



Presentation to Portfolio Committee on Trade, Industry and Competition

Progress on Review of the Sugar Industry Regulations

12 November 2019



the dti

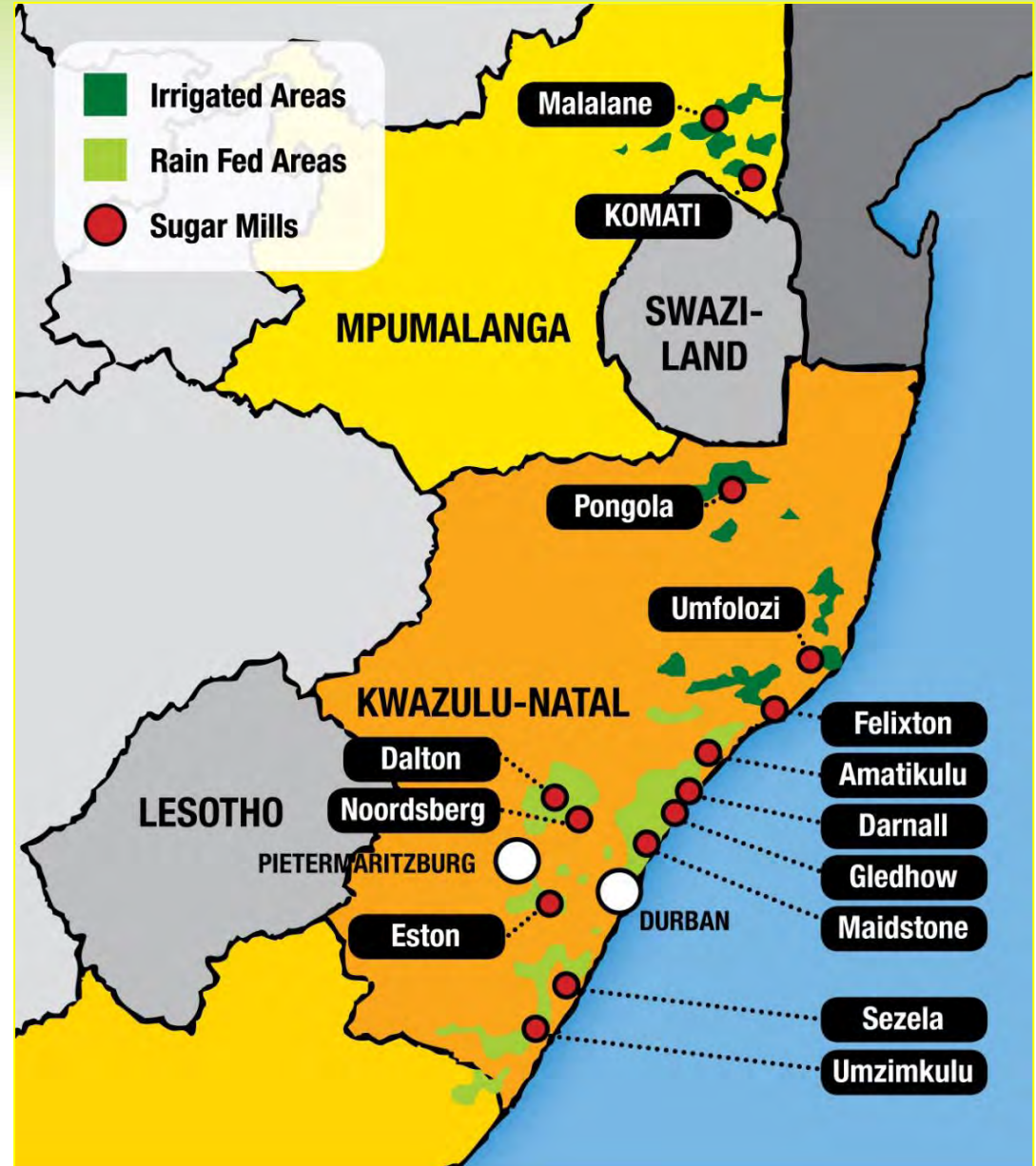
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



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SOUTH AFRICAN SUGAR INDUSTRY



Key Industry Variables	
Number of sugarcane farmers	22 500
Area under Cane	365 000
No of Sugar Mills	14
Direct jobs	85 000
Indirect jobs	350 000
Contribution to GDP	R16 billion

- 1 000 hectares = 133 permanent + 210 seasonal jobs
- Since 2013/2014, 5 831 jobs have been lost



Objectives of the review of Sugar Regulations

- To improve the competitive environment in which the industry operates in a manner that will contribute to the optimal development of the industry and inclusive growth.
- To ensure the long term cost competitiveness of the industry.
- To ensure transformation , growth and sustainability of the Sugar Industry.

Regulatory Framework of the Sugar Industry

The South African sugar industry is regulated within the wider context of the following regulatory framework:

- Sugar Act No 9 of 1978;
- Sugar Industry Agreement of 2000; and
- SASA Constitution.

Ministerial powers to amend Regulations in terms of Sugar Act

2(1) The Association known as the South African Sugar Association shall under that name, with effect from the date of commencement of this Act, be a juristic person with a constitution of which the terms shall be published by the Minister by notice in the *Gazette*. **(2) The Minister** shall in like manner publish any **AMENDMENT** of the said constitution.

4(1)(a) The Minister shall after consultation with the Association determine the terms of an agreement to be known as the Sugar Industry Agreement, which shall provide for, and deal with, such matters relating to the Sugar Industry as are, in the opinion of the Minister in the interests of that industry but not detrimental to the public interest.

(b)(i) the Minister may at the instance of, or after consultation with, the Association, **AMEND** the agreement if the Minister is satisfied that such amendment is in the interests of the Sugar Industry and not detrimental to the public interest.

Approved Key Amendments to Sugar Regulations by SASA

- **Transitional Period** - means from 1 April 2020 until 31 March 2024 or any later date determined in terms of clause 15(5).
- **The affairs of the Association** shall be administered by a Council consisting of an independent Chairperson who meets the requirements set out in clause 15(9)(b) and 3 Vice-Chairpersons.
- **Membership:** The members of the Association shall be the South African Sugar Millers' Association , South African Cane Growers' Association and South African Farmers' Development Association.
- SACGA and SAFDA shall each comprise half of the Growers' Section and shall collectively comprise the Growers' Section.
- **Representation:** Each Section shall be represented by 18 delegates, provided that SACGA and SAFDA shall each be entitled to appoint 9 delegates to the Growers' Section.
- **Grower representation in SASA** will be shared equally by SAFDA and SACGA.
- **Growers' Statutory Costs**” means for the first year of the Transitional Period, the amount calculated by the sum of the costs of SACGA and SAFDA respectively approved by the Association's Council for the 2019/2020 season, escalated on 1 April 2020 by a rate equal to the year on year change in the headline consumer price index.
- **Voting** - All questions arising at general and special meetings of the Association shall be determined by a majority representing at least two-thirds of the delegates present at the meeting, provided that such majority must include at least 1 vote from the Millers' Section and the Growers' Section and that the votes from the Growers' Section must include at least 1 vote by a delegate representing SACGA and at least 1 vote by a delegate representing SAFDA.

Please also see attached Sasa Constitution and Sugar Industry Agreement details regarding approved amendments by Sasa

Draft Sugar Industry Master Plan – Outcomes and Commitments with Sugar Industry

Emerging architecture for a Phase 1 Compact

- There is emerging consensus around a long-term vision along the following lines:

“A globally competitive, sustainable and transformed sugarcane value-chain and bio-economy that actively contributes to South Africa’s economic and social development, creating prosperity for stakeholders in the sugarcane value chain, the wider bio-economy, society and the environment.”

- Following the process described above, the architecture of a proposed Phase 1 Compact involve the following (there is sufficient emerging consensus for this broad approach):

1. Secure the market for the short-term:

- eSwatini harmonization or industry-to-industry revenue pooling arrangement
- Downstream user commitments to “buy 100% local”, backed by producer price-restraint commitments
- Government commitment to not extend HPL/introduce product taxes on non-nutritive and low-calorie sweeteners

Draft Sugar Industry Master Plan – Outcomes and Commitments with Sugar Industry

2. Industry capacity re-balancing:

- Develop and negotiate rebalancing and diversification agreement.
- Crop-diversification to be planned and structured on area-by-area/climatic zone basis.
- Commitment to no job losses within structured approach to exits/diversification.
- Interim support to enable structured exits/fund diversification transition:
 - Temporary HPL adjustment e.g. 5mg/100ml; and
 - Increased support to small growers/millers.

3. Diversification

- Accelerate and enable public and private diversification projects.
- Co-investment in diversification, with government venture and development finance capacity aligned to support (e.g. IDC, DFI).
- Diversification to be delivered on a 2-for-1 basis towards black investors – with a focus on black growers, millers and worker participation through the full value-chain from crop diversification to downstream base-chemical and product diversification.
- Engagements between thedti and the Sugar Industry are expected to be concluded before end November 2019 and Sugar Industry Master Plan sign-off by the Ministers before end December 2019.

Conclusion

- On the 15th October the delegates of Sasa i.e. SACGA, SAFDA and SASMA approved amendments to Sugar Regulations.
- The amended sugar industry regulations will be Gazetted before the end of December 2019.

“Action without vision is only passing time, vision without action is merely day dreaming, but vision with action can change the world.”



Nelson Mandela
1918-2013

A black and white illustration of a hand-drawn pen writing the words "Thank you" in a cursive script on a white background. The pen is positioned at the top right, with its tip touching the end of the word "you". The text is written in a fluid, handwritten style. The entire scene is framed within a white rounded rectangle.

Thank you