

AGRICULTURE, AQUACULTURE & FISHING SECTOR ALERT

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Are things getting sweeter in the Sugar Industry?

In June 2019, President Ramaphosa affirmed Government's commitment to help create conducive conditions for South African industries to expand, by implementing a re-imagined industrial strategy through several sector specific Master Plans. The overarching goal of the Master Plans is to assist companies to improve their industrial capacities and sophistication, focusing more on exports and reclaiming the domestic market space lost to imports. In the 2022 State of the Nation Address (SONA 2022) President Ramaphosa reaffirmed Government's commitment to stimulate growth in the South African sugar industry. Government, through a process of extensive stakeholder engagement, developed the 2020 Masterplan for South African Sugarcane Value-chain to 2030 (**Sugar Masterplan**). The Sugar Masterplan aims to address the immediate crisis facing the sugar industry.



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In June 2019, President Ramaphosa affirmed Government's commitment to help create conducive conditions for South African industries to expand, by implementing a re-imagined industrial strategy through several sector specific Master Plans. The overarching goal of the Master Plans is to assist companies to improve their industrial capacities and sophistication, focusing more on exports and reclaiming the domestic market space lost to imports. In the 2022 State of the Nation Address (SONA 2022) President Ramaphosa reaffirmed Government's commitment to stimulate growth in the South African sugar industry. Government, through a process of extensive stakeholder engagement, developed the 2020 Masterplan for South African Sugarcane Value-chain to 2030 (Sugar Masterplan). The Sugar Masterplan aims to address the immediate crisis facing the sugar industry.

The annual South African sugar production has declined by nearly 25% over the last 20 years. The number of sugarcane farmers and jobs in the sugar related industry have also dramatically decreased over this period. The sugar industry employs an estimated 65,000 people directly and further supports an estimated 270,000 jobs through upstream and downstream multipliers. According to the Sugar Masterplan, the jobs created by the sugar industry sustain an estimated 1 million livelihoods, a majority of which are situated in South Africa's most rural areas. Government has acknowledged that the average sugarcane farmer and milling company is incurring losses that, if they were to continue to go unmanaged, could see the further steep decline of the local sugar industry and a resultant devastating knock-on effect on rural unemployment and poverty.

As highlighted in President Ramaphosa's SONA 2022, there appears to be a positive shift in the sugar industry. According to

the President, through the Sugar Masterplan, the sugar industry has provided R225 million to over 12,000 small-scale sugar cane growers as part of a R1 billion commitment to support small scale and black farmers as an effort to stimulate the regeneration of the industry.

The primary objectives of the Sugar Masterplan are to:

- stem the industry's decline and to preserve the 2019 job numbers (an estimated 65,000 jobs), and over the long run to grow jobs in a diversified sugarcane industry;
- restructure and rebalance the industry's capacity to reduce inefficiencies, reduce costs and restore competitiveness, reduce reliance on tariff protection and to set the foundations for diversification;
- transform the industry through inclusive and broad-based participation in the value chain for workers, black and women farmers and black industrialists; and

- invest in globally competitive and sustainable diversified sugarcane-based value-chains.

The social partners have agreed to adopt a phased approach towards the implementation of the Sugar Masterplan to ensure that urgent action is taken to address the immediate crisis faced by the industry, while at the same time accelerating the work required to advance planning and implementation towards the long term vision for 2030. These include, amongst others, the South African Sugar Millers Association, the South African Cane Growers Association, the South African Sugar Association and certain South African retailers and wholesalers. The 7 key action plans that the social partners commit to are to implement:

1. **The restoration of the local market and offtake commitments**
 - The primary aim of this action plan is to build consumer and customer demand for locally produced sugar and sugar derived products.

Are things getting sweeter in the Sugar Industry?

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2. Producer price restraint and certainty

- The strategic objective of this action plan is to contain sugar producer prices in line with inflation and to provide pricing certainty to retail and industrial customers through the industry transition and provide support for efforts to restore sales to local producers.

3. Strategic trade protection

- The strategic objective of this action plan is to provide appropriate trade protection to the local sugar industry from low priced and dumped deep-sea imports.

4. Employment protection and mitigation

- The strategic objective of this action plan is to ensure that through the industry transition and restructuring, jobs are protected and preserved as far as possible.

5. Small-scale grower retention and support

- The strategic objective of this action plan is to ensure that the foundational role of small-scale growers is preserved and extended, and that urgent short-term measures are taken to ensure the viability of small-scale growers.

6. Transformation

- The strategic objective of this action plan is to ensure that ownership and participation in the sugarcane-based value chain by black farmers, black industrialists, black-owned SMEs, and workers, including women, young people and the disabled, is significantly advanced.

7. Managed industry restructuring

- The strategic objective of this action plan is to develop a detailed industry restructuring plan to (i) re-balance industry

capacity, improve efficiency and restore profitability and (ii) set the foundations for the 2030 vision for a competitive, sustainable and diversified sugarcane-based value chain

Should the Sugar Masterplan be successfully implemented, it will ensure that, through the phased approach at least 95% of sugar will be locally procured and that the offtake to the local sugar industry will be increased from 150,000 tons to 300,000 tons by 2023. The successful implementation of the Sugar Masterplan may be the sweet treat needed to motivate the growth of the sugar industry.

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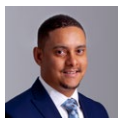
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BBBEE STATUS: LEVEL ONE CONTRIBUTOR

Our BBBEE verification is one of several components of our transformation strategy and we continue to seek ways of improving it in a meaningful manner.

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