

Debate No. 18 of 08.04.15**UNREVISED****ORAL ANSWER TO QUESTION****SUGAR INDUSTRY – SUSTAINABILITY MEASURES**

The Leader of the Opposition (Mr P.Bérenger) (*by Private Notice*) asked the Minister of Agro-Industry and Food Security whether, in regard to the sugar industry, he will state –

- (a) the number of employees, planters and *metayers* thereof, respectively –
 - (i) in 2005, and
 - (ii) as at to date;
- (b) the impact thereon to date and in the near future of the fall in the price of sugar;
- (c) if Government is proposing to introduce amendments to the Sugar Insurance Fund Act to allow the payment of the one-off compensation referred to in the last Budget Speech, and
- (d) the other measures that Government is proposing to take to support the sugar industry for the sustainability and survival thereof.

Mr Seeruttun: Madam Speaker, as the House is aware, the sugar sector has had to face numerous challenges since 2006 following the decision of the European Union to review its sugar regime which resulted in the drop in the price of sugar on the European market by 36% fully effective as from 2009.

The Cotonou Agreement was, thereafter, challenged at the level of the World Trade Organisation which eventually led to the termination in 2009 of the sugar protocol which had, for decades, ensured that sugar produced by ACP countries had access on the European market quota free and at a guaranteed price. In 2017, the internal sugar quota for the EU market will be abolished completely, that is, much earlier than the date expected by us, that is, 2020. The most serious effect for our sugar industry is the wide fluctuation in sugar prices. In fact, the sugar price obtained in 2014 is Rs12,400 per tonne compared to the year

2013 price of Rs15,830. This is impacting negatively on the international competitiveness of our sugar industry.

The Government, over the years, has taken measures to address the problems faced by the sugar industry, namely -

- the Action Plan 1985 – 1990;
- the promulgation of the Sugar Industry Efficiency Act in 1988;
- the democratisation of the milling sector;
- the centralisation of the sugar factories;
- the adoption of the Sugar Sector Strategic Plan 2001 – 2005, and
- the implementation of the Multi Annual Adaptation Strategy 2006 – 2015

I wish to remind the House that back in the year 2001, the then Government, fully conscious of the threats and challenges facing the Sugar Industry, decided that a Sugar Sector Strategic Plan be elaborated after consultation with all stakeholders.

The sugar industry was facing serious difficulties and needed a major urgent rethinking. The erosion of preferential access on our traditional export markets for sugar and the challenges imposed by the trade liberalisation process call for immediate action. The long-term viability of our sugar industry depended on its ability to cut down its cost of production and ensure a selling price for our sugar that would enable it to compete with the least developed country suppliers.

The reform process implied more centralisation, cost reduction, enhanced productivity, manpower rightsizing, an optimal use of cane sugar resources, well-planned diversification activities, improvement of value added, and the creation of new opportunities.

The targets set for the 2001-2005 periods a certain number of targets had to be attained, namely -

- (i) ensure that export market commitments are fulfilled;
 - (ii) reduce cost of production;
 - (iii) reduce number of sugar factories from 14 to ideally 7 or 8. Reduce sugar losses at harvest time and in factory processing to a strict minimum;
 - (iv) generate as much electricity from renewable sources, in particular bagasse;
 - (v) create the enabling environment for dynamic and efficient field operations,
- and

- (vi) effect a substantial reduction of the labour force through socially feasible Voluntary Retirement Schemes and adapt, wherever applicable, relevant labour and pension laws.

The Multi Annual Adaptation Strategy Plan 2006-2015 was devised along components and sub-components destined to respond to the then new market environment and address the constraints of the sugar industry. The objectives of the MAAS included -

- (i) cost reduction;
- (ii) additional revenue;
- (iii) optimal use of by-products;
- (iv) pro-poor dimension, and
- (v) debt-alleviation

A special project in the Field Operations Regrouping and Irrigation Project commonly known as FORIP, aimed at the preparation and replanting of an area of 12,000 hectares belonging to small and medium planters. As at now, some 9,000 hectares have been covered at a total cost of Rs2.6 billion. The project purports to increase productivity by 20% and reduce cost by 30%. A provision of more than Rs600 m. has been made in the two present budgets to continue the project.

Madam Speaker, with regard to part (a) of the question, the information is as follows

—

		2005	2015
			Should be around
(i)	No. of Employees	13,803	8,000
(ii)	Planters	26,257	14,662
(iii)	<i>Métayers</i>	630	260

As regards part (b), the impact resulting from the fall in the price of sugar is as follows -

- (i) the extent of land harvested has decreased from 67,404 hectares in 2005 to 49,791 hectares in 2014;
- (ii) sugar production has decreased from 521,541 tonnes to 401,146 tonnes of sugar;

- (iii) the profit margin has decreased for all stakeholders, particularly the small planters, and
- (iv) an increasing number of small planters are moving out of sugar cane cultivation.

It is foreseen that if no remedial measures are taken at the appropriate time, especially in the wake of the complete abolition of sugar quota in 2017, more planters may move out of the sugar cultivation and this may further impact on the viability and feasibility of the sugar industry. This is why Government has commissioned a study to address these issues. The draft report from the Consultant, Landell Mills Consulting, has been received, and the recommendations are being currently examined.

As regards part (c) of the question, necessary amendments will be brought to the Sugar Insurance Fund Act to allow for the payment of the one-off compensation, as announced in the Budget Speech 2015.

As regards part (d) of the question, with a view to facing the new challenges lying ahead in the sugar sector, Government, as I have mentioned earlier, has commissioned a study on the Economic, Social and Environmental Impact on Mauritius of the Abolition of Internal Quotas of sugar in the European Union market.

A draft report has been submitted by the Consultants Landell Mills Consulting Ltd who have proposed the following measures which are being analysed and which will be implemented after consultations with all stakeholders.

The measures recommended by this report refer to -

- the preservation of land under cane cultivation in difficult areas, a measure which was recommended in the MAAS but was never implemented;
- reform of institutions to lower the charge (CESS) on industry proceeds and grant greater freedom in sales and marketing.
- alignment of terms of employment with those in other sectors of the Mauritian economy;
- a more attractive payment for bagasse and cane biomass;
- a mandatory blending of ethanol and gasoline with a premium for ethanol;
- a higher contribution by distiller-bottlers for potable alcohol used for the home market;
- taxing fossil fuels and transferring the proceeds to foster biomass energy;

- introducing a custom duty on imports of raw materials for refining to ensure that the producer community derives benefits from the sale of sugar on the domestic market, and
- the use of reserves of the producers accumulated at the Sugar Insurance Fund to allow the industry, at least for a certain number of years, to attain its viability price while the above-mentioned measures are implemented.

Mr Bérenger: Madam Speaker, I am sure everybody will agree that the figures, in terms of numbers of employees, planters and *métayers* provided, are nothing less than absolutely dramatic. The hon. Minister said that Government has received a draft report from a consultant. I am sure he is aware of the Sugar Insurance Fund Board actuarial review - latest - of October 2014. Will he agree with me that what the actuarial review is, in fact, saying is that the very survival of the sugar industry is in danger, threatened? Can I, Madam Speaker, with your permission, quote two paragraphs under the subtitle 'key findings' –

“The sugar price is predicted to fall even further from the 2013 level whilst production costs are steadily increasing. This will have direct consequences on the profitability and hence sustainability of the industry. There is a lot of uncertainty, in terms of the industry outlook for the immediate future. This is mainly due to the fall in the sugar price and rising costs of production. The impact on planters/producers is expected to be significant. In addition, there is significant uncertainty on the impact of the removal of the European Union quotas will have post 2017.”

Will, therefore, the hon. Minister agree with me that these are diplomatic words from actuaries, but that, in fact, they are pointing out that the survival, *la survie même de l'industrie sucrière est en question?*

Mr Seeruttun: Madam Speaker, the hon. Leader of the Opposition is right in saying that the survival of the industry is at stake. But, that's why the Government is taking all measures to ensure that everything is done to, at least, keep on with that industry and ensure that all the stakeholders involved in that industry keep on having a living from that industry. It is not a surprise that we embarked into a major reform in the early 2000 so as to ensure that we could for that particular difficult phase move on and that is why we have diversified in that industry. We have moved from the sugar industry to a cane industry; probably, we will move again to a biomass industry now.

We are now producing beyond sugar, energy, and we might, in the near future - research has been undertaken to see if we can also have value added product like bioplastics, and other varieties of cane that could be produced through research that could be high in fibre to produce cane that could produce more energy generated product, and also, as I said, bioplastics. Beyond that we have also seen how we can move closer to our consumers and that is why the Mauritius Sugar Syndicate has had, in the past few years, an agreement with a German firm Sudzucker, whereby they would market the sugar and export sugar through that firm. That contract is coming to an end in October this year and new contracts have been already signed with three suppliers in Europe, one French supplier Crystal Co. and two British firms so that we could get closer to the customers and have a premium price on the sugar that we are exporting. So, these measures are being taken to ensure that we can mitigate that reduction in the price of sugar but, at the same time, we have to reduce the cost of production and these measures that have been proposed in that report by Landell Mills Consulting, go in line with the philosophy of the Government to ensure that the industry could thrive through the difficult times.

Mr Bérenger: Can I ask the hon. Minister, being given the seriousness of the situation, whether his Ministry, with the people concerned, have tried to project future production of sugar, what it will be in the very few years ahead?

Mr Seeruttun: Madam Speaker, if we look at the production for the year 2014 the production of sugar roams around 400,000 tonnes of sugar with the surface area covered about nearly 50,000 hectares for the future. If we are to keep on with that industry, we believe that we have to stabilise the production around that figure of 400,000 tonnes of sugar and for us to be able to produce that amount of sugar, we need to have that level of land under cane cultivation. So, one of the aims of the Government is to ensure that the number of people moving out of cane cultivation should be avoided so that we could continue with that level of land under cane cultivation to be able to produce that amount of sugar production. If I may add, we need that particular critical mass to be able to allow the industry to survive.

Mr Bérenger: As far as ethanol is concerned - the country had several Governments, the country has got tremendous time - being given the urgency of the situation, do we take it that this new Government is going to move? We have wasted so much time that the private sector is producing with its money ethanol for export, and we are not using ethanol on the

local market. Do I take it that the new Government will move full steam ahead in the case of ethanol and use ethanol on the local market?

Mr Seeruttun: Madam Speaker, it is true to say that the project has been long overdue because there was a pilot project that was initiated by the last Government, but it seems that - I don't know for what reason - it remained at the level of a pilot project beside the fact that it was very conclusive. So, at the level of my Ministry, I have already asked to reactualise that project. I had discussions with Omnicane which is the sole producer of ethanol locally, and they are quite willing to supply the ethanol to have that blend of ethanol and gasoline for our vehicles here. That would be something that we will give the utmost attention to ensure that it goes ahead.

Mr Bérenger: In the short-term, in fact, in this financial year, I heard the hon. Minister say, as the hon. Minister of Finance has said in the Budget Speech, that there would be a one-off support, subsidy, compensation to everyone in the sugar industry. I am sure he is aware that the Sugar Insurance Fund Board Actuarial Review dated October 2014, in fact, recommended two things and over two years - not one year, not a one-off - special financial assistance, but also a premium waiver, that those in the industry, everybody concerned, should have a premium waiver with two measures over two years - not one year - worth for crop 2014, Rs225 m. of premium waiver; Rs833 m. of special assistance, that is, slightly more than Rs1 billion but, also crop 2015, Rs220 m. for premium waiver and Rs820 m. for special assistance, that is, for the second year slightly more than Rs1 billion of special assistance over two years.

Now, has the previous Government decided to throw those recommendations out - they decided to go to a one-off over one year and only no premium waiver? Has the new Government discussed that? Has the hon. Minister discussed that with the new Minister of Finance, with the Rt. hon. Prime Minister, Sir Anerood Jugnauth, and is there going to be change in that refusal of the previous Government to go by what the actuarial review recommended?

Mr Seeruttun: Madam Speaker, actually we have taken note of the recommendation of that Actuarial Report, where they did indeed mentioned compensation over two years of Rs2,000 per tonne of sugar and also about the waiving of the premium to be paid to the Sugar Insurance Fund Board. We have, in the Budget Speech, announced that the cash compensation to be paid to the growers would be to the tune Rs2,000 to all sugar planters, but

a special effort is being made to small planters producing up to 60 tonnes of sugar. They are going to get an additional compensation of Rs1,400 per tonne of sugar produced. This is an effort which is being made to support those small planters that are the most vulnerable and are touched by the effect of the reduction in the sugar price.

As regard to the two-year issue, it is, in fact, mentioned in the report, but it is also said that if it is not an event year - if we know now that 2014 has been a non-event year, it is within the possibility of the Fund Board to pay for that compensation. But in that report, the actuarial recommendation is that it should be over two years, but with the qualification that if it is not an event year. So, next year, when we come to it we will probably look at it.

As to the waiver, of course, the Government is all for to consider that and at the level of the Ministry, we are working together with the Ministry of Finance to see ways and means how to apply that recommendation.

Mr Bérenger: I am, of course, all in favour of an additional compensation being paid to the small producers, the small planters additionally, but that additional sum will it come from the Sugar Insurance Fund Board because that was not recommended by the actuarial review or will it come out of the Consolidated Fund?

Mr Seeruttun: Madam Speaker, as it is today, when the hon. Minister of Finance and Economic Development announced in his Budget Speech that special effort is going to be made to the small planters to grant them Rs3,400 per tonne of sugar produced, it is mentioned that it is going to come from the Sugar Insurance Fund Board fund, that is, from that particular fund and we have had discussions with the people from the Sugar Insurance Fund Board to explain the reasoning behind granting that additional compensation and so far they are all aware of the reason why we have made that special effort to support the small planters and I think that's going to be the way.

Mr Bérenger: Can I ask, being given the urgency of the situation whether the hon. Minister has had consultations since the last elections with all the stakeholders, including the planters, the *métayers*, the employees and the big planters also, whether he has had consultations with all the stakeholders explaining the situation and looking ahead and whether proposals have been made, if yes, if they are being considered for financial schemes to get the planters directly, financially involved in not only the survival but in the financial progress of the different estates at estate level?

Mr Seeruttun: Madam Speaker, ever since I took office, I have been meeting all the stakeholders of my Ministry, particularly those of the sugar industry. I have met the small planters communities; I have met the different institutions that work for the industry; I have met the members of the MSPA and only last week, I have met again the Director of the MSPA and explained to him the reason with regard to the compensation being paid to the small planters and we are, of course, like it is mentioned in the report of the consultant, Landell Mills, streams of revenue are also being looked at to ensure that they are prepared to face the difficulties that are looking ahead in that industry.

Madam Speaker: Hon. Bhagwan!

Mr Bhagwan: Madam Speaker, I will just follow up on the question raised by the hon. Leader of the Opposition. *L'abandon des terres de la part des petits planteurs, ça continue à une vitesse vertigineuse.* The figures speak for themselves. The hon. Minister has made mention of the FORIP project. What is being done at least to re-actualise this project, at least to make it more attractive to the small planters, even having meetings with all the stakeholders, as pointed out by the hon. Leader of the Opposition, at least to see to it that this reduction in the cultivation process by the small planters at least be curtailed, that is, to give them more incentives?

Mr Seeruttun: Madame la présidente, effectivement ce projet FORIP qui date de 2007, et à ce jour on a dépensé R 2.7 milliards dans ce projet pour réaménager les terres et on a touché à presque 9000 hectares de terre sous cannes. L'objectif était d'améliorer la productivité, le rendement, par 20% et de baisser le coût de production par 30%. Mais, en 2015, il y a encore un certain nombre de superficies à couvrir parce que l'objectif était d'atteindre 12,000 hectares et donc on va continuer. Mais j'ai aussi demandé au niveau du ministère et du MCIA en particulier de travailler et de faire une analyse de voir si effectivement l'objectif est atteint en ce qui concerne la baisse du coût de production de ceux déjà touchés par ce réaménagement de leur terre, de leur champ et est-ce qu'il y a aussi une augmentation de la productivité en terme de rendement.

Madam Speaker: Last question, hon. Leader of the Opposition!

(Interruptions)

Mr Bérenger: *Madame la présidente, en fait il n'y a rien de moins qu'une menace de mort qui plane sur la tête de l'industrie.* We have heard that a Consultant report is being

examined but will not - being given the dramatic situation we are in, all of us, the whole country, that, in fact, after that Consultancy Report has been absorbed, what we should do, all of us together and all the stakeholders, is to come with a Master Plan pour *la survie de l'industrie sucrière*.

Mr Seeruttun: Madam Speaker, I am very aware of the situation and I am very glad that the hon. Leader of the Opposition has come up with that PNQ today to make the public aware of where we are today. We need a national effort to ensure that the industry could survive and still be one of the major industries in this country.

Madam Speaker: Time is over!