Industry is in a position to concede a reduction in local market prices. The most that can be hoped for is that the economy of the Industry can be maintained on the basis of the existing level of prices.

Although I have emphasised the vital importance to the Industry of a stable local market, it must be remembered that it has always been a cardinal principle of the production

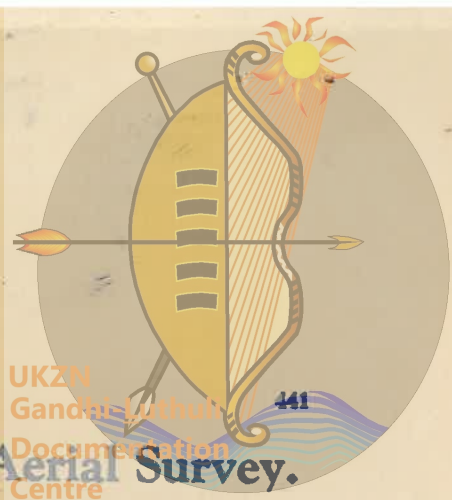
policy of the Sugar Industry that there must be a substantial export outlet to provide a market for production surplus to the domestic requirements of South Africa. It is true that the return from this market in pre-war years fell to disastrously low levels; yet an outlet was provided, and the establishment of stability by the negotiation of long-term agreements has largely removed that fear of insecurity usually associated with international trading in sugar. It was unfortunate that adverse circumstances prevented South Africa from taking advantage of the substantial quota which was assigned in 1949 at the preliminary negotiation of the Commonwealth Sugar Agreement, and also prevented us from enjoying the benefits of the export prices which reached and passed their peak before the Industry was able to recover from the ravages of drought.

It was, however, a source of very great satisfaction when South Africa was in a position to resume the export of sugar in the latter half of 1953. As our export quotas are now fixed on a calendar year basis, performance must be reviewed within this period. In 1954, exports of sugar from South Africa totalled 85,174 long tons against available quotas of 227,000 tons. In 1953 it is certain that the negotiated price quota of 157,000 long tons will be completely fulfilled; the quota of 27,000 tons which the Industry is permitted to supply to Southern Rhodesia will be delivered by 31st December, and the remaining quota of 43,000 tons, which we are authorised to sell in the preferential or world free markets, may also be exported depending upon crop prospects between now and the end of the year. This must be regarded as an impressive performance by the Industry when reviewed against the background of the almost complete lack of export performance during recent years.

This programme of exports for 1954 has been arranged only after making absolutely certain that the Industry will be capable of meeting the entire sugar requirements of South Africa which, as I have already stated, are estimated for the current season to reach 600,000 short tons.

The Industry's contribution towards the national economy therefore does not end with the supply of domestic sugar requirements. The fulfilment of all export quotas during 1954 will result in the accrual to the foreign exchange resources of the country of an amount of very nearly £9,000,000 since this figure now represents the gross proceeds of realisation of the Industry's export business.

The year which lies behind us represents a most important chapter in the economic development of the Sugar Industry. It was productive of much material progress and proved the great resiliency of the Industry in recovering from adversity. It also tested the physical capacity of the Industry for vast endeavour. The production of 6,221,000 tons of cane and the labour involved in its cultivation and harvesting; the milling of this cane and the manufacture of 725,000 tons of sugar; the movement of this large crop to Durban and its despatch to the Industry's markets throughout South Africa and in Rhodesia, Nyasaland, the United Kingdom and in Canada, called for a high degree of co-ordinated effort on the part of all the Industry's European and non-European employees. I should therefore like to pay tribute to those men and women of all races who contributed their share of skill and energy



Progress of Aerial Survey.

The work on the aerial survey of the Sugar Industry, which is being carried out by Air Survey of Africa (Pty.) Ltd. to the order of the S.A. Sugar Association, is proceeding apace. By the end of June, 1964, photographs had been taken and marked from Durban to a line running east and west through Stanger. A further stretch of country extending almost to the Tugela, and east of a line running northward from Stanger, has also been photographed, but these photographs have not yet been fully marked up by the Liaison Officer, Mr. G. S. Moberly.

So far approximately 500 miles of photographic flights have been flown, and some 1,200 photographs taken. Fresh batches of completed maps are coming off the press each week. The Liaison Officer reports that considerable interest in this mapping work is being shown by planters whose farms have been visited for the purpose of marking the photographs preparatory to the maps being made.

When the marking of the photographs has been completed they are sent to the mapping office of Messrs. Hunt and Burrows where the maps are prepared. As soon as each map is ready the planter will be advised, and the map will be sent to him on receipt of payment at the rate of 9d. per acre.

Completed maps will show boundaries, roads, tram-lines, buildings, streams and field outlines, with the numbers or names and the areas of such fields to the nearest tenth of an acre. The maps are printed in black and white on strong white calico sheets. They do not show contours.

Hawaiian Production

Hawaiian sugar production in the past season totalled 1,099,323 short tons, a record for the island. Output in the previous season amounted to 1,020,450 short tons.

towards this great industrial effort, and who helped to maintain the reputation of this Industry as one of the most efficiently organised national undertakings in South Africa.

In presenting the accounts this year, I would specially call your attention to the new form in which a consolidated revenue and expenditure account has been prepared to provide a comprehensive picture of all the Association's financial undertakings. Attached to this statement is a schedule showing the allocation of levies, and how the levies amounting to over £2,000,000 were distributed in fulfilment of the various industrial obligations, equalisation funds and inter-party adjustments. The following accounts give details of the financial administration of the Association's activities during the year and do not, I feel, call for any special comment.

Gentlemen, I now move the adoption of the report of the Council and the accounts of the Association for the year 1953-1954 which are before you.

The motion was seconded by Mr. Sidney Mayer and carried unanimously.