Sugar Masterplan

Engagements with stakeholders within the sugar industry

11 May 2021

Status

- Annual sugar production in South Africa has declined by nearly 25%, from 2.75 million to 2.1 million tons per annum over the past 20 years
- The number of sugarcane farmers has declined by 60% during this period, and sugar industry related jobs are estimated to have reduced by 45%
- 2 sugar mills faced extreme difficulty

Decline driven mainly by :

- Distorted global prices, that are below South Africa's cost of production
- Increasing volumes of low-priced tariff-free exports from eSwatini into the SACU market
- The Health Promotion Levy (or HPL)
- Covid-19 impacts

Objectives of Masterplan

PHASE 1

- Stem industry decline and protect jobs
- Rebalance industry to set the foundations for diversification & competitiveness
- Preserve the productive assets, businesses towards a diversified industry
- Transformation
- Build competitive & sustainable diversified sugarcane-based value-chains
- Make the necessary tough choices about focus – to ensure that limited resources are targeted at the key levers that will deliver results.
- Phased approach to implementation, with Phase 1 focused on stabilising the industry to set the stage & foundations for long-term diversified vision

➔ Phase 1 (commencing de facto with 2020/21 season) aims to address the immediate crisis, provide a 3-year window to reset the foundations

PHASE 2

- Managed industry restructuring

Interventions

1. Restore the local market and offtake commitments
2. Producer price restraint and certainty
3. Strategic trade protection
4. Employment protection and mitigation
5. Small-scale grower retention and support
6. Transformation
7. Managed industry restructuring

Task Teams

- Task Team 1: SACU Harmonisation
- Task Team 2: Job Retention and mitigation strategy
- Task Team 3: Small-scale grower support
- Task Team 4: Transformation
- Task Team 5: Crop Diversification
- Task Team 6: Value chain diversification
- Task Team 7 : Product Tax Policy
- Task Team 8: Managed industry restructuring
- Task Team 9:Restore Local Market And Offtake Commitments
- Task Team 10: local sugar convertors and sugar-intensive confectionary
- NOTE: Convenors' meeting is held once a week to evaluate progress and report on updates

Progress Achieved

- The Sugar Master Plan was formally signed off by all stakeholders in a virtual ceremony held on 16th November 2020
- 15% growth in local sales, adding 188,233t* (compared to target of 150,000t)
- 22% increase in “direct market” (including retailer & wholesaler) procurement of local sugar
- 7% increase in soft drink manufacturer procurement of local sugar
- 10 task teams established, convenors for each task team elected
- Draft Guidelines on local procurement in the implementation of the South African Value Chain Sugarcane Master Plan to 2030 published (open for comment till 7th June 2021)

Projects being implemented/Project pipeline, Jobs and Investment

Projects/Pillars	Progress to date
1. Restore the Local market	• **15% growth in local sales, adding 188,233t*** (compared to target of 150,000t) • **22% increase in "direct market"** (including retailer & wholesaler) procurement of local sugar • **7% increase in soft drink** manufacturer procurement of local sugar
2. Producer Price Restraint	• CPI of 4.8% for period Nov. 2019 to Mar. 2021* • Notional Price increases implemented by SASA: 3% in September 2020 1.8% in March 2021
3. Product Tax Certainty	**Producer Price Restraint** • Budget 2020/21 – no change to the HPL • Budget 2021/22 – no change to the HPL

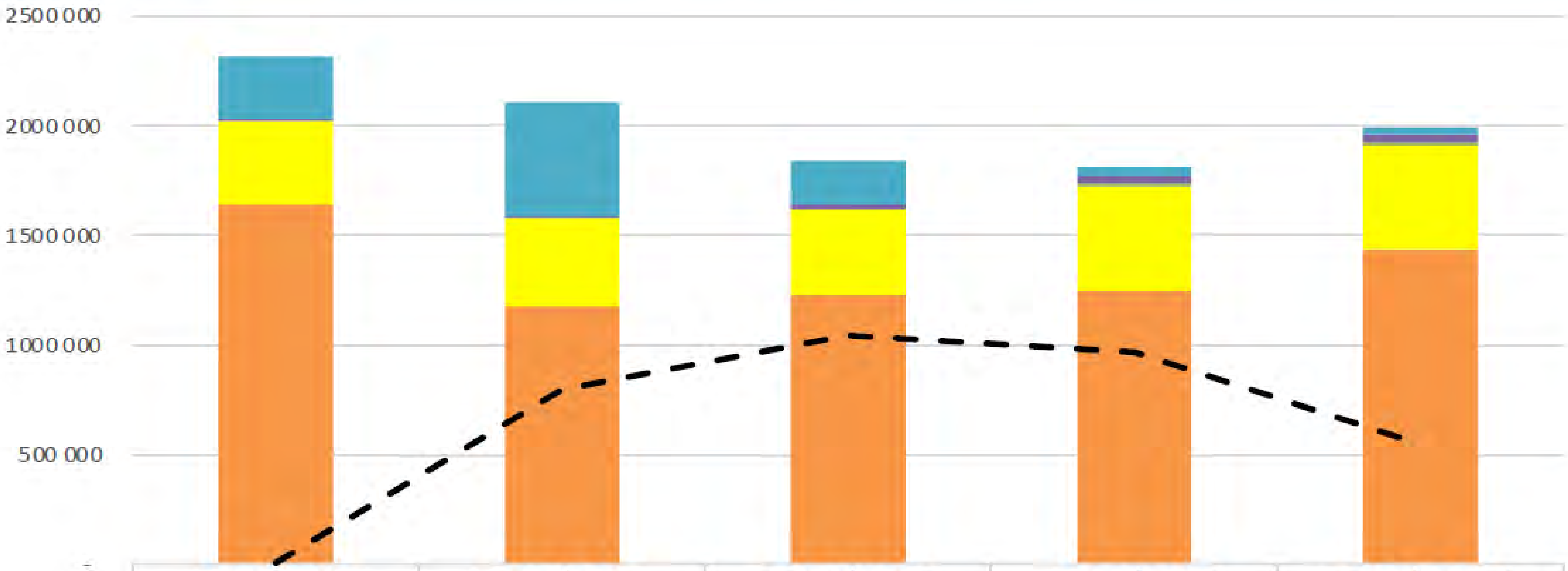
Projects being implemented/Project pipeline, Jobs and Investment

Projects/Pillars	Progress to date
4. Trade Measures	• 25% reduction in deep-sea imports (10,000t reduction to 30,000t) for the period Apr. 2020 – March 2021*. • Minister engaged with processes as committed under Action Commitment • Evaluation to use trade remedies available • Illegal and Illicit goods – Interagency Working Group to support Sugar Masterplan efforts
5. Job Retention	• Sugar industry employment levels are still under pressure
6. Industry Restructuring	• Minister has designated the sugar industry i.t.o. section 10(3)(b)(iv) of the Competition Act, 1998 (Act No. 89 of 1998) for 1 year commencing 1 July 2020 • Competition Commission has granted conditional exemption to SASA i.t.o 10(1) of the Competition Act for the period 20 October 2020 up to and including 30 June 2021 • New Task Team 8 has been established in terms of the exemption and work is underway to design and implement a programme of action

Projects being implemented/Project pipeline, Jobs and Investment

Projects/Pillars	Progress to date
7. Small Scale Grower Data	• SACGA is carrying out a census on employment and the data will be available upon the completion and approval of the study
8. Transformation	• 2020/21 is year 2 of the five-year, R 1 billion transformation plan being implemented by SASA (i.e R400m has been spent over a 2 year period) Some evidence of new transformation initiatives at individual company level
9. Retailers	• Work in progress to get Retailers on board to support localization efforts

1 Progress: Restore the Local Market



	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021*
Deep Sea Imports	283 582	519 231	196 782	40 000	30 000
SADC Protocol Access	9 114	5 922	23 500	34 528	35 000
Zim bilateral	-	-	-	13 000	15 000
Eswatini	379 083	402 000	391 494	475 477	475 038
Local Market Sales	1643 000	1178 299	1227 709	1247 282	1435 515
Exports	4 998	795 434	1042 831	967 579	545 585

Source: SASA

Targets for the next 3 months

1. Finalise targets and milestone for next two years (in progress)
2. Accelerate and upscale inter-governmental co-ordination and participation (in progress)
3. Finalise work-plans for all task teams (in process, with some task identified)
4. Cadence of joint programme management structures (done)
5. Formalise the PMO
6. Quarterly reports produced (in progress, weekly dashboard established)