

# SOUTH AFRICAN SUGAR INDUSTRY



## TRANSFORMATION UPDATE to the Parliamentary Portfolio Committee for Trade and Industry

12 November 2019



# SUGAR INDUSTRY 5-YEAR TRANSFORMATION PLAN

## PERIOD: 1 April 2019 – 31 March 2024



### OBJECTIVES:

1. Remedy inequalities experienced by black sugarcane farmers – improve sustainability
2. Accelerate transformation in the sugarcane farming and the sugar milling sectors using the Agri-BEE Sector Code
3. Unlock industry growth through diversification – bio-products/bio-economies

#### INTERVENTIONS DELIVERED BY THE CANE FARMING SECTOR

SA Cane Growers Association  
(SACGA)

SA Farmers Development  
Association (SAFDA)

#### INTERVENTIONS DELIVERED VIA SA SUGAR ASSOCIATION (SASA)

**R1 billion committed  
over 5 years**

- R142m p.a. for remedying of inequalities experienced by black sugarcane farmers
- R58m for other transformation initiatives

#### INTERVENTIONS DELIVERED BY SUGAR MILLING & REFINING SECTOR

SA Sugar Millers Association  
(SASMA)

Illovo Sugar  
Tongaat Hulett  
RCL Foods  
Gledhow  
Umfolozi  
UCL

# SASA TRANSFORMATION INTERVENTIONS



R142 million per annum has been committed to the remedying of inequalities experienced by black sugarcane farmers – particularly small scale farmers

Intervention		Intervention Description	Budget 2019/20
Interventions aimed at Remedying inequalities	1	Grant funding for black sugarcane farmers delivering under 1 800 tons cane per season	R 60m
	2	Grant funding for black sugarcane farmers delivering above 1 800 tons cane per season	R 35m
	3	Subsidy for Transport Cost for black small-scale sugarcane farmers	R 20m
	4	Access to seed cane of appropriate cane varieties for black small-scale sugarcane farmers	R 20m
	5	SASA levy subsidy for black small-scale sugarcane farmers	R 7m
		<b>Total commitment per annum</b>	<b>R 142m</b>

Impact of interventions on black farmers' financial status in current season:

- Small-scale black farmers – + R613 per ton of RV
- Other black farmers – + R107 per ton of RV

# SASA TRANSFORMATION INTERVENTIONS



R58 million per annum has been committed to other transformation initiatives

Intervention		Intervention Description	Budget 19/20
Other Transformations Interventions	6	Grant funding – for institutional capacity building of new emerging black SASA member associations	R 10m
	7	Funding to develop, educate and train black sugarcane farmers & new emerging black sugarcane farmer associations	R 10m
	8	Establishment of sugar industry job creation accelerator programme for black youth and women	R 10m
		Other Interventions to be agreed by SASA Council	R 28m
		<b>Total commitment per annum</b>	<b>R 58m</b>



# SUGARCANE FARMING SECTOR ESTABLISHMENT OF SECTOR'S B-BBEE STATUS



B-BBEE Element	Target Points	Agri-BEE Scorecard
Ownership	25.00	to be determined
Management Control – Board & Exco.	10.00	
Management Control – Employment Equity	9.00	
Skills Development	20.00	
Enterprise & Supplier Development	40.00	
Socio-Economic Development	15.00	
<b>Total</b>	<b>119.00</b>	
<b>B-BBEE Level before discounting</b>		to be determined
<b>B-BBEE Level after discounting</b>		to be determined

## SUGARCANE FARMING SECTOR

- B-BBEE status of sugarcane farming sector to be measured as follows :-
  - Entities that are exempted - Micro Enterprises with turnover below R10 m p.a.
  - Qualifying Small Enterprises with turnover above R10 m but below R50m p.a. – to be measured using the QSE Scorecard
  - Entities that have turnover above R50m p.a. – to be measured using the Generic Scorecard
- Transformation targets by end of 5 year period:
  - Tons cane delivered by black farmers – more than 50% by end of 5-year period / or by 2028
  - Sector consolidated B-BBBEE score – minimum of level 4.
- Contributions to SASA transformation interventions to be claimed appropriately in farmer’s Agri-BEE Scorecard
- Develop new farmer database that includes each farmer’s B-BBEE status – including land under cane

# SUGARCANE FARMING SECTOR

## STATUS OF SUGARCANE FARMING 2018/2019



Category of Sugarcane Farmer	Number of farmers	Sugarcane tons delivered in 2018/19	% share of sugarcane production
Black small-scale farmers	18 651	1 502 866	7.9%
Black large-scale farmers	530	1 749 661	9.2%
Projects & Co-ops (7 536 black farmers/beneficiaries)	116	490 168	2.6%
Joint ventures (50% black ownership)	10	729 534	3.8%
<b>BLACK FARMERS/BENEFICIARIES – SUB-TOTAL</b>	<b>19 307</b>	<b>4 472 229</b>	<b>23.5%</b>
White small-scale farmers	171	161 485	0.8%
White large-scale farmers	683	12 272 423	64.5%
Joint ventures (50% white ownership)	*	729 534	3.8%
<b>WHITE FARMERS/BENEFICIARIES – SUB-TOTAL</b>	<b>854</b>	<b>13 163 442</b>	<b>69.2%</b>
<b>MILLING CO. SUGARCANE ESTATES – SUB-TOTAL</b>	<b>56</b>	<b>1 396 016</b>	<b>7.3%</b>
<b>Total Sugar Industry (2018/2019 season)</b>	<b>20 217</b>	<b>19 031 688</b>	<b>100.0%</b>

\*already included above

# SUGAR MILLING & REFINING SECTOR ESTABLISHMENT OF SECTOR'S B-BBEE STATUS



B-BBEE Element	Target Points	Agri-BEE Scorecard (weighted)	Excluding Cane Procurement
Ownership	25.00	16.10	16.10
Management Control – Board & Exco.	10.00	14.28	14.28
Management Control – Employment Equity	9.00		
Skills Development	20.00	11.42	11.42
Enterprise & Supplier Development	40.00	20.02	21.17
Socio-Economic Development	15.00	15.00	15.00
<b>Total</b>	<b>119.00</b>	<b>76.82</b>	<b>77.97</b>
<b>B-BBEE Level before discounting</b>		<b>Level 5*</b>	<b>Level 5</b>
<b>B-BBEE Level after discounting</b>		<b>Level 6</b>	<b>Level 5</b>

\* Discounting due to procurement sub-minimum not met

Qualification Points	B-BBEE Status
100 +	Level 1
95 – 100	Level 2
90 – 95	Level 3
80 - 90	Level 4
75 – 80	Level 5
70 – 75	Level 6
55 – 70	Level 7
40 - 55	Level 8
0 – 40	Non- Compliant

← 5-year target aspiration  
← Current Baseline

Basis of measurement – current Agri-BEE Sector Codes

Contributions to SASA transformation interventions to be claimed appropriately in the Agri-BEE Scorecard

The sugar milling sector currently invests R242m per annum on transformation interventions (over and above its commitments to SASA's interventions)

In order to achieve their 5-year aspiration level, Millers will need to spend more

# SUGAR MILLING & REFINING SECTOR TRANSFORMATION AND SUSTAINABILITY INITIATIVES



- Ownership initiatives, which include sales of assets are contemplated
- Skills development driver
- Procurement is the key driver
- Supplier and Enterprise Development initiative

## The Star Edition Early – Business Report – 29 October 2019

### ■ AGRI PROCESSING

# Tongaat Hulett plans 'transformative' sugar milling and refining

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TONGAAT Hulett, the sugar and property development group suspended from the JSE this year amid accounting irregularities, plans to establish a "transformative" sugar milling, refining and marketing business along the KwaZulu-Natal North Coast, chief executive Gavin Hudson said yesterday. "The milling, refining and sugar marketing business will be implemented on a scale that has never been achieved in the sugar industry,"

he said.

For years growers have been calling for equity participation in the milling and refining business, which would allow for their increased participation in the sugar industry value chain.

"The initiative is providing this opportunity, which is revolutionary for the industry," Hudson said.

Shareholders would include all the current supply chain participants, including supplying sugar cane growers, and the shareholder mix would target black ownership of more than 50 percent.

Small-scale growers, commercial growers and equity partners would have an opportunity to partner in the business.

The proposed new entity follows plans by Tongaat to cut its exposure to the South African-based sugar business as part of a broader turnaround plan for the group.

Some of its owned sugar-cane farms are being sold to previously disadvantaged (PDI) farmers, so that PDI's eventually make up 50 percent of the sugar-cane supply value chain.

Assets in the new business would

be those owned by Tongaat Hulett's South African sugar operations, and includes four mills, Tongaat Hulett's stand-alone refinery as well as its animal feeds business, Voermol.

It would become a producer of sugar-related products, including speciality sugars, syrups and liquids.

World demand for sugar cane is shifting from sugar consumption to the growing relevance of the high-margin green economy.

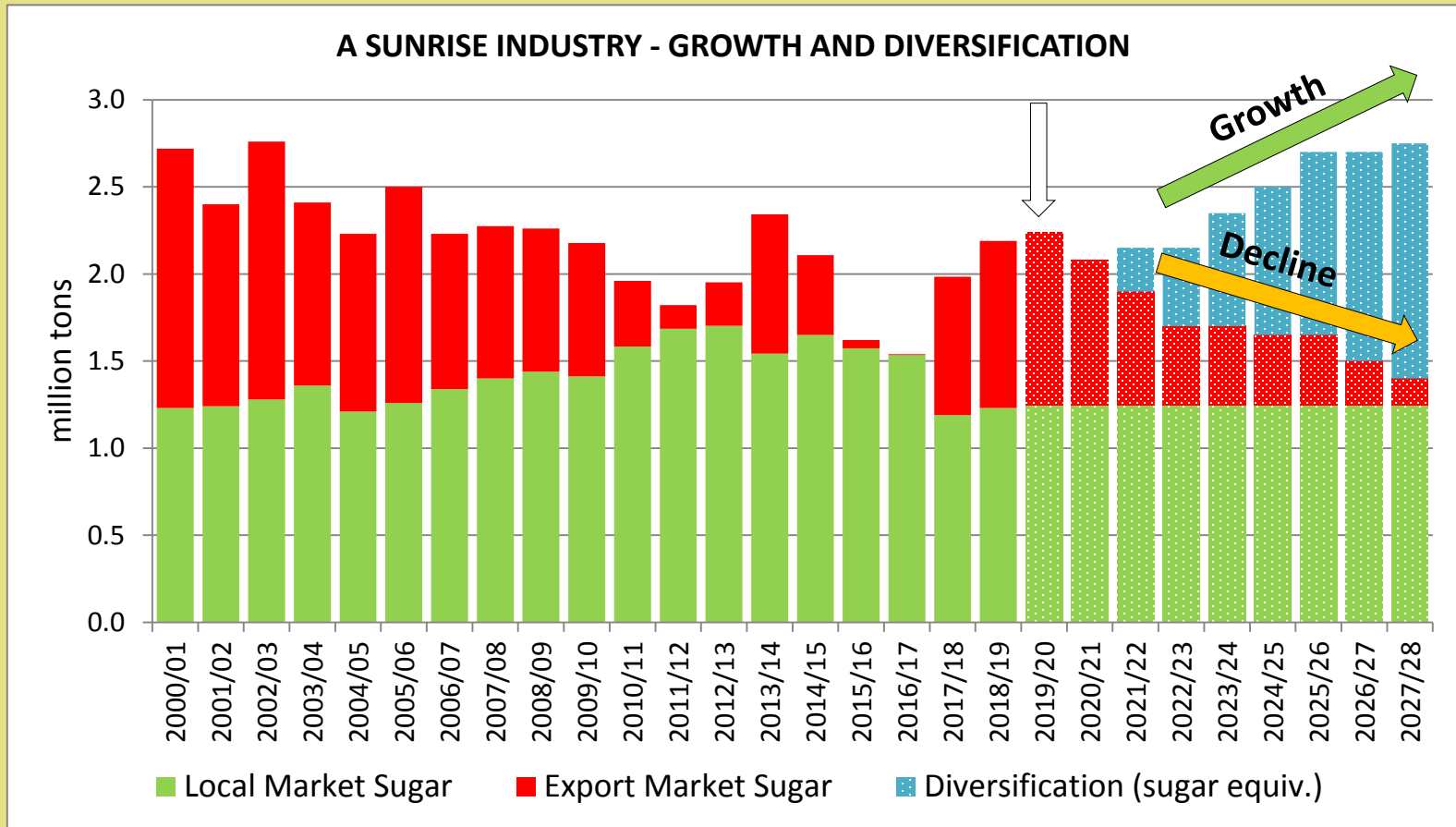
Opportunities in bioplastics, ethanol and additional co-generation had been identified, which would provide

opportunity to expand margins, lower the carbon footprint and participate in the growing demand for renewable products globally, said Hudson. The transaction for the establishment of the new sugar company was expected to be completed by December 2019.

"This is a great initiative. It will afford growers the opportunity to participate in the full sugar cane agriculture value chain. Growers will engage further with Tongaat to explore the details of the concept," said Amatikulu Local Grower Council chairperson Dave Littley.



# OUR VISION TRANSFORMATION / GROWTH & DIVERSIFICATION



Transformation, sustainability and growth of the industry is dependent on the outcome of the **Sugar Industry Master Plan** lead by **Honourable Ministers Patel and Didiza**

# OUR VISION

## INDUSTRY TRANSFORMATION AND MASTER PLAN



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

<b>PHASE 1</b> Stabilise and strategise	<b>PHASE 2</b> Reset foundations	<b>PHASE 3</b> Invest and deliver bio-economy
<ul style="list-style-type: none"> <li>• Decelerate irreparable damage of Sugar Tax (HPL)</li> <li>• Manage tariff protection</li> <li>• Stop flood of Eswatini sugar imports</li> <li>• Secure RSA sugar supply in exchange for responsible sugar pricing</li> <li>• Develop Sugarcane Industry Blueprint in “safe harbour”</li> </ul>	<ul style="list-style-type: none"> <li>• Implement regulatory and institutional enablers for the bio-economy</li> <li>• Begin implementation of industry capacity restructuring plan (Blueprint)</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation of Blueprint plans, including diversification of crops, and products made from sugarcane</li> </ul>



THANK YOU