

# Portfolio Committee on Trade and Industry

## Engagement with stakeholders with regards to the Implementation of the South African Sugar Value Chain Master Plan

10 May 2022



**the dtic**

Department  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

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the dtic Customer Contact Centre: 0861 843 384

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# OVERVIEW

The Sugar industry three years ago was faced with an existential crisis, with falling production, surges in imports and no common vision among stakeholders.

The Sugar Master Plan was developed jointly between government and industry stakeholders to set out a common vision and a set of short- and long-term commitments that would provide space for a wider restructuring of the industry into a more inclusive, competitive and jobs-rich sector. Difficult undertakings were required to shift the industry from decline to potential growth.

To protect volumes and jobs in the short-term, stakeholders committed to a series of measures, including:

- Industry would keep price increases at CPI levels
- Industrial users and retailers would increase their procurement from local industry
- Government would take account of the pledges in the regulatory regime affecting the health protection levy.

Progress on short-term measures has been broadly successful.

To sustain the industry in the long-term, a diversification strategy was proposed, from shifting to a wider base of products to be grown on the canelands (crop diversification) to developing new value-chains for sugar production, such as biofuels (value-chain diversification).

Progress on long-term measures has been hampered by the volatility in the fuels market since 2020, which impacts on the cost and feasibility of the strategy; while some crop diversification has been taking place on larger farms.

# OVERVIEW

The local procurement drive has been supported in a number of ways:

- The biggest beverage makers have reported greater levels of local sugar inputs in their manufacturing processes, with the largest soft-drink bottling company also committing to take a larger share of their procurement from small-scale farmers.
- Major food producers have committed to maintaining and increasing the level of local sugar used in their products
- A number of large retailers have reported close to 100% local sugar procurement.

Confectionary makers joined the process after conclusion of the Master Plan and have not yet reported on the extent of local sugar procurement.

The experience has been largely positive though the period of the commitment has proven to be insufficient to finalise policy on new value-chains using sugar. The Department of Mineral Resources and Energy published a Biofuels framework for comment after the finalisation of the Sugar Master Plan but their further work was affected by changes in the fuels market.

Transformation measures have been robust and rolled out on a consistent basis. The next slide contains some comments in January 2022 from the main small-scale black farmer organisation in the sector.

The Report that follows from slide 6 is a draft input into the next Executive Oversight Committee meeting and may be amended to take account of further work being done on the sugar industry. A more detailed list of successes is being prepared.



**SASA** FARMERS  
DEVELOPMENT  
Association

Thriving rural communities  
Thriving rural economies

## MEDIA STATEMENT

### FOR IMMEDIATE RELEASE

TO: ALL MEDIA/NEWS EDITORS

DATE: 29 JANUARY 2022

## SUGAR MASTERPLAN DELIVERS PREMIUM PRICE TO SMALL-SCALE SUGARCANE FARMERS

Sugarcane farmers today woke with a big smile on their faces as their bank notifications informed them that they had money paid into their bank accounts. The *Januworry* (January) woes they were faced with suddenly vanished when small-scale farmers received Premium Price payments worth around a total of R60 million as agreed by Small-scale Grower Masterplan Task Team within the Sugar Masterplan process and endorsed by the Council (Board) of the South African Sugar Association (SASA) in June 2021. The payment of the Premium Price is in line with the Sugarcane-Based Value Chain Master Plan's purpose of ensuring the long-term success and retention of small-scale growers. Farmers will benefit from the Premium Price since it will align their prices with the local market, compensate them for losses on international markets, and erase the disadvantages related to their diseconomies of scale and remote locations away from sugar mills that drastically increase costs of production. For sugar, international markets are distorted, loss making and residual. Therefore, this intervention was needed to protect the revenue of small-scale farmers and cushion them from international market distortions.

The Sugar Masterplan is one of the Masterplans that were announced by President Cyril Ramaphosa during his 2019 SONA and confirmed by Minister Ebrahim Patel in his Budget Vote during the same year. The aim of these masterplans is to revitalize struggling industries and to stimulate economic growth. The Sugar Masterplan was concluded and signed off by sugar value chain stakeholders in November 2020. SAFDA wishes to comment and salute Ministers Ebrahim Patel and Thoko Didiza who have been champions and custodians of the Sugar Masterplan process, which has now delivered tangible results for our farmers.

Farmers in the sugar industry are paid using a Recoverable Value (RV) which recognizes investments made in the production process to achieve sugarcane of good quality. Because of poor economies of scale, long distances to sugar mills, and inability to own farming equipment, small-scale farmers struggle to produce good quality cane. The RV price is made up of proceeds of derived from the sale of sugar and molasses the industry sells in the local and international markets.

"SAFDA will continue to fight for a better life for all farmers, especially the small-scale farmers," said Dr Siyabonga Madlala, Executive Chairman of SAFDA. The Premium Price intervention came just in time to provide much-needed relief. The 2021 year was marked by civil unrests as well as floods that recently occurred causing damage to most farmer fields. This intervention money will assist farmers in recovering from these challenges whilst they wait on the government for relief," added Dr. Madlala.

Small-scale farmer Roseline Makwakwa, 84, of KaHoyi, Mpumalanga Province, couldn't contain her joy as soon as she received the SMS. The first time I saw this money this morning, I could not believe my eyes. I would like to thank SAFDA for their continuous support to us as small-scale growers.

KwaShukola, 170 Flanders Drive  
Mt Edgecombe, KwaZulu-Natal  
P.O. Box 1769  
Mt Edgecombe Country Club, 4301

031 508 7283  
info@sa-fda.org.za  
www.sa-fda.org.za

will go a long way. We have never seen such before. Ever since SAFDA came, we have seen miracles." said Makwakwa.

Dentro Mkhwanazi from Felixton in Empangeni, KwaZulu-Natal Province also said they have been farmers for a very long time but never received such assistance until SAFDA came along and rescued them as they were starting to drown in debt trying to sustain themselves. "I am shocked, I did not expect this and want to thank SAFDA for this. Everything is going well even with the fertilizer intervention we received in 2019, which just shows how much our organization cares about us." said Mkhwanazi.

This Premium Price payment added to the SASA Transformation Initiatives that were approved on 29 November 2018 to a tune of R 1 billion over a period of five (5) years. In terms of this Transformation Fund, R200 million is disbursed to farmers on an annual basis according to 8 original interventions that the industry adjusted a bit to accommodate other needs like toping up the bursary fund of the industry and supporting a study to map out the impact of transformation in the sugar industry. These interventions combined will assist our struggling farmers be sustainable, especially during off-crop seasons.

Summary of 2021/22 sugar industry payments to grower payments

	Quantum	Payment period	Rate
<b>Small-scale</b>			
Intervention 1	R 44 million	80 % will be paid in July 2021, then monthly until November 2021. Balance will be paid out in January 2022.	R17,69 per ton flat rate
Intervention 1A	R 43 million	80 % payment in November 2021. Balance will be paid out in January 2022.	R17,29 per ton flat rate
Intervention 3	R 23 million	80 % paid in July 2021, then monthly until November 2021. Balance to be paid out in January 2022.	R 8,65 per ton flat rate
Intervention 5	R 8 million	80 % paid in July 2021, then monthly until November 2021. Balance to be paid out in January 2022.	R 3,01 per ton flat rate
Premium Price	R 60 million	100 % paid out in January 2022.	Provisional rate of R31,41.
Supplementary Payment Fund	R 71 million	100 % paid out at the end of March 2022	Sliding scale based on tonnage.
<b>Total</b>	<b>R 249 million</b>		
<b>Land Reform</b>			
Intervention 2	R 51 million	July 2021. Payments in subsequent months for growers that qualify for Intervention 2. Balance in January 2022.	R 65 000 once-off per Grower Code. January balance varies.
<b>Total</b>	<b>R 51 million</b>		

Issued by SAFDA Executive Chairman, Dr Siyabonga Madlala

For Media Enquiries please contact:

Nondumiso Mlondo, Media and Communications Practitioner 073 296 5570

South African Farmers Development Association  
Registration number 163-564 NPO

KwaShukola, 170 Flanders Drive  
Mt Edgecombe, KwaZulu-Natal  
P.O. Box 1769  
Mt Edgecombe Country Club, 4301

031 508 7283  
info@sa-fda.org.za  
www.sa-fda.org.za

# 1. RECAP ON THE MASTER PLAN

**1. Social partners** signed off Master Plan in 2020. Implementation is progressing well, 10 Task Teams meet to drive implementation.



**2. 1<sup>st</sup> Quarter 2021>** local sales target exceeded (188233t tons) - 15% local sales growth, 22% (direct market), 7% (SSB), increase). **Price restraint achieved>** Sept '20 (3%), March 21 (1.8%) & Sept 21 (2.4%).



**3. 2021>** Deep sea imports showing a 4% decrease from 21/22 season and increase of 15% from eSwatini and 45% from SADC. **In 1<sup>st</sup> Quarter** a 25% decrease in imports was registered. **HPL** threshold exemption level rate & scope maintained.



**4. R60m min Small Scale Growers (SSG) Premium Approved.** All growers on communal land regardless of tonnage, all black growers on freehold land producing less than 1800tons & white growers on freehold land producing less than 1800tons may apply to SASA to be part of the scheme.



**5. Buy Local Campaigns** rolled out: SACGA Home Sweet Home, Hullels Tongaat Humthem & Proudly SA Living Lekker Locally, Black Friday & Festive Season, SASA.





## 2.1 ENGINES DRIVING MASTER PLAN IMPLEMENTATION

1

### **Task Team 1** **SACU Trade** **Harmonisation:**

Develop proposal for engagement with the eSwatini government and eSwatini Sugar: harmonised regulatory framework towards partnership and between the two prevent destructive competitive dynamics.

2

### **Task Team 2 Job** **Retention &** **Mitigation:**

Develop industry-wide job retention & mitigation strategy to: Minimise job losses - stabilisation & restructuring phase Development of alternative employment and income generation programmes.

3

### **Task Team 3 Small** **Scale Grower** **Support:**

Develop a “small-scale grower master plan” to ensure that the foundational role of small-scale growers in the sugarcane value chain is preserved and extended into the implementation of Vision 2030.

4

### **Task Team 4** **Transformation:**

Significantly advance active participation and transformation across the value chain by Black farmers, industrialists, women, youth and the disabled; through the stabilisation & restructuring plan. Ensure that transformed ownership, participation & job creation form the foundations for Vision 2030.

5

### **Task Team 5 Crop** **Diversification:**

Develop detailed strategies & plans to provide & support appropriate crop diversification by growers as an alternative to sugarcane and to support enhanced financial viability of sugarcane growers.

## 2.1 ENGINES DRIVING MASTER PLAN IMPLEMENTATION

6

### Task Team 6 Downstream Diversification:

Identification & development of new/ additional attractive & feasible sugarcane-based downstream products for local & international trade. Achieve competitiveness upgrade in technology & skills, addressing constraints & bottle necks.

7

### Task Team 7 Product Tax Policy:

Investigate & develop an industry proposal for a long-term policy framework & approach to taxation of sugar & sugar-derived products to with a view to engaging government on strategies & policies to provide certainty & predictability in support of investment & planning by industry & government.

8

### Task Team 8 Industry Restructuring:

Develop a detailed industry restructuring plan to:

- re-balance industry capacity, improve efficiency and restore profitability; and
- set the foundations for the 2030 vision for a competitive, sustainable and diversified sugarcane-based value chain.

9

### Task Team 9 Restore local market & offtake commitments:

Over the period of 3 years, restore at least an initial 150,000 tons of sugar offtake to the local sugar industry with the goal of increasing this to at least 300,000 tons in year three.

10

### Task Team 10 Confectionery Competitiveness:

Develop detailed action plans and programmes backed by empirical data to enhance competitiveness of Small Scale Confectionery producers.



## 2.2 Key Challenges faced by sector /value chain

01

The Sugar industry making up 20% of agro-food sector, a major contributor to economy & employment, has been under severe strain over last 15+ years, with stable cane yields. Factory performance has declined due to under investment/high debt levels. Local market lost to highly subsidised deep sea imports. Abolishment of the EU quota system & low world prices mean export revenue is constrained.

02

Cost of production increased by 50-75% over last decade, wages have risen faster than the domestic price of sugar, adverse exchange rate movements, high increase in the cost of electricity (irrigated areas) and costs associated with droughts (non-irrigated areas).

03

Regional value chain production and trade structure need to be harmonised to enable the harnessing of the African continent's resources and the market

04

Industry is lagging behind in terms of transformation targets pronounced in the AgriBEE sectoral transformation codes

05

The industry has experienced decline in productive assets and resulted in imbalances to growing, milling and refining capacities which are not in line with market requirements & the long-term requirements of vision 2030. Reduction in milling capacity has severely impacted the cane deliveries specifically of Small Scale Growers (SSGs) which have low economies of scale. The sector's single stream business model limits its capacity to overcome challenges & be globally competitive.

06

HPL Policy has been received with criticism by the sugar industry due to associated sharp demand reduction linked to job losses & lower GDP contribution

07

Shrinking milling capacity and the Mauritius sugar import threat

### 3. SOME ACHIEVEMENTS TO DATE

1

Deep sea imports showing a 4% decrease from 2021/22 season and increase of 15% from eSwatini and 45% from SADC.

2

Local Market Sales for 2020/21 increased by 14% or 178 174 tons. This was a positive achievement against the target of 150 000 tons increase in Year 1. However, sales in Year 2 (the 2021/2022 season) as calculated at season-end March 2022, indicate no growth beyond this point.

3

R200million spent in 2020/21, R200 million in 2021/22 from the industry R1billion transformation fund. R200 million is to be allocated for 2022/23 season.

4

R60m minimum Small Scale Grower (SSG) Premium Payment paid in January 2022 for three seasons. All growers on communal land regardless of tonnage, all black growers on freehold land producing less than 1800tons & white growers on freehold land producing less than 1800tons may apply to SASA to be part of the scheme.

5

SACGA Home Sweet Home Campaign, Hullels Tongaat/Proudly SA Humthem & Proudly SA Living Lekker Locally Campaign (Heritage) buy local campaigns rolled out.

6

Notional Price increases by SASA were kept on or below CPI in line with Action Commitment 2, only twice a year and outside of the peak trading periods such as December and Easter Weekend and Easter school holidays i.e. Sept '20 (3%), March 21 (1.8%), Sept 21 (2.4%), March 2022 (2.2%).

7

SAF, PLA, polyethylene, glutamic acid, juice additive to complement apple, pear, juice have been established as potential downstream product streams to be explored as well as the Engen Repurpose Facility for ethanol production.

8

Shoprite partnership with SA Cane Growers ( i.e. prioritising the selling of locally produced sugar in its 1189 stores) assist in achieving this target.

## 4.1 Progress: SACU Harmonisation

Milestone	Status	Progress
Develop proposal for engagement with the eSwatini government and eSwatini Sugar: harmonised regulatory framework towards partnership and between the two prevent destructive competitive dynamics	Engagements between SASA&ESA, Government Trade Departments, SA SACU Proposal to be tabled at SACU.	<p>a) Industry view is that extension of the Competition Commission exemption to 30 June 2023 will facilitate engagements on trade matters</p> <p>b) Exploratory engagements between SASA and ESA have commenced</p> <p>c) Industry is developing a draft position on Sugar Trade Harmonisation proposal for consideration</p> <p>d) The AfCFTA Council of Ministers approved a rule of origin for raw and refined cane and beet sugar. Further work is being done on other sugars and syrups and other categories of sugar-based products such as confectionary.</p> <p>e) SACU countries to consider the proposals for a long-term solution on rebate matters.</p> <p>f) A position regarding Mauritius proposals for increased quota access has been developed by industry, for government consideration.</p>

## 4.2 Progress: Job Retention & Mitigation

Milestone	Status	Progress
Sugar Value Chain Analysis & employment data	Started and lagging behind.	<ul style="list-style-type: none"> <li>Value Chain Analysis on Employment completed.</li> <li>Employment data collected: Large Scale Grower data (complete), Small-Scale Grower early 2022, Millers (complete), unions (2/3 pending), training institutes (completed), Confectionery (low response), Sugar Sweetened Beverages (pending proposed revised Competition Commission Guidelines)</li> </ul>
Development of Retention & Mitigation Strategy	Value chain analysis to be used as a baseline for strategy.	A draft has not yet been tabled.
Incorporation of Organised Labour into task team	Organised Labour's participation will need to be strengthened.	While Organised Labour has taken part in meetings convened by the Minister, consistent support for the Master Plan would assist the process

## 4.3 Progress: Small Scale Grower Support

Milestone	Status	Progress
<p>Workplan defines short, medium and long term interventions (See next slide)</p> <p>SHORT TERM: Small Scale Grower Premium Price Payment system to be established</p>	<p>A minimum R60 million Small Scale Grower Premium Scheme for all growers on communal land, all black growers on freehold land producing less than 1800tons &amp; white growers on freehold land producing less than 1800tons—are in place.</p>	<p>Achieved. Payments to be processed in January of every year for at least 3 years (2021/2022, 2022/2023, 2023/2024 seasons), unless overtaken by medium and longer-term initiatives of this Task Team.</p>
<p>Survey to collect data &amp; understand SSG challenges in order to develop a strategy and programme of action</p>	<p>Implemented in January 2022.</p>	<p>Year 1 completed.</p>
<p>Impact study on existing small-scale grower support programmes</p>	<p>This is a SASA-led process and will feed into taskteams. The outcomes of study will be used to develop mechanisms to replace or amend existing interventions under the Transformation &amp; Supplementary Payments Fund.</p>	<p>Underway</p>
<p>The above to inform regulatory amendments required</p>	<p>The Small Scale Grower survey &amp; Impact Study to inform Regulatory amendments required.</p>	<p>SASA has established a structure to deal with legislative amendments.</p>

## SMALL SCALE GROWERS (SSGs)

### SHORT-TERM

#### STATUS: **ACHIEVED**

- Premium Payment of at least R60 m per season commencing payment in January 2022
- For at least 3 years (2021/2022, 2022/2023, 2023/2024 seasons), unless overtaken by medium and longer-term initiatives of this Task Team.
- 13 891 growers, including co-ops, shared R60m. Delivering just over 2,7mtons of cane, translating to an extra R22 per ton of cane. An SSG producing 1,500 tons would receive an additional R33,000.
- **OVER AND ABOVE:** The preferential price is paid over and above all other transformation interventions

### MEDIUM TERM

**OBJECTIVE:** To perform extensive SSG survey to determine SSG Problem Statement

**STATUS: UNDERWAY**

### LONG TERM

**OBJECTIVE:** Development a sustainable plan to support small-scale growers

**STATUS: NOT YET STARTED**



## 4.4 Progress: Transformation

Milestone	Status	Progress
R1billion Transformation Fund to be disbursed over 5 years	Year 3 transformation funds is being disbursed. Detail of Transformation Interventions and number of beneficiaries shown in next slide.	<ul style="list-style-type: none"> <li>Spending: R200m spent in 2019/20; R214m spent in 2020/21; R225 budgeted for 2021/22 of which R198,24 had been spent to date (end January 2022).</li> </ul>
Stakeholder engagements	Stakeholders bilaterals held. Focus areas identified include: Production support, funding; cooperatives & collective procurement; women, youth, disability; skills, land & tenure.	Engagements continue with key stakeholders during the development of the Transformation Strategy
Existing Transformation Initiatives	Empowerment initiatives underway.	<ul style="list-style-type: none"> <li>Programmes on Youth Employment Program (YEP), Grower Baseline, Women Enterprise Development Programme &amp; People Living with Disabilities underway.</li> <li>Key relationships &amp; dependencies with other Task Teams identified such as Value-Chain diversification, Industry restructuring and Job Creation.</li> </ul>
Transformation Strategy Review	An Industry Transformation Strategy is to be developed.	<ul style="list-style-type: none"> <li>The development of the Transformation Strategy is to commence in the first quarter of 2022.</li> </ul>

KEY THEMES  
FROM  
BILATERALS

Production  
support and  
access to  
funding

Co-operatives  
and collective  
procurement

Women, youth,  
disability &  
skills  
development

Land and  
tenure

B-BBEE  
Scorecard  
criteria

	SASA Interventions	No. Beneficiaries in 20/21 season	Budget 21/22
1	Grant funding for black sugar cane growers delivering under 1 800 tons cane	19188	44,000,000
1a	Production input to small-scale growers	New Intervention	43,000,000
2	Grant funding for black sugar cane growers delivering above 1 800 tons cane	297 (10 Joint Ventures)	51,000,000
3	Subsidy for Transport Costs for qualifying black sugar cane growers who deliver under 1 800 tons cane	19188	23,000,000
4	Access to seed cane of appropriate cane varieties for black small-scale sugar cane farmers	1394	n/a
5	SASA levy subsidy for black small-scale sugar cane growers who deliver under 1 800 tons cane	19188	8,000,000
6	Institutional capacity building for new emerging black sugar cane grower associations	SAFDA	10,000,000
7	Grower Development Account Mill Cane Committee Admin. support grants.	Unknown	5,000,000
8	Sugar industry job creation accelerator programme for black youth	104 youth	5,200,000
8	Establishment of the Women Enterprise Dev't Prog.	Unknown	9,800,000
9	Support to the Sugar Industry Trust Fund for Education (SITFE)	48 bursars	n/a
<b>TOTAL INTERVENTION FUNDING 2021/2022</b>			<b>199,000,000</b>

## 4.5 Progress: Crop Diversification

Milestone	Status	Progress
Develop detailed strategies & plans to provide & support appropriate crop diversification by growers as alternatives to sugarcane & to support enhanced financial viability of sugarcane growers	Four Scenarios identified incl.: Gummed Up (No diversification & unsustainable), Strong & Sticky (No diversification but sustainable), Sugar Detox (Diversification & highly sustainable), Flip Flop (diversified but unsustainable) BFAP completed modeling of “Gummed up” Crop Diversification Scenario on 18/12/2021.	<ul style="list-style-type: none"> <li>TT has received presentations from DALRRD, IDC, BFAP on Crop Diversification.</li> <li>A “Gummed up” Crop Diversification Scenario Modelling was completed on <b>18/12/2021</b>.</li> <li>The scenario show the current status of activity in the industry, based on action prior to the Master Plan intervention &amp; details the extent of crop diversification underway. <b>Anticipated outcomes include:</b> expected to show decline of cane growing sector, according to the BFAP model. Depending on an individual grower’s capacity, diversification into other crops may be possible (e.g. fruit or macadamia etc.) with high capital costs &amp; high labour requirement. Some growers will not be able to sustain businesses through a period of high investment with limited return.</li> </ul>
		<b>Strong &amp; Sticky:</b> BFAP in subsequent phases to model: undiversified but sustainable sugarcane crop landscape. Utilise existing data on suitable crops to model: barriers to entry, gross margins, supply chain, market & socio-economic impact, and requirements, production forecast, the impact of increased supply, market response.
		<b>Sugar Detox:</b> BFAP in subsequent phases to model: diversified and highly sustainable sugarcane crop landscape. Utilise existing data on suitable crops to model: barriers to entry, gross margins, supply chain, market & socio-economic impact, and requirements, production forecast, the impact of increased supply, market response.
		<b>Flip Flop:</b> BFAP in subsequent phases to model diversified but unsustainable sugarcane crop landscape. Utilise existing data on suitable crops to model: barriers to entry, gross margins, supply chain, market & socio-economic impact, and requirements, production forecast, the impact of increased supply, market response.

## 4.6 Progress: Value Chain Diversification

Milestone	Status	Progress
<p>Identification &amp; development of new/additional attractive &amp; feasible sugar-cane-based downstream products for local &amp; international trade. Achieve competitiveness upgrade in technology &amp; skills, addressing constraints &amp; bottle necks</p>	<p>Viable products warranting development incl.: SAF, PLA, polyethylene, glutamic acid, sugarcane juice additives. Belgium gvt expressed interest to fund 80% diversification, COP26 commitment to fund S.A. green energy. Next steps incl.</p> <ul style="list-style-type: none"> <li>Determination of final biofuels price in the local market</li> <li>Funding of feasibility studies</li> </ul>	<p><b>Sustainable Aviation Fuels:</b> Scoping report with opportunities &amp; requirements for detailed feasibility (BFS) submitted to <b>the dtic</b>. IDC is processing an application to fund the BFS &amp; is facilitating a scope expansion. SASA approved co-funding.</p>
		<p><b>PLA:</b> Development of a scoping proposal for application for pre-feasibility assessment underway. Industry members and 3<sup>rd</sup> parties have shown interest in this project.</p>
		<p><b>Sugarcane juice:</b> Cane juice concentrate has potential to be cost competitive substitute/competitor in the fruit juice industry. Requires a cane juice inclusion by DALRRD in Agricultural Product Standard Act (APS) - TT6 &amp; DALRRD currently consulting on the matter. Project could potentially move straight to commercial stage (not very large).</p>
		<p><b>Polyethylene and glutamic acid:</b> The conclusion of the SMRI study to shortlist viable potential products concluded at the end of 2021 with these two products being added. Planning for further scoping and bankable feasibilities is still to be initiated.</p>
		<p><b>Engen-repurpose project:</b> Ongoing discussions on role of ethanol - feedback from growers expected. Engen seeking clarity from DMRE on the subsidy quantum and mechanism.</p>

## 4.7 Progress: Product Tax Policy

Milestone	Status	Progress
Objective & empirically based post 2023 HPL tax policy recommendation	A consultant is to be employed to carry out an analysis of the tax policy gaps being identified through task team & facilitate the tax policy recommendations to close the gaps identified.	<ul style="list-style-type: none"> <li>Analysis of HPL impact studies to determine gaps is underway. HPL Impact study assessed &amp; Total Dietary Intake Study is awaited in 2022. International Tax policies analysed include: WTO Public Procurement &amp; Services Policy for Healthy Diet, UK National Food Strategy, European Food Safety Authority.</li> <li>An assessment of restrictions regarding non-tax interventions i.e., advertising &amp; Front of Pack Labelling underway as per Foodstuffs, Cosmetics &amp; Disinfectants Act 54 of 1972.</li> <li>Work is underway to facilitate and resolve challenges in implementation including: <ul style="list-style-type: none"> <li>Competition concerns from industry; and</li> <li>Lack of coordination may impact on the realisation of the local offtake commitment; hence it is crucial to have all key departments on board TT07.</li> </ul> </li> <li>Industry stressed that further policy changes must align to SMP objectives to avoid policy divergence, &amp; ensure correct timing and sequencing of policy change, and necessary mitigations to sustain industries.</li> </ul>
Govt commitment concerning HPL	Govt committed to not increase the threshold exemption level/rate and scope of the HPL during stabilisation period.	<ul style="list-style-type: none"> <li>Government has delivered on its commitments on the threshold exemption level, rate and scope of the HPL i.e., in 2020/21 &amp; 2021/22. At the recently National Budget, the Minister of Finance increased the sugar tax for beverages with more than 4g of sugar content from 2.21c/g to 2.31c/g however implementation has been delayed by 1 year, in alignment with the Master Plan timelines.</li> </ul>

## 4.8 Progress: Structured Industry Restructuring

Milestone	Status	Progress
<p>Develop a detailed industry restructuring plan to- re-balance industry capacity, improve efficiency and restore profitability</p> <p>- set the foundations for the 2030 vision for a competitive, sustainable and diversified sugarcane-based value chain</p>	<p>Analysis (verification) of existing structural challenges &amp; causative factors; as well as development of remedies (the restructuring strategy) was completed. Facilitation &amp; monitoring of an implementation plan to follow. See outcomes in the next slide.</p>	<ul style="list-style-type: none"> <li>• <b>Verification</b> (Phase 1): Completed.</li> <li>• <b>Causation</b> (Phase 2): Completed.</li> <li>• <b>Remedy</b> (Phase 3): Completed.</li> <li>• This Task Team impacts on almost all other Task Teams and its outcome may guide direction and actions.</li> <li>• Task Team members now have the opportunity to discuss the report and develop an internal mandate for their representative on the Task Team.</li> <li>• A full Task Team was held on 22 March 2022 to discuss the implementation of the proposals. A comprehensive communication and stakeholder consultative process is being developed to chart the way forward.</li> <li>• As part of a skills transfer initiative, training was provided by the International consultant to 4 industry members in data management, modelling and advanced spreadsheet use such as parameter solvers.</li> </ul>



Phase 1:  
**What** are  
the  
challenges?

- **Rising** grower **costs** and reducing yields.
- Milling **performance declining**.
- Factors **outside industry control**:
  - Drought, rising costs, falling world prices, falling demand (HPL), imports.
- Factors **within industry control**:
  - Division of proceeds – leading to over-production;
  - Stagnant performance (field and factory);
  - High level of uncertainty for SSGs; and
  - Incentives not driving investment in the sector and affecting value added products (e.g. refining).

Phase 2:  
Causes of  
challenges?  
**Why?**

- **Incentives insufficient** to encourage investment and affecting value-added products (e.g. refining).
- **Market factors**: Cost pressures, low mechanisation, wages. Global demand increasing slowly, SACU consumption slowing. Average pricing resulting on overproduction.
- **Division of proceeds** supports overproduction - complex system.
- High level of **uncertainty for SSGs** regarding the future price they will receive.

Phase 3:  
**How** to  
solve the  
problems?

- **Higher Notional Price**. Would need to quantify the burden consumers will have to bear to support the industry in its current form.
- **Managed restructuring**. What the industry should do
- **Valorisation of co-products**. How value-added products will allow the industry to remain its current size and what the cost will be for the state

## 4.9 Progress: Restore Local Market & Off take Commitments

Milestone	Status	Progress
<p><b>Facilitate demand strategies to increase sales of locally produced sugar through industrial offtake agreement, independent wholesalers &amp; retailers, public procurement</b></p>	<p>BevSA, CGCSA, SASCA have agreed to the commitment to increase local sugar sales by 150 000 tons initially &amp; 300 000 tons by year 3 of stabilisation phase.</p>	<ul style="list-style-type: none"> <li>• Whilst the year 1 target of 150 000 tons was exceeded, the monitoring of the exercise of these commitments by BevSA, CGCSA &amp; SASCA has not transpired due to competition concerns raised.</li> <li>• SASA reports that sugar purchases at the end of year 2 have declined versus year 1, and have signaled that achievement of 300 000 tons additional sales in year 3 will require further effort.</li> <li>• The process to establish a case for designation of public procurement of sugar has not yet been concluded due to challenges with procurement data acquisition.</li> </ul>
<p><b>Buy Local Campaigns</b></p>	<p>Existing Proudly SA Buy Local Campaigns incl.: SACGA Home Sweet Home, Hulleys Tongaat Humthem &amp; Proudly SA Living Lekker Locally (Heritage), Black Friday &amp; Festive Season</p>	<p>2021 saw five buy local campaigns implemented: SACGA Home Sweet Home Campaign, Hulleys Tongaat Humthem &amp; Proudly SA Living Lekker Locally Campaign (Heritage), Black Friday &amp; Festive Season Campaigns, SASA/ SIPASE.</p>

## 4.10 Progress: Competitiveness of Sugar Confectionery

Milestone	Status	Progress
Leverage of existing support instruments	<p>Existing support measures for confectionery sector have been facilitated incl.: engagements with EU Commission, ITAC (a tariff application), Application for SASA Rebate unsuccessful,</p> <p>SASA is considering a new support fund for small confectionery manufacturers.</p>	<ul style="list-style-type: none"> <li>the dtic has facilitated engagements between EU Commission, ITAC, SASCA.</li> <li>SASA will support a Tariff Application by SASCA and has provided Terms of Reference to appoint a service provider to submit the Tariff Application. Feedback from SASCA regarding appointment of service provider/ tariff application awaited.</li> <li>SASA has deliberated extensively on a rebate to SASCA members and advised it will not be possible.</li> <li>A set incentives for vulnerable industry were presented by the dtic to SASCA, feedback is awaited.</li> </ul>
Competition Concerns	<p>Further fine tuning of the existing Competition Commission Guidelines is expected to unlock participation by SACSA in providing data to enable monitoring of local sugar sales uptake as a reciprocal action of all downstream users that are signatories to the Master Plan.</p>	<p>Engagement with the Competition Commission on its Guidelines to be pursued to address concerns</p>

## 5. KEY FOCUS AREAS / PRIORITIES FOR THE NEXT 12 MONTHS

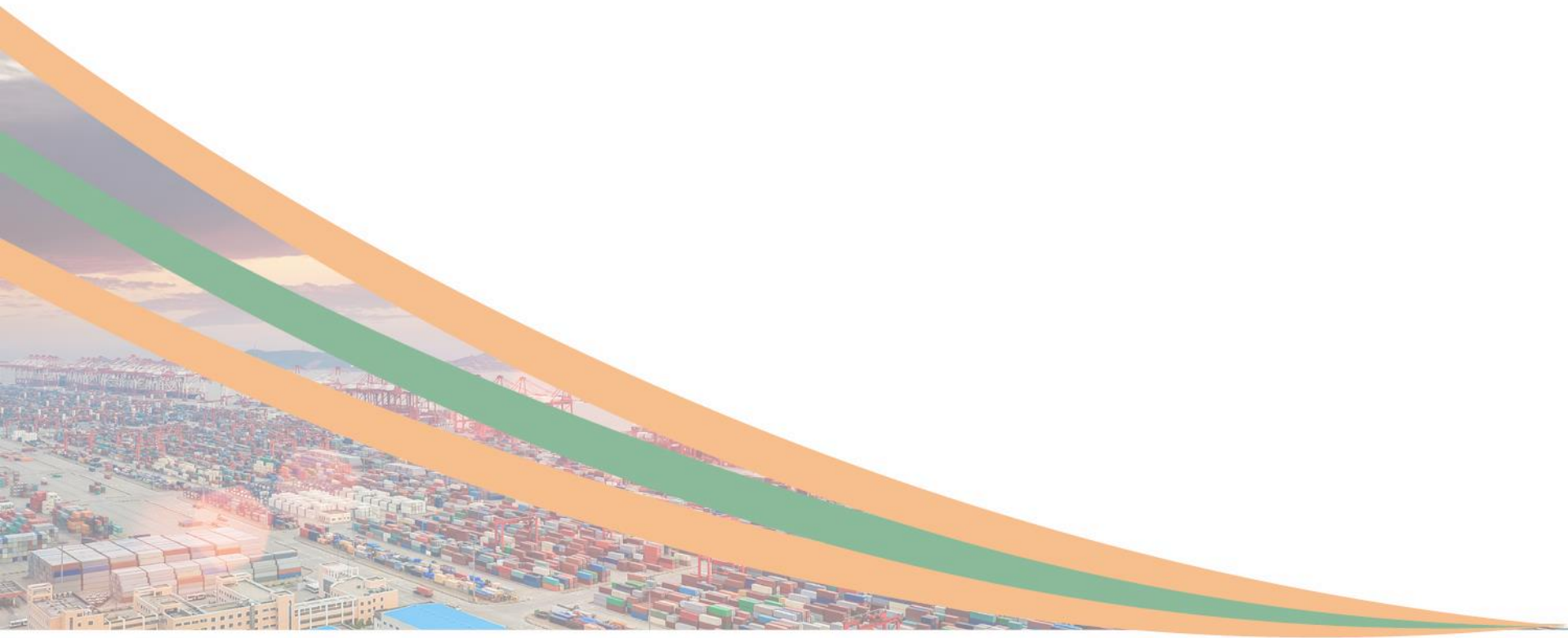
The following areas are due to be tabled at the next meeting of the Executive Oversight Council for consideration as the work programme for 2022:

- Progressing the draft South African position on Sugar Trade Harmonisation proposal.
- Monitor developments in SACU regarding proposals on rebates.
- Complete Sugar Value Chain Analysis & employment data collection.
- Draft Job Retention & Mitigation Strategy.
- Facilitate greater participation by Organised Labour.
- Roll out the Small Scale Grower Survey to inform the draft support strategy and programme of action.

## 7. KEY FOCUS AREAS / PRIORITIES FOR THE NEXT 12 MONTHS

- Finalise remaining Crop Diversification Scenarios modeling i.e. Strong & Sticky (No diversification but sustainable), Sugar Detox. (Diversification & highly sustainable) & Flip Flop (diversified but unsustainable).
- Develop a proposal for the take up of some of the COP26 green energy funding commitment for sugarcane value chain diversification.
- Finalise scoping for feasibility applications for polyethylene & glutamic acid.
- Monitor Budget Vote announcements and facilitate discussion of support measures by DALRRD and **the dtic**.
- Finalise the BevSA, CGCSA & SASCA competition concerns to enable provision of employment data & local procurement plans & actuals
- Develop implementation plan for the restructuring proposals (remedies).
- Finalise industry tariff application on imported confectionery products for consideration by regulators

# THANK YOU



**the dtic**

Department  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

**the dtic - together, growing the economy**

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: [www.thedtic.gov.za](http://www.thedtic.gov.za)