

## **AGM OF THE MAURITIUS SUGAR SYNDICATE - TUESDAY 26<sup>TH</sup> SEPTEMBER 2023**

### **ADDRESS BY THE PRESIDENT**

A very good morning to you all.

I thank you for your esteemed presence to this annual general meeting of the Mauritius Sugar Syndicate. We are happy to have in our midst the Minister of Agro-Industry and Food Security, our Chief Guest of the day, to whom I extend a special welcome. Thank you, Hon. Minister, your presence and commitment towards our industry are most appreciated. We look forward to your address after the President's report.

Sugar market conditions, ladies and gentlemen, have been favourable over the last year. This has resulted in an unprecedented price increase to Rs 25,554 per ton sugar paid to producers, whose confidence in the industry has in turn been renewed. As global prices remain firm, we are hoping to have a second consecutive year of good price levels.

Without much ado, I invite the President of the Mauritius Sugar Syndicate, Mr Roshan Baguant, for his intervention.

#### **Intervention of the President of MSS, Mr Roshan Baguant**

Good morning Hon Minister, distinguished guests, ladies and gentlemen. All protocols observed. I join Devesh in welcoming you to this AGM of the Mauritius Sugar Syndicate. As President, I am privileged to report on its performance over the outgoing campaign ie for 2022 Crop, with revenues per ton sugar having been quite exceptional compared with the preceding years.

As indicated by Devesh, we achieved an ex-Syndicate price of Rs 25,554 per ton sugar. This is 52% higher than the price paid to producers for the 2021 crop and almost 3 times higher than the harsh Rs 8,700 paid for the 2018 crop. It is even higher than the peak of Rs 18,620 attained in 2007, when guaranteed prices under the Sugar Protocol still

prevailed, though we know that the Rupee has meanwhile weakened. After adding proceeds from molasses and bagasse which have been reviewed since 2021, planters' total revenue exceeded Rs 30,000 per ton sugar, significantly higher than the Government's price guarantee of Rs 25,000 for smaller growers.

It is, however, unfortunate that local sugar production has meanwhile fallen to an alarming 232,000 tons level, which has denied us the full advantage of these high prices. While we understand the need to convert land for other economic purposes, it is regrettable that over 10,000 Hectares, ie a hefty quarter of the 39,199 Ha harvested in 2022, are simply abandoned and not utilized otherwise. Hon Minister, an urgent reversal of this trend is warranted. Not only should we recover these abandoned lands back to cane, but we should also refrain from converting further prime agricultural lands, for the sake of our food security, energy security and our environment. We should also not forget that as production goes down, the competitiveness of the industry and the flexibility to seek the highest value in the market will be seriously jeopardized.

Coming back to the 2022 crop sales performance, it shows the swings that can be experienced in market prices and reminds us that the viability of cane sugar production should be seen in the medium-to-long term. As for most agricultural crops, we should take advantage of favourable market conditions to invest and get prepared for less encouraging times. On its side, the MSS which, as you know, is driven by planters and millers, needs the agility to respond to market volatility. I can only commend them for having succeeded in reaping the best value for Mauritius sugars, after continuously adapting to the changing market environment.

Ladies & gentlemen, prices are obviously influenced by supply and demand as well as production costs. While Devesh will later illustrate the exceptional market conditions having resulted in the 2022 crop price, I wish on my side, to draw your attention to the importance of the increased valorisation of Mauritius sugars, made possible through the

sustained marketing efforts of MSS and the unflinching support from the mills. For avoidance of doubts, all Mauritius sugars, including our unique range of wholesome special sugars, and henceforth also comprising white special sugars, are sold by the MSS and the value-addition derived therefrom flows into the Common Kitty which is shared by all producers. Their sales have cushioned drastic price falls in the past and improved revenue when the commodity price gets better. The outcome for the 2022 crop can only endorse the strategy adopted since abolition of the Sugar Protocol in 2009 to continuously enhance their production and sales. Despite growing competition, no stone is being left unturned by the MSS to consolidate and diversify its market base, which now counts over 60 export destinations.

In fact, after having reaffirmed their market positioning in June 2021 through a new 'Mauritius Sugar Label', emphasizing the strengths and distinction of our special sugars, the MSS hosted a social event in Paris last October, where some 100 EU buyers gathered and had the opportunity to meet with our producers. During that evening, they were introduced to the MSS Virtual Club which, in addition to consolidating the relationship, will facilitate the sharing of information among its passionate buyers and users across the globe so they can learn from each other how to optimize on the promotion and sales of the Mauritius special sugars in their respective markets, for example through exchange of recipes or ideas how they can bring better value to the end products.

The Gourmet Foods is a specific sector now being targeted for the promotion of the Mauritius special sugars. The support of Chef Philippe Bertand, a *Meilleur Ouvrier de France*, has been solicited to develop the range of sugars which will provide the best fit for pastries, confectioneries, ice-cream and chocolate producers, thereby convincing Chefs to adopt the Mauritius sugars as must-use ingredients in their daily preparations.

With these words, I would like to call on Devesh to elaborate on the sugar market dynamics and how they have influenced our sales performance over the past year.

## **Intervention of CEO of MSS, Devesh Dukhira**

Hon Minister, distinguished guests.

There is wide consent that the sugar market has undergone a structural change. In fact, after several years of depressed prices, triggered by surplus production coupled with domestic support and trade subsidies provided in key origins, producers have not been inclined to expand their output whilst global consumption continued to rise.

Consequently, while world sugar production has failed to keep pace with the record outturn of 180 M tons in 2017/18, consumption has not subsided and is now almost 4% higher than the level reached in that year. This gradual stock depletion has supported the rise in global sugar prices since the drastic fall in 2017, except for the abrupt but provisional drop in early 2020 with the outburst of COVID-19 when the futures price of raw sugar on the New York #11 exchange had fallen below US\$ 250/ton. The global market price returned to some US\$ 400 by mid-2021 and remained within a range of US\$ 400-450 over the following 12 months, which consequently influenced sales negotiation for our 2022 crop sugars.

On the other hand, production costs have continued rising worldwide, having been exacerbated by the post-COVID and Ukrainian invasion-related inflationary costs, be it for fertilizers in the fields or energy for sugar processing. This has been particularly the case in the EU, where in 2022, the price of energy, a significant cost component for beet processors and cane sugar refiners alike, has increased by up to 7 times over the previous 5 years' average, while beet prices have almost doubled further to the price rise for alternate agricultural crops like wheat or rapeseed.

This cost escalation has occurred alongside an EU stocks drawdown, firstly with the decline in beet area since the record 2017 crop, secondly due to the weather-afflicted 2020 crop, while the 2022 crop was also affected by a dry Summer and subsequently cold

December spells in North West Europe, combined with yellow-aphid attacks in certain prone areas. The forecasted EU sugar production in fact declined over the harvest, from an initial 15.8 M tons to a mere 14.6 M tons. As a result, increasing imports have been required to meet market demand, in fact above the regular preferential supplies of the preceding years, against a strengthened world market price. In fact, to meet its market shortfall, the EU even had to import sugar under its WTO quota, namely from Brazil, at € 98 import tariff, thereby supporting the price increases.

The latest average ex works price for white sugar in the EU as communicated by the Commission reached € 821 per ton for July 2023, which is 75% higher than the price recorded over the same month in 2022, while the average price over the Marketing Year has attained € 751, or 67% higher than that over the previous year. Against these market dynamics, the average price obtained for Mauritius white sugar in the EU almost doubled compared with the preceding year while special sugars have been sold at even higher prices. The rise in these prices resulted in a 20% enhancement in our sales revenue over the preceding year, despite the 9% drop in crop outturn.

The EU has therefore been our preferred export destination for the outgoing crop: it accounted for almost 80% of its total exports compared with 50% in the 2021 crop, and 90% of its white sugar exports, compared with 55% in the previous year. This increase has been at the expense of exports of direct consumption raw sugar to the regional market, usually priced as a commodity, which had accounted for 16% of the preceding crop sales.

As for the Mauritius special sugars sold in niche market segments, total sales exceeded 136,000 tons, after a rise of 18% over the previous year, mainly thanks to the remarkable growth in the EU market. These changes in the sales mix demonstrate the agility to seek the best value for every ton of sugar while reaffirming the necessity for the industry to maintain flexibility on its product mix. Moreover, after the new positioning of the Mauritius special sugars in 2021, compounded with supply disruption in competing

origins, their market share within the EU has increased substantially with sales over the 2022 crop exceeding 100,000 tons, i.e. almost 40% increase over the previous year. Even sales to the US, finalised under the US raw sugar TRQ, have risen, thanks to the TRQ reallocation over the year coupled with extension of the shipment timeframe till December 2022, with deliveries having attained some 16,000 tons compared with 10,200 tons in the previous year.

Meanwhile, after having sold Mauritius white sugar in the EU for a dozen years, the MSS has identified niche market segments where they can be better valued. Already, with renewal of the commercial agreement with French Cristalco in June 2022 for a further 3 years, and a new 3-year contract with Italia Zuccheri Commerciale to focus on the deficient Italian market, emphasis has been placed on value-added white sugar. In addition to the EU Grade quality, supplies from Mauritius now include, amongst others, bottlers' grade, low-colour white, extra fine white and Fairtrade-labelled or Bonsucro-certified sugars.

I wish to underline here, distinguished guest, that sustainability certification is no longer simply a differentiating factor but has become a must in the segments where Mauritius sugars are sold, be it from the environmental, social and governance perspectives. After Fairtrade certification among the smaller growers since 2008, Omnicane was the first mill in Africa to have embarked onto Bonsucro certification in 2019 and was followed by Alteo in 2021 while ENL was successfully certified last month. For the 2022 crop, over 45,000 tons Bonsucro-certified sugars were available for sales while 13,600 tons Fairtrade-certified sugars were produced and sold. Though far from the peak of 36,800 tons attained for the 2015 crop, it is hoped that part of the Fairtrade tonnages lost over the previous years will be recovered as the MSS Multi-Purpose Cooperative Society together with a few other independent Cooperative Societies await certification.

The MSS is therefore geared up in seeking the best value for each ton of locally produced sugar, which has become even more relevant after production has fallen to present levels. It is determined to continuously review its operational costs in the meantime to bring the highest net revenue to producers. I wish to draw your attention, Hon Minister, on the confusion which sometimes arises on MSS direct expenses, as misinformed people tend to include the cost of raw sugar being imported for refining, which last year accounted for some Rs 2 bn out of the total expense of Rs 5.5 bn. As communicated previously, such operations have become necessary due to the declining crop harvest, while the refining capacity of Omnicane has to be optimized so it remains sustainable. Likewise, the balance of the Rs 3.5 bn represents mostly operational costs which must be incurred irrespective of who is selling the sugar, while MSS administrative expenses account for less than 3% of these expenses. I should nevertheless underline that, through a common sales platform like MSS, these operational costs can be minimized. For instance, over the 2022 crop, we have managed to bring down the average sea freight charges by 50% after the general surge imposed in the previous year. With regard to its finance costs, bearing in mind advance payment of up to 80% of the ex-Syndicate price to planters at time of harvest, the MSS has negotiated Money Market Lines with commercial banks and even resorted to Money Market Instruments to bring down the average interest rate payable on its Rupee advances to 3%, despite the Key Rate increase to 4.5% in the interim. In the same vein, through a judicious forex policy, it has earned a net hedging gain of almost Rs 280 M which has contributed almost Rs 1,200 to the ex-Syndicate price. You can rest assured, Hon Minister, that this is a continuous endeavor ascertained by the Directors and the Management of MSS. However, it is essential that, in parallel, we also improve our production efficiency, so we can have a higher cane and sugar output per hectare. With these words, I invite the President for his concluding remarks.

## **Intervention of the President of MSS**

Hon Minister, on behalf of all sugarcane planters and millers, I should thank Government for the reassurances having been provided for their bagasse and cane thrash revenue through the recent National Biomass Framework. It reinforces the importance of sugarcane in our energy mix in view of the country's target for renewable sources to reach 60% of its energy mix by 2030. The Biomass Framework sets a target to produce by 2030, 538 GWh electricity from cane, which will then represent almost 16% of the energy mix, as in 2015. The bagasse and thrash will be derived from an estimated 3.8 M tons sugarcane, and a recovery plan has been announced to attain this target by 2030, namely Accompanying Measures to restore abandoned cane lands and the Cane Replantation Scheme to facilitate regular renewal of old ratoons. It is comforting to note that some 5,000 Ha of corporate land have been replanted over the last 3 years with the help of the Development Bank of Mauritius, and another 300 Ha of land owned by small planters have been replanted through Government support. However, as requested earlier, it is essential that we meanwhile also stop the hemorrhage of prime agricultural land conversion.

Distinguished guests, before concluding, I should mention that the 2023 crop sugar sales are being undertaken against firm world market prices, although pressure on EU prices has meanwhile softened due to an improvement in weather conditions. We are therefore hopeful that we should achieve an ex-Syndicate price which is comparable to the preceding year. This should encourage further investments in farming practices to increase yields and produce more sugar. However, let's be realistic: as cane and beet planters worldwide will be enticed by these favorable prices, production will grow and sugar prices will recede in the following years. I should remind you here, Hon Minister, of our plea for a full protection of the domestic market: while subsidized imports have



lessened when global prices increased, they will certainly resume once they return to lower levels.

As already emphasized, we should meanwhile take advantage of prevailing prices to improve our cultural practices and further rationalize our production costs. This includes, for small growers in particular, the adoption of Fairtrade practices. As we have previously mentioned in this forum, in order to maximise production of Fairtrade-certified sugar, MSS has facilitated the setting up of a Multipurpose Cooperative Society which regroups over 300 planters to-date; it is awaiting its audit for Fairtrade certification before being able to reap the premium of USD 60 per ton sugar. Hon Minister, labour shortage remains the main stumbling block which, we know, is already being addressed by your Ministry and the MCIA through land derocking and mechanization, but also through the easing of import of labourers to work in the fields.

We are confident that with the above-mentioned support measures, we should reverse the production decline trend experienced over the previous years and restore the competitiveness of the industry. Besides enhancing cane revenue for the sector, they should allow the country to meet its targets regarding its energy needs, the environment and carbon emission. On its side, the MSS will sustain its quest for value-addition, thus bringing the highest prices for every ton of sugar produced locally. During the past year, it has even updated its Articles of Association, which dates back to 1967, in order to better adapt to the prevailing market environment and meet its target. The document should be finalized shortly for adoption by the General Assembly of the MSS.

To conclude, I wish, on behalf of the Committee, to thank all stakeholders for their contribution towards the industry's successful transformation which has enabled us to reap the prevailing prices. However, we should continually invest in our cultural practices and production processes to be even more cost-efficient, while maintaining a minimum production level to ensure a sustainable cane industry. I would like to have a special word

of thanks to you, Hon Minister, your predecessor, Hon Maneesh Gobin, the SCE of the Ministry of Agro-Industry, their staff, the CEO of the MCIA and his team. I must, moreover, express my gratitude to my Vice President, Mr Fabien Enouf, and other members of the Syndicate's Committee for their support during the year, and finally to the CEO and his staff for their dedication and hard work in fulfilling the objectives of the Syndicate.

I would like to end with this quote from Helen Keller: "**Alone we can do so little; together we can do so much.**"