



Portfolio Committee on Trade and Industry

Status on matters relating to the Sugar Industry

4 September 2019



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Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



Delegation's details

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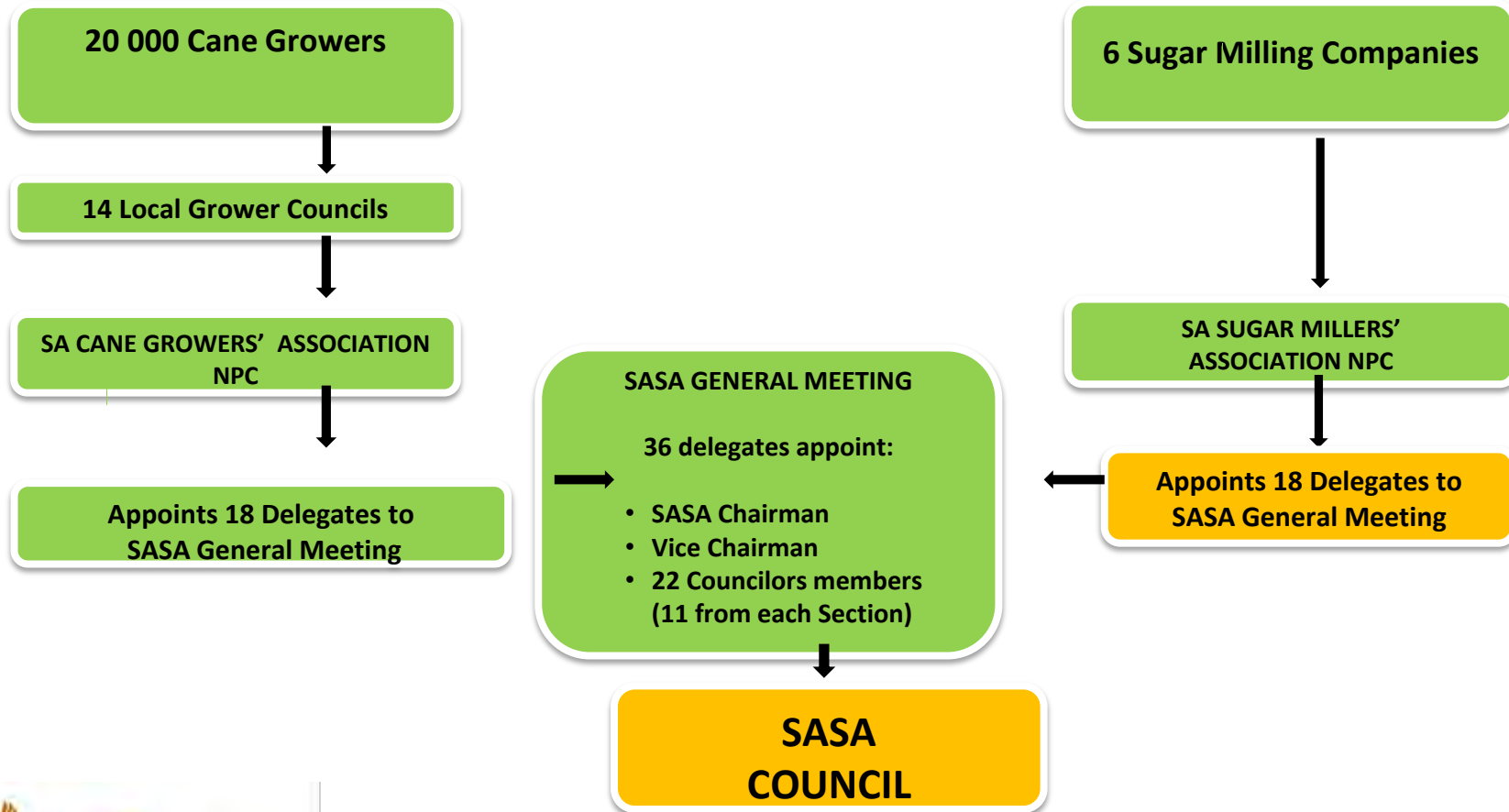
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Regulatory Framework of the Sugar Industry

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
- South African Sugar Association (SASA) Constitution

Sugar Industry Structure (traditional)



State of the Sugar Industry

- The President in his State of the Nation Address (SONA) committed to facilitating interventions in the industry.
- Shrinking Market: South Africa (SA) share of Southern African Customs Union (SACU) local market shrunk from 1.6 to 1.2 million tonnes (t) – the lowest since 1983.
- Slowly shrinking SA sugar industry – mainly in KwaZulu – Natal (KZN):
 - Area under cane has shrunk by 60 000 hectares (ha) from 430 000 ha in 2000 to current 360 000 ha – loss 2% per annum – the lowest since 1983;
 - Shrinking slowly – 10 year crop – farmers stop investing or switch; and
 - Marginal growers going out of business.
- Milling and refining over capacity increasing.
- Job losses in both growing and milling sector.
- Urgent diversification to prevent further shrinkage and create sustainable industry.
- Financial sustainability prerequisite for meaningful transformation.

State of the Sugar Industry

tons	Actual		
	2016/17	2017/18	2018/19
SACU Market Demand	2 314 779	2 093 452	1 857 991
% reduction in demand year-on year		-9.6%	-11.2%
Eswatini*	379 083	390 000	410 000
Duty Paid Foreign Imports**	283 582	519 231	196 782
SADC Quota**	9 114	5 922	23 500
SA Producers' Sales***	1 643 000	1 178 299	1 227 709

* estimates are based on SARS import statistics and information from the Eswatini Sugar Association website

** SARS statistics

*** Actual sales by South African millers

ITAC - Sugar Tariff

DATE	ACTION
6 April 2018	The International Trade Administration Commission of South Africa (ITAC) received a properly documented application from SASA.
09 July 2018	ITAC completed its investigation and submitted its recommendation to the Minister of Trade and Industry.
17 July 2018	ITAC's recommendation approved by the Minister of Trade and Industry.
03 August 2018	The increased Dollar-Based Reference Price (DBRP) level of US\$680/t was implemented in the Government Gazette by the South African Revenue Service (SARS).
August 2021	Date of review of the DBRP: A 3-year period would enable the Commission to conduct a meaningful impact assessment of trends in terms of employment, production and investment level and downstream effects.

Objective of the review of Sugar Regulation

- 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 provide a positive legal position and minimise self regulation by industry.
- To ensure transformation, growth and sustainability of the Sugar Industry.

Ministerial prerogative to change Regulations emanating from the 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.

4(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.

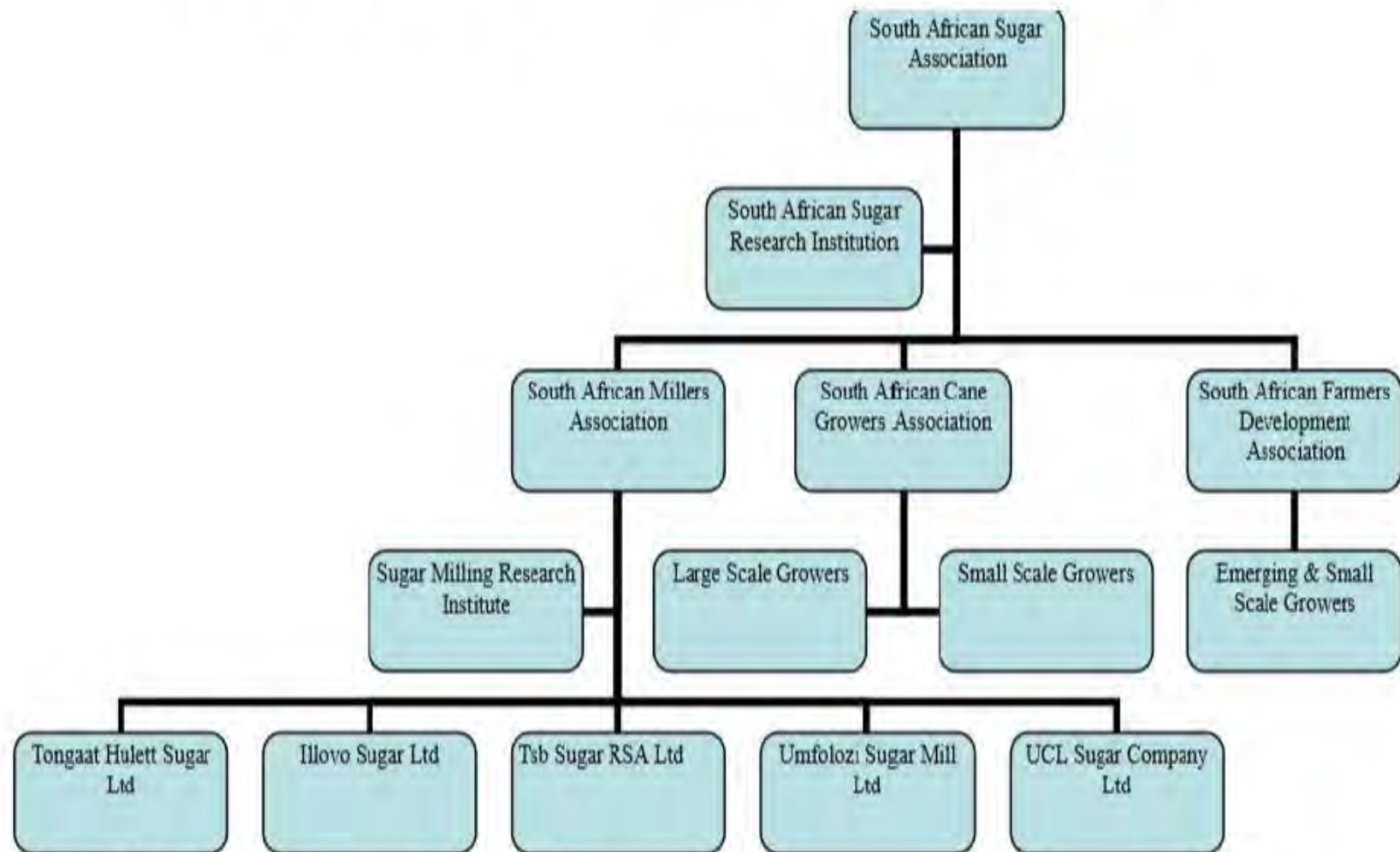
Current Sugar Industry Structure

- The South African Sugar Association is an autonomous organisation and operates free of government control.
- In terms of the Sugar Act and Sugar Industry Agreement, statutory powers of self governance are granted to the sugar industry.

Sugar Industry Structure

- SA Sugar Association Council -
50/50 Representation by Millers' and Growers' (i.e. SA Sugar Millers' Association Ltd and South African Cane Growers' Association)
- 6 Milling Companies
- 14 Local Growers' Councils

Structure of the South African Sugar Industry



Source: South African Sugar Association



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**NEW SUGAR INDUSTRY
STRUCTURE
FOR TRANSITIONAL PERIOD**

**South African Sugar Association
(SASA) DELEGATES**
Chairperson

24 appointed by Growers' Association
24 appointed by Sugar Millers' Association

50%

50%

Growers Associations

27 Delegates

SASA COUNCIL

Chairperson
3 Vice-Chairpersons
16 Councillors nominated by Growers' Association
16 Councillors nominated by Sugar Millers' Association

SA Sugar Millers' Association

Chairperson
27 Delegates

50/50 split

**South African
Cane Growers'
Association
(SACGA)**

12 Delegates

SACGA
Board

SACGA
Congress

14 Local Grower
Councils
Board

**South African
Farmers
Development
Association
(SAFDA)**

12 Delegates

SAFDA
structures

Others

"MGB" & local structures

**South African
Sugar Millers'
Association
(SASMA)**

14 Mills

Others

**STAKEHOLDER LEVY
STRUCTURE
FOR TRANSITIONAL PERIOD**

**SASA
LEVY STRUCTURE**

64%

36%

Growers' Association Costs

- Central Levy paid by member organisations
- SASA to collect levies into 1 basket of levy incl. of SA Millers' support to Growers' Association
- SASA shall pay - Operational costs to SACGA & SAFDA

SA Sugar Millers' Association Costs

Millers' Association costs of operation and administration

**SACGA
Costs**

**SAFDA
Costs**

**Others
Costs**

**SASMA
Costs**

**Others
Costs**

The DAFF & DRDLR – Support to Emerging Farmers

[now Department of Agriculture, Land Reform & Rural Development (DALRRD)]

- The South African Farmers Development Association (SAFDA) entered into a Service Level Agreement (SLA) with the Department of Rural Development and Land Reform (DRDLR) to help with farmer support.
- The SLA was signed and celebrated by SAFDA at the Third Anniversary Imbizo held in December 2018.
- The DRDLR has now made a grant of **R 133 066 553 million (mil)** to SAFDA which will be used to apply seasonal fertilizer on perennial sugarcane shoots (ratoon management) to **35000 hectares** of sugarcane fields, benefitting **11650 farmers** in KwaZulu-Natal and Mpumalanga provinces.

Current transitional Arrangements

- Grower representation in the South African Sugar Association (SASA) shall be shared equally by the South African Farmers Development Association (SAFDA) and South African Cane Growers' Association (SACGA).
- For the transitional period SACGA's, SAFDA's and the South African Sugar Millers' Association's (SASMA's) costs of operation and administration will be included in industry obligations and deducted by SASA from the gross proceeds.
- The Growers Associations costs will be a sum of SACGA's and SAFDA's respective costs of operation and administration:
 - For the 2018/2019 season shall be those costs reflected in the final written budgets which SACGA and SAFDA respectively provide to the South African Sugar Association by 30 September 2018 but no later than the end of the financial year.
 - For the 2019/2020 season shall be those costs reflected in the final written budgets which SACGA and SAFDA respectively provide to the SASA by 1 April 2019.

Current transitional Arrangements

The Millers' Association's costs of operation and administration:

- For the 2018/2019 season shall be those costs reflected in the final written budget which the Millers' Association provides to the South African Sugar Association by no later than 30 September 2018 but no later than the end of the financial year.
- For the 2019/2020 season shall be those costs reflected in the final written budget which the Millers' Association provides to the South African Sugar Association by 1 April 2019.

Proposed Diversification options

As part of the National Economic Development and Labour Council (NEDLAC) Health Promotion Levy (HPL or sugar tax) process, Government committed to a Jobs Mitigation and Creation Plan (JMCP) on 6 October 2017 which included the following:

- **Markets regulated by Government**

- Fuel ethanol
 - time to market - 2 to 3 years
 - large regulated market potential
 - Based on previous work, most cost-effective solution to SA and industry
- Electricity
 - Small scale brownfields electricity cogeneration during peak season – 1 year
 - Large scale – 3 to 5 years
- Biogas

- **Open markets**

- Biobased plastic products
- chemicals
- Long-term biorefinery

SUGAR INDUSTRY PRESENTATION TO PPC – 5 DECEMBER

5-Year Draft Sugar Transformation Plan

OBJECTIVES:

1. Remedy current inequalities experienced by black cane farmers.
2. Introduce interventions that will accelerate transformation in the cane farming and the sugar milling sectors using the Agriculture-Black Economic Empowerment (Agri-BEE) Sector Code.
3. Unlock industry growth through diversification into other products.

INTERVENTIONS DELIVERED BY THE CANE FARMING SECTOR

SA Cane Growers' Association (SACGA)

SA Farmers Development Association (SAFDA)

INTERVENTIONS DELIVERED VIA SA SUGAR ASSOCIATION (SASA)

SASA Council

16 Councillors appointed by SASMA
8 Councillors appointed by SACGA
8 Councillors appointed by SAFDA

Decisions taken by 80% majority
(subject to one Councillor appointed by each of SACGA, SAFDA and SASMA as part of the 80% majority)

INTERVENTIONS DELIVERED BY SUGAR MILLING & REFINING SECTOR

SA Sugar Millers' Association (SASMA)

Illovo
Tongaat-Hulett's
RCL
Gledhow
Umfolozi
UCL



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Engagement of Ministers Didiza and Patel with the Sugar Industry

Engagements held between Minister Didiza and Minister Patel with sugar industry and these are the general outcomes:

- It was agreed that the protectionist strategy for industry needs to be phased out in favor of one based on Competitiveness.
- An export orientation was thus adopted as a pillar to support industry competitiveness and will include targeting the African market through the implementation of the African Continental Free Trade Agreement (AfCFTA) which will institute trade reforms in July 2020.
- The imposition of a surcharge on Eswatini imports will not be adopted to preserve regional ties enshrined in the Southern African Development Community (SADC) and SACU agreements.
- The proposal for the HPL proceeds cannot be used for agricultural development as these were ring-fenced for health promotion by the Department of Health.
- The Minister will reconvene a meeting in four weeks with all stakeholders in order for concretised action plans emanating from the meeting of 19/08/2019 to be presented to

Way Forward

- Finalise the Amendments of the Sugar Industry Agreement and SASA Constitution by **the dti** and SASA.
- **the dti** in collaboration with SASA is committed to fast-tracking the processes to ensure the current regulations are amended before 31 March 2020.
- Finalisation of the diversification plan by March 2020 implementation to commence April 2020.
- An inter-departmental task team inclusive of DALRRD, Industrial Development Corporation (IDC) etc. has been established and will provide a report to the Minister in four weeks.

“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



Thank you



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