SOUTH AFRICAN SUGAR MILLERS' ASSOCIATION NPC

BRIEF TO THE PPC ON TRADE AND INDUSTRY – SUGAR USAGE IN THE FOOD AND BEVERAGE SECTOR

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INVITATION TO SASMA FROM THE PPC

- SASMA invited to brief the PPC on Trade and Industry
- This briefing is in the context of the Masterplan – growing the market for value added sugar
- Food and beverage sector - critical role in sustaining the sugar industry
- Ascertain possibilities and challenges in enabling greater sugar beneficiation
- What will impede the uptake of additional sugar for value addition?
- SASMA invited to raise proposals with government which will resolve these impediments.

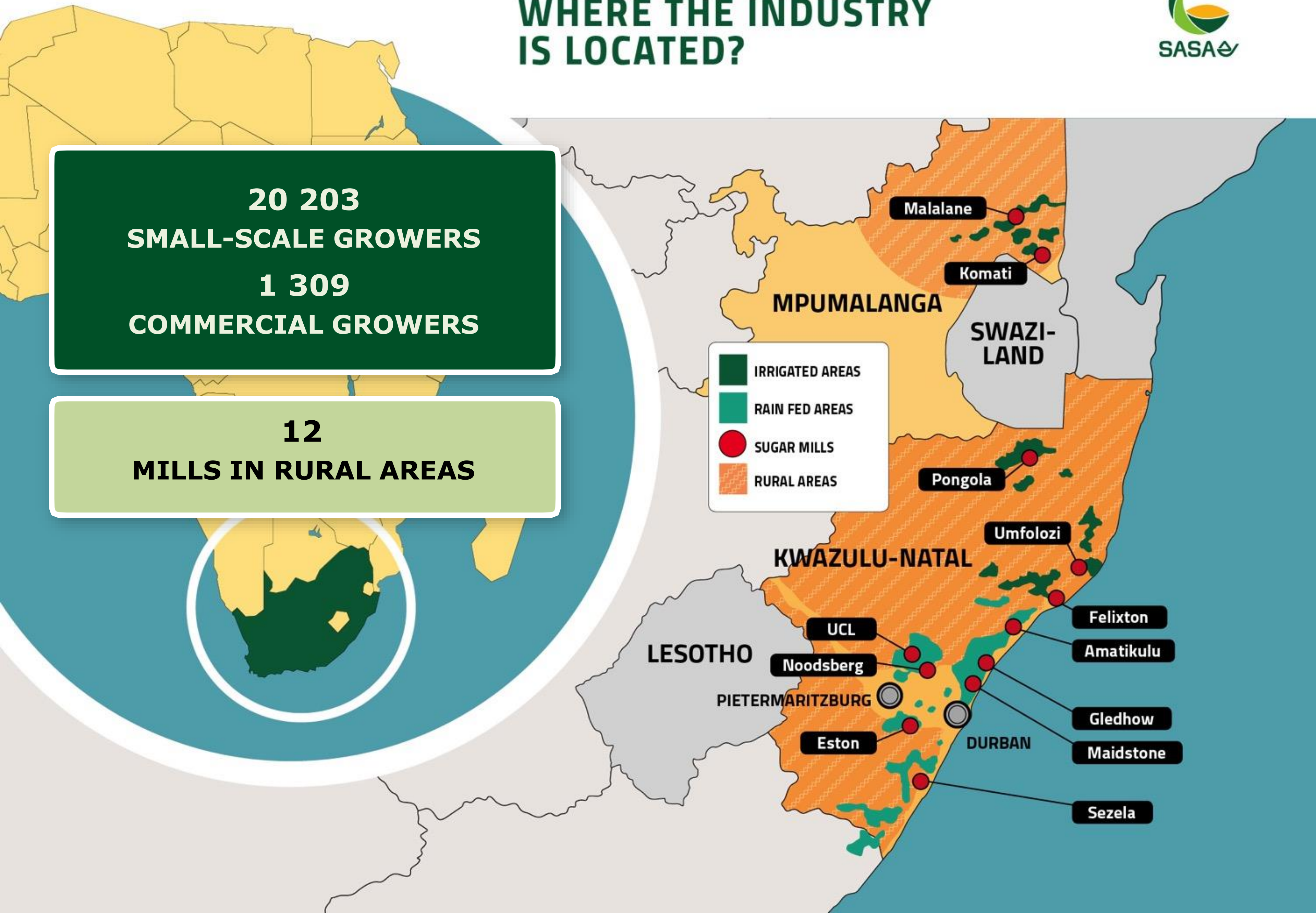
WHERE THE INDUSTRY IS LOCATED?

SASA

20 203
SMALL-SCALE GROWERS

1 309
COMMERCIAL GROWERS

12
MILLS IN RURAL AREAS



CONTRIBUTION TO THE SA ECONOMY

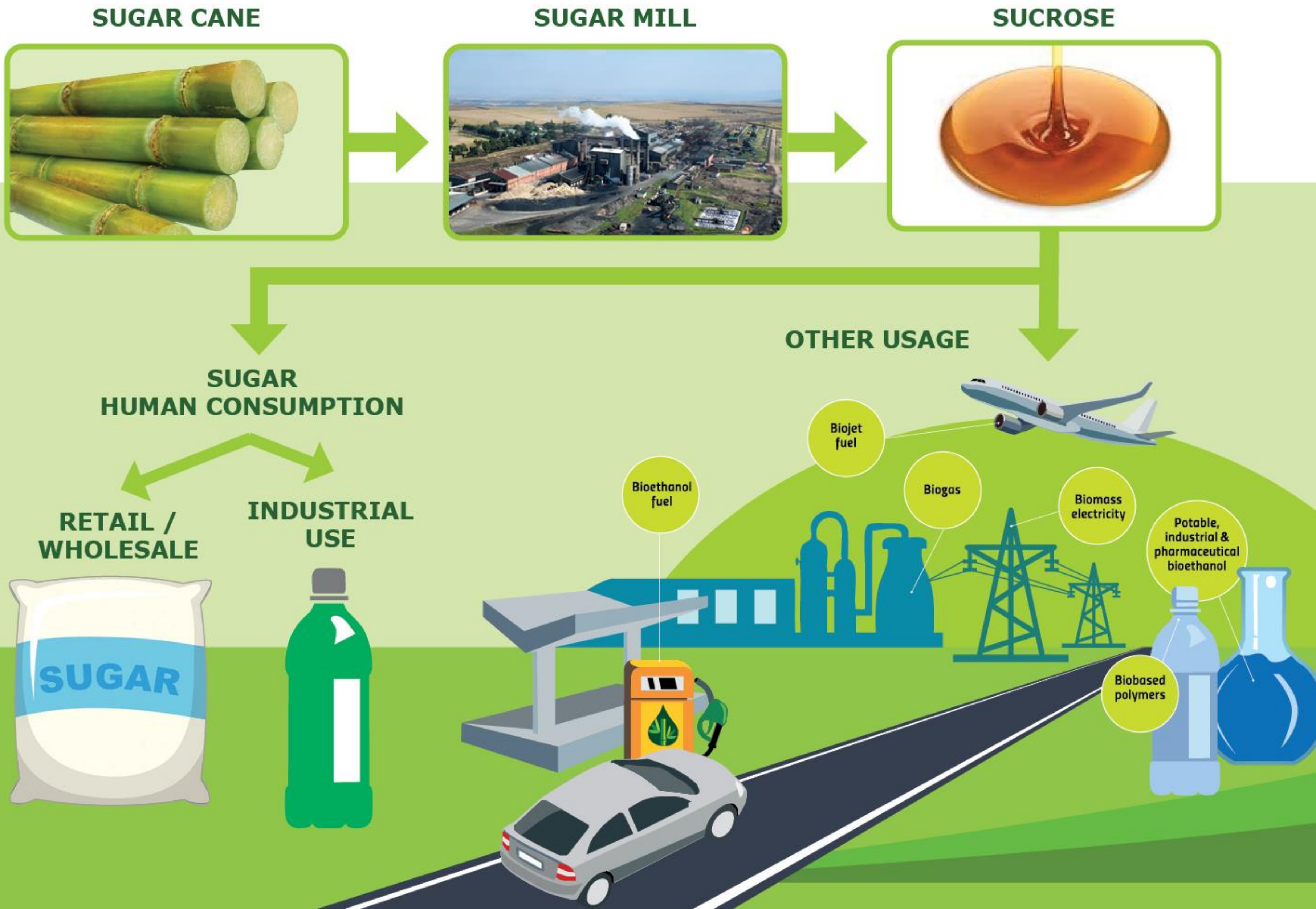
	Current
Dependent Rural Livelihoods	1 million
Direct Jobs	65 000
Indirect Employment	270 000
DOP Total Industry Revenue	R19.4 billion
Grower Share of Revenue	R12.5 billion
Land Transferred to Black Growers	76 538 ha (21.2%)
Export Earnings	R4.0 billion
Cane Production	18.4 million tons
Sugar Production	2 million tons
Hectares under cane	360 000

INDUSTRY TRANSFORMATION CONTRIBUTIONS

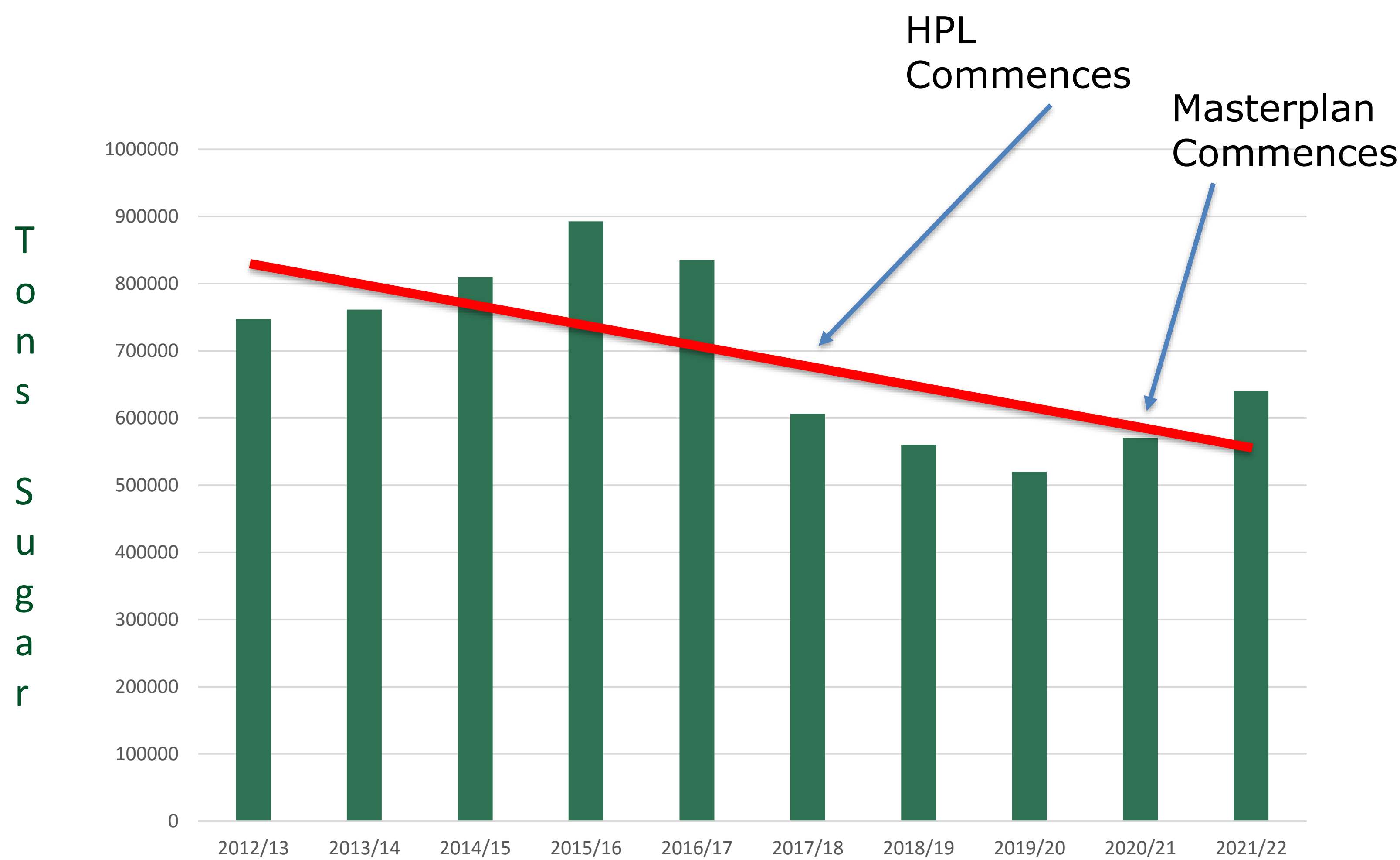
BBBEE Interventions: Industry 2022/23	R
Transformation Interventions	217 000 000
Supplementary Payment Fund	76 000 000
Small-scale grower premium (Master Plan)	64 000 000
Grower development account	5 000 000
Umthombo Agricultural Finance	4 000 000
Total	**366 000 000**

For the four years from 2018/19, the industry through SASA has spent R1.2 billion on BBBEE Interventions.

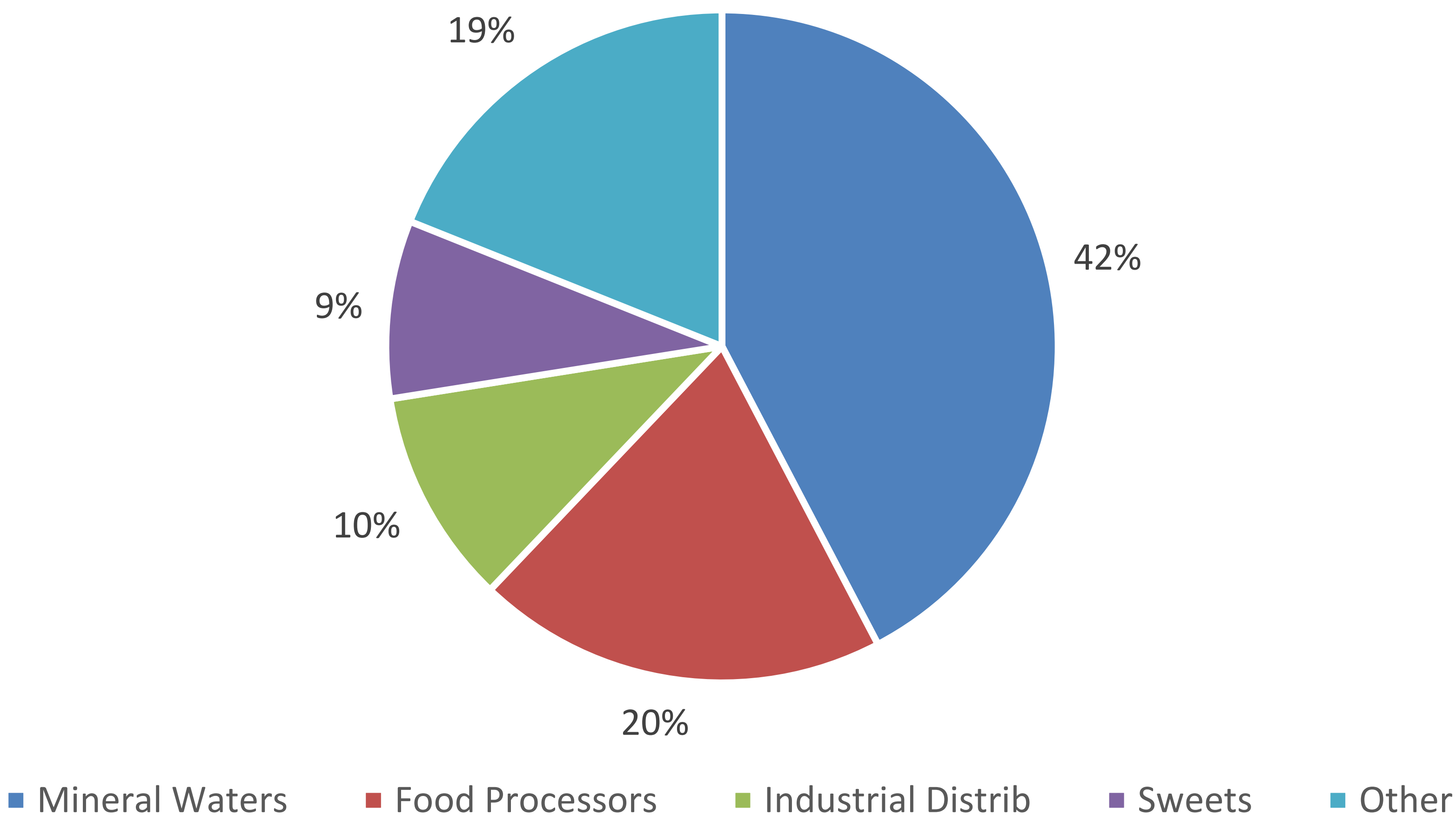
SUGAR VALUE CHAIN DIVERSIFICATION



INDUSTRIAL SUGAR MARKET 2012/13 TO 2021/22



SEGMENTAL INDUSTRIAL MARKET ANALYSIS 2021/22



STATE OF THE INDUSTRY

- Shrinking Market: SA sugar sales into SACU shrunk from 1.6 to 1.2 million tons but recovered to 1.45 million tons since the introduction of the Masterplan
- The Sugar Industry has been in decline
  - 14% of the area under cane removed from production since 2000
  - Two mills closed
- Resultant Job losses in growing and milling
- Urgent stabilization required to prevent further shrinkage and to create a sustainable industry which is a prerequisite for meaningful transformation.

POSSIBILITIES TO GROW INDUSTRIAL SUGAR MARKETS

The industry believes Domestic sugar value adders should be protected via appropriate tariffs based on the sugar content of imported sugar containing products

The Industry continues to support value adders who export sugar containing products through rebates (both canners and manufacturers)

The Industry has proposed a further rebate scheme to government for small, vulnerable industrial producers across all value add sectors

INDUSTRY REQUESTS FROM GOVERNMENT

The sugar industry has recovered some market due to the Masterplan. This has positively impacted the industry’s viability but it is still in ICU. In order to not undo this good work the following are requested:

- Sugar containing products manufactured in South Africa be protected by an adequate tariff on the sugar content
- The sugar industry is still extremely vulnerable and requires a moratorium on the implementation of increases in the level and reach of the HPL and other measures which could negatively impact the future of the industry. These are the greatest risk issues for the sugar industry.

SURPLUS SUGAR DIVERSIFICATION

- The industry is committed to ensuring that the SACU market is well supplied with all grades of sugar as required by the market while protecting sales in Namibia and Botswana which are being eroded.

- Surplus sugar, not fit for human consumption, is exported at a loss. The industry, as part of Task Team 6 – Value Chain Diversification, is considering the following opportunities which may require sugar legislative changes:
  - Sustainable aviation fuel (SAF)
  - Ethanol
  - PLA
  - Other products

CONCLUSION

- The Masterplan has assisted in creating a vision of a sustainable diversified sugar industry, although the industry remains under financial stress.
- Millers request a moratorium on further increases or extensions in the reach of the HPL or other measures which may impact negatively on sugar markets. This, in order to provide time for the diversification options to be investigated and if bankable, implemented.
- The industry remains committed to phase 1 of the Masterplan, the work of the Task Teams and to protecting employment in the industry.

THANK YOU