SHORT NON-REFEREED PAPER

SMALL-SCALE GROWERS AND CONTRACTORS: UNDERSTANDING THE WORKING RELATIONSHIP TO IMPROVE THE QUALITY OF SUGARCANE DELIVERED

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Introduction

Small-scale growers form the majority of cane growers in South Africa and contribute to the sustainability and long-term growth of the South African sugarcane industry. For the 2017/18 season total number of SSGs amounted to 20 269; producing total tonnage of 1.85 million tons from 37 455 hectares area under cane (refer to Appendix 1 for mill area figures). SSGs rely on contractors, there are fewer contractors to provide services that will help them deliver quality cane for better Recoverable Value (RV). It is therefore critical to ensure that SSGs get the most value from contractor services to ensure sustainability.

Literature Review

Small-scale sugarcane contractors are generally described as SSGs that provide mechanical (land preparation, crop maintenance and cane transportation) and labour (cane cutting) services to fellow SSGs (Sokhela *et al*, 1998). The productivity of SSG contractors is generally low, accompanied by costly delays in transportation and unreliability of service (Sokhela, 1999). Improving contractor efficiency and productivity is expected to benefit both contractors and SSGs, as SSGs would get quality services at competitive prices, and millers would receive a steady flow of quality cane from SSGs (Sokhela *et al*., 1998).

Sokhela *et al*. (1998) found that many problems associated with contractor inefficiencies are related to management skills (lack of business skills, finance (lack of capital finance) and operations (inappropriate equipment). Northard *et al*. (2004) identified contractor attributes that have a significant impact on the quality of services provided (transport and general service timelines, meeting of daily ratable delivery requirements, low downtime, good staff management, and minimal disagreements over service terms. The Northard *et al*. (2004) study was aimed at assisting the sugar industry extension services in promoting the attributes identified through advice and training. The study found that training is an important contributor to perceived contractor service quality; training could be done in consultation with contractors and SSGs. The study also found that access to information for contractors is important, e.g. information on machinery costs, new industry developments, customer needs, competitors and mill extension services (Northard *et al*., 2004).

This study will add to existing literature by identifying the root causes of some of the issues and challenges faced by SSGs and contractors. Workshops with SSGs and contractors were held in various mill areas to identify the root causes of problems, and solutions were identified and proposed by growers and contractors in these sessions.

Methodology

Meetings with SSGs and contractors in Sezela, Amatikulu and Mpumalanga were conducted with the aim of understand the contracting system and challenges in the system. The Root cause analysis (RCA) (Rooney and Vanden Heuvel (2004)) approach was used in the meetings with growers and contractors. Root cause analysis is defined as a systematic process for identifying 'root causes' of problems or events, and an approach for responding to them. RCA is based on the basic idea that effective strategic intervention requires more than merely 'putting out fires' for problems that develop, but finding a way to address and prevent them.

To get to the root causes of the challenges within the SSG contracting services sector, the cane farming activities were broken down into the following planting, ratoon management, harvesting and haulage categories. Solutions to the challenges were then suggested.

Results

In this study Sezela is used as a best-case scenario when it comes to contractor-grower formal structures. Sezela Canegrowers conducts interactions with contractor committee to select contractors working in the mill area and to review contractor performance (Table 1). The formalisation of contractor-grower interactions has made the Sezela model the best-case in this study, as no other mill area in this study has forums where growers and contractors engage on matters to improve contractor service performance.

Table 1. Sezela canegrowers and contractor relationship.

Mill: Sezela	
Meeting: Sezela Canegrowers Representative	
General set up of Sezela grower-contractor formal interactions: • Contractors apply to grower associations to request offer to render contracting services, • Currently there are verbal agreements between contractors and growers. A document for formal agreements between contractors and growers has been drafted. • There are 37 grower committees in Sezela. The associations offer bargaining power for growers when it comes to contractor negotiations. • Contractors have committees that formally meets with grower committees pertaining to SSG contractor services.	
Key issues	**Suggested solutions**
1. Contractors are independent and unregulated.	Contractors need to be accountable to a formal organisation.
2. Changing of contractors takes time due to lack of competition, and growers end up relying on inefficient contractors.	A formal database of contractors needs to be built. Growers will then have the ability to see which contractors perform and change their contractor when needed.
3. There are cases of collusion where the harvesting contractor forces the grower to use a specific haulier.	SACGA will play a role in developing local grower associations, cooperatives or clubs to ensure that growers have the bargaining power and therefore have the ability to stop this collusion and make their own decisions.
4. Field harvesting timesheets are not available to guide contractor work.	Contractors need to use this information to prevent BTHCD[1] issues.

[1] Burn to Harvest Crush Delays (BTHCD)

Tables 2, 3 and 4 highlight the outcomes from meetings with growers and contractors showing key issues and solutions to the issues in Amatikulu and Mpumalanga.

Table 2. Amatikulu grower and contractor relationships.

Mill: Amatikulu	
Attendees: Growers and contractors (combined)	
No. of attendees: 20	
Contractor selection process: Growers use contractors that are close to their farms and have fewer options to choose from.	
Key issues	**Suggested solutions**
1. Lack of regulation of contractors.	Contractors need formal structures; mill needs to regulate entry/exit of contractors.
2. Growers lack ownership of contractor work and negotiation skills.	Growers need to learn negotiation skills and must be present to oversee contractor work.
3. Cane allocations and estimates problem.	Growers need training to understand how mill allocations and estimates work.
4. Delays: BTHCD, Mill delays.	Growers need to be updated on mill delays and communication on causes of delays.
5. Contractors should monitor the work done by its labourers.	Contractors need to have an izinduna to oversee contract work.

Table 3. Komati/Malelane growers and contractor relationships.

Mill: Komati and Malelane	
Attendees: Growers	
No of attendees: 30	
Contractor selection process: • Growers often select nearby contractors due to lack of options to choose from. • Growers often take any contractor available to work. • Growers do not know how to check equipment to assess the condition of contractor equipment, before selecting a contractor.	
Key Issues	**Suggested solutions**
1. Lack of communication about contractor rates (price increase communication).	An invoice should be issued on the day of completion of work. SACGA should meet with transport contractors to track rates. Growers must get updates on quarterly rates, updates by SACGA.
2. No regulation of contractor database (entry/exit, quality control).	Growers need to have regular meetings aimed at reviewing contractor performance. Growers need to have improved communication among projects to ensure unity when dealing with contractor issues.
3. Contractors Service Level Agreement (SLA).	No SLA, no invoice, no payment. Mill cane payment division should know about the SLA and pay contractors after receiving the SLA.

4. Lack of skills to assess contractor work (equipment, best agronomic practices).	Growers need to be trained about contractor selection, and best agronomic practices to empower them in decision making processes.
5. Lack of skills/knowledge to assist in contractor selection process.	Growers should select reliable contractors, avoid emotional selection and cheap contractors.
6. Cane cutting problems and supervision.	Growers should not sign the invoice if cutters did not provide proper service. A contractor or his supervisor should follow up and check work done by labourers.
7. Access to extension services and training for growers.	SACGA to ensure growers have a relationship with extension officers and that they receive proper training.
8. Cane payment division inefficiencies.	Akwandze[2] should review the cane payment system. SACGA to present the proposal, chairs of projects to sign.

Table 4. Komati/Malelane growers and contractors relationships.

Mill Areas: Komati and Malelane	
Attendees: Contractors	
No. of attendees: 22	
Key issues	**Suggested solution**
1. Contractors need training in all services they provide to growers	Contractor training and unity is needed. Contractors need to comply with extension officers. Input companies, contractors and extension officers need to develop a working relationship. SACGA was tasked to facilitate this.
2. Safety training of contractor worker is highlighted.	Contractors need safety training especially on fire prevention and control and chemical application. SACGA to facilitate the training.
3. Growers should understand agronomic practices to be able to assess contractor services provided.	Growers and contractors need to be formally trained in agronomic practices. Contractor to comply with proper agronomic practices.
4. Lack of formal method for calculation of contractor rates.	SACGA to guide rate calculations and reviews. SACGA to facilitate SLA contracts.

Conclusion and Recommendations

The common issues in mill areas in the study include contractor training as an intervention to improve efficiencies, formalisation of contractors where contractors have formal meetings to address SSG rates and service delivery, and lastly the need for growers to get proper agronomic

[2]Akwandze Agricultural Finance, Mpumalanga.

training to be able to assess contractor services provided. The study recommends that these issues need to be addressed as 'low hanging fruits' to ensure contractors assist SSGs in delivering quality cane to the mill.

For the Sezela Mill the study recommends that a method of rating contractor performance should be adopted, whereby contractors receive grading on work performance. This could assist growers during contractor selection processes and improve contractor competition in mill areas.

For Amatikulu Mill the model used in Sezela could be adopted, where growers and contractors meet monthly as a way of improving service delivery. Grower training in terms of best agronomic practices is required. The issue of no regulation of contractor exit/entry in the area make the contractor space ungovernable and formalisation of contractor committees could help assist in regulation of entry and exit.

For Mpumalanga regions, SACGA could play a role in guiding growers in contractor selection, growers should get the most value from services provided. A model used in Sezela could also be adopted, where growers and contractors meet monthly as a way of improving service delivery. Growers need to be empowered in terms of assessing work done by contractors. Poor service delivery must be followed up to avoid dissatisfaction and financial loss by the grower. Contractors are not accountable to anyone; grower dissatisfaction is not addressed at any level. Contractor training is required. This training will also greatly benefit growers. Contractors did express willingness to engage as contractors on a frequent basis. Contractors also expressed willingness to sign SLA for contracting services provided.
The industry interventions towards ensuring that SSG-Contractor issues are addressed could include incorporating contractors as one of the major industry partners. This can be done by encouraging contractors to create formal structures at mill level where they can collectively engage the associations, mill and SASA. The formalisation of contractors could help in addressing the issues of competitiveness and collusion, and ensure that contractors are regulated. The industry should also consider providing assistance to contractors, as they are key in ensuring that SSGs deliver quality cane and remain sustainable in the industry.

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APPENDIX 1

SMALL SCALE GROWERS									
Mill	**No. of growers**	**No. who Delivered**	**Tons cane**	**Tons RV**	**RV% cane**	**Actual AUC 2016/17**	**Actual Harv2016/17**	**Est AUC 2017/18**	**Est Harv 2017/18**
Felixton	5106	3342	257907	29022	11.25	5939	4327	5573	5047
Amatikulu	4434	3254	445025	50935	11.45	6031	5611	5813	2669
Darnall	191	136	100463	11465	11.41	2489	2489	2489	2489
Maidstone	338	192	75107	8290	11.04	2099	1692	2054	1529
TOTAL	**10069**	**6924**	**878502**	**99712**	**45.148066**	**16558**	**14119**	**15929**	**11734**
Pongola	150	113	48787	6588	13.50	1032	1032	1214	1006
Umfolozi	4212	1354	67785	7734	11.41	1149	1149	1149	1149
Eston	1091	482	49368	5955	12.06	1984	813	2054	931
Sezela	1959	1064	141009	15587	11.05	3445	2129	3628	2238
Umzimkulu	264	130	47267	5393	11.41	1361	687	1461	697
Noodsberg	1375	729	85717	10813	12.61	2363	1078	2545	981
TOTAL	**9051**	**3872**	**439933**	**52070**	**72.053994**	**11334**	**6888**	**12051**	**7002**
Komati	579	526	356591	48961	13.73	5627	5133	5627	5627
Malelane	218	188	110952	15303	13.79	1864	1864	1932	1932
TOTAL	**797**	**714**	**467543**	**64264**	**27.522747**	**7491**	**6997**	**7559**	**7559**
UCL	14	13	15352	1974	12.86	134	134	134	134
Gledhow	338	152	53323	6144	11.52	1865	1629	1782	1549
GRAND TOT.	**352**	**165**	**68675**	**8118**	**24.380492**	**1999**	**1763**	**1916**	**1683**
Adjustments			-1	-1					
NEW TOTAL	**20269**	**11675**	**1854653**	**224164**	**169.1053**	**37382**	**29767**	**37455**	**27978**