

ORAL ANSWERS TO QUESTIONS

STC – FLOUR - IMPORTATION

**The Leader of the Opposition (Mr P. Bérenger)** (*By Private Notice*) asked the Minister of Industry, Small & Medium Enterprises, Commerce and Co-operatives whether, in regard to flour, he will, for the benefit of the House, obtain from the State Trading Corporation, information as to –

- (a) when contacts were established with suppliers in China, India and Turkey, indicating by whom;
- (b) if all guarantees have been obtained from the Chinese supplier to ensure security of supply, storage, quality and health norms;
- (c) why fresh tenders have not been launched;
- (d) if negotiations have been initiated with *Les Moulins de la Concorde* and, if not, why not, and
- (e) why it has set up a private company.

**Dr. Jeetah:** Mr Speaker, Sir, I am thankful to the hon. Leader of the Opposition who, through this PNQ, will give the House ample opportunity to comment on the issue of flour.

First, hon. Members will agree with me that flour is a strategic commodity and I hope this issue is above party politics. This year we are facing an exceptionally difficult situation.

I wish to inform hon. Members - and I hope the House will bear with me - about the salient features connected with importation of wheat flour.

The House may wish to note that importation of wheat flour for local consumption has always been made by Government.

The total annual requirements of wheat flour in the early 1970s were procured by direct negotiations with France and Australia.

With the creation of the State Trading Corporation (STC) in 1983, the latter took over the activities of the ex-department of supplies, for the procurement, storage, sale and distribution of wheat flour.

As at now, STC has accumulated 25 years of experience in this field. Until this day, STC has been able to safeguard the security of supply of wheat flour in Mauritius and there has never been any shortage of wheat flour on the local market, because STC has always done its best and has acted responsibly to closely monitor supply and stocks within established rules and procedures through a replenishment program.

In 1989, "*Les Moulins de la Concorde Ltée*" (LMLC) was set up. It is to be noted that in 1990, the then Government decided that purchase of wheat flour would be carried out through international tenders, and that STC would launch tenders for only 50 % of the annual country's requirements.

Then, it was also decided that, in the event, STC awards its tender to the best foreign bidder, LMLC will be invited to supply to STC the remaining 50 % of the country's requirement and that LMLC would match STC's best price obtained through tender.

Secondly, and in the event that LMLC, which is also allowed to participate in the international tender exercise, is the best bidder, then LMLC will be awarded the contract for the supply of the country's total annual requirement in wheat flour.

However, at this stage, I must point out that there is no contractual agreement between the State and LMLC regarding purchase of wheat flour, except that the practice is of an administrative nature.

Mr Speaker, Sir, as regards storage, flour purchased from LMLC or imported from any foreign supplier is stored in the sheds of the STC. It is from there that sale and delivery are made to wholesalers, bakeries and other traders. It is also from there that flour is shipped to Rodrigues and to the outer islands. I must add that the sheds are equipped with pallets, forklifts, conveyor belts, weighbridge and other facilities for unloading, loading and safekeeping of the product.

It is also worth noting that it has been the practice for STC to keep a buffer stock for at least one fortnight to ensure security of supply.

In view of the recent erratic climate conditions, STC is equally considering increasing the storage capacities and in particular outside the Port area and the already crowded city centre, thereby decentralising its sales depot and hence providing a better service to its distributors.

Mr Speaker, Sir, with regard to quality, STC lays heavy emphasis on quality control given that wheat flour is a sensitive staple commodity, which is used in the manufacture of various foodstuffs such as bread, cakes, biscuits, faratas and noodles.

Quality control is mandatory whether flour is purchased locally or from foreign firms. Certificates of quality analysis do accompany every consignment of imported flour to ensure that the products are within the specifications of the STC.

Furthermore, samples of wheat flour are randomly collected from the sheds of STC by the Mauritius Standards Bureau (MSB) for further analysis to reconfirm the quality of the products.

Over and above the laboratories tests, STC also carries out regular “baking tests” in different bakeries of the country. This is done in the presence of members of the bakery association to re-check the quality of wheat flour delivered to them.

Mr Speaker, Sir, in 2005, the contractual price paid by STC for import of flour was 294 USD per metric ton for type A flour, and 298 USD per metric ton for type B flour.

In 2006, the contractual price paid was Rs12,824 or 389 USD per metric ton for both type A and type B.

STC had contributed around Rs400 m. to keep the retail price of flour at Rs5.30 per half kg.

This year, and for the first time, only one firm participated in the tender exercise launched by STC in October. And the price quoted was on

the high side, that is 675 USD per metric ton for type A flour and 681 USD for type B.

The House may wish to note that had STC kept subsidy at its present level, that is Rs400 m., the only course of action was to increase the retail price of flour by 73%.

Mr Speaker, Sir, this would have led to an increase in the price of bread from Rs2.15 to nearly Rs3. And without subsidy at all, the price of flour would have been increased by 113%, that is, the price of bread, *pain maison*, as we called it in Mauritius, would have increased from Rs2.15 to Rs3.41. That is the figure I have got here.

Mr Speaker, Sir, as a caring Government, and in the particular circumstances, it would have been most inappropriate for Government to increase the retail price of flour. In itself, this is a clear indication of Government's willingness to show its solidarity with the population.

It is in this particular context, and given the exceptional and difficult circumstances, that the Ministry of Commerce and STC explored other avenues, other than the one obtained through tender.

Mr Speaker, Sir, as regard to part (a) of the PNQ, it should be noted that discussions were held with various friendly countries, that is India and China, through His Excellency the High Commissioner in Mauritius and His Excellency the Ambassador of the People's Republic of China in Mauritius by my Ministry after the expiry of the validity date of tender, that is 12 November.

A meeting with the Indian High Commissioner was held on 19 November and subsequently the State Trading Corporation of India was contacted on 28 November. And two meetings were held with his Excellency the Chinese Ambassador.

With regard to India, the Ministry was informed that export of wheat flour was banned.

However, the Chinese Ambassador confirmed that there was a possibility that China would make an exceptional effort to procure Mauritius with wheat flour.

Following these discussions, the Chinese Embassy made necessary arrangements for a delegation of STC to visit a flour mill in China, situated in the province of Henan.

The Government of China, through one of its representatives, participated in all meetings and discussions held in Henan. And it is through his personal effort that STC has been able to obtain a very reasonable and competitive price.

Price obtained for type A is USD 520 per metric ton and USD 425 for type B. Here, Mr Speaker, Sir, I need to add that we use 94,000 tons of flour and the ratio of 80:20 for type A and type B. Type A is the flour that is used normally to make French bread and type B is used to make farata and chapatti.

Mr Speaker, Sir, as regards Turkey, contacts were established on 16 November by the technical staff of STC.

With regard to part (b) of the PNQ, the House may wish to note that the Embassy and the Government of China, through its representatives in Henan, have assured STC and the Ministry that the Chinese supplier will ensure security of supply through regular shipment.

As regards quality and health norms, the Chinese officials have assured us that STC's specifications will be adhered to. It must be noted that Jin Yuan Flour Industry Co. Ltd. was established in October 1992 and is a large joint-stock company, dominating in the flour-making business. At present it employs more than 2,000 workers including flour-making experts.

The Company has been appointed as the Health Flour Production Base by the State Government and has also been awarded the ISO 9001 Certificate. It was also awarded the China top brand award in 2004. Some additional information - the company's equipment concerning quality and testing are from the leading branch such as the US, Germany and Sweden. Furthermore, STC shall appoint SGS, as an independent and accredited inspecting agency, to inspect all consignments at loading point.

Also, more tests would be carried out in Mauritius, as is the common practice. Mr Speaker, Sir, it is worth noting that there are twelve testing parameters for type A flour and thirteen testing parameters for type B flour. I am laying a copy of the testing specifications on the Table of the Assembly.

As regards part (c), fresh tenders could not be launched because of time constraint. The tender was launched on 05 October and the closing date was 26 October. The validity date of the tender was 12 November 2007. Thereafter, the practice requires an evaluation of the tender, STC Board's approval and as well as Cabinet approval, that is, Government approval. A minimum period of four to six weeks is normally required prior to shipment.

And secondly, the adverse market conditions were more of a deterrent for bidders to participate, as proved in the last tender exercise.

As regards to part (d), I wish to inform the House that the Ministry and STC had two meetings with LMLC on 27 and 30 November.

On 27 November, LMLC was requested to revise its price and the latter informed the Ministry and STC that this was not possible. LMLC was, in fact, informed as to whether it could bring its initial offer in the range of USD 500 to USD 525 per metric ton.

On 28 November, the Director of LMLC confirmed to the Ministry that LMLC could not bring down its price. Furthermore, I had a meeting with representatives of LMLC in the presence of officers of STC this very morning to review the situation prevailing and find the best way forward. A further meeting is expected in due course.

Mr Speaker, Sir, as regard part (e), the creation of the private company should in no way be linked to the flour tender exercise. The House may wish to note that the core businesses of STC are: petroleum products, LPG, wheat flour, cement and rice. The main purpose of forming the private company, namely the STCM Ltd. is to enable the State Trading Corporation to –

- (i) diversify in a competitive environment;
- (ii) provide the possibility of increasing its foreign currency reserves, and
- (iii) promote Mauritian product on the international market.

STCM Ltd. is a wholly owned export/import subsidiary of STC and has been set up under the Companies Act 2001 on 12 September 2007. Its share capital is MUR 1 m. It will be provided with a capital loan of MUR 50 m. by the STC. Its Directors are -

- (i) Mr. R. S. Soomarooah (Executive Director)
- (ii) Mr. R. Hosany, the Permanent Secretary
- (iii) Mr. K. F. Lan Hing Choy
- (iv) Mr. J. H. Lamvohee

STCM Ltd. will be involved in the import, export and re-export business. Here also, the House may wish to note that STC has memoranda of understanding with STC India and Trading Corporation of Pakistan which provide not only for importation of goods, but also for mutual trading – exporting and re-exporting. So far, STCM Ltd. has been dealing with butter beans and yellow split peas. Such involvement has resulted in considerable decrease in the price of butter beans from Rs38 to less than Rs20 per half kilo.

**Mr Bérenger:** Mr Speaker, Sir, I did not hear anything about Turkey. Do we take it that there was no response and no offer from Turkey and, if yes, what are the prices?

**Dr. Jeetah:** As regards Turkey, as I said, Mr Speaker, Sir, contacts were established on 16 November, by the technical staff of STC.

**Mr Bérenger:** We have heard that, Mr Speaker, Sir. But what followed from there?

**Dr. Jeetah:** Mr Speaker, Sir, I have information with regard the price obtained from Turkey. From company Ilosoy, the price was USD 625 for both type A and B and USD 640 for type A and USD 647 for type B from Eris, a second company from Turkey, per MT.

**Mr Bérenger:** Can I know whether we dealt, as far as China is concerned, with one company only?

**Dr. Jeetah:** Yes, Mr Speaker, Sir.

**Mr Bérenger:** Why?

**Dr. Jeetah:** Mr Speaker, Sir, as I explained, we talked to the Chinese Government and they suggested that they can assist the country and they provided us with a company in the Henan province, which produces about 700,000 tons of flour and through the recommendations of the Chinese Government, STC went on with a deal with this company.

**Mr Bérenger :** May I have the composition of the delegation that went to China and did they visit that company from which we are going to import, and whether the treasurer of the Labour Party was a Member of that delegation?

**Dr. Jeetah:** Mr Speaker, Sir, the members who actually went to visit the company were Mr Lan Hing Choy and Mr Soomarooah. They did visit the factory, Mr Speaker, Sir.

**Mr Bérenger:** Does that firm have a local agent in Mauritius ?

**Dr. Jeetah:** Mr Speaker, Sir, as I said, we normally deal with the Government, when the need arises with regard to strategic commodities. I talked to His Excellency, the Ambassador of the Chinese Government, and he suggested a firm which has no dealing in Mauritius.

**Mr Bérenger:** With regard to part (b), can the hon. Minister let us have copy of the agreement between STC and the Chinese firm concerned and may we know who signed the agreement?

**Dr. Jeetah:** I don't see any problem to submit a copy of the agreement, Mr Speaker, Sir. I presume it must go through the recommendation of the Board.

**Mr Bérenger:** May we know who signed on behalf of the STC ?

**Dr. Jeetah:** I am informed that it is not yet signed. It just went through Cabinet on 28 November, but I shall certainly let the hon. Leader of the Opposition have a copy of the agreement.

**Mr Bérenger:** In that transaction, were commissions paid to anybody?

**Dr. Jeetah:** Mr Speaker, Sir,...

*(Interruptions)*

I did mention in my reply that throughout there were Chinese officials. If the hon. Leader of the Opposition is suggesting that Members of the Chinese Government are taking commissions, then he will have to take his responsibility.

**Mr Bérenger:** I have put a question, Mr Speaker, Sir, and in the absence of a reply, it speaks volumes as somebody says. The specifications are very...

*(Interruptions)*

**Dr. Jeetah :** Mr Speaker, Sir, I...

**Mr Bérenger:** I am on my feet, I am not giving way.

**Mr Speaker:** Does the Minister has a point of order ?

**Dr. Jeetah:** On a point of explanation, if I may say. There can never be .....

*(Interruptions)*

**Mr Speaker :** Order !

**Dr. Jeetah :** Mr Speaker, Sir,...

**Mr Speaker:** Is the hon. Minister rising on a point of order? If not, the hon. Leader of the Opposition is not giving way. The hon. Minister can come back later on with it.

**Mr Bérenger:** Can I confirm that they are exactly the same specifications as those that were in the original tender and, if yes, can we have copy of the correspondence related thereto?

**Dr. Jeetah:** Mr Speaker, Sir, with regard to the first part, as I mentioned, there cannot be the business of commission. I don't know how things used to happen in the past, but it can't happen now.

*(Interruptions)*

**Mr Speaker:** I am not going to tolerate any provocative remark!

**Dr. Jeetah:** Mr Speaker, Sir, with regard to the specifications, I would like to thank the hon. Leader of the Opposition, because I have just laid copy of this document on the Table of the National Assembly, and I would like to go through some of the parameters of the specifications which I think are important for people to know so that we don't have any confusion.

For Type A flour, there are 12 tests....

**Mr Bérenger:** We are already running out of time. I asked whether they are exactly the same specifications.

*(Interruptions)*

**Mr Speaker :** As is provided for in the Standing Orders, I have repeated it so many times in the House - not only by me, but by my predecessors also - that I have no control over the answers of Ministers. The only thing that Erskine May provides for is that the answer must be pertinent to the question which has been put.

**Dr. Jeetah:** Mr Speaker, Sir, I think it is important that people know what goes on into the production of flour in Mauritius. For Type A, there are parameters such as moisture, protein, ash, water absorption, strength of dough, pressure to length ratio, falling number, granularity as well as baking test, plus dried gluten content, wet gluten, flour acidity. These are fixed parameters that the suppliers have to abide by. I did mention, Mr Speaker, Sir, that above all these technical specifications - flour being a natural commodity - we have to do this acid test, which is called the bakery test.

All the stakeholders have to work together and make sure that we get a product which is according to our needs and specifications.

With regard to Type B flour, there are 13 tests: moisture, protein, ash, falling number, colour grade, starch damage, water absorption, extensograph, that is, we check the maximum resistance as well as the extensibility, plus the baking test and the dried gluten, wet gluten and flour acidity. This has given a guarantee of supply over a number of years. I think the hon. Leader of the Opposition should not worry about the quality of bread we would be eating in January.

**Mr Bérenger:** In the past we have had trouble, although specifications were supposedly abided by. Can I know from the hon. Minister whether baking tests have already been carried out?

**Dr. Jeetah:** Mr Speaker, Sir, I did mention that this is the procedure. We have made provisions that, as soon as the wheat arrives in Mauritius, it will have to go through all these tests to make sure the quality is right.

On top of this, we have asked for a third party, SGS - an independent party - to make sure that it is according to the requirements.

*(Interruptions)*

How are we able to sell Rs43 billion from Mauritius to clients overseas? We do have accredited bodies in Mauritius that come and test the products and, once overseas buyers are satisfied with the products in Mauritius, we can export. This is the usual procedure.

**Mr Bérenger:** In the past, we have sent people overseas to carry out baking tests before the agreement is concluded, because it is all a question of quality. I hope that we don't end up in a very serious situation. I repeat: in the past we sent people there, because specifications are specifications. The quality of bread that Mauritians are used to like *farata* and so on, requires a baking test there before we start exporting. Will the Minister see to it?

**Dr. Jeetah:** Yes, Mr Speaker, Sir, we are well aware of this. I did mention that STC has been here for 25 years and it has given the Mauritian population the guarantee.

*(Interruptions)*

I think there is no point in scaremongering. We have technical professionals at STC who actually have been doing their job independent of Government and the same practice will continue.

**Mr Bérenger:** Have we obtained the required guarantee as far as additives and preservatives are concerned? With due respect to China, which is a friendly and powerful country, but the fact remains that on 01 May, officials from the US Department of Agriculture said that between 2.5 and 3 million people in the United States have consumed chickens that had consumed feed containing contaminated vegetable protein from China. China is a great country, a friendly country, but have we made sure that, as far as health norms are concerned, we will be protected from all this.

*(Interruptions)*

**Mr Speaker:** Order now!

**Dr. Jeetah:** Mr Speaker, Sir, that reminds me of the pattern that this country has witnessed. And I would like to mention...

*(Interruptions)*

Mr Speaker, Sir, that reminds me of a formula that has been mentioned in the past, and I would like to mention this here: Mythomyl-S-Methyl-N-Methylcarbamoxloxy - Thioacetimidate (90%). This is a broad spectrum insecticide called Lannate.

*(Interruptions)*

Who came up with allegations of this chemical being used? We have to be careful, Mr Speaker, Sir. There is no point scaring the population. STC is doing its job in a professional manner. We have put all the technical specifications here and we will have to make doubly sure, now that the

Opposition has started its job, that we get the best quality flour at an affordable price. This is the most important thing.

**Mr Bérenger:** Can I ask the hon. Minister whether he is already in presence of letters of concern from different organisations about this importation of flour?

**Dr. Jeetah:** I have had certain communications from '*Les Moulins de la Concorde Ltée*'. As I said, there are discussions. This morning, I met Mr Boullé and his accountant.

**Mr Bérenger:** My question is about religious and other organisations.

**Dr. Jeetah:** I am not in presence of any letter; but, I am aware that STC is in the presence of a letter. The General Manager mentioned this to me and the Chinese Embassy has been contacted today to make sure that there are no concerns relevant to what the hon. Leader of the Opposition is raising.

**Mr Bérenger:** Can I ask the hon. Minister what happens as far as freight is concerned? Who takes care of the freight?

**Dr. Jeetah:** The package that has been offered, Mr Speaker, Sir, includes freight. There is no worry with regard to freight.

**Mr Bérenger:** As far as the original tender is concerned - we know that there was only one tenderer - can I ask the hon. Minister whether he can tell us in which international and local – but especially international – papers and publications were tenders called for?

**Dr. Jeetah:** Mr Speaker, Sir, I have all the information except this. I can certainly let the hon. Leader of the Opposition have it afterwards.

**Mr Bérenger:** I am not convinced at all that fresh tenders could not be called for, possibly specifications might be amended because the reason...

**Mr Speaker:** That is a matter of opinion.

**Mr Bérenger:** Yes, of course! I am asking the Minister – if I am allowed to - whether he does not think that, indeed, fresh tenders should have been called for.

**Dr. Jeetah:** As you said, Mr Speaker, Sir, it is a matter of opinion.

*(Interruptions)*

We are in a situation where we have to choose whether to increase the price of flour by 73% or try to find alternative solutions. We are bringing solutions and there are complaints! We don't understand!

**Mr Bérenger:** We want to take every possible precaution before that flour comes in. Mr Speaker, Sir, we are aware that *Les Moulins de la Concorde* is a local firm owned by Mauritian shareholders. There is a question of employment of 2,000 smallholders, *valeurs ajoutées* sont for cattle growers and saving of *devises* and we know that it will be more and more difficult to obtain flour from outside and obtaining wheat as *Les Moulins de la Concorde* does. Is everything being put *dans la balance* before a decision was taken?

**Dr. Jeetah:** Mr Speaker, Sir, I must say that we are facing some very difficult decisions. I had a meeting with Mr Boullé - he is a very sympathetic person, I must say – whom I met for the first time today. We do understand, there are 140 people working at LMLC. I asked him: how does he proceed? I explained him my difficulty. There is one thing he said: “Mr Minister, we can't give you Rs500 m., not to increase the price.” This is what he actually said. And then we decided to see how we could work together, try to see if we could procure from some other sources and then we'll discuss. I do take note of the concern of the hon. Leader of the Opposition. I can assure him that there are people who are serious on this side of the House. We have taken everything into consideration and I must say that it is not an easy decision that we have taken. But somebody has to take the decision. Who could, here, in this House, increase the price of flour by 73%?

**Mr Bérenger:** Mr Speaker, Sir, being given that Government has increased subsidies on flour after having removed subsidies in the Budget completely, why could not discussions take place with that increase in subsidies and without an increase in price?

**Dr. Jeetah:** Mr Speaker, Sir, at the moment, the subsidy has increased from Rs400 m. to Rs650 m. and where would we find this extra Rs500 m. If, through economic diplomacy, we have been able to save this amount, I don't see where the difficulty lies, Mr Speaker, Sir.

**Mr Bérenger:** I heard the Minister say that this private company under the Companies Act has been set up by the STC supposedly to diversify its transactions. Can I ask the Minister whether he is aware that at the Board Meeting of the STC of 05 September, it was decided that that private company would not only deal in flour which the STC is dealing with now, but would deal also in timber, in precious and semi-precious gemstones, in diamonds and gold. Can I know how this is diversification?

**Dr. Jeetah:** That's a very valid point, Mr Speaker, Sir. I think, in the past, I have mentioned that this year we are going to have an output of Rs43 billion in the EPZ and another sector which is booming in Mauritius is the diamond sector. We can't find rough diamonds for the manufacturers and through discussions we have had with the STC in India, they have proposed for us to act as a trading partner. Maybe the hon. Leader of the Opposition is not aware that Bharat Petroleum has suggested that we export petroleum from Mauritius to Africa. So, there are plenty of opportunities and I don't see why STC cannot trade in lots of other commodities.

**Mr Speaker:** I will allow a last question to the hon. Leader of the Opposition.

**Mr Bérenger:** Can I ask the hon. Minister why set up such a company? At the same Board Meeting, which I mentioned, on 05 September, it was decided that it would be an independent and separate entity, raising funds independently, and yet, that it would get a corporate guarantee provided by STC, Rs1 m. of share capital out of STC, Rs50 m. free of interest as working capital. Will the Minister agree that this is only a way of not answering questions here, of setting up a private company for all sorts of transactions that STC should have nothing to do with?

**Dr. Jeetah:** Mr Speaker, Sir, first of all, I would like to remind the hon. Leader of the Opposition that when we came here two years ago, we had debts to the tune of Rs2 billion. It has all been cleared.

*(Interruptions)*

And how do we do this? This is through good management. This is not the way that they used ...

*(Interruptions)*

**Mr Speaker:** Order, now!

**Dr. Jeetah:** Mr Speaker, Sir, I would like to request the hon. Leader of the Opposition to ask any question that he so wishes and the hon. Members on the other side of the Opposition as well and I'll give any answer that is required.

*(Interruptions)*

**Mr Bérenger:** Can I know why this private company being set up has four Directors and three are political agents? One is the treasurer of the Labour Party, one is an activist from the PMXD and the third one is another activist from the Labour Party who is a member of the Policy Unit. Can the hon. Minister tell me how is this acceptable?

**Dr. Jeetah:** Does the hon. Leader of the Opposition wish me to refresh his memory?

*(Interruptions)*

Shall I refresh his memory with regard to a certain Monsieur Jean-Mée Desvaux?

*(Interruptions)*

**Mr Speaker:** Order! Time is over!