South African Sugarcane Value Chain Master Plan to 2030

16 November 2020

TABLE OF CONTENTS

1. INTRODUCTION

Following President Ramaphosa's announcement in his State of the Nation Address on the 20th of June 2019 that as part of Government's re-imagined industrial strategy it will develop a number of Sector Master Plans to help create conducive conditions for industries to grow, Minister Patel in his Budget Vote Speech on 11 July 2019 said that these Master Plans "will include assisting companies to improve their industrial capacities and sophistication, focusing more on export orientation, and reclaiming domestic market space lost to imports …The Master Plans will be action-oriented, implemented through working with business and labour and implemented in stages, so that we can move immediately". Minister Patel said further that "Government will engage the sugar industry to address its challenges, related to a combination of imports and lower demand".

This Masterplan for the South African Sugarcane Value-chain is the result of a process of extensive engagement and consultation amongst sugar industry stakeholders and the social partners, particularly small and large cane growers, millers and refiners, retailers and industrial users of sugar and sugar-derived products as well as workers and government.

This process has culminated in:

- A bold vision statement that sets a new long-term direction that significantly diversifies the value chain based on sugarcane away from one that today is almost solely focused on the production of raw and refined sugar into one that in future produces a wide range of globally competitive sugarcane-based products including biofuels, bio-ethanol (alcohol), bio-plastics, co-generated power and a range of other base and specialty chemicals.

- A first phase short-term action plan that through a set of specific commitments and actions from the social partners will ensure immediate action to prevent the collapse of the sugar industry, and urgently commence a restructuring programme that sets new foundations necessary to deliver on the long-term vision.

- A clear programme of work through joint Task Teams that will urgently progress work on key elements of the longer-term restructuring and diversification plan, and

- A commitment to shared governance, accountability and programme implementation management through a joint Executive Oversight Committee and joint Programme Management Office.

Due to the nature of the immediate crisis facing the sugar industry, one that threatens significant job losses in some of the most vulnerable areas of our country, this Master Plan was required to deliver a social compact that both commits all parties to a radically different future, while at the same time having to secure agreement amongst all stakeholders on a short-term intervention plan to pull the industry back from the precipice of collapse.

The development of this Master Plan was thus approached in a way that set out to:

- Take urgent action to address the immediate crisis facing the industry in order to prevent an unmanaged decline in the industry, protect and preserve jobs and rural livelihoods as far as humanly possible, and preserve as far as possible those productive assets, businesses and participants that will provide the foundations from which a newly diversified, competitive and dynamic value-chain will emerge in the medium to long term.

- Set a bold ambition for the future, aiming to deliver significant new job opportunities along 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.

- Develop pragmatic and practical plans, with measurable milestones and outcomes.

This Master Plan has, in addition, been designed against the following key principles:

- A phased approach to planning and implementation: This document sets out the first phase of what is intended to be an evolving Master Plan. As implementation progresses, as the immediate crisis is addressed, stakeholder commitments, strategies and plans will also develop and evolve. The intent is for the Master Plan to be flexible and enable agility and responsiveness

- Social dialogue amongst the key stakeholders, ensuring that ownership of the ambition and plans is shared and rooted in a wide base of support

- Specific and concrete commitments by all the stakeholders, so that the Master Plan draws on the combined resources and capacity of industry, labour and government to achieve the desired objectives

- Shared governance, accountability and implementation of the vision and commitments

- A bias for action, agility and plans that are practical and pragmatic

2. THE SOUTH AFRICAN SUGAR INDUSTRY

The South African sugar industry, currently concentrated in the rural areas of Kwazulu-Natal and southern Mpumalanga, is made of:

- An estimated 20,200 growers - of which there are:
    - Approximately 19 300 black growers (producing 24% of the 19 million tons of cane produced each year), of which approximately 18 770 growers are small-scale farmers producing 11% of total industry production;
    - Approximately 850 white growers (producing 69% of the 19 million tons), of which 680 are large-scale commercial farmers; and
    - Approximately 50 farmers operating miller-owned estates, producing 7% of total production
- 14 mills sugar mills – three of which are independently owned and operated, and the balance owned and operated by the three large milling companies Tongaat-Hulett, Illovo and RCL, who also operate the major sugar refineries.
- Cane growing and milling in South Africa is focused on the production of refined sugar and molasses for domestic consumption and raw sugar for export, although to varying degrees, millers have over the years invested in some diversified production, including for example co-generation of electricity, animal feed, alcohol and furfural.

The industry currently employs an estimated 65,000 people directly, and through upstream and downstream multipliers, supports a further 270,000 indirect jobs. Thus, the sugar industry currently sustains an estimated 1 million livelihoods, mostly in deep rural areas where incomes from the industry are often the only income available other than for social grants.

Unlike other agriculture-based sectors that have been de-regulated, the South African sugar industry still operates on substantially the same basis as that which prevailed prior to the transition to democracy.

The industry thus operates under the terms of three statutory instruments:

- The Sugar Act 1978 (Act 9 of 1978)
- The Sugar Industry Agreement (2000)
- The Constitution of the SA Sugar Association.

The SA Sugar Association, with growers and millers as members, runs the industry, sets the notional price for sugar and manages the pooling and division of proceeds from sugar and molasses sales:

- Between growers and millers on a predetermined split of 64% : 36% respectively,
- Growers are compensated per ton of cane according to a recoverable value (RV) pricing formula which pays for cane depending on its RV content when delivered to the mill, and

- Millers share in their portion of the revenue split according to their respective share of total sugar production.

Surplus sugar production is marketed as raw sugar by SASA into export markets via the export terminal at Durban.

Revenues from diversified downstream products – which represent a small share of total miller revenues - fall outside of the Sugar Act and the Sugar Industry Agreement, and thus do not form part of the Division of Proceeds mechanism.

3. INDUSTRY IN CRISIS

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%.

Declining profitability in the local industry has accelerated as a result of a "perfect storm" of developments in global and local markets that have now reached a critical point. The average sugarcane farmer and sugar milling company is incurring losses that are no longer sustainable, and which now create a set of conditions where there is a real risk of unmanaged decline in the industry with devastating consequences for rural unemployment and poverty.

This "perfect storm" driving the accelerated decline in the industry over the last few years is a result of a number of factors that have combined to both reduce local demand in the Southern African Customs Union (SACU) for sugar from 1.65 million to 1.25 million tons per annum, forcing increased exports into a global market where prices are below the local cost of production. Increased exports now mean the industry has to absorb losses of approximately R 2 billion per year.

This "perfect storm" is driven primarily by three dynamics:

1. *Distorted global prices,* that are below South Africa's cost of production, driven by sales of surpluses from various markets, particularly India, where surplus production and prices are a function of export incentives and extensive subsidy programmes;

2. *Increasing volumes of low-priced tariff-free exports from Eswatini* into the SACU market (currently estimated at 500 000 tons per annum). This is a consequence of the loss in value experienced by Eswatini producers from their preferential European Union quotas which were abolished on 30 September 2017, the tariff-free access to the SA market the relative cost advantage that Swati producers enjoy over South African competitors allowing them to price below local producers and thus take significant share;

3. *The Health Promotions Levy (or HPL)*, a tax on sugar-containing drinks implemented on 1 April 2018, which has reduced the demand for sugar in South Africa dramatically as beverage producers moved to reformulate their products with

less sugar and switch product mix towards beverages with no- and low-calorie alternative sweeteners. In the first year of implementation 250 000 tons of sales were lost, with a forfeiture of at least R1.2 billion in industry revenue;

As the combined forces of this perfect storm have gained momentum, a number of measures have been taken to support the industry:

- A NEDLAC task team initiated as part of the implementation of the Health Promotions Levy on sugary drinks has been working on plans to mitigate the impact of reduced sugar consumption on jobs.
- In August 2018 the International Trade Administration Commission (ITAC) ruled that the Dollar-based Reference Price trigger for import duties be increased from $566 per ton to $ 680 per ton. This measure provided additional protection from deep-sea imports but due to Eswatini being part of SACU, this has no impact on low-cost imports from our neighbour.
- SASA has set aside R 1 billion (R 200m per year for five years) towards industry transformation – i.e. to provide additional support to small growers over and above the existing supplementary payment fund. This was part of commitments made by the industry when applying for additional tariff protection.
- The industry has also recently reached important agreements with regard to new regulations that transform the governance of SASA through the inclusion of small-scale cane growers as equal partners in the formal governance structures of the Association.

On their own, these measures have not successfully addressed the fundamental drivers of the current crisis, and more fundamental measures are urgently required. That these have not yet happened is in part a result of firm-level strategic choices being shaped by the unique structure of the sugar industry.

The particular industry structure has, in the face of the headwinds facing the industry, driven a set of perverse outcomes:

- Declining demand and low RV prices has disproportionately impacted small-scale growers who are predominantly black – setting back industry transformation efforts. Apart from lack of scale, small-scale growers are structurally less resilient compared to larger commercial farmers due to their higher costs, for example due to their structural location further away from mills and the associated higher costs of logistics.
- Declining productivity and increasing inefficiency in milling and refining. Declining demand translates into declining capacity utilisation driving higher costs per ton as a result of milling and refining being 85% fixed cost businesses. Millers have little incentive to reduce capacity in the short to medium term. Under the Division of Proceeds arrangements any miller who reduces production effectively hands over market share to its competitors. Today it is estimated that there is between 20 – 40% over-capacity in the milling and refining levels of the value chain, the costs of which are part of the cost pressures at that level.

- In response to the long-term trend of declining volume and increased costs, and faced with depressed global sugar prices, the industry has sought increased tariff protection from Government as its primary recourse to dealing with the crisis. And when tariffs are increased (whether by adjustment to the dollar-based reference price or through periodic adjustments through the Real Effective Exchange Rate (REER) mechanism), the industry has tended to take the opportunity to raise prices in line with tariff increases. These price increases have had the effect of accelerating both overall demand and the loss of share to low-priced imports.

The industry is now in a vicious downward spiral which, left unchecked, will potentially result in the collapse of the industry.

4. SCENARIOS AND STRATEGIC OPTIONS

Through the process of engagement as part of the development of this Master Plan, broad agreement was reached on the following:

- It is recognized that global and local sugar consumption will continue to decline, and the overall objectives of reducing human sugar consumption levels as agreed with the Department of Health around the HPL remain an important national health priority.
- The development of a competitive and sustainable sugarcane-based value chain is a key component of the national priority programme to preserve and grow rural employment and sustainable livelihoods.
- Small-scale sugarcane farmers are foundational to the long-term future of the sugarcane-based value chain.
- The long-term future of sugarcane growing, and processing depends on the ability of the social partners to jointly restructure the industry foundations and set it on a course towards building diverse globally competitive downstream value-chains beyond refined sugar and molasses. This will require intense effort and focus and is a long-term process that will take 3-5 years to bear fruit.
- Without urgent intervention – through combined effort by the social partners - industry losses are reaching a point where the industry decline will accelerate in ways that will potentially destroy existing assets that are important foundations for any future planned diversification opportunities.

The social partners therefore face a clear choice between three possible scenarios:

4.1 SCENARIO 1: UNMANAGED DECLINE

On current trajectory, the industry is closing in on a scenario where key elements within the existing value chain are reaching the limit of their ability to sustain further losses. Left unchecked, it is likely that over the next 12-24 months significant operations at all levels will be forced to exit the industry. This holds significant risk to the future for a number of important reasons:

- Industry dynamics are such that exits will come disproportionately from small-scale growers and independent millers – with the consequence of further accelerating increasing levels of rural poverty, undermining of industry transformation and inclusiveness, and increasing industry concentration.
- At select points in the value-chain, significant capacity may be lost (e.g. in refining) that may have the effect of undermining the ability of the industry to meet local demand even at lower levels and drive upward pressure on pricing.

Unmanaged exits at any one level of the value-chain will drive adverse outcomes in the form of unbalanced supply and demand dynamics between the levels. Sugar growing and processing has a geographical logic to it, where the most efficient operations are a function of mills being located close to the highest-yield cane fields and having a close match between local growing and milling capacity. Unmanaged exits risk a situation where capacity mismatches will result in increased costs at all levels as mills struggle to access cane that is further away from mills, causing potentially destructive competition between mills for cane, and it may well also have the effect of closures happening in the wrong places – a situation where the best cane fields and most efficient mills close, leaving behind an industry that is poorer in its performance overall.

4.2 SCENARIO 2: MANAGED SHRINK

There is an alternative scenario where the industry enters a structured process to reduce capacity to bring it in line with the realities of the current market for sugar and molasses. This scenario represents a choice for the social partners if they do not believe that there are feasible alternative down-stream value chains to be accessed at scale, or that land can be more productively utilized to grow alternative crops at more profitable levels.

Under this scenario, the social partners would engage in a process to develop a detailed fact-based plan that uses the best data available across the industry about cane yields per growing area and maps these against milling and refining assets, seeking to match the highest yield cane fields to the most efficient existing milling and refining capacity in line with projected future demand. This would provide the foundation for an industry-wide agreement on what capacity to take out of the industry, where new investment may be required, and develop funding and programmes to incentivize and compensate for exits by the "right" players, and redirect investment towards alternative value-chains.

Through the engagements leading to this Master Plan, the social partners unanimously agreed that this scenario should be avoided at all costs. The most important reasons for this were:

- There is wide agreement that there is significant opportunity to diversify beyond sugar and molasses, and that provided the long-term industry strategy leads to the development of competitive downstream capabilities there is a significant opportunity that this will lead to increased investment, increasing hectares under cane and growing employment with a strong bias towards rural areas, women and youth.

- Alternative crops for growers are on the whole, particularly for small-scale growers, far less attractive. Sugarcane is an ideal crop for small-scale growers in the particular topography of communal lands – particularly in Kwazulu-Natal. Sugarcane values per ton compared to other field crops are significantly higher, and single planting generates a crop for 7-10 years. The crop in the ground lacks sufficient value compared to high-value tree-crops, obviating the need for growers to invest in expensive security measures on their land.
- The employment multipliers for sugarcane are higher than any other alternative crop – generating 133 permanent and 210 seasonal jobs for every 1,000 hectares under cane.

4.3 SCENARIO 3: RE-STRUCTURE AND DIVERSIFY FOR GROWTH

The world's largest sugar producers, India and Brazil, have developed their industries on a far more diverse set of foundations, with sugarcane being used to produce a wider range of downstream products in addition to sugar including biofuels, animal feeds, alcohol and co-generation of electricity. Increasingly these producers are investing on further downstream production of a range of platform and specialty chemicals that are the key feedstocks for the production of bio-based products and materials for application in several sectors such as plastics, packaging, automotive, pharmaceuticals, textiles, industrial uses etc.

As described in the introduction, sugar millers in South Africa have diversified into electricity generation for use within mills and some surplus sale to the grid, while others have accessed animal feed, alcohol and furfural markets. These diversified revenue streams do not form part of the Sugar Industry Agreement and thus are not part of revenue-sharing under the Division of Proceeds mechanism. With few exceptions, revenues from such diversification form a small share of overall revenues earned by the different millers.

The social partners on reviewing ongoing research and diversification developments globally have concluded that there is significant opportunity for the development of a diverse range of downstream value streams from sugarcane. Opportunities identified include:

- Bioethanol for fuel blending (subject to a viable economic model).
- Biojet fuel
- Potable, industrial and pharmaceutical-grade bioethanol
- Biomass / co-generated electricity
- Biogas
- No- and low-calorie sweeteners

- Various platform and specialty chemicals and bio-based polymers for application in different sectors i.e. plastics, packaging, automotive, industrial, textiles etc.

The viability of many of these additional value-streams will depend on the economics of each in their potential local and global markets, including the cost of raw material inputs, localization of technologies where necessary and market opportunity for, and competitiveness of, bio-based alternatives. The cost of sugarcane-derived feedstocks will have to be competitive, and this will require significant restructuring of the existing value chain to reduce inefficiencies, and investment in additional and upgraded technologies.

This restructuring will require a similar process as that outlined under Scenario 2 above, albeit that the diversification opportunities is expected to require less capacity reduction over the medium to long-term, particularly at the growing and crushing levels of the value-chain.

Under this scenario, the sugar industry will need to develop a detailed plan to rebalance capacity, increase efficiencies and upgrade competitiveness in serving both existing sugar and molasses customers and consumers, and create the new foundations for the diversified industry of the future.

The social partners are joined in their commitment to pursuing Scenario 3 as the strategic choice for the future.

5. SUGARCANE VALUE-CHAIN MASTERPLAN TO 2030

5.1 VISION AND OBJECTIVES

The South African Sugarcane Master Plan Vision for 2030 is:

"A diversified and globally competitive, sustainable and transformed sugarcane-based value chain that actively contributes to South Africa's economic and social development, creating prosperity for stakeholders in the sugarcane value chain, the wider bio-economy, society and the environment."

The objectives are:

1. To stem the industry decline to preserve 2019 job numbers (estimated 65 000 jobs), and over the long run grow jobs again in a diversified industry based on sugarcane;
2. Restructure and rebalance industry capacity to reduce inefficiencies, reduce costs and restore competitiveness, reduce reliance on tariff protection and to set the foundations for diversification
3. Transformation through inclusive and broad-based participation in the value chain for workers, black and women farmers and black industrialists;
4. Invest in globally competitive and sustainable diversified sugarcane-based value-chains

These objectives are crystallised into a set of four strategic pillars –

- **Market growth** – both winning back domestic market share in sugar and growing domestic, regional and international markets for diversified sugarcane-based products
- **Value chain diversification**
- **Upgrading of value-chain competitiveness**
- **Transformation and inclusive diversification and growth** in ways that substantially advance patterns of ownership and participation by black farmers, black industrialists and workers, including women and young people.

5.2 APPROACH TO IMPLEMENTATION

As outlined above, the social partners have agreed to adopt a phased approach towards the implementation of this Master Plan to ensure that urgent action is taken to address the immediate crisis, while at the same time accelerating the work required to advance planning and implementation towards the long term vision for 2030.

The immediate focus is therefore on the first phase of the Master Plan which prioritises:

- Immediate actions and commitments focused on addressing the short-term crisis,

- Stabilising the industry and creating a window of 2-3 years during which the industry will undergo restructuring to set the foundations for the future

- Accelerated planning through joint task teams to set the detailed strategies and plans that will deliver on the long-term vision.

The partners will in addition, through joint governance and programme management actively monitor implementation progress, and appropriately jointly further develop this Master Plan.

The social partners recognize that implementation of the Master Plan and delivery against the commitments is neither going to be easy, nor follow a “straight line”. There is also a risk that with time and success in earlier phases, commitment to the ultimate vision for 2030 may wane. Staying the course will require constant effort and ongoing active partnership.

The parties recognise these risks and realities, and have therefore committed themselves to:

- Maintaining consistent levels of focus and investment against the long-term value-chain diversification goals. Phase 1 is not an end in itself, it is intended to be an enabler of the long-term vision which is the only sustainable future of the sugarcane value chain.

- To at all times adopt a partnership approach to stewarding implementation. It is a given that implementation will face challenges and each social partner will encounter unexpected hurdles in delivering against their commitments. The social partners are committed to always working through implementation challenges in the spirit of partnership and joint problem-solving.

Competition Act Compliance

The Parties to this Master Plan have committed that implementation of this Master Plan will at all times be conducted in compliance with the Competition Act 89 of 1998 (as amended), (hereinafter referred to as “the Competition Act”), and the terms and conditions of the exemption granted by the Competition Commission on 20 October 2020 (case no. 2020AUG0064).

In addition, implementation of commitments by retailers and industrial users of sugar who have individually committed to minimum levels of offtake from South African millers, growers and/or refiners, will at all times be conducted individually, without coordination, and in a manner consistent with the findings of the Competition Commission as reflected in the second paragraph of the Commission’s statement released on 28 October 2020.

5.3 PHASE 1: RESTRUCTURE AND SET THE FOUNDATIONS FOR DIVERSIFICATION

Phase 1 of the Sugarcane-based value chain Master Plan will run for three years and is focused on key actions with the following objectives:

- Stabilise the industry
- Restructure industry capacity and costs in an orderly manner to ensure alignment to current and future market size, and establish the appropriate platform for a diversified sugarcane-based value chain by 2030 ("Vision 2030")
- Protect and retain sugarcane value-chain (including upstream and downstream) jobs as far as possible through the transition
- Secure the foundational role of small-scale growers in the sugarcane value chain, and ensure a balanced approach to supporting small-scale grower sustainability towards Vision 2030
- Mitigate the impact on workers and small-scale growers of capacity reductions, and
- Ensure that transformation of ownership and participation is significantly advanced through the restructuring and the transition to Vision 2030

The stabilization and restructuring will be implemented through 7 short-term action commitments aimed at stabilizing and restructuring the industry, and 7 joint task teams focused on delivering the longer-term diversification plan.

The 7 action commitments are to:

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

Each of these commitments is detailed below - identifying the desired target outcome and describing the activities to be undertaken by the various social partners.

The architecture of the action commitments making up this first stabilisation phase of the Master Plan is based on *reciprocity.* Each stakeholder has brought to this Master Plan critical contributions, has made significant sacrifices, and in turn receives reciprocal benefits that together provide the pathway towards the vision. They have done so in good faith, and based on an understanding that all parties have engaged openly and with full transparency throughout the process. Reciprocity thus provides the scaffolding that holds the Master Plan together. Understanding this, the Parties have made a collective commitment to ensure that:

- the principles of reciprocity are upheld,
- individual and collective implementation actions are at all times consistent with the spirit of partnership and shared responsibility, and
- the Parties will avoid unilateral action that might undermine the prospects for successful implementation of this Master Plan or the ability of any other party to deliver on their commitments.

5.3.1 Action Commitment 1: Restore the local market and offtake commitments

Strategic Objective: *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.*

Key Actions:

- Build consumer and customer demand for locally produced sugar and sugar-derived products
- Retail, wholesale & industrial sugar customers, in support of the goals of stabilising and restructuring the sugar industry, commit individually and without co-ordination to increased sourcing of locally produced sugar for a period of three years as follows:
    - In year 1, the goal is to restore back to the local market at least 150,000 tons of sugar demand to the local industry in support of which, users commit to sourcing at least 80% of all sugar requirements from the local sugar industry.
    - Increased procurement of locally produced sugar will rise through years 2 and 3 such that by year 3, the goal is that at least 300,000 tons of sugar demand will have been restored to the local sugar industry, in support of which users commit to sourcing at least 95% of all sugar requirements from the local sugar Industry.
    - Increased procurement of local sugar by users beyond year 1 is subject to fulfilment of Master Plan commitments by the other social partners, and is further subject to (1) the threshold exemption level, (2) the rate, and (3) the scope of application of the Health Promotion Levy remaining unchanged from the status quo as at 28 February 2020.
- The sugar industry commits to ensuring availability and supply of locally produced sugar to all customers to the level required to meet local procurement commitments.

Stakeholder Commitments:

Retailers & wholesalers:

- At least 80% of sugar procurement to be locally produced sugar, rising to 95% locally produced sugar in year 3, such that 150,000 tons rising to 300,000 tons of demand is restored to the local sugar industry
- Increased procurement of locally produced sugar in years 2 and 3 is subject to adherence to Master Plan commitments by the other social partners

- Provide timeous demand forecasting guidance to sugar suppliers to facilitate sugar industry planning against local sugar availability and supply commitments
- Visible labelling on sugar packaging that promotes South African sugar (either by Proudly SA or own equivalent)
- In partnership with the sugar industry and labour, actively promote local sugar to consumers and customers

Industrial users:

- At least 80% of sugar procurement to be locally produced sugar, rising to 95% locally produced sugar in year 3, such that 150,000 tons rising to 300,000 tons of demand is restored to the local sugar industry.
- Increased procurement of locally produced sugar in years 2 and 3 is subject to adherence to Master Plan commitments by the other social partners
- Provide timeous demand forecasting guidance to sugar suppliers to facilitate sugar industry planning against local sugar availability and supply commitments

Sugar Industry:

- Ensure availability and supply of locally produced sugar to all customers to the level required to meet local procurement commitments.
- Promote locally produced sugar sales, as outlined in sugar legislation, in order to increase the market share of South African-produced sugar
- Local sugar content in branded packaged sugar, other branded sugar-based products, and industrial supply to customers in the local market at no less than the level required to align with the local procurement commitments of users in each year of Phase 1.
- Provide timeous production planning guidance to users to facilitate procurement and supply chain planning in support of local procurement commitments
- Visible Proudly SA <u>or equivalent bold branding</u> promoting South African sugar on branded packaged sugar packs
- In partnership with retailers, wholesalers and labour, actively promote local sugar to consumers and customers

Government:

- Promote the use of local sugar by all government departments and state-owned entities
- The Department of Trade, Industry and Competition will investigate appropriate ways in which to designate sugar and sugar-containing products under the PPPFA Regulations for all procurement by government and state-owned entities

- Proudly SA to prioritise certification and labelling of sugar and sugar-containing products.
- Monitor the validity of claims of origin for Proudly SA or equivalent labeling

Labour:

- In partnership with industry and Proudly SA, lead a joint campaign to build consumer awareness and promoting locally produced sugar

5.3.2 Action Commitment 2: Producer Price Restraint & Certainty

Strategic Objective: *Contain sugar producer prices in line with inflation and provide pricing certainty to retail and industrial customers through the industry transition and provide support for efforts to restore sales to local producers.*

Key Actions:

- Restrain notional and producer price increases for sugar at or below consumer inflation for a period of three years and ensure that future price increases beyond the three years are competitive and sustainable for customers.
- Price increases to be implemented no more than twice a year, outside of peak trading periods.

Stakeholder Commitments:

Sugar Industry:

- For a period of three years, notional price and producer price increases to customers will not exceed annual consumer price index increases on an annual average weighted basis, and that beyond three years, ensure future pricing is competitive and sustainable for customers and de-linked from tariff-related import prices.
- The timing notice and manner of implementation of price increases will promote predictability and proper planning by downstream users and should equally avoid creating speculative buying opportunities that cause adverse impacts on upstream production planning and scheduling.
- Price increases will not occur more than twice a year at predictable and evenly spaced intervals. Price increases to industrial users shall only be outside of the peak trading periods of October to December (inclusive) and four weeks preceding the Easter Weekend and including the Easter school holidays.
- Price increases will be notified at least 60 days in advance of implementation to bulk industrial users.
- As employers, sugar millers to take such positive steps necessary to secure a three-year wage agreement through the National Bargaining Council for the Sugar Manufacturing and Refining Industries that balances the need for cost-of-living increases, job retention, and price restraint through the three -year stabilization period.

- The sugar industry price restraint commitment is subject to adherence to Master Plan commitments by the other social partners, and is further subject to (1) the threshold exemption level, (2) the rate, and (3) the scope of application of the Health Promotion Levy remaining unchanged from the status quo as at 28 February 2020.

- Provide detailed and specific audited confirmation of price increases every six months to the Department of Trade, Industry and Competition

Retailers, wholesalers, and industrial users:

- Submit to the Department of Trade, Industry and Competition consumer price reports no less than every six months, on a method to be agreed with the DTIC, to enable effective monitoring of consumer prices for packaged sugar and select sugar-containing products.

Organised Labour:

- Implement an education and engagement campaign amongst workers and members of trade unions about the crisis in the sugar industry, to promote this Master Plan, and to develop the necessary bargaining mandates in support of the objectives of this Master Plan
- Take such positive steps necessary to secure a three-year wage agreement through the National Bargaining Council for the Sugar Manufacturing and Refining Industries that balances the need for cost-of-living wage increases, job retention, and price restraint through the three -year stabilization period.

Government:

- DTIC will receive audited pricing reports, monitor sugar price inflation and report to the Minister and the Master Plan Executive Oversight Committee
- The Minister of Trade, Industry and Competition and ITAC will monitor prices and take appropriate steps to review tariffs under Action Commitment 4 below.

5.3.3 Action Commitment 3: Strategic Trade Protection

Strategic Objective: *Provide appropriate trade protection to the local sugar industry from low priced and dumped deep-sea imports during the three-year stabilization and restructuring plan.*

Key Actions:

- Review tariffs with a view to providing effective protection from deep-sea imports through the three-year stabilisation and restructuring plan, subject to producers:
  - committing and delivering on price restraint commitments in terms of 5.3.2 above, and
  - the implementation of the sugar industry restructuring process under 5.3.8 below]

Stakeholder Commitments:

Government:

- The Minister of Trade, Industry and Competition will consult with ITAC, and if appropriate, request ITAC to develop proposals for appropriate tariff mechanisms, with a view to:
    - Enabling appropriate and effective protection from deep-sea imports through the three-year stabilization and restructuring plan, including mechanisms that provide the necessary flexibility and responsiveness to volatility in global sugar markets, and
    - Providing for tariff flexibility and/or rebates in circumstances where the local sugar industry is unable to meet demand in line with local sugar procurement undertakings made by retail, wholesale and industrial users.
- The Minister of Trade, Industry and Competition will consult with the Minister of Finance and National Treasury with a view to:
    - The possibility of introducing mechanisms and/or approaches that enable greater agility and responsiveness of tariff adjustments in the context of increasingly volatile global sugar price and exchange rate movements.
    - Reviewing the applicability and/or appropriateness of the current approach to the Real Effective Exchange Rate (REER) mechanism.
- The tariff regime that may be implemented in support of this Master Plan is subject to adherence to Master Plan commitments by the other social partners

Sugar Industry:

- Compliance to price restraint commitments
- Ensure availability and supply of locally produced sugar to all customers to the level required to meet local procurement commitments.
- Implement industry restructuring process under 5.3.7

5.3.4 Action Commitment 4: Job Retention and Mitigation

Strategic Objective: *Ensure that through the industry transition and restructuring, jobs are protected and preserved as far as possible, and that appropriate steps are taken to mitigate the effects of any job losses that do occur.*

Key Actions:

- Develop and implement an industry-wide job retention and mitigation strategy and plan that strikes an appropriate balance between job retention, mitigation of job losses and maintaining the financial viability of growers and millers.

- Develop a strategy and detailed plans for small-scale and commercial growers, millers, government and organized labour to individually and collaboratively re-skill, redeploy and enable alternative employment and income generation opportunities.

<u>Stakeholder Commitments:</u>

Sugar Industry:

- Develop and implement a balanced industry-wide job retention and mitigation strategy and plan
- Develop a balanced strategy and plans for growers and millers (together with government and organised labour) to individually and collaboratively re-skill, redeploy and enable alternative employment and income generation opportunities (including access to land to for retrenched workers)
-

Government:

- Provide appropriate support for the industry strategy to re-skill, redeploy and enable alternative employment and income generation opportunities (including access to land to for retrenched workers).

Labour:

- Commitment to negotiate and support the industry-wide job retention strategy
- Commitment to participate in programmes to mitigate job losses and to provide alternative employment opportunities for retrenched workers

5.3.5 Action Commitment 5: Small-Scale Grower Retention and Support

<u>Strategic Objective</u>: *Ensure that the foundational role of small- scale growers in the sugarcane value-chain is preserved and extended, and that urgent short-term measures are taken to ensure the viability of small-scale growers through the stabilization and restructuring plan as a platform for long-term and sustainable small-scale grower inclusion in a diversified sugarcane-based industry.*

<u>Key Actions:</u>

- The Parties jointly commit to the following policy statements:
  - Small-scale growers are foundational to the Vision 2030 sugarcane industry.
  - Small-scale growers are defined as all growers on communal land and all growers that meet additional criteria as agreed by the joint task team and Executive Oversight Committee within 6 months of the date of signature of this Master Plan by the parties.
  - Small-scale grower sustainability through the stabilisation and restructuring plan period, and in implementing Vision 2030, will be supported through the

appropriate combination of preferential cane pricing and interventions to re-organise the sugarcane value-chain to improve sucrose yields, increase and capture economies of scale, and reduce costs.
    - The sugar industry will within 6 months of the date of signature of this Master Plan by the parties develop and implement an agreed plan to provide the necessary support to small-scale growers through the stabilization and restructuring plan, if necessary, via amendments to regulatory frameworks. Such plan shall also meet the following criteria:
    - The costs of small-scale grower support will be borne by the sugar industry
    - Preferential pricing and/or support must be linked to the value of product sold
    - The benefit of support and/or preferential pricing must support the financial sustainability of small-scale growers and avoid potential value-capture by intermediaries and/or contractors and service-providers.
- Government will urgently investigate and where appropriate implement additional appropriate targeted support to small-scale growers, including:
    - Access to the MAFISA loan facility for short-term loans and re-planting programmes
    - Ring-fencing a portion of the Land Bank blended finance facility for cane projects, crop diversification and land purchases for small-scale and land reform growers
    - Targeted support to small-scale cane growers through the Farmer Production Support Units
- Targeted supplier and enterprise development support funding and programmes to small-scale cane growers from downstream retail, wholesale and industrial users

<u>Stakeholder Commitments:</u>

Sugar Industry:

- Small-scale growers are recognized as foundational to the Vision 2030 sugar industry.
- Small-scale growers are defined as all growers on communal land and all growers that meet additional criteria as agreed by through the joint task team and Executive Oversight Committee within 6 months of the date of signature of this Master Plan by the parties.
- The sugar industry will within 6 months of the date of signature of this Master Plan by the parties develop and implement an agreed plan to provide the necessary support to small-scale growers through the stabilization and restructuring plan, if necessary, via amendments to the regulatory framework. This plan will include a combination of preferential cane prices and interventions to re-organise the sugarcane value-chain to improve sucrose yields, increase and capture economies of scale, and reduce costs.
- Small-scale growers commit to working together in developing strategies and plans for, and the implementation of such plans to grow, develop and extend the foundational role of small-scale farmers in the sugarcane-based value chain on a sustainable basis

Government:

- Urgently investigate and where appropriate implement additional appropriate targeted support to small-scale growers, including:
  - Access to the MAFISA loan facility for short-term loans and re-planting programmes
  - Ring-fencing a portion of the Land Bank blended finance facility for cane projects, crop diversification and land purchases for small-scale and land reform growers
  - Targeted support to small-scale cane growers through the Farmer Production Support Units
- As policy maker and regulator, ensure that the foundational role of small-scale growers in the sugarcane value chain is protected and sustained.

Retailers, Wholesalers and Industrial Users:

- Targeted deployment of supplier and enterprise development support funding and programmes to small-scale cane growers from downstream retail, wholesale and industrial users (noting and taking into consideration existing support programmes).

5.3.6 Action Commitment 6: Transformation

<u>Strategic Objective</u>: *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 through the stabilisation and restructuring plan and, that transformed ownership and participation and job creation form the foundations for Vision 2030*

<u>Key Actions:</u>

- The industry restructuring plan must include specific targets and plans for:
  - A clearly defined roadmap towards increased ownership participation by small-scale and black growers in the future sugarcane value chain
  - Increased participation by black people, particularly workers, small-scale growers and black-owned SME’s across the sugar cane value-chain
- Review the industry transformation strategy and interventions to:
  - Ensure that interventions are focused on fundamental transformation of ownership and participation
  - Review the allocation of industrial obligations to the Transformation Fund to appropriately incentivise transformation and achieve an appropriate balance between shared industry responsibility for transformation, and due recognition and reduced obligations for players who are transformed.
- Preferential procurement strategy and commitments for retail, wholesale and industrial procurement including existing commitments already in progress.

- Provide targeted incentives and government investment support for small-scale and black growers and transformation of ownership and participation in milling, refining and downstream production
- Review and enhance other broad-based transformation pillars including skills development, enterprise and supplier development, preferential procurement and socio-economic development.

<u>Stakeholder Commitments:</u>

Retail, wholesale and Industrial Users:

- Procurement policies to support and incentivize sugar industry transformation objectives and targets through preferential procurement policies

Sugar Industry:

- Review the Sugar Industry Transformation Strategy and develop a revised roadmap and specific targets and plans to:
    - Ensure that interventions are focused on fundamental transformation of ownership and participation, with a focus on ownership and participation by small-scale growers and workers through the value-chain
    - Review industrial obligations to funding of the transformation fund are allocated appropriately between industry participants in ways that recognise and incentivize transformation, and reduce or remove funding obligations on those players who have transformed in line with the goals and targets of the industry transformation plan
    - Review and enhance other broad-based transformation pillars including skills development, enterprise and supplier development, preferential procurement and socio-economic development.

Government:

- Develop policy and consider ways in which to provide targeted incentives and government investment support for small-scale and black growers and transformation of ownership and participation in milling, refining and downstream production

Labour:

- Develop worker skills around participation in ownership and management
- Support partnership models at workplaces

5.3.7 Action Commitment 7: Managed industry restructuring plan

Strategic Objective: *Develop a detailed industry restructuring plan to*

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

Key Actions:

- Designation and exemption of the sugar industry for a period of one year in terms of the Competition Act to enable the industry to develop the industry restructuring plan
- Within one year of exemption being granted, develop and commence with implementation of a detailed sugar industry restructuring plan that will include detailed plans to:
    - Re-balance growing, milling and refining capacity in line with market requirements and the long-term requirements of the 2030 vision
    - Ensure that the future industry structure secures and protects the foundational role and participation of small-scale growers and independent mills in the value chain alongside large-scale growers, millers and refiners
    - Facilitate and advance implementation of industry transformation plans under Action Commitment 6 above,
    - Provide for such actions and/or funding instruments, as appropriate, to incentivize necessary capacity reductions and provide compensation and relief to those exiting the industry, and
    - Ensure that the financial benefits of the restructuring plan are shared equitably and appropriately between consumers, users, refiners, millers and both small-scale and commercial growers.

Stakeholder Commitments:

Government:

- The Minister of Trade, Industry and Competition to designate the sugar industry in terms of Section 10 (3)(b)(iv) of the Competition Act, 89 of 1989 as amended, with appropriate conditions to enable the sugar industry to enter discussions and to develop an industry restructuring plan in line with the objectives of this Master Plan
- The Competition Commission to consider and rule (on an urgent basis) on an application for exemption by the sugar industry in terms of Section 10 (3)(b)(iv) of the Act

Sugar Industry:

- Make such urgent applications as may be necessary to enable the Minister and Competition Commission to designate and exempt the industry under the Competition Act for the development of the industry restructuring plan

- Within 30 days of this Master Plan being signed, establish the necessary governance, task teams and structures to undertake the work of developing the industry restructuring plan
- Within a period of no more than one year, develop in consultation with government, labour and other stakeholders a detailed industry restructuring plan that delivers on the objectives and conditions under this section as outlined above

The seven action commitments outlined above together provide the immediate steps necessary to stabilise the sugar industry in the short term, and provide the necessary platform from which the industry can commence the work necessary to develop and implement the detailed plans required to deliver on the 2030 vision.

The medium to long-term plans required to further support the transition and deliver the long-term strategy will be progressed urgently through the task teams outlined in the next section.

5.4 TASK TEAMS

During the first phase of the Master Plan, the following task teams will be established to urgently progress further transitional support and the long-term strategy with support from industry stakeholders and social partners.

The 7 task teams are:

1. SACU harmonisation
2. Job retention and mitigation strategy
3. Small scale growers masterplan
4. Transformation
5. Crop diversification strategy
6. Sugarcane-based value-chain diversification strategy
7. Product Tax Policy

Each of these task teams is detailed below - identifying the process and including activities to be undertaken by the various social partners.

5.4.1 Task Team 1: SACU harmonisation

The objective is to develop a proposal towards engagement with the Eswatini government and Eswatini Sugar Association around a harmonized regulatory framework that seeks to build a partnership between the two sugar-producing nations and prevents destructive competitive dynamics

Terms of reference:

1. Develop proposals for a proposed harmonization agreement with Eswatini which should include:
   a. Specific proposals for regulatory and sugar industry agreement harmonization
   b. Appropriate proposals for partnership and collaboration between the two industries for development of export markets
   c. Appropriate proposals for partnership and collaboration between the two countries and industries within the Vision 2030 diversified sugarcane-based value chain strategy
2. Establish such monitoring mechanisms as necessary to ensure accurate and regular reporting on sugar trade flows between Eswatini and South Africa

Task Team Composition:

1. Department of Trade, Industry and Competition (DTIC)
2. Department of Agriculture, Land Reform and Rural Development (DALRRD)
3. International Trade Administration Commission (ITAC)
4. South African Revenue Services (SARS)
5. South African Sugar Association (SASA)
6. Organised Labour

5.4.2 Task Team 2: Job Retention and mitigation strategy

The objective is to develop an industry-wide job retention and mitigation strategy that aims to minimize job losses through the stabilisation and restructuring phase and provide clear and actionable programmes to enable alternative employment and income generation for those workers who do lose their jobs.

Terms of Reference:

1. Develop and implement an industry-wide job retention and mitigation strategy and action plan that:
    a. Aims to minimise job losses through the restructuring of the industry
    b. Develops practical models for alternative arrangements such as job-sharing, short-time as potential mechanisms to avoid retrenchments where appropriate
    c. Ensures that effective and efficient consultation and engagement mechanisms between employers and workers to where job cuts are contemplated
    d. Strikes an appropriate balance between job retention and mitigation and maintaining the financial viability of growers and millers.
2. Develop a strategy and detailed plans for small-scale and commercial growers, millers, government and organized labour to individually and collaboratively develop alternative employment and income generation opportunities, including:
    a. Re-skilling
    b. Redeployment
    c. Pathways to alternative employment and income generation opportunities such as access to land for farming, finance and facilitation to establish small businesses etc.

Task Team Composition:

1. South African Sugar Millers Association
2. South African Cane Growers Association (SACGA)
3. South African Farmers Development. Association (SAFDA)
4. Organised Labour
5. National Bargaining Council for Sugar Milling and Refining Industries
6. Department of Agriculture, Land Reform and Rural Development (DALRRD)
7. Department of Trade, Industry and Competition (DTIC)
8. Department of Labour and Employment
9. Department of Higher Education, Training and Technology

This task team will engage with and draw on input, expertise and resources from other government agencies and other social partners as appropriate and when required.

5.4.3 Task Team 3: Small-scale grower masterplan

The objective is to 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.

Terms of Reference:

1. Propose to the Executive Oversight Committee before the commencement of the 2020/21 season a definition for small-scale growers that:
   a. Must include all growers on communal land
   b. Sets defining criteria for small growers on land reform, free-hold and leased land, such as land size, tonnage of harvested cane and/or revenue
   c. Sets defining criteria, if agreed, for whether such land must have been under cane previously, and for what period of time.
2. Propose to the Executive Oversight Committee before the commencement of the 2020/21 season a small-scale grower preferential pricing and support package that:
   a. Provides for a preferential sugarcane price and pricing mechanisms (or alternative additional financial mechanisms) to promote small-scale grower sustainability that must:
      i. Promote the foundational role of small-scale growers in the sugarcane value chain
      ii. Promote and advance the sustainability of small-scale growers, recognising the inherent difference in cost structures compared to larger commercial growers, including proposed changes to cost structure arising from the recommendations and proposals under 3. below
      iii. Be designed to ensure that value flows to small-scale growers and avoids undue margin capture by intermediaries, service providers and other roll-players outside of the direct sugarcane value chain
      iv. Ensure that the price paid for cane relates to the value of sugar cane produced
      v. Ensure that the costs of which are borne by the sugar industry
   b. In developing the appropriate preferential pricing structure and mechanisms, the task team must:
      i. Consider and provide fact-based recommendations regarding the proposal that small-scale growers should be entitled to a “fist call” on proceeds
      ii. Consider and make specific fact-based recommendations with regard to the replacement or amendment of existing small-scale grower support programmes and interventions under the Transformation Fund and the Supplementary Payments Fund
3. Propose to the Executive Oversight Committee before the commencement of the 2020/21 season a strategy and programme of action to re-organise the sugarcane value-chain in relation to small-scale growers that must provide for actions that:
   a. Improve cane and sucrose yields
   b. Increase and capture economies of scale

c. Reduce costs.

4. Propose to the Executive Oversight Committee before the commencement of the 202/21 season regulatory amendments required to give effect to 1, 2 and 3 above.

Task Team Composition:

1. Department of Trade, Industry and Competition (DTIC)
2. Department of Agriculture, Land Reform and Rural Development (DALRRD)
3. South African Sugar Association (SASA)
4. South African Sugar Millers Association (SASMA)
5. South African Cane Growers Association (SACGA)
6. South African Farmers Development Association (SAFDA)

This task team will engage with and draw on input, expertise and resources from other government agencies, academic institutions and other social partners and industry bodies as appropriate and when required.

5.4.4 Task Team 4: Transformation

The objective is to ensure that ownership and participation in the sugarcane-based value chain by black farmers, black industrialists and workers, including women and young people, is significantly advanced through the stabilisation and restructuring plan and that transformed ownership and participation and job creation form the foundations for Vision 2030

Terms of Reference:

1. Within six months, provide a review of the existing sugar industry transformation strategy and propose to the Executive Oversight Committee a new and updated sugarcane-based value chain transformation strategy that:
   a. Is focused on advancing ownership and participation of black farmers, black industrialists and workers, including women and young people throughout the value chain
   b. Sets clear and measurable goals, targets and milestones
   c. Provides a clear roadmap and programme of action towards such goals, targets and milestones
   d. Provides specific recommendations regarding the enhancement of other broad-based transformation pillars including skills development, enterprise and supplier development, preferential procurement and socio-economic development.
   e. Proposes a revised model for the funding of the sugar industry Transformation Fund which must address the challenge shared responsibility for transformation within a context of highly differential levels of transformation. This should include a proposal for differential industrial obligations in ways that strike the appropriate balance between incentivising un- or less-transformed players to transform, and recognising and/or reducing obligations on fully or significantly transformed players.

Task Team Composition:

1. Department of Agriculture, Land Reform and Rural Development (DALRRD)
2. Department of Trade, Industry and Competition (DTIC)
3. South African Sugar Association (SASA)
4. South African Sugar Millers Association (SASMA)
5. South African Cane Growers Association (SACGA)
6. South African Farmers Development. Association (SAFDA)
7. Beverage Association of South Africa (BEVSA)
8. Consumer Goods Council of South Africa (CGCSA)
9. Organised Labour

This task team will engage with and draw on input, expertise and resources from other government agencies and other social partners as appropriate and when required

5.4.5 Task Team 5: Crop diversification

The objective is to develop detailed strategies and plans to provide and support appropriate crop diversification by growers as alternative to sugarcane and/or to support enhanced financial viability of sugarcane growers.

Terms of reference:

1. Investigate and provide detailed, area-specific, recommendations regarding crops that are commercially viable as alternatives to, or in addition to, sugarcane. These should include consideration of:
   a. Field crops including maize, sorghum, soya and hemp
   b. Tree crops including macadamia nuts and tropical fruits such as avocados, mango, berries etc.
   c. Forestry for timber and related products
   d. Specialty crops such as medicinal cannabis
2. Develop detailed strategies and plans for the development of value chains for such additional and alternative crops
3. Develop detailed strategies and plans for technology and skills upgrading in support of competitiveness upgrading and value-chain development
4. Provide detailed recommendations and strategies to address binding constraints and value-chain bottlenecks to the development of agricultural value chains which may include:
   a. Water licensing
   b. Infrastructure requirements
   c. Export licensing and phytosanitary regulations and services
   d. Funding

Task Team Composition:

1. Department of Agriculture, Land Reform and Rural Development (DALRRD)
2. Department of Trade, Industry and Competition (DTIC)
3. Industrial Development Corporation (IDC)

4. Agriculture Research Council (ARC)
5. Agriculture Development Agency (ADA)
6. Land Bank
7. South African Cane Growers Association (SACGA)
8. South African Farmers Development. Association (SAFDA)
9. Organised Labour
10. Experts from other academic research bodies (as appropriate).

This task team will engage with and draw on input, expertise and resources from other government agencies and other social partners as appropriate and when required.

5.4.6 Task Team 6: Sugarcane-based value chain diversification strategy

The objective is to develop the medium to long term strategy that delivers on the Master Plan 2030 Vision.

Terms of reference:

1. Investigate and provide detailed recommendations regarding attractive and feasible opportunities in local and international markets for new and additional sugarcane-based downstream products
2. Develop detailed strategies and plans against attractive and feasible opportunities to build globally competitive value chains for such sugarcane-based downstream products. Focused attention should be paid in particular to validating and planning around opportunities for:

   - Bioethanol for fuel blending (subject to a viable economic model).
   - Bio jet fuel
   - Potable, industrial and pharmaceutical-grade bioethanol
   - Biomass / co-generated electricity
   - Biogas
   - No- and low-calorie sweeteners
   - Various platform and specialty chemicals and bio-based polymers for application in different sectors i.e. plastics, packaging, automotive, industrial, textiles etc.

3. Develop detailed strategies and plans for technology and skills investments. And upgrading in support of competitiveness upgrading and value-chain development
4. Provide detailed recommendations regarding the. sugar industry. structure as well as strategies to address binding constraints and value-chain bottlenecks to the development of agricultural value chains which may include:
   a. Repeal, replacement or amendments to the Sugar Act, the Sugar Industry Agreement and/or the Constitution of SASA
   b. Other relevant and appropriate regulatory and licensing requirements
   c. Infrastructure requirements
   d. Funding

Task Team Composition:

1. Department of Trade, Industry and Competition (DTIC)
2. Department of Agriculture, Land Reform and Rural Development (DALRRD)
3. Department of Minerals Resources and Energy (DMRE)
4. Department of Higher Education, Science and Technology (DHEST)
5. National Treasury (NT)
6. Council for Scientific and Industrial Research (CSIR)
7. Agriculture Research Council (ARC)
8. Industrial Development Corporation (IDC)
9. South African Sugar Association (SASA)
10. South African Sugar Millers Association (SASMA)
11. South African Cane Growers Association (SACGA)
12. South African Farmers Development Association (SAFDA)
13. Organised Labour
14. Experts from other academic research bodies (as appropriate)
15. Department of Science and Innovation

This task team will engage with and draw on input, expertise and resources from other government agencies, other social partners and industry bodies as appropriate and when required.

5.4.7 Task Team 7: Product Tax Policy

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

Terms of reference:

1. Review the impact of the HPL on sugar consumption reduction goals
2. Review the impact of the HPL on rural communities and economies in sugarcane growing areas including on employment, household incomes, small businesses and on investment and financial sustainability in the sugar and sugar-related value chains
3. Review and benchmark global practice and experience regarding taxation of sugar and sugar-derived products
4. Develop proposals for a long-term policy work that provides certainty with regards to:
   a. The future structure and applicability of the HPL or other similar tax instruments
   b. For such proposed structure and applicability of the HPL or similar instrument, and where appropriate, develop and agree an approach to adjustments that provides industry with predictability regarding periodic adjustments to such product taxes.

Task Team Composition:

1. CGCSA
2. BEVSA
3. Representatives of key independent retail, wholesale and industrial users
4. SASA
5. Organised Labour

This task team may engage with and draw on input, expertise and resources from government departments and agencies, other social partners and industry bodies as appropriate and when required.

The proposal/s emerging from this task team will be tabled for consideration at an appropriate consultative forum including National Treasury and the Departments of Health, Trade, trade Industry and Competition and Agriculture, Land Reform and Rural Development, and/or at other such appropriate forums convened by such Departments.

5.5 IMPLEMENTATION AND MONITORING

The social partners have agreed to establish mechanisms for joint governance, accountability and implementation and monitoring and evaluation of the Masterplan.

To give effect to this commitment, they will:

1. Establish an Executive Oversight Committee
2. Establish a Master Plan programme management office

5.5.1 Executive Oversight Committee

The objective is to provide high-level leadership and co-ordination of the Master Plan implementation and ensure and promote shared ownership and accountability for outcomes and commitments amongst the social partners.

Executive Oversight Committee			
Terms of reference: 1. Champion the vision, mission and implementation of the Master Plan 2. Provide high-level leadership, guidance and coordination of implementation 3. Monitor and evaluate Master Plan implementation 4. Agree Master Plan baselines and targets and a baseline monitoring and evaluation framework 5. Establish a small representative Master Plan Implementation Management Team to drive day-to-day implementation 6. Receive reports from and provide guidance to Task Teams 7. Make recommendations and proposals regarding course-corrections, amendments and the evolution of the Master Plan 8. Meetings: Every Six Months, chaired by the Minister of Trade, Industry & Competition			
Composition			
Retail & Industrial Users	**Sugar Industry**	**Labour**	**Government**
1. CEOs appointed by the Minister 2. CGCSA 3. BEVSA	1. Industry CEOs appointed by the Minister 2. SASA 3. SASMA 4. SACGA 5. SAFDA	1. Representative Trade Unions	1. Minister of Trade, Industry & Competition 2. Minister. Of Agriculture, Land Reform and Rural Development 3. Standing representatives from DTIC; DALRRD, DMRE, DHEST, DoH, NT, ITAC; IDC, 4. Meeting-specific representation from other relevant government departments (as required),

5.5.2 Programme Management Office

The objective is to provide secretariat support to the Executive Oversight Committee and dedicated programme management of Master Plan implementation.

Programme Management Office **Terms of reference:** 1. Secretariat to the Executive Oversight Committee 2. Provide programme management and co-ordination of Master Plan implementation 3. Develop, manage and co-ordinate programme implementation plans 4. Prepare and implement programme baselines and targets and a monitoring and evaluation framework 5. Co-ordinate and drive Master Plan Task Teams 6. Make recommendations and proposals regarding course-corrections, amendments and the evolution of the Master Plan to the Executive Oversight Committee			
Composition			
Retail & Industrial Users	**Sugar Industry**	**Labour**	**Government**
1. Expert resources 2. Funded/deployed resources	1. Expert resources 2. Funded/deployed resources	2. Deployed resources	1. Ministerial Champion 2. DTIC-appointed PMO Head 3. IDC Resources 4. Expert resources from government. Departments & agencies, and 5.

5.5.3 Competition Act Compliance

All meetings of the Executive Oversight Committee, the Programme Management Office, implementation task teams and other implementation meetings and processes will be conducted in accordance with the following:

- The Competition Commission will have a standing invitation to attend all meetings
- All meetings will open with a Competition Act compliance statement reminding all attendees of their compliance obligations under the Competition Act and the approved exemption.
- Strict compliance at all times with the conditions stipulated by the Competition Commission in granting exemption under case 2020AUG0064.