Official e-Newsletter of MetPac-SA - the Producer Responsibility Organisation for the metal packaging industry in South Africa

NEWSLETTER

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www.metpacsa.org.za

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FROM THE CEO'S DESK

The COVID-19 pandemic has been affecting the packaging industry and left many businesses having to make critical decisions on how to progress during the lockdown. There is surely no doubt in anybody's mind that the Coronavirus crisis is creating a unique and challenging situation for people worldwide.

During this time in particular, people need nutritious food and safe medication and the important role of recyclable packaging has to play, is once again highlighted.

As the spread of the infection continues to trigger panic buying across the world, retailers are being forced to limit purchases of certain food products, but canned food and beverages in particular. To keep up with the demand, brand owners and suppliers are working around the clock to ensure a consistent supply of these essential items to consumers who are in lockdown.

Given the impact of the COVID-19, it is estimated that South Africa will have three quarters of negative economic growth after the impact of the first quarter this year. Our economy is significantly compromised with Moody's downgrading of South Africa's sovereign credit rating to "junk" status on Friday 28 March 2020. This move, to some extent as a result of COVID-19, was also as a result of other factors such as the economic growth ceiling, mainly as a result of electricity shortages in the country.

Despite such calamities facing our economy, the packaging industry in general remains resilient and continues to deliver the necessary essential food and beverage packaging that the country needs. In particular, the metal packaging manufactures and internal coating manufacturers are also operating under permission through DTi, to maintain and support food and beverage supply chains.

Our thoughts and prayers go out to everybody who has contracted the virus, as well as the brave healthcare workers who are working in the frontlines to save their lives. We are also thinking of our member companies and their employees who are classified as "essential services" and who have to work throughout the lockdown to ensure that food items are available on the supermarket shelves. We urge you to ensure that you take the necessary precautions to ensure the health and well-being of your staff, employees and business associates.

Yours faithfully,

Find us @Metpacsa

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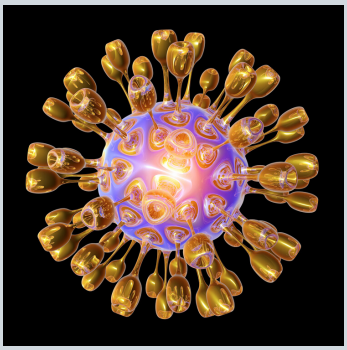
THE CORONAVIRUS AND METAL PACKAGING

New research published by the National Institutes of Health (NIH) recently has revealed that the novel Coronavirus HCoV-19 (SARS-2) causing the COVID-19 pandemic, can survive for days on plastic and stainless steel and even lasts up to a full day on a cardboard surface. Researchers found that viable virus could be detected in aerosols up to 3 hours post aerosolization, up to 4 hours on copper, up to 24 hours on cardboard and up to 2-3 days on plastic and stainless steel. This is good news for the industry, as earlier reports suggested that the virus could last for over a week on surfaces.



REGISTERING AS "ESSENTIAL SERVICE" DURING LOCKDOWN PERIOD

MINISTER ANNOUNCES ESSENTIAL SERVICE APPLICATION PORTAL

The Minister of Trade and Industry, Mr Ebrahim Patel has announced that all businesses that will be allowed to provide essential services are required to seek approval from the Department of Trade, Industry and Competition (the dtic) in order for them to trade during the period of the lockdown in terms of the regulations published recently by the Minister of Cooperative Governance and Traditional Affairs, Ms Nkosazana Dlamini-Zuma in Regulation Gazette No. 11062.

Such businesses are required to apply to the Companies and Intellectual Property Commission (CIPC) Bizportal website at **www.bizportal.gov.za** and obtain a certificate from the Commission that allows them to continue trading. The Bizportal website contains a menu icon listed as "Essential Service Businesses" through which an application can be made to the CIPC.

The application is a simple declaration requiring minimal registration details, type of business/trade involved in, what trading name if any is used and whether it meets the requirements contained in the essential services list. The contact details of the person applying, as well as the number of employees that will be working during the lockdown period are also required.

The CIPC registry will then pre-populate the remaining company information and email a certificate stating that the business is allowed to remain trading. The certificate can then be used as evidence to authorities requiring same that indeed the business has been given government permission to trade and that its employees are able to have unrestricted movement only in the course of that trade. It should be stressed and noted that if you make a false application to the CIPC, and are indeed not an essential service as per the government regulations, such will be taken as a fraudulent application and will render yourself as applicant liable to criminal prosecution and sanction.

UIF MONEY WILL HELP WORKERS DURING LOCKDOWN

Source: Business Insider

As anxious South African workers, who are facing layoffs and loss of income during the lockdown period, await guidance on government help during this time, there is now an indication of how the Unemployment Insurance Fund (UIF) will help in this regard.

The first payment regulations, for workers in the clothing industry, have just been gazetted after the National Bargaining Council for the clothing manufacturing industry reached an agreement with the Minister of Employment and Labour, Thulas Nxesi to ensure that workers are not left destitute with no income during the lockdown period. Packaging industry role-players agree that this could set the precedent for workers in other manufacturing industries working throughout the lockdown period:

> The UIF and companies will take turns to pay workers weekly salaries during the lockdown. The UIF will pay the money to the council – into a specially created bank account. From there, it will be distributed to different companies. The regulations are firm that the money can't be used for anything other than worker payments, and that anyone who abuses the money will be "immediately" prosecuted.

While South Africa will, for now, only be in lockdown for another two weeks, the agreement makes provision for the possibility of a six-week lockdown.

Other measures to help businesses during the lockdown include:

- Tax-compliant businesses with a turnover of less than R50 million will be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months, and a portion of their provisional corporate income tax payments – without penalties or interest over the next six months.
- The South African Revenue Service (SARS) will also pay out employment tax incentive reimbursements every month – instead of twice a year – to get cash into the hands of compliant employers as soon as possible.

Earlier, President Cyril Ramaphosa said that temporary reduction of employer and employee contributions to the UIF and employer contributions to the Skills Development Fund are also being considered. However, as part of the latest agreement, the clothing sector has committed to continue paying UIF contributions during lockdown.

The new regulations will also be extended to clothing employers who are not part of the bargaining council. The UIF has assets of about R180 billion and both Cosatu and Business Unity South Africa have pressured government to use the money to help workers in need. Other sectors are still expected to announce their agreements with the UIF.

Mitigating the effects of Covid-19:

Distell closes majority of its production facilities not involved in alcohol production for sanitiser purposes, makes available distribution platforms

Given the large volumes of alcohol production, JSE-listed Distell has committed to the production of 100,000 ℓ of alcohol for sanitisers for both commercial and societal purposes. This comes at a time when panic buying by consumers has left South Africa's shelves bare of the product.

The company announced recently that it was collaborating with government, retailers, suppliers, customers and staff to address the potential long- and short-term effects COVID-19 on its business.

According to an article that appeared in Engineering News (26 March 2020), Distell is following the guidelines of the World Health Organisation (WHO), the National Institute of Communicable Diseases and advice announced by the local governments in the markets in which it operates to ensure required actions are taken in relation to the effect of COVID-19 on its customers, employees, suppliers and operations.

A special task team convenes daily to give guidance on existing operational policies affecting employee wellbeing, the company's supply chain and customer supply. Comprehensive response plans have been in place since the outbreak and are implemented to cover contingencies including supply chain disruption, product sourcing, logistics, hygiene and cleansing procedures and education on prevention.

The company also announced that it will be working with government to make available its distribution platforms to support the need for responsible self-isolation and good hygiene practices in vulnerable communities. The company is committed to finding ways to support its small and more vulnerable customers, as well as its long-term suppliers in the wine farming industry as the largest procurer of grapes for wine.

'We will continue to work with government and financial institutions to ensure as best we can, the financial health of our long-term partners during this challenging time, and ensure the long-term sustainability of the industry'

Distell has closed the majority of its production facilities not involved in alcohol production for sanitiser purposes in line with lockdown guidelines and classification of essential items. Current inventory levels are at about 41 days cover.

It has also announced that that it is positioned to support its customers and demand post-lockdown. This entails working with key retail customers to ensure online deliveries can be fulfilled by allocating a significant sales effort and logistical support for its stock to be moved to their distribution centres to safeguard supply when allowed.

Moreover, consistent with its digital transformation capability shift, the decentralised business units have stepped up its e-commerce efforts to have product representation across all key online platforms of the market once sales are permitted. There is also the successful launch of a business-to-business online storefront pilot for customers and scaling it up throughout the remainder of the year.

Thaw point at CHILLBEVERAGES?

Source: Cape Business News

Chill Beverages, the innovative beverages company based in Stellenbosch, is restructuring to squeeze out better returns in a competitive local market.

The big change is the surprise (and immediate) resignation of CEO Grant Hobbs, who was a founding investor in the business. Chill has not announced a successor yet – but John Steyn, currently the chief operating officer, is acting as interim CEO. Chill's majority shareholder, Brian Joffe's investment company Long4Life, will no doubt be scouring the beverages segment for a long term replacement for Hobbs.

Chill has come strongly to the fore in the local beverages industry in recent years with strong selling niche brands like Score Energy drink, Fitch & Leedes mixers, Bashews soft drinks and mineral waters. More recently, Chill ventured into the liquor segment by launching a well-priced canned sparkling wine brand. The group also co-packs for other beverage companies and produces house brands for mainly large retailers.

Reading between the lines, it seems clear Long4Life – which also owns Cape Town-based sportswear and outdoor equipment retailers Sportsmans Warehouse and Outdoor Warehouse – is dissatisfied with Chill's recent profit performances. It is almost inevitable that a promising beverages company like Chill will eventually start impinging on markets dominated by larger players.

In 2017 Long4Life paid around R664 million for 100% of Chill. It is difficult to judge Chill's performance by looking at Long4Life's accounts as the beverages division also includes Gauteng-based contract bottler Inhle.

In Long4Life's most recent financial report to end August 2019 revenue from its beverages operations increased by 20% to R657.1 million (previously R549.4 million). But Long4Life advised that Chill Beverages' investment in production capacity and plant upgrades – together with increased expenditure in marketing and advertising – had not yet been matched by increased sales. This meant that while revenue and volumes increased against the previous year, underutilised capacity and the increased expenditure caused a decline in the trading profit of the beverages division. At that time Long4Life pointed out that the onset of summer trading conditions had seen Chill's sales prospects improve significantly.

For the period ending August last year Long4Life disclosed a 15% gain in sales at Chill on the back of an 11% growth in volumes (driven mostly by its own brands).Long4Life acknowledged that innovation and new products were a focal point in the premium mixer category. The group said Fitch & Leedes grew volumes by 14%.

Long4Life did recognise, however, that there was more competition in mixers and energy drinks – which was causing selling price points to decline but also stimulating market growth.What is an interesting turn of events is the admission by Long4Life that Chill has targeted numerous export markets that offer potential. Presumably this revolves mainly around the Fitch & Leedes mixer offering. Hopefully there will be some encouraging progress on this front when Long4Life reports its results to end February shortly.

Source: Engineering News

NAMPAK'S BEVCAN BELIEVES ALUMINIUM CANS OFFER MATERIAL ADVANTAGE AS PACKAGING SOLUTION

Packaging group and MetPac-SA member Nampak believes there is a significant opportunity to replace plastic bottles, particularly those used for non-carbonated and carbonated water, with aluminium beverage cans as the public's resistance to plastic grows.

The JSE-listed company indicated to its shareholders that various innovations are being advanced to grow the pack share of beverage cans as environmentally responsible alternatives to plastic.

It is estimated that South Afrians use about 600-million plastic water bottles yearly, with most of those containers produced by the beverage firms themselves. Nampak's Bevcan unit produces aluminium beverage cans, which are lightweight and "infinitely recyclable".

Plastic bottles continue to enjoy a pricing advantage over beverage cans, but the alulmium content is higher value - making them more suitable for collection and recycling ahd therefore desirable among increasingly environmentally aware consumers.

Several large users of packaging have already made commitments to reduce their use of plastic. Woolworths, for instance, has publically declared its intent to have all its packaging recyclable or reusable by 2022, while Coca Cola plans to offer 100 % recyclable packaging by 2025.

The beverage can industry in SA is currently achieving high recycling rates, which Nampak believes is creating an opportunity to position beverage cans against plastic, particularly for water. There are no technical downsides to the use of aluminium cans, which are impermeable and also retain carbonation better than plastic bottles. Serving sizes will be smaller, however, as cans cannot be resealed.

Besides water, for which beverage-can alternatives are already being rolled out for some customers, the company sees significant growth potential in the wine and fruit juice segments.

THE COVID-19 LOCKDOWN: HOW DOES IT AFFECT WASTE COLLECTION?

As South Africans are staying indoors for lockdown, our waste generation at home is projected to increase. The Institute of Waste Management of South Africa (IWMSA) supports the continuation of waste collection, processing and effective disposal during this lockdown period in order to ensure that communities remain clean and healthy.

"Continuing public waste management is essential; waste generation will increase at household level, while it will decrease at a business level. Household waste collection is an essential service and should continue within all municipalities,' says Leon Grobbelaar, President at the IWMSA. "Non-removal of waste will have devastating consequences on communities due to the spread of other diseases, including from fly and or rodent infestations."

"We fully support the President in his decision to implement a country wide lockdown. We would like to encourage all South African citizens to be mindful of their waste generation during this period. Municipal and private waste services will be operating with skeleton staff and we should therefore not overburden them with increased and mixed waste volumes," says Grobbelaar.

"Potentially contaminated waste streams could have detrimental health effects for all the thousands of waste reclaimers residing illegally on our 1 000-odd landfill sites within South Africa," says Grobbelaar.

"At an individual level we should be separating our waste as much as we can during this time. Your recyclable waste should be separated from your non-recyclable waste, cleaned and rinsed with water and soap before being stored for collection. Recyclables can then be collected when the waste system is operating at full capacity again," says Grobbelaar. "Now is the time to implement and maintain good household waste disposal habits."

Source: IWMSA

DEVELOPING AN EXTENDED PRODUCER RESPONSIBILITY PLAN FOR THE LOCAL METAL PACKAGING INDUSTRY

SECTION 18 OF NEMWA WILL REPLACE SECTION 28, EFFECTIVE 01 JANUARY 2021

In light of the pending Section 18 EPR notice, the MetPac-SA Board recognises that the funding model and activities required of a PRO are likely to change significantly. As a result, it is proposed that the remainder of 2020 be seen as an interim period, during which time MetPac-SA will prepare the organisation and members to be fully compliant with the pending notice.

Representatives of the MetPac-SA board will continue to engage with Government during the consultation period for the Section 18 notice and the Board will develop plans to be fully compliant by the expected implementation date of 1 January 2021

Moreover, the Board will also keep members and prospective members updated during this process in order to give them the assurance that MetPac-SA will be in a position to enable members to become compliant with the Section 18 notice, come January 2021.

In the interim, a new funding model which will be compliant with the expected Section 18 notice, is being developed. This new model will apply from the 1st of January 2021.

The Department of Environment, Forestry and Fisheries (DEFF) has made it clear that they have stepped up the emphasis placed on creating circular economies and environmental sustainability. To this end, they are expecting industry to demonstrate complete commitment to these objectives.

- As the metal packaging PRO, MetPac-SA is required to generate a list of every "controlled metal product" as defined with NEMWA. We will be liaising directly with converters to generate this list. (For information and clarification a "Producer" is defined by NEMWA Section 18 as the entity actually manufacturing the packaging).
- On the other hand, the "Obliged Industry" means every stakeholder above and below the Producer who benefits from metal packaging. These entities will also be obligated to support the funding of the PRO's either through the price increase that is passed on by the Producer or contribute a fixed fee as in associations and retailers. These will include raw material suppliers, brand owners, fillers / bottlers, retailers and associations.
- All importers above a predetermined threshold will be classed as a Producer and will pay the producer fee for their respective imports.