MAURITIUS SUGAR SYNDICATE



2010 - 2011

Report and Statement of Account



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Propriety of Mauritius Sugar Syndicate

Mauritius Sugar Syndicate

Role and Status

In 1951, following the recommendations made by the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate, which finds its origins in 1919, was set up for an indefinite period in pursuance of Ordinance No. 87 of 1951.

The Mauritius Sugar Syndicate is the sole sugar marketing organization in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale. All sugar producers are members of the Syndicate.

In fulfillment of its role, the Syndicate's primary objective is to optimize producer revenue through adoption of commercial strategies likely to capture the highest yields obtainable from markets on a sustainable basis. Its operations are structured into specialized departments geared to provide supporting services of direct relevance to its core business namely marketing, sales and logistics, finance and accounts, and quality and food safety. It also undertakes sales of sugar for the local market through a network of distributors and packers or directly to industrial users and, finally, is responsible for effecting payments to planters including advances to finance their growing and harvesting operations. To follow developments on the international scene likely to affect the commercial interests of Mauritius on sugar, the Syndicate, jointly with the Mauritius Chamber of Agriculture, operates an office in Brussels with an overseas based representative. The Syndicate has likewise a representative in Washington to monitor developments in the US market. The role of these overseas representatives is to ensure that the concerns of the Mauritius sugar industry are properly addressed and that its interests are safeguarded on the international front. The industry's Overseas Representative also represents Mauritius at the International Sugar Organisation.

The Mauritius Sugar Syndicate is managed and administered as provided by its Articles of Association 1967 by a statutory committee known as the "Committee" which comprises twenty-two members, fourteen being representatives of the corporate sector of the industry and eight representatives of large and small planters. The representatives of the corporate sector are appointed by the Mauritius Sugar Producers Association (MSPA) while the planters' representatives are appointed by the Minister of Agro-Industry and Food Security upon recommendation of planters' associations and the Mauritius Cooperative Agricultural Federation Ltd.

The President of the Syndicate is elected at the organisation's Annual General Meeting [AGM] held annually in September. Since 1976, the President's chair rotates between a planter and a representative of the MSPA on an annual basis. The AGM also approves the composition of the Committee and that of the Executive and Selling Committee. The Executive and Selling Committee comprises 10 members, with six representatives of the MSPA and four planters' representatives, as well as the Executive Director of the Mauritius Sugar Authority.

The Executive and Selling Committee, which meets every 3 to 4 weeks, is the steering body of the Syndicate and its decisions are taken by consensus. The Committee meets at least twice a year to ratify the decisions of the Executive and Selling Committee. For improved governance, sub-committees composed of members of the Executive and Selling Committee have been established to provide support to the Syndicate's management in specific areas. They are the Marketing Strategy Committee, the Forex Committee and the Risk Management Committee, all chaired by the Syndicate's President. A Remuneration Committee is set up on an ad hoc basis to address issues relating to remuneration, promotion and recruitment.

Of the 21,416 producers in Mauritius, some 10,700 are registered directly with the Syndicate to receive their sugar proceeds. Another 10,500 sugar producers receive their sugar proceeds through the 157 credit cooperative societies registered with the Syndicate. The remaining 216 producers receive their proceeds through their appointed brokers or middlemen.

COMMITTEE

President
- Gansam Boodram

Vice-President
- Jacques Marrier d'Unienville

Corporate Sector Representatives
Nominated by the Mauritius Sugar Producers' Association
- Arnaud Dalais
- Patrick de Labauve d'Arifat
- Gilbert Espitalier Noël
- Hector Espitalier Noël
- Jacques Forget
- Henri Harel
- Jack Kong Win Chang
- Thierry Lagesse
- Jean Li Yuen Fong
- Cyril Mayer
- Thierry Merven
- Jean Ribet
- Joseph Vaudin

Large Planters' Representatives
Nominated by the Ministry of Agro-Industry & Food Security
- Hubert Daruty de Grandpré
- Robert Morel
- Brizmohun Ram, MSK
- Hansraj Ruhee

Small Planters' Representatives
Nominated by the Ministry of Agro-Industry & Food Security
- Anuradha Baichoo
- Yuganand Mandhub
- Ananrow Sonoo, OBE, EDI (Wash. DC)

EXECUTIVE AND SELLING COMMITTEE

President
- Gansam Boodram

Vice-President
- Jacques Marrier d'Unienville

- Anuradha Baichoo
- Vijay Kumar Bojeenauth
- Patrick de Labauve d'Arifat
- Hector Espitalier Noël
- Jean Li Yuen Fong
- Cyril Mayer
- Brizmohun Ram, MSK
- Hansraj Ruhee
- Joseph Vaudin

LEGAL COUNSELS

- Etude de Comarmond & Kœnig
- BLC Chambers

AUDITORS

Chartered Accountants
- Kemp Chatteris Deloitte

CHIEF EXECUTIVE OFFICER

- Jean Noël Humbert

MARKETING & LOGISTICS

Chief Marketing Officer and Secretary
- Devesh Dukhira

Logistics Coordinator
- Paul Caboche

Senior Import/Export Logistics Officer
- Khemraj Jhurry

Import/Export Officer
- Dany Jaune

ACCOUNTS & FINANCE

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Accountant
- Indira Goboodun

Senior Accounts Officer
- Abdoula Rashid Hosanee (up to 29 April 2011)

Accounts Officer
- Bimla Tupsee (as from 3 May 2011)

Secretary/Typist
- Vijay Luxi Sanuchur

SECRETARIAT

Secretary to CEO and Officer in charge
- Rajmunee Hungsraz

Secretary/Typists
- Kamalam M. Perumal (up to 31 December 2010)
- Marie Claire Lo Fong (as from 1 February 2011)
- Peggy Marie (as from 2 May 2011)
- Karine Ribet

PRODUCERS' ACCOUNTS & LOCAL SALES

Head of Department
- Chetanand Dookhony

First Assistant
- Purshotum Luchmun Roy

Second Assistant
- Varsha Boolakee

CENTRAL QUALITY DEPARTMENT

Chief Quality Assurance Officer
- Maurice Daruty

Deputy Chief Quality Assurance Officer
- Patrick Bussier

Senior Quality Assurance Officer
- Shivalingum Chengalaram

Quality Assurance Officers
- Faisal Earally
- Sanjaye Goboodun

Secretary/Typist
- Belinda Dorza-Antoine

SUPERVISING AND SAMPLING

Supervisors in charge
- Gaëtan Tranquille
- Patrick Henry

Supervisors
- Clifford Davy
- Nazim Minotte
- Rajeswar Boodhoo
- Denis Pin
- Darmen Mooneesamy
- Sailesh Kumar Seeballuck

OVERSEAS REPRESENTATIVE

- Geo Govinden

Contents

8 President's Report 2010/2011

15 2010 Crop

23 Supply & Delivery Arrangements

27 2011 Crop & Future Market Prospects

31 Crop Financing & Payments

35 Institutional Matters & Overseas Representation

44 Acknowledgements

47 Statement of Account 2010/2011

53 Notes to the Financial Statements



The President's Report 2010/2011

Year 2010-2011 has signalled the start of testing times following the reform of the sugar sector in Mauritius. After the sharp and decisive turn around taken by the industry in the previous years, with the launching of sugar refining operations and the significant increase in production and export of high value special sugars, the year under review has been essentially one of consolidation and fine tuning of the Syndicate's new marketing strategy. Indeed, more than 85 percent of the sugar produced from the 2010 crop has been exported as added value direct consumption sugars to a range of customers spread in 40 countries across the world. As from 2011 crop, export from Mauritius is expected to be solely as direct consumption sugars, in the form of both white refined and special sugars. The Syndicate will have thus attained one of the most critical objectives of the country's Multi Annual Adaptation Strategy (MAAS) in the post Sugar Protocol era: enabling the Mauritius sugar sector to move up the value chain, from a commodity supplier to becoming one of finished food products, while mitigating the effects of the 36 percent cut in the EU institutional price for sugar.

The gradual ramping up, during the year, of white refined sugar supplies under the Syndicate's long-term commercial partnership agreement with Suedzucker has put to test the new production and logistical plans and facilities that have been established to support the requirements of a new and ambitious supply chain, starting from the refineries in Mauritius to the end customers in different regions of the EU. Apart from the normal teething problems resulting from such a drastic change in course, all the partners along the chain have played their roles satisfactorily, enabling thousands of sugar containers to be delivered just-in-time at factory gates across the ocean. The continuous improvements in processing undertaken by both the Omnicane and FRL refineries during the year are enabling them to fine-tune their production and ramp up to full capacity during the next crop year. The mobilisation, selection and delivery by the shipping lines of thousands of "food grade" containers to the refineries for the loading of the sugar have met the shipper's expectations and have prompted the establishment and development of an entirely new mode of delivery to end users. The efficiency of this new logistics constitutes one of the key determinants of the future competitiveness of Mauritius as an exporter of direct consumption sugars and, in this respect, port authorities have the ultimate responsibility of upholding the efficiency of services. Finally, the logistics IT applications established by the Syndicate and Suedzucker on both sides of the ocean have demonstrated a high level of effectiveness in enabling full traceability and "trackability" of each sugar container delivered from origin to final destination, and hence responsiveness to customer requirements.

With these changes unfolding, an entirely new landscape has shaped up during the year in the sugar sector in Mauritius. The value derived by the industry's stakeholders from the Syndicate's common kitty will more than ever before depend on the judicious and optimal allocation of a henceforth limited cane and sugar feedstock supply among the industry's new centralised and upgraded facilities. The long-term sustainability of this new model will depend on its ability to strike the right balance between the returns derived and profitability achieved by all players in the local supply chain, planters, millers and refiners. In this context, one of the priorities of the Syndicate during the year was to pursue the discussions started in the previous year aiming at the establishment of long-term supply agreements with both the refiners and producers of special sugars so as to ensure that such conditions will be achieved and maintained in the future. These agreements provide the necessary framework for enabling the Syndicate to pursue its efforts along the lines defined by its new marketing strategy. Additionally, given on the one hand, the reduction in the acreage under cane cultivation at a time when the sugar industry has already invested in facilities for the production of added-value sugars and, on the other, market access already secured on the international front, the Syndicate has embarked on a new project to import raw sugar feedstock in bulk for processing locally. The sugar, after being converted into white refined or special sugars, will subsequently be sold on the domestic market and also exported to buyers across its market network worldwide in strict observance of rules of origin.

These developments have occurred against the backdrop of subdued market prices in the Syndicate's main export market following the cumulative decrease of 36 percent of the EU institutional prices in September 2009, as well the Euro zone crisis which has resulted in a continued appreciation of the Mauritian Rupee against the single currency. Hence, the increase in the average export earnings, in Euros per tonne, achieved by the Syndicate during the year due to the higher proportion of added value direct consumption sugars in its export mix, has been more than offset by the significant



The President's Report 2010/2011 (cont'd)

decrease in the exchange rate realised against the Euro, with a weighted average of 40.88 rupees for the year under review against 44.50 rupees in the previous year. This situation has resulted in a further drop for the third year in a row of the ex-Syndicate price paid to planters and millers, to reach Rs 13 535 per metric ton of sugar compared with Rs 14 612 for year 2009/10 and Rs 17,427 in the preceding year. With an ex-Syndicate price equivalent to price levels obtained in the late nineties, there is no doubt that the sugar sector has had to face in 2010/11 one of its most difficult times with nearly every producer operating below the breakeven point.

In this context, the measures announced by Government in August 2010 under the Economic Restructuring and Competitiveness Programme (ERCP), some of which have been introduced during the year, have contributed in bringing immediate, though temporary, relief to the sugar producers' community in Mauritius. The Syndicate has thus been in a position to implement, with immediate effect, the 80 percent advance payment to small and medium planters prescribed under the ERCP through a preferential line of credit placed by the Bank of Mauritius. An amount of 750 million rupees has thus been paid to some 21,000 planters during the crop season, enabling them to meet their short- term cash flow commitments while bringing their cultural operations to completion. This measure has been extended to 2011 crop. Another positive ERCP relief measure introduced during the year has been the grant of a 70 percent discount by the Sugar Insurance Fund Board to all producers on their crop insurance premium following recommendations of its Actuary. Furthermore, in keeping with another measure adopted under the ERCP, a consulting Actuary has undertaken during the year a major review of the Fund and is expected to make recommendations in the light of the new circumstances surrounding the sugar industry. It is hoped that these recommendations will improve the Fund's cost effectiveness while providing long-term relief to the sugar producers.

One of the most critical measures provided for the sugar industry under the ERCP, considered as unfinished business under the MAAS, is the substantial reduction of the Global Cess and restructuring of the cess-financed institutions over a period of two years starting in 2010 so that in 2012 and subsequent years it does not exceed 4 percent of the ex-Syndicate price. Producers had experienced a major disappointment for the 2010 crop when the proposed increase of 450 rupees per metric ton on the ex-Syndicate price as a result of the cess reduction did not materialise during the year owing to the delay in implementation of the proposed measures. However, as provided under the ERCP, the joint public/ private sector Committee established under the aegis of the Ministry of Agro Industry and Food Security and co-chaired by the Acting Permanent Secretary of the Ministry and the General Secretary of the Mauritius Chamber of Agriculture, have pursued the assignment given to it to work out the details of the restructuring of the cess-financed institutions and submit relevant proposals in respect of the new organisational structure to be adopted as well as the social package and corresponding incentives to redundant employees. This work was followed by the establishment by the Ministry of Agro-Industry of a "Structural Reform Plan of the Service Providing Institutions of the Sugar Industry" which was tabled at the Cabinet meeting of 17 June 2011. The Plan provides for the dissolution of the existing SPIs and the establishment of the Mauritius Cane Industry Authority as apex body responsible for policy and planning, with separate divisions responsible for providing the services offered so far to sugar producers. Cabinet took note that this plan is "in conformity with the priorities of Government in regard to the agro-industry sector and food security, and in line with domestic and international commitments, as well as to increase efficiency and better coordinate the services offered to the agricultural community". Given its late implementation, the reform plan has provided no benefit to producers for 2010 crop. However, as a special condition for disbursement of the EU Accompanying Measures to Mauritius under the General Budget Support Programme, Government has undertaken to reduce Global Cess to 287 million rupees for 2011 crop and subsequently to an amount which shall not exceed 4 percent of the future ex-Syndicate price.

Another major development during the year under review has been the certification of 27 new Cooperative Societies by the Bonn-based Fairtrade Labelling Organisation, bringing the total number of certified organisations in Mauritius to 32. With this development, the Syndicate will, as from 2011 crop, dispose of some 17,000 metric tons altogether of Fairtrade labelled sugar for its export markets. These cooperatives, which represent no less than 4,000 small sugarcane planters, will directly benefit from the premium of USD 60 obtained for each ton of their sugar exported by the Syndicate under the Fairtrade label. In addition to the premium, Fairtrade is contributing



The President's Report 2010/2011 (cont'd)

to reinforce the best management practices within the industry and also to the introduction of more stringent rules with regards to the governance of Cooperative Societies. The introduction of the Fairtrade label in the sugar landscape in Mauritius is considered by the Syndicate as a real breakthrough likely to be a new raison d'être for thousands of small producers.

The Syndicate also had to face a major issue during the year under review with the extraordinary surge in the world market prices of sugar, with the white sugar LIFFE No 5 peaking at USD 850 per metric ton in February 2011 compared with prices of the order of USD 400 at same period in the previous year. This situation has not been without any effect in the main export outlets where due to a tight market balance as a result of lower than expected supplies, prices have been increasing gradually during the later part of 2010 and first half of 2011. Mauritius, like many other suppliers worldwide engaged in annual or multi-annual contracts, has not been in a position to take advantage of these higher prices given that nearly all of its sugars had been contracted out early in the 2010 crop. On the import side, in spite of its decision to postpone its purchases for as long as stocks would permit, the Syndicate had no other choice but to import further tonnages at a higher price thus leading to an increase in sale prices in January 2011. However, to ensure that the sharply increasing world prices would not lead in the short term to further increases in the sale price to the domestic market, the Syndicate has obtained that some 10,000 metric tons of white refined sugar destined for the export market be retained for distribution locally. This decision has enabled the Syndicate to avoid further imports while maintaining prices to consumers unchanged during a period of high world market price and volatility.

On the international front, the Syndicate's attention and action during the year have focused essentially on issues that are likely to affect the quantum and value of market access for Mauritius in the short to long-term. These relate inter alia to the sugar market balance management in the EU under the existing Sugar Regime, discussions on the post 2013 Common Agricultural Policy and its eventual impact on the post 2015 sugar market arrangements and finally the stalled WTO negotiations in the context of the Doha Development Agenda. Regarding the EU market balance, the Syndicate has been supportive of the initiatives taken by the EPA/EBA London Commercial Group to ensure that market balance in the EU is maintained at a level which will safeguard the value of preferential access. This has implied a close and regular monitoring of imports from EPA/EBA suppliers so as to provide the EU Commission with accurate and timely information which would guide them in the implementation of their market management decisions. The Syndicate has also, through the works of the London Group, closely contributed in the discussions on the future of the Common Agricultural Policy and in particular the treatment of sugar in the post-2013 period. In this context, the group has stressed that any review of the EU Sugar Regime should ensure the maintenance of a stable and commercially attractive price which would provide predictable and sustainable export earnings to the EPA/EBA suppliers and the stability necessary for continued investment for improved efficiencies, diversification and environmental standards. Finally, on the WTO front, although the negotiations have stalled due to the inability of the players to overcome their divergences in different areas of critical importance in the Doha Development Agenda, the ACP Group has remained vigilant and proactive in Geneva to ensure that any new direction taken would not affect the outcome of the 15 December 2009 agreement between the EU and a group of Latin American countries on the treatment of "Preference Erosion" products, including sugar.



2010 CROP

Production, Supplies and Revenue

The 2010 crop benefitted from favourable weather conditions overall. Rainfall has been slightly above the long-term mean during the growth phase of the cane till March 2010 while normal temperatures and sunlight during the ripening phase boosted the average extraction rate to 10.37%, the highest level reached over the last 4 years. However, the shortfall in rain during the months of September and October 2010, reaching only 77% and 69% respectively of the long-term average, had an adverse impact on the average cane yield which subsequently dropped to 74.4 tons per hectare, compared with 77.3 tons per hectare for the previous crop. The average sugar yield per hectare hence attained 7.7 metric tons, which was close to the long-term average of 7.4 metric tons sugar per hectare. The 2010 crop outturn consequently reached 452,473 metric tons sugar produced from 4,362,118 tons of cane harvested, compared with 467,234 metric tons sugar which had been produced from 4,667,234 tons of cane during the 2009 crop. The lower cane output in 2010 is attributed to the reduction in area harvested to 58,686 ha, compared with 60,380 ha in the previous year, a 1,694 ha drop which was nevertheless lower than the average annual decrease of 2,093 ha during the period from 2006 to 2009.

Total availability of sugar from the 2010 crop, including the carry-over stock of 22,976 metric tons plantation white sugar and 12,662 metric tons bagged special

TABLE I

2010 Crop Sales (metric tons)

	MT	
2010 CROP OUTTURN	452,473	
Add carry-over stocks from 2009 crop		
Bagged sugar	12,662	
Plantation white sugar	22,976	
TOTAL DISPOSABLE SUGAR		488,111
EXPORT SALES ESTIMATES 2010/11		
European Union		
Raw sugar for refining in EU	81,450	
Special sugars	75,805	
White refined sugar	277,644	
TOTAL EU Exports		434,899
United States		
Special sugars		14,329
World Market		
Special sugars		19,534
LOCAL MARKET		
White refined sugar in bags	7,974	
Raw sugar for direct consumption	1,697	
TOTAL Local Market Sales		9,671
TOTAL SALES ESTIMATES		478,433
Less Processing and Storage Losses		7,920
ESTIMATED SURPLUS		1,758

sugars from the preceding crop, amounted to 488,111 metric tons. The Syndicate exported in total, from this quantity 468,762 metric tons of sugar as detailed in Table 1 (2010 Crop Sales); comprising 277,644 metric tons of white refined sugar and a balance of 81,450 metric tons plantation white sugar for refining for the EU market, as well as 109,688 metric tons of special sugars for the EU, US and world market destinations. Although the plan was to export from Mauritius, as from 2010 crop, only direct consumption sugars, a balance of sugar feedstock was still left behind during the campaign year as the local refineries had to operate at reduced capacity as they fine-tuned their installations in order to further improve the quality of the sugar being delivered directly to a range of customers in the EU: this plantation white sugar feedstock could not be retained for processing at a later stage and had to be shipped to EU for refining in order to fulfill the sales obligations of the Syndicate's commercial partner. On the other hand, further to the aggressive marketing undertaken by the Syndicate to increase sales of high value-added special sugars, in both EU and non-EU destinations, total exports for the 2010 crop grew by some 22% over the previous year, and around 58% over the 2008 crop, to attain 109,668 metric tons. Despite the increase in local value-addition, total revenue from export of sugar for the year was reduced to MUR 7.792 billion, from MUR 8.289 billion for the previous crop, the decrease resulting mainly from the strengthening of the Mauritian Rupee during this period vis à vis the principal foreign currencies. The average exchange rate which was MUR 44.50 to the Euro for the 2009 crop thus declined to MUR 40.88 to the Euro, representing an upfront reduction of 8.13 % in sales revenue in rupee terms.

The net proceeds for the 2010 crop, after all expenses including Global Cess and pension to workers made redundant with the setting up of the Bulk Sugar Terminal, amounted to MUR 6.181 billion compared with MUR 6.874 billion for the previous campaign. The ex-Syndicate price for 2010/11, prior to disbursement of the SIFB premium, was consequently reduced to MUR 13,535.72 per metric ton, a decrease of 7.37 % compared with MUR 14,612.03 per metric ton paid to sugar producers for the previous crop. On the other hand, Global Cess has been reduced marginally to MUR 519.3 million, compared with MUR 542.8 million in the previous year, mainly as a result of a revision in the budgetary expenses of the cess-funded service providing institutions. With the decrease in export revenue in 2010/11, Cess still represented 8.40 % of the Syndicate's net receipts, compared with 7.90 % in the previous year. It is, however, comforting to note that Government has finally responded to the repeated appeals of the sugar industry for the reduction of cess burden on sugar producers. In fact the Economic Restructuring and Competitiveness Programme (ERCP), presented by the Vice Prime Minister and Minister of Finance and Economic Development in August 2010, provides for a substantial reduction in the Global Cess as from 2010 crop, over a period of 2 years, so that for 2012 and subsequent crops, it will "not exceed 4 percent of the ex-Syndicate price". Although it should have already represented a reduction of MUR 450 per metric ton of the ex-Syndicate price for the 2010 crop, the reform of the cess-financed institutions did not start till the end of the crop year and thus no significant financial relief could be obtained by the producers. The ERCP also provides for a major actuarial review of the Sugar Insurance Fund Board (SIFB). In view of the difficulties facing the sugar industry and pending finalization of the actuarial review, the SIFB provided an exceptional discounted premium of MUR 157.6 million compared with MUR 586.6 million for the previous campaign. This decrease provided a temporary relief to the sugar producers whose revenue for the 2010 crop had already been reduced to a nine-year low.

Sales

European Union Market

Sugar has been exported to the EU under the new market access arrangements between the EU Commission and ACP countries signatory to the Economic Partnership Agreements (EPAs) which have been implemented since 1 October 2009. The new arrangements provide for duty-free quota-free access for LDCs under the Everything But Arms (EBA) initiative, and a total duty-free market access quantity for the non-LDC ACP (EPA) suppliers subject to the application of a double trigger transitional safeguard mechanism which would cap their supplies at the agreed Regional Safeguard Threshold (RST) when the total EPA/EBA supplies exceed 3.5 million tons white sugar equivalent [wse]. The RST for Eastern and Southern Africa (ESA), established on the basis of the traditional supplies of the non-LDC ACP suppliers from this region to the EU market, has been set at 572,756 tons wse in 2010/11, compared with 544,712 tons wse in the previous year, implying that Mauritius and Zimbabwe, the only non-LDCs within this region, can concurrently export sugar to the EU up to these quantities with no risk of being confronted with payment of customs duty. The RST for ESA has been set at 632,800 tons wse for 2011/12 and thereafter while the total RST for the non-LDC ACP Group has been established at 1.6 M tons wse. As long as the ceiling of 3.5 million tons for total EPA/EBA supplies has not been reached, non-LDCs can continue exporting sugar, even if their RSTs have already been exceeded. However, once the overall 3.5 million tons ceiling has been attained, the Commission will stop issuing import licences for non-LDC ACP countries having reached their RSTs but will continue issuing for the ones which have not yet reached their RSTs.

As at 24 August 2011, the total import quotas allocated to ACP sugar for the 2010/11 marketing year amounted to 1,522,881 tons wse, of which 1,231,723 tons wse originated from non-LDCs. The total quotas allocated to non-LDCs of the ESA region reached 537,197 tons wse as at that date, and total exports from these countries by the end of the marketing year are expected to exceed the threshold of 572,756 tons wse set by the EU Commission. Given that the total EPA/EBA supplies till September 2011 are, however, expected to attain only some 1.87 million metric tons, that is well under the overall 3.5 million tons ceiling, sugar exports from Mauritius to EU should not be constrained for the 2010/11 marketing year. For sake of comparison, total EPA/EBA sugar exports for the 2009/10 marketing year attained only 1,468,664 tons wse. Total export from Mauritius to EU for the 2010 crop is expected to reach 434,899 metric tons comprising 277,644 metric tons of white refined sugar in liner containers, 81,450 metric tons of plantation white sugar for refining and 75,805 metric tons of specialty sugars.

White refined sugar

White refined sugar produced in Mauritius is supplied to the EU market exclusively under the commercial partnership agreement with the Suedzucker Group, which has been implemented since the 2009 crop. The sugar, which is of EEC Grade II quality, hence replacing refined sugar produced in EU, is exported in liner containers of 25 metric tons each and is delivered just-in-time to a range of customers across the EU market. Total exports from the 2010 crop attained 277,644 metric tons, which have been delivered to a range of customers in different countries, compared with 91,868 metric tons shipped from the previous crop. Because of fine-tuning undertaken at the refineries in order to further improve the quality of the sugar being delivered directly to the industrial customers in the EU, the refiners could not, however, optimise on their production capacity during the 2010 crop. The remaining plantation white sugar feedstock, amounting to 81,450 metric tons, was consequently shipped to the Suedzucker refinery in Marseille in order to make good for the resulting shortfall in white sugar supplies from Mauritius.

Special Sugars

A total of 75,805 metric tons of special sugars, including some refined sugar in cubes, were sold to a number of buyers in nineteen different countries within the EU during the 2010/11 delivery period, compared with 68,440 metric tons in the previous delivery period. This represented an increase of some 10% of the Syndicate's market share in the EU, which has been made possible mainly through a targeted marketing approach comprising regular meetings with buyers and participation in international trade exhibitions. The Syndicate has thus ensured a close watch of market developments in its export markets and has developed over the years a strong relation with its customers thereby developing, in collaboration with them, new opportunities in their respective markets. The special sugars were shipped principally in 50 kg or 25 kg woven polypropylene laminated bags, or in big bags in 20-feet containers, as well in retail packets for those customers having made required arrangements with independent packing companies in Mauritius.

Fairtrade sugars

The enhanced sales of special sugars to the EU market have also been made possible with the increased availability of Fairtrade sugar from Mauritius. Indeed, after a first experience in the export of Fairtrade sugars during the 2009 crop, when the first five cooperative societies of cane growers in Mauritius were certified

by the Bonn-based FLO Cert GmbH, the Syndicate strengthened the promotion of sugar carrying the Fairtrade label in its various export markets. During the 2010 crop, it encouraged in parallel certification of further cooperative societies and as a result another 27 of them were enlisted for the Fairtrade project. They were successfully audited by FLO Cert GmbH and were also certified Fairtrade as from March 2011. However, since the 2010 crop production had already been completed, the Syndicate managed to secure commitments for only 7,736 metric tons FT special sugars, including 3,454 metric tons produced by the first 5 cooperative societies, out of the total of 16,322 metric tons of Fairtrade sugar which became available. These tonnages, which represented additional sales over those of conventional sugars, have been delivered to FT-certified buyers in UK, Belgium, Germany, Netherlands, Denmark, France, Italy, Spain, and also in US and New Zealand.

EU Prices

The export price of direct consumption sugars from Mauritius is based on the EU Reference Price for white refined sugar which has been set, under the new Sugar Regime as from the 2009 marketing year, at Euro 404.40 per metric ton CIF EU port. The actual sales price for white refined sugar tracks the market price in Europe while special sugars attract an additional margin corresponding to their value-addition. For the exceptional tonnage of plantation white sugar for refining exported to the EU from the 2010 crop, the sales price has been based on the EU Reference Price for raw sugar valued at Euro 335.20 per metric ton CIF EU port.

The market price of sugar in EU is regularly monitored by the European Commission through a reporting system established in all 27 member states. The average ex-works price of white refined sugar for every month is thus posted after a period of 3 months on the Commission's website, and serves as a reference for both sugar operators and the regulators. Although the prices have been relatively stable for some 15 months since October 2009, ranging between Euro 475 and Euro 500 per metric ton, they showed significant improvement by the start of 2011 as the market deficit in EU became more noticeable. The evolution of the ex-works price is illustrated in Chart I below. At the time of printing, the ex-works price for white sugar reported for the month of May 2011 had reached Euro 536 per metric ton. This price was well above the reference price of Euro 404.40 per metric ton established by the Commission for the present sugar regime.

CHART I

Evolution of EU market price for white refined sugar in 2009/10 and 2010/11

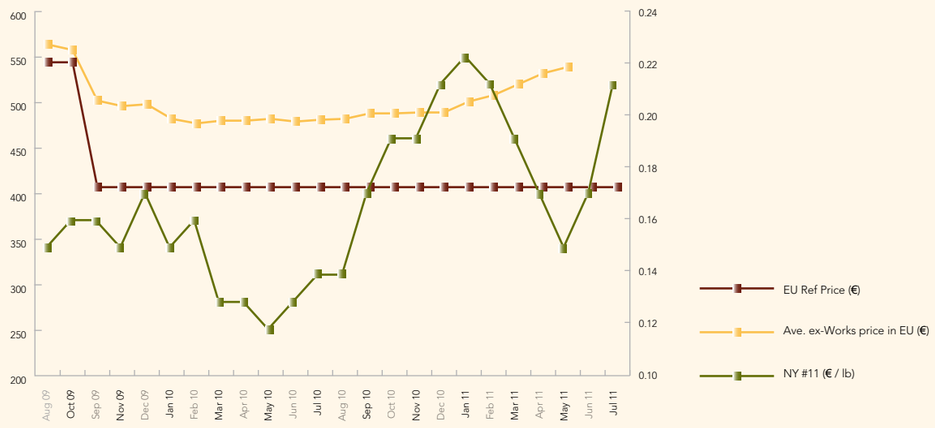


CHART II

Evolution of MUR/Euro buying rate in 2009/10 and 2010/11



Except for sales of special sugars in UK which were partly settled in Pound Sterling, proceeds relating to the export of white refined sugar, plantation white sugar for refining as well as special sugars to buyers in other EU countries were denominated in Euros. The sales proceeds of the industry and resulting ex-Syndicate price are consequently dependent on the Euro and Pound Sterling parities against the Mauritian Rupee. While the average exchange rate achieved by the Syndicate for the sales of its export proceeds for the 2009 crop was MUR 44.50 to the Euro, it decreased significantly to MUR 40.88 to the Euro during the marketing year under review as a result of the appreciation of the local currency. The buying rate which was MUR 38.46 to the Euro on 1 July 2010 in fact ranged between MUR 38.20 and MUR 41.12 during this period, compared with the MUR 38.44 – 44.86 range during the previous year as shown in Chart II above. The decrease of 8% in the conversion of the Euro proceeds into Rupees represented a loss in revenue of approximately MUR 1,300/ton sugar paid to sugar producers.

United States Market

Mauritius was allocated a tariff rate quota of 12,636 metric tons raw value (12,076 metric tons tel quel) by the Office of the United States Trade Representative (USTR) on the basis of its 1.2% share of the US import quota for raw sugar for the 2010/11 delivery period, which was set on 31 July 2010 at the minimum WTO Uruguay Round Agreement bound level of 1,117,195 metric tons raw value (mtrv). It, moreover, availed itself of the TRQ shortfall reallocations by the USTR during the 2009/10 delivery period and altogether exported to the US market, from the 2010 crop, 14,329 metric tons of special sugars. This represented a fivefold increase in the export of special sugars to the US compared to the previous crop.

Mauritius was also allocated an additional raw sugar TRQ of 2,000 mtrv when the US in-quota quantity for the 2010/11 delivery period was increased by USTR on 11 April 2011 by 294,835 mtrv, in addition to the minimum amount committed under the WTO Uruguay Round Agreements, and also further to the reallocation of 102,177 mtrv of the original minimum TRQ from countries that had stated they would be unable to fill previously allocated FY 2011 raw sugar TRQ quantities. This additional allocation allowed the sales of a further 3,076 tons special sugars produced at the beginning of the 2011 crop but shipped during the 2010/11 delivery period. Total export to US under the 2010/11 US TRQ therefore attained 13,333 metric tons out of the total TRQ of 14,636 metric tons.

World Market

After resuming export of special sugars to world market destinations as from the 2009 crop, the Syndicate has strengthened, with the support of its buyers, its sales position in these countries. It already enjoys a leadership position in a number of such markets and has meanwhile managed to further diversify its export market base. During the 2010/11 delivery period, it has thus started supplying sugars to 3 new destinations thereby increasing total export to the world market to 19,534 metric tons spread over 20 countries; comparatively some 18,403 metric tons special sugars were exported to the world market destinations for the previous crop. The Syndicate maintains its aggressiveness in targeted export markets through participation in trade exhibitions and continuous canvassing of potential customers.

Local Market

While the Syndicate has been prioritising export of locally produced sugars to the EU market and special sugars for other destinations, it has been importing sugar for local market requirements with the view to optimising producers' revenue. However, the situation was different during the 2010 crop year as world market prices surged, with LIFFE No 5 reaching a peak of US$ 850 per metric ton in February 2011.The cost of imports consequently exceeded the export revenue for locally produced sugars, which had been contracted at price levels applicable at the beginning of the crop year. Consequently, further to the consent of Suedzucker, which would otherwise have bought all refined sugars produced in Mauritius, some 10,000 metric tons white sugar were produced locally for domestic consumption. These deliveries, which started in March 2011, were completed in August 2011. Moreover, during the July 2010/June 2011 delivery period, the Syndicate finalised purchase of 21,400 metric tons white refined sugar, further to international tenders launched in August 2010 and March 2011, from the following origins: 4,000 metric tons from South Africa, 6,000 metric tons from Brazil and 11,400 metric tons from Thailand. Some 1,400 metric tons raw sugar for direct consumption were also bought from Brazil and Thailand while the balance was supplied from local production. The imported consignments, which were loaded in 20-foot containers, were surveyed at the respective ports of loading by R. Markey & Sons Inc. and samples of the sugar were also analysed upon arrival at Port Louis by the Syndicate's Central Quality Department to ensure they conform to agreed specifications.

Sales to the Local Market

In line with Government's recommendation in the 2009 Budget, the price of sugar on the local market reflects the actual cost of import and is accordingly adjusted on a bi-annual basis. Given the high volatility of the world market price over the last 2 years, the Syndicate has sought flexibility to buy sugar on the basis of Buyers' Executable Orders (BEOs). Purchase contracts have therefore been established on the basis of producers'/traders' margins and the actual price of the sugar is finalized only when the market futures reach price levels considered reasonable. The Syndicate has thus been in a position to finalise the prices to the best advantage of the consumers.

With the surge in the world market prices during the first half of the 2010/11 delivery period, as illustrated in Chart III (page 21), the prices applicable to local market sales were increased in January 2011 in order to reflect the relevant costs of imports. They are indicated in Table II below.

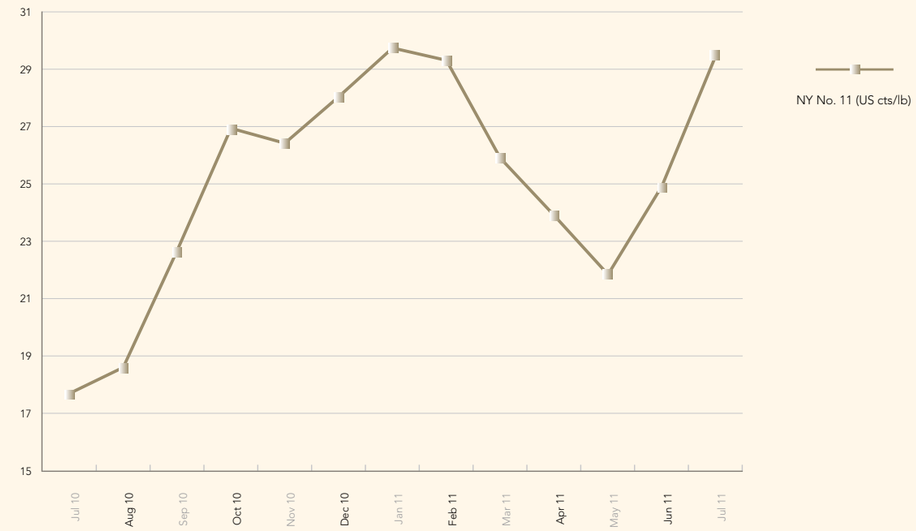
TABLE II

Local Market Prices as from January 2011

• White refined sugar to wholesale dealers/packers	MUR 28,600 per tonne
• White refined sugar to Bottlers	MUR 28,800 per tonne
• White refined sugar to other users	MUR 28,600 per tonne
• Raw sugar to all categories	MUR 28,600 per tonne

CHART III

Evolution of world market price for raw sugar (NY No. 11) in 2010/11



In April 2011, the Syndicate was invited by the Advisory Committee on Prices set up by the Ministry of Industry and Commerce under the chairmanship of Mr. Pierre Dinan to explain the background behind this price increase on the local market. A document explaining the mechanism used for price determination as well as the underlying history was submitted for consideration and appraisal. The Syndicate was subsequently invited to a meeting of the Advisory Committee to provide further information on the matter.

Total deliveries on the local market for the period July 2010 – June 2011 amounted to 32,235 metric tons of white refined sugars and 3,831 metric tons of raw sugar for direct consumption. Out of these quantities 16,794 metric tons were delivered to industrial users while the balance was sold to the wholesale dealers and packers. In addition, 200 metric tons of locally produced special sugars were sold to distributors targetting the upmarket retail segment on the island.

The Syndicate also issued Export Certificates to exporters of locally produced sugar-containing goods. Some 1,945 metric tons equivalent of sugar were thus exported in 2010/11 as compared to 1,142 metric tons in the preceding crop year.



SUPPLY & DELIVERY ARRANGEMENTS

Supply Agreements with Refiners

The Syndicate has established, back–to-back with the long-term commercial partnership agreement (LTPA) which it has signed with Suedzucker for the supply of white refined sugar to the EU market, Refining Service Agreements with the two new back-end refineries, namely Omnicane Milling Operations Ltd (OMOL) and FUEL Refinery Ltd (FRL). These long-term formal supply agreements, which started during the 2009 crop, extend till 30 September 2015, in parallel with the LTPA, and are based on a minimum yearly production of 125,000 metric tons of white refined sugar of EEC Grade II quality per refinery for regular delivery over the year, except for shutdown periods. The refineries are remunerated through a refining service fee for each ton of white refined sugar produced and delivered to the Cargo Handling Corporation terminal in Port Louis.

In the course of deliveries during the 2010 crop, it was observed that the refineries had to undertake certain improvements in their process in order to cope with the relatively long transit time for the sugar till it reached final destination in the EU. The Syndicate consequently established Supplemental Agreements with both refineries to allow them to finance investment in their new installations, essentially enhanced for conditioning of the refined sugar, which would subsequently enable an optimisation of their daily refining capacity. In order to assist in the fast implementation of the new installations, a loan, at no-cost to the Syndicate, was also arranged on their behalf. This advance would be reimbursed within a maximum period of 2 years pending the refineries secure their own sources of financing.

As for the previous year, sugar feedstock from other mills, namely Medine Sugar Milling, Deep River Beau Champ Milling and Compagnie Usinière de Mon Loisir Limitée, was delivered and stored at the Bulk Sugar Terminal for recovery by the two refineries after the crop campaign. It comprised 76,614 metric tons of plantation white sugar (PWS) for the 2010 crop. Moreover, OMOL and FUEL Milling delivered 26,442 metric tons and 5,662 metric tons respectively of PWS during the crop. Their back-end refineries subsequently recovered from the Bulk Sugar Terminal till April 2011, 16,066 metric tons and 19,174 metric tons respectively of PWS for refining while the balance was shipped in bulk to the Suedzucker refinery in Marseille.

Total deliveries by the two refineries from the 2010 crop reached 285,618 metric tons of white refined sugar, including 7,974 metric tons which were supplied in 50 kg bags for domestic consumption. Comparatively, during the 2009 crop, 88,853 metric tons refined sugar had been delivered by them for export to the EU.

Framework Agreement for supply of Special Sugars

Pursuant to the successful implementation of the framework agreement with producers of special sugars over the two previous crops, production capacity has increased further and the total outturn for the 2010 crop reached 107,708 metric tons, compared to production of 88,950 metric tons in the previous year. The increase in availability of these high value-added sugars allowed the Syndicate to pursue its plan to consolidate its market position in the EU while expanding sales in other export destinations. The increased remuneration provided under the framework agreements also allowed the producers to upgrade their production facilities so as to meet customers' increasingly stringent quality and food safety requirements.

The special sugars are produced by three factories, namely Belle Vue, Deep River Beau Champ (DRBC) and FUEL which are all HACCP certified. Moreover, the former mill already operates a fully operational food safety management system on BRC standards while DRBC is ISO 22000 certified. Through a close collaboration with these factories, the Syndicate ensures that the production of special sugars is carried out under rigorous quality assurance and traceability systems in accordance with buyers' requirements. Each daily production batch is accompanied by a product release certificate which guarantees a positive release into the BSSD warehouses at Port Louis. The MSS Central Quality Department (CQD) manages

a surveillance program, as from acceptance of the sugar in the stores, to ensure that it is maintained in a suitable condition for its intended use. As in previous years, samples of each of the sugars delivered are analysed by the CQD on the basis of daily representative samples for the determination of sugar accruing to producers for the crop year.

Supply of Fairtrade Sugars

The Syndicate started exporting Fairtrade sugars from Mauritius during the 2009 crop, when the first five cooperative societies of cane growers in Mauritius became certified by the Bonn-based FLO Cert GmbH. It consequently strengthened the promotion of sugar carrying the Fairtrade label in its various export markets, focused on buyers of specialty sugars, and all the tonnages produced by these growers were sold outright for both the 2009 and 2010 crops. With the increasing demand for Fairtrade sugars, the Syndicate in parallel encouraged, with the support of the Ministry of Agro-Industry and the Ministry of SMEs & Cooperatives, certification of further cooperatives for the Fairtrade label. Consequently another 27 cooperative societies were enlisted for the project and in close collaboration with the project consultants Isolab (Mtius) Ltd / OIM, the Syndicate organised regular training sessions throughout the island and provided them full support and assistance so as to ensure their preparedness for the compliance audit. Given the large number of cooperatives involved, the audit exercise itself spanned over the months of October, November and December 2010, and was conducted by an international team of four FLO Cert GmbH auditors from Cameroon, Madagascar, South Africa and Mauritius respectively, supported by the FLO e.V. Regional Coordinator and Liaison Officer for the Southern Africa & Indian Ocean regions. The cooperative societies finally secured their Fairtrade certification from FLO Cert GmbH during the period March to June 2011.

As production from the 2010 crop had been completed, the Syndicate could secure commitments for only some 7,736 metric tons FT special sugars, including the 3,454 metric tons produced by the first 5 cooperative societies, out of the total of 16,322 metric tons of Fairtrade sugars which became available. These tonnages, which represented additional quantities over those of conventional sugars, have been delivered to FT-certified buyers in UK, Belgium, Germany, Netherlands, Denmark, France, Italy, Spain, US and New Zealand.

A Fairtrade premium of USD 60 per metric ton being payable to certified small producer organisations, some USD 464,160 are thus expected to be distributed to the concerned cooperatives under this item for the 2010 crop. As at 31st August 2011, MUR 9,144,820 have been paid as Fairtrade premium to the thirty two certified cooperatives for the sugar marketed on their behalf for crop 2010. The premium is meant for investment in social, environmental or economic development projects, agreed upon democratically by producers within each farmers' organisation. About 4,000 small planters producing some 16,300 tonnes of sugar are currently regrouped within the certified cooperatives.

In order to be able to export Mauritian sugar under the Fairtrade label, the Syndicate also had the obligation to register as a certified Fairtrade Trader. An audit was thus carried out in November 2010, following which FLO Cert GmbH awarded the Syndicate a certified Trader certificate. This certificate, which confirms that the Syndicate is in compliance with generic Fairtrade trade standards as well as the Fairtrade standards for cane sugar from small producers' organizations, is valid until January 2015.

For the 2011 crop, the Syndicate expects to sell most of the Fairtrade sugar available which is estimated at some 17,000 metric tons.

Storage Facilities and Delivery Arrangements

The white refined sugars produced by OMOL and FRL are loaded directly from the silos of the refineries into liner containers of 25 metric tons each, and are delivered directly to the container terminal in Port Louis. A working protocol has been established between the Syndicate and the Cargo Handling Corporation Ltd for the management and monitoring of the sugar containers at the terminal prior to their export from Mauritius.

A customised tracking system allows monitoring of container movements from the depot, where the empties are delivered, to the refineries and back to the container terminal in Port Louis. This ensures a proper stock management and a steady flow of containers till shipment, thereby reducing the risk of any bottleneck along the supply chain. Shipments are organised with the three main shipping lines offering a service from Port Louis to the European ports.

Only half of the daily production outturn of plantation white sugar from the mills with back-end refineries is refined during the crop campaign while the balance is stored in the adjacent sheds for processing in the off-crop. As regards PWS from the other mills, namely Medine Sugar Milling, Deep River Beau Champ Milling and Compagnie Usinière de Mon Loisir Limitée, they are delivered during the crop to the Bulk Sugar Terminal (BST) in Port Louis for recovery by the refineries for refining purposes during the intercrop season. One of the sheds at the BST has been adapted accordingly with the installation of the required equipment for collection of the sugar feedstock. During the 2010 crop the BST received a total of 108,717 metric tons PWS, which included 76,614 metric tons from the aforementioned mills and another 32,104 metric tons from OMOL and FUEL Milling themselves: the latter tonnage had to be sent to the BST because it was in excess of the storage capacity in their own sheds which became quickly filled owing to the lower outturn of the refineries resulting from further adaptation required in their installations. From these tonnages, 75,042 metric tons PWS, supplemented with 6,408 metric tons PWS from the preceding crop, were consequently exported to the Suedzucker refinery in Marseille while 35,240 metric tons were delivered back to the refineries for processing into white refined sugar. The PWS was shipped to Suedzucker refinery in Marseille in three different cargoes, namely in October and December 2010, and a last consignment in February 2011. The average freight rate paid for these cargoes was USD 47.98 per metric ton, compared with USD 40.75 disbursed per metric ton during the preceding delivery period.

As regards export of special sugars in bags, shipments were done in 20 ft containers and consignments were delivered to customers in both EU and non-EU markets on a Cost Insurance Freight (CIF) basis. Unlike white refined sugar, they were produced only during the harvest period and consequently had to be stored at the Bagged Sugar Storage Distribution Co Ltd (BSSD) warehouses in Port Louis for year-round shipments as per buyers' requirements. These warehouses are HACCP certified and the BSSD personnel ensures that all conditions are met to secure a safe food grade environment during the storage, handling and loading of the sugars. Furthermore, the Syndicate's team of supervisors attached to the warehouses rigorously monitor the storage and handling of the sugars as well as the stuffing operations prior to export in order to ascertain compliance with the strict quality control requirements. The BSSD also ensures a First In First Out handling of the bagged sugars.

107,708 metric tons of special sugars for direct consumption were delivered in bags to the warehouses of the BSSD from the 2010 crop, against 88,950 metric tons for the previous campaign. Out of these deliveries, 109,668 metric tons, including the balance from the 2009 crop carry-over stock, would be shipped by the end of the marketing year in September 2011 to fulfill the Syndicate's contractual obligations for 2010/11. During the period from July 2010 to June 2011, the BSSD also received delivery, for the domestic consumption, of 28,996 metric tons imported white refined sugar, 1,976 metric tons imported raw sugar, and another 8,991 metric tons white refined sugar in bags produced by the local refineries. Total deliveries on the local market during this period comprised 32,621 metric tons white refined sugar and 3,782 metric tons raw sugar for direct consumption.

Quality and Food Safety

During the period 2010/11, the different quality standards set up since 2009 in line with the buyers' stringent requirements for the production of direct consumption sugars by the sugar industry at large have brought new challenges for the Syndicate's Central Quality Department (CQD) and brought positive results in the discharge of its multi-functional activities.

The current framework for quality, extending over the whole supply chain, has been constantly under test in order to ensure a quality and safe product. To this end

the quality systems in place at the refineries and the sugar mills were updated through the yearly renewal certification or surveillance audits of their respective food safety management system (Global Standard for food safety: Issue No 5 of the British Retail Consortium and the International Standard ISO 22 000) thus creating confidence in the management of quality and food safety during production of refined sugar and the whole range of special sugars. Moreover, the corresponding packaging material in contact with the sugar has also undergone verification at source for compliance with the updated EU food regulations; the general purpose 20-foot containers used for the transport of sugar have also been regularly verified and audited for compliance with the agreed procedures established with the Syndicate's commercial partners. Finally, the storage areas as well as the stuffing operations of bags in containers and the loading of the containers on board of vessels for export have been rigorously monitored.

Through an efficient reporting system, parameters governing the quality and the food safety status for each type of sugar are readily available for the positive release of the sugars for export and concurrently for their transmission to buyers. Furthermore, the CQD is responsible for the delivery of certificates of analysis and food safety and also handles response to buyers' questionnaires and the technical information required by their customers.

During the period under review, the various audits carried out by the Syndicate's buyers confirm that the organisation set up for quality and food safety along the supply chain has been compliant with customers' requirements and also to the relevant regulations in force in the country of destination. As a result of the upgrading of the process facilities at the factories producing special sugars, the general feedback obtained from buyers indicates that the recurrent problems encountered in the past have regressed. This performance indicates an encouraging development in meeting the increasingly stringent quality and food safety requirements of buyers. As regards delivery of refined sugar in liner containers, the general satisfaction registered from buyers reflects the effectiveness of the rigorous monitoring system enforced by each refinery to meet the challenges of the EU market requirements in terms of food safety and quality.

Finally, as a standing obligation towards the producers' community, the analysis of polarization and moisture of the plantation white sugar and the special sugars delivered by the mills were performed on a daily basis and their average results were communicated to the Cane Planters and Millers, Arbitration and Control Board at the end of the year. These data are used to determine the tonnage of sugar accruing to the respective millers and planters.



2011 CROP & FUTURE MARKET PROSPECTS

The 2011 crop was severely affected by the dry weather conditions which prevailed during the growth stage of the cane and which persisted till January 2011, when the average stalk height reached only 64% of that attained at the same time last year. The cane recovered gradually during the subsequent months as rainfall normalised, and by end May the stalk height reached 98.9% of that attained in May 2010. The cane maturing stage benefitted from bright sunlight as well as favourable temperature amplitudes during the months of May and June, and the average pol % cane "richesse" consequently reached 11.80 by that time compared with 12.60 in June 2010. In this context and in anticipation of a further reduction in the area under cane cultivation, the Crop Estimate Coordinating Committee, chaired by the Mauritius Chamber of Agriculture, had set the initial crop estimate in June 2011 at 420,000 metric tons of sugar based on an estimated cane output of 4.20 M tons, compared with 4.36 M tons which had been harvested during the previous crop. The official forecast was, however, revised in August 2011 to 390,000 metric tons as a result of the lower cane productivity registered during the early harvest period.

As illustrated in Table III below, the 2011 crop production will be supplemented with some 1,758 metric tons of bagged sugar stocks carried forward from the previous crop bringing total availability of sugar to 391,758 metric tons. As the local refineries have meanwhile attained their full production capacity, some 287,000 metric tons of white refined sugar are expected to be made available for sales by Suedzucker across the EU market with no balance of plantation white sugar feedstock for export. In addition, some 115,600 metric tons special sugars are to be exported to the EU, US and world market destinations with a small tonnage eamarked to meet local market requirements. The crop deficit vis a vis the above mentioned sales obligations will be met by imported feedstock. In fact, as the area under cane cultivation is under continued threat, the Syndicate had to explore the possibility of importing raw sugar feedstock for further processing in Mauritius prior to export and sales on the domestic market. Such a venture will increase the revenue of the local producers against the setback of a vulnerable financial environment. It will also allow the local

TABLE III

2011 Crop Sales (metric tons)

	MT	
2011 Crop Estimate	390,000	
Add carry-over stocks from 2009 crop bagged sugar	1,758	
TOTAL DISPOSABLE SUGAR		391,758
EXPORT SALES ESTIMATES 2011/12		
European Union		
White refined sugar	287,000	
Special sugars	86,000	
Total EU Sales		373,000
United States		
Special sugars		12,000
World Market		
Special sugars		17,580
Local Market		
Raw sugar for direct consumption		3,500
TOTAL		406,080
Less Processing and Storage Loss		7,749
ESTIMATED SURPLUS/(DEFICIT)*		(22,071)

**Deficit will be met by imported sugar feedstock.*

millers and refiners to optimise on their production capacity, thereby increasing their competitiveness on their overall outturn. Finally, it is in line with the new marketing strategy of the industry with regards to consolidation of its market share for high value-added sugars in targeted export destinations. It should be noted that the Economic Partnership Agreement, which allows preferential access for Mauritius sugar into the EU market, provides the flexibility for incorporating non originating sugar in conformity with existing rules of origin.

European Union Market

As in the previous year, the bulk of the 2011 crop production will be exported to the EU as white refined sugar for delivery to the Suedzucker market network across the continent. These quantities will be produced and shipped on a continuous basis till the end of the delivery period in June 2012, pending resumption of the 2012 crop. On the basis of an estimated crop outturn of 390,000 metric tons for the 2011 crop, some 287,000 metric tons white refined sugar will thus be produced and exported.

Furthermore the Syndicate has contracted sales of some 86,000 metric tons special sugars for shipment to a range of customers in 19 countries within the EU during the October 2011 / September 2012 marketing year. These sugars will be shipped mostly in big bags and 50 kg polypropylene bags in containers and occasionally, upon request of buyers, in retail packing after subcontracting the packaging operations to local independent operators. The EU sales commitments for the 2011 crop also comprise some 10,000 tons Fairtrade special sugars being supplied to some 15 specialised buyers within the market.

Under the new EPA sugar arrangements, the Regional Safeguard Threshold (RST) quantity for the Eastern and Southern African (ESA) region has been set by the EU Commission at 632,850.9 tons wse for the 2011/12 delivery period while the supply estimate for the only two non-LDC suppliers within this region, namely Mauritius and Zimbabwe, stood at 531,000 tons wse at June 2011. Given its sales commitment in the EU market, and assuming production of Zimbabwe remaining in line with its traditional supplies, the risk of exceeding this ceiling is quite remote.

United States Market

On 1 August 2011, the United States Department of Agriculture (USDA) announced that the US import quota for raw sugar for the 2011/12 delivery period has been set, under the WTO Uruguay Round Agreement on agriculture, at the minimum bound level of 1,231,497 short tons raw value (1,117,195 mtrv). In order to respond to the increased tightness in the US sugar market, USDA also announced that the sugar would be allowed to enter the US Customs territory as from 1 September 2011, i.e a month earlier than the usual first entry date of 1 October. In a notice released on 8 August 2011, the US Trade Representative announced that the Mauritius allocation would be 12,880 mtrv which is 244 mtrv higher than the traditional 1.2% net share allocation of this quota, due to a TRQ allocation. This quota will be fulfilled through export of specialty sugars to a range of buyers in US. Part of the 2011 crop sugar will also be delivered against the 2010/11 TRQ further to an additional allocation by the USTR on 11 April 2011 of 2,000 mtrv to Mauritius pursuant to an increase in the US in-quota quantity and reallocation of shortfalls from other TRQ holders. Supplies to US will also comprise Fairtrade certified specialty sugars.

World Market

The Syndicate has been further diversifying its export market base and will be supplying specialty sugars from the 2011 crop to buyers in 20 different countries outside the EU and the US. Although it has also managed to consolidate its market position in a number of these destinations, total supplies in 2011/12 are expected to reach some 17,600 metric tons only, compared to 19,600 metric tons in the previous year, mainly as a result of an increase in sales to the EU market.

Local Market

Given the Syndicate's supply commitment under its LTPA with Suedzucker, the totality of the estimated 34,000 metric tons of white refined sugar and 3,500 metric tons of raw sugar for direct consumption required for the local market for 2011/12 is likely to be produced from imported raw sugar. Such imports are to be undertaken through international tenders, and a first supply contract was established in August 2011 for delivery of a bulk cargo of Brazilian raw sugar to Port Louis during the second half of September 2011.

In line with the established procedures for pre-shipment surveying and analysis on arrival, the Syndicate ensures that the imported raw sugar meets all the necessary specifications and requirements. Upon arrival in Port Louis the sugar is stored at the Bulk Sugar Terminal prior to collection by the refineries for subsequent processing. The white refined sugar is then delivered to the BSSD warehouses before being sold to the local market.

Following the full liberalization of prices on the local market in January 2009, the Syndicate has set up a pricing mechanism providing for bi-annual reviews. The ex-warehouse prices applicable as from January 2011 were maintained in July 2011, given that the world market prices returned to high levels as from May 2011 whereby the estimated cost of imports for the second half of 2011 is expected to remain similar to that of the first semester.

Planters Harvest Services

As from crop 2011, planters of the FUEL, Mon Desert Alma and Highlands factory areas having entered into an agreement with FUEL Sugar Milling Co. Ltd (FSMC) in respect of harvest services to be carried out by the latter on their sugarcane plantations, will have the option to authorize the Syndicate to deduct charges relating to such services directly from their sugar proceeds for repayment to FSMC. A working protocol to that effect has been jointly developed by the Syndicate and FSMC, and the resulting system, which has the benefits of being timely, transparent and hassle-free for all parties concerned has been operational right from the beginning of 2011 crop harvest.

The initiative to propose harvest services was taken by FSMC as a result of the scarcity and the increasing cost of labour as well as cane transport constraints which planters face in the various regions supplying canes to its mill. The area harvested by individual planters in these regions has decreased by 20% over the last decade, while their yields continue to decrease and their fields are being abandoned progressively. FSMC offers within the harvest services agreement both fully-mechanized and semi-mechanized options to planters at competitive rates and their target is to harvest in due course some 110,000 out of the 325,000 tons of planters' canes which are supplied to their mill, and in so doing gradually reverse the decreasing trend in planters' cane yield and land abandonment noted in recent years. At present, some 6,500 planters producing about 26,000 metric tons of sugar supply their canes to FSMC.

Given the increasing production, labour and transport problems faced by planters all over the island, it is expected that this initiative will be emulated in other factory areas as well and a larger number of producers and service providers will take advantage of the system now in place at the Syndicate.

Planters Harvest Scheme

In this context Government has introduced a Planters Harvest Scheme [PHS] under the Economic Restructuring and Competitiveness Programme (ERCP) whereby it is offering till 31 August 2012, a special financial support to business enterprises that are specialized in harvesting of sugar cane during the crop season and its transport to mills. The scheme will enable such enterprises to obtain financing with leasing companies for the purchase of new or second hand machinery and equipment.



CROP FINANCING & PAYMENTS

Advances and Borrowings

The Syndicate incurs regular payments throughout the year, mainly in the form of advances to sugar producers, but also remittances to service providing institutions through the Mauritius Sugar Authority (under the Global Cess), payment of pension to workers made redundant with the setting up of the Bulk Sugar Terminal, settlement of the Sugar Insurance Fund Board premium, remittances to the Bagged Sugar Storage Distribution Ltd, and other operational expenses. In order to ensure availability of funds at all times, the Syndicate exercises a rigorous cash management system taking into consideration the frequency of funds inflow from sugar exports and local sales. To supplement its cash requirements, the Syndicate contracts short and medium term loans from institutions of the sugar sector and local commercial banks at competitive rates of interest. A sum of MUR 282.2 M was still outstanding as loans in the accounts of the Syndicate as on 30 June 2011. Details pertaining to the loans are set out in the Statement of Account section of the report.

In addition to the above, the insurance premium representing MUR 157.6 M payable by producers to the Sugar Insurance Fund Board on 31 December 2010 was contracted as loan at a preferential rate of interest of 3% per annum. The capital and interest accrued was repaid in full during the crop year.

Bridge Term Facility to Refiners

In order to promptly undertake required improvements in their existing installations, so as to further improve the quality of the sugar being delivered directly to customers in Europe, the refiners approached the Syndicate for a bridge term facility amounting to Eur 2.5 M each. Given the lengthy procedure to obtain their own source of financing, as a result of their existing commitments with certain financial institutions, which would have further delayed the new installations, the Syndicate, after consultation with its members, responded positively to their requests and a Bridge Term Facility Agreement, at no cost to the Syndicate, is being established with each of the refiners. A first tranche of Eur 1.2 M was disbursed to Fuel Refinery Ltd during the first week of July 2011. The capital and interests accruing will be reimbursed to the Syndicate within a maximum period of 2 years.

Payment to Producers

While it has been normal practice for the Syndicate to advance some 40-45% of the estimated ex-Syndicate price as soon as producers deliver their canes to the factory weighbridge, Government has recommended, through the ERCP announced in August 2010, that small and medium planters be advanced at least 80% of the "estimated net MSS price as from their first sugar consignment to facilitate the procurement and use of fertilizers and thus ensuring the viability of future crops". In this context, a sum of MUR 750 M was disbursed by the Bank of Mauritius to the Syndicate through the Mauritius Post & Cooperative Bank Ltd and the State Bank of Mauritius Ltd during the year. A 'Protocol d'Accord' was signed in this regard between the Syndicate and the Bank of Mauritius on 27 August 2010. The initial advance of MUR 5,800 per metric ton of sugar was thus increased to MUR 10,160 per metric ton for the small and medium producers. As regards the other sugar producers, the Syndicate managed to obtain a competitive rate of interest with commercial banks, thus enabling this category of producers to also benefit from an enhanced advance payment of MUR 8,900 per metric ton of sugar as from August 2010. The advances were gradually increased to reach the final payment of MUR 13,535.72 per metric ton on 29 June 2011. Remittances, which started in June 2010, were effected weekly during the harvest period and on a monthly basis during the inter-crop.

The Syndicate adhered strictly to the instructions provided by the producers for payment of their advances. Some 10,700 planters received their proceeds directly from the Syndicate, whereas remittances for 216 producers were made through their brokers. The remaining 10,500 sugar producers who were registered with 157 Cooperative Societies had their proceeds credited into their respective accounts with the Development Bank of Mauritius and the Mauritius Post & Cooperative Bank ltd.

Contribution by Distillers-Bottlers for Absolute Alcohol

In its Budget Speech of November 2010, Government announced the introduction of a contribution of MUR 10 per litre of absolute alcohol produced from molasses to the sugar producers. This measure was reviewed and finally translated through the enactment of the Finance Bill dated 17 December 2010, whereby distillers-bottlers are required, as from 2011 crop, to make a contribution of MUR 20 per litre of absolute alcohol for home consumption to the Syndicate for distribution to planters. The Mauritius Sugar Authority, in collaboration with the Ministry of Finance & Economic Development, the Mauritius Revenue Authority (Customs & Excise Department), the Syndicate and the Distillers-Bottlers have established modalities for collection of the relevant contribution.

The measure is effective as from 1 July 2011 and funds will be remitted to the Syndicate on a quarterly basis. The Syndicate will in turn ensure the conversion of the contribution received into a value per tonne of sugar accruing. Distribution to sugar producers will be made in two instalments, the first one not later than 31 December, and the balance not later than 30 June in the following year. This measure is expected to increase the revenue of sugar producers by some MUR 300 per metric ton of sugar accruing to them.

Payment to Service Providing Institutions

Pursuant to the legislative provision under the Mauritius Sugar authority Act No 27 of 1984, a sum of MUR 519.3 M, representing some MUR 1,145 per tonne of sugar produced (tel quel basis), was levied from the sales proceeds and paid to the Mauritius Sugar Authority during the period under review to meet the budgetary requirements of the Service Providing Institutions. A further sum of MUR 93.3 M was remitted to the Mauritius Sugar Authority for payment of pensions due to the ex-Dockers made redundant with the establishment of the Bulk Sugar Terminal.

Further to the repeated representations made by sugar producers to alleviate the burden of Global Cess on their declining revenue, Government announced, under the ERCP, the reduction of this contribution through the restructuring of the cess financed institutions. Such reduction was expected to start as from year 2010 so that in 2012 and thereafter, the levy does not exceed 4% of the ex-Syndicate price.

Government recommended in this regard that a joint committee, co-chaired by the Permanent Secretary of the Ministry of Agro Industry and the General Secretary of the Chamber of Agriculture be established to work out a proposal for the restructuring of the six Service Providing Institutions. The Global Cess is thus expected to be reduced to MUR 287 M as from crop year 2011. It should also be pointed out that the social costs of the reform will be borne by the Government and the sugar industry on the principle of burden sharing.

Payment of Bagasse

Bagasse proceeds amounting to MUR 65.3 M were received by the Syndicate in June 2011. Payment to the different categories of producers, in accordance with the provisions of the Sugar Industry Efficiency Act (Amendment to Schedule) Regulations of 1999, were made on 06 July 2011. Details pertaining to the remittances to the different categories of producers are set out in the Statement of Distribution of Bagasse proceeds.

Foreign Exchange Receipts

The proceeds from sugar have been mainly in Euros (80%), US dollars (12%) and Pound Sterling (8%). In order to secure and protect the producers' price, the Syndicate had to closely manage its foreign currency receipts. In this regard, the Syndicate has used different hedging instruments in order to minimise the risks associated with currency exchange against a background of unstable and volatile foreign currency market and high fluctuations in rates of exchange.

The Committee of the Syndicate mandated the Forex committee to:

(i) follow the evolution of the financial and economic developments both internationally and locally
(ii) develop and implement risk management strategies congruent to market developments
(iii) adopt various financial instruments with respect to foreign currency dealings and to
(iv) monitor hedging performances and adopt best practices with a view to increase producers' revenue within the parameters set by the Committee members.

The support of Stewardship Consulting Pte Ltd in foreign currency management facilitated the discharge of the above mentioned responsibilities. The consultant enabled a close follow up of the international and local markets. Various hedging instruments, namely forward contracts, simple vanilla options, chooser forward options, leveraged forward, inverse leveraging and cross currency swaps were used . The performance achieved through the use of those instruments were reported to the Committee of the Syndicate regularly.

Risk management

During the crop year, the Syndicate's Risk Management Committee reviewed its assessment of the various risks associated with the current business environment. Members of the Committee examined the different risk elements and classified them according to their likelihood and importance. An action plan was formulated and submitted for approval by the Syndicate's Executive & Selling Committee. With the implementation of the plan, various corrective measures were adopted during the year.





INSTITUTIONAL MATTERS & OVERSEAS REPRESENTATION

Economic Partnership Agreements

As from 1st October 2009, ACP exports to the EU are governed by two specific regimes (i) Economic Partnership Agreements (EPAs) for signatory countries or (ii) the "Everything but Arms Initiative" (EBA) for the Least Developed Countries. During the period 1 October 2009 to 30 September 2015, ACP sugar would benefit from duty-free access subject to an automatic volume safeguard clause applicable to ACP non-LDCs under certain specific conditions.

From 1st October 2015, the regular EPA safeguard will apply in particular where the Community sugar market price falls during two consecutive months below 80% of the Community market price prevailing during the previous marketing year. And until 30th September 2012, importers are required to purchase ACP sugar at a minimum price not lower than 90% of the EU reference price.

It is to be noted that, except for countries that have ratified the EPAs, EC Regulation 1528/2007 provisionally applies to ACP sugar exports to the EU market. Negotiations are still under way between the Eastern and Southern Africa (ESA) region, of which Mauritius is a member, and the EU Commission. Most of the draft Economic Partnership Agreement (EPA) text has already been agreed upon and only contentious issues and technicalities relating to the latter remain to be resolved. The objective is to reach a final agreement on a full EPA by early 2012.

Regarding implementation of these import regulations, the EPA/EBA London Sugar Group has been actively engaged with the Commission to establish an alert system and appropriate arrangements in order to facilitate a regular exchange of information with the Commission on ACP export potential and the EU sugar balance sheet, with the aim of ensuring that the management of the market is based on accurate and timely information.

The lower than expected deliveries under the EPA/EBA arrangements, partially caused by the high world market prices, triggered a tightening of the EU sugar market. In order to curtail the feedstock supply shortfall to the traditional refiners, the EU Commission waived as from December 2010 the Euro 98 per ton duty applicable on raw sugar for refining under CXL imports. In view of the supply uncertainties from the EPA/EBA exporters, the Commission subsequently decided in March 2011 to reclassify up to 500,000 metric tons of out-of-quota sugar at zero levy for sales as quota sugar on the domestic market, and also opened special duty-free TRQs for a total quantity of 500,000 metric tons sugar spread over a period of 6 months as from 1 April 2011. The latter measure was supplemented with the introduction of a tendering system as from July 2011 allowing sugar imports for the 2010/11 marketing year at reduced duty to be offered by the bidders: volumes and duties in offer are retained by the Commission in light of the evolution of the EU and world sugar market situation

CAP Reform

The EU sugar regime is now part of the EU legislation on the single Common Market Organization covering all agricultural commodities. The discussions on the EU's post-2013 Common Agricultural Policy (CAP), which will include the future sugar regime, are well underway. The Commission published a Communication on the post-2013 CAP reform on 18 November 2010 addressing issues of food security, management of natural resources, territorial management, as well as management tools to ensure the production of quality products in the right quantity with safety nets in order to safeguard both income and price stability.

In order to address these major challenges, the Communication outlined three options for the future direction of the CAP :

1) adjusting most pressing shortcomings in the CAP through gradual changes;

2) making the CAP greener, fairer, more efficient, and more effective; and

3) moving away from income support and market measures and focusing on environmental and climate change objectives.

In all the three options, the Commission proposed the maintenance of the current system of two pillars, with the first pillar covering direct payments and market measures, where rules are clearly defined at EU level, and the second pillar comprising rural development measures while providing special measures for disadvantaged and outermost regions. The Communication also contained a specific reference to sugar as follows "Several options for the future, including a non-disruptive end of the quotas at a date to be defined, need to be examined to bring about increased efficiency and greater competitiveness for the sector."

The Commonwealth Secretariat funded a study on "the impact of EU offers to third countries and WTO based trade liberalization on ACP sugar exporting countries- Accompanying Measures post 2013"

The report, submitted on 20 October 2010, reiterated the ACP interest to supply the EU market at remunerative, foreseeable and stable prices. The current EU sugar regime had only three instruments to achieve market balance at the level of the reference price : export subsidies, withdrawal of sugar from the market by compulsory storage of the sugar to the following marketing year, whereby it would count against that year's quota, and assisted private storage. The use of export subsidies was already constrained and might be forbidden or voluntarily given up. Compulsory withdrawal and carry forward to the next season as provided in the current regime was linked to the quota system. It could apply in the absence of quotas but would be much less effective as it would not provide the same incentive as at present to curb production in the following year.

For these reasons, the ACP interest lies in the EU deciding to retain a quota regime and some form of price support for the post 2015 sugar regime. It is also in the ACP interest that preferential access being granted to third countries be closely monitored as recurrence would jeopardize the sustainability of the quota system or price support. CIBE, the EU beet growers federation, has strongly advocated that the quota system be maintained.

The EU Agricultural Ministers held a series of meetings to examine the Commission's Communication but failed to reach a unanimous conclusion. Consequently, the EU Presidency conclusions, supported by a very large number of Member States, were issued on 17 March 2011. There was no specific reference made to sugar but the conclusion "broadly agreed that existing market measures continue to constitute a necessary safety net and that greater flexibility and quicker deployment in the application of measures by the Commission was required"

The Plenary of the EU Parliament adopted a resolution on CAP at its June session which stated inter alia that "the 2006 sugar market regime be extended at least to 2020 in its existing form and for suitable measures to safeguard sugar production in Europe and to allow the EU sugar sector to improve its competitiveness within a stable framework".

It is also noteworthy that, on 8 March 2011, the European Parliament approved a resolution on "agriculture and international trade" wherein it called for "the exclusion of sugar and sugar-derived products, including ethanol, from the scope of bilateral negotiations recognising that sugar market concessions to third parties were destabilising for the EU sugar market and would cause preference erosion for LDCs and ACP countries".

In May 2011, Minister S.Faugoo, in his capacity as ACP Ministerial Spokesman for Sugar, wrote to EU Commissioner Dacian Ciolos on the issue of CAP reform. He recognised the need for specific measures to address income stabilisation for farmers, price volatility, food security, climate change and the greening of the CAP, among others. The Minister stressed that the ACP Group was in favour of the maintenance of the current quota system for sugar and supported the orientation of the CAP 2020 proposed by the European Commission in respect of policy and management tools in order to ensure the predictability and stability of the sugar market in Europe. He also stressed the need for the European Community to fully comply with the binding commitments made in the revised Cotonou Partnership Agreement (CPA) and full/interim Economic Partnership Agreements with the adoption of measures, including the continuation of the Accompanying Measures Support Programme beyond 2013, to overcome the negative impact of liberalization.

The Commission is now expected to work out more concrete and elaborate options and measures. Their feasibility and effectiveness will be analysed in the framework of the impact assessments following which the Commission will prepare the legislative proposals in October 2011.

EU FTAs

The ACP Group has continually held the view that concessions made by the Commission in Free Trade Agreements (FTAs) would negatively impact on the economic and development value of the EPAs and would alter the rights and obligations of the Parties as enshrined in these agreements. It has signified to the Commission that it was essential for the EU to ensure coherence between its trade, agriculture and development policies.

Accompanying Measures Support Programme (AMSP)

The indicative aid allocation for former Sugar Protocol countries eligible for accompanying measures for the period 2011-2013 was published in the final Commission Decision (C2010) 8130 document dated 22 November 2010.

The ACP Group expressed their concern at the ACP-EU Joint Council meeting held in Brussels in May 2011 to the effect that some countries had not fully utilized the resources allocated for the 2007-2010 tranche of the AMSP and that unused funds for certain years may have been diverted to other sectors or returned to EU Member States. This may have been due to the complexity of the procedures adopted. The ACP side reiterated that the Group had the capacity to collectively utilize all available resources and urged the European Commission to ensure that funds were fully used and disbursed in a timely manner. To avoid available resources being forfeited or diverted, it was essential for the Commission to make timely decisions in respect of annual allocations and re-allocations, as appropriate.

The ACP Group has also underlined that it has been affected by the fuel and financial crisis and economic downturn, as well as the difficulty in the Euro zone, to the extent that their export earnings have been significantly reduced. These new challenges were not foreseen nor factored into the initial adaptation plans and the AMSP. Under these circumstances, the ACP Group felt that there was an imperative need for adequate financial resources to be made available beyond 2013 to continue supporting the restructuring and modernization of the sugarcane industry which plays an important multifunctional role in their countries.

The European Commission indicated on its part that AMSP was of a transitional nature and that it had made no proposal for a specific envelope under the 2014-2020 financial perspectives. As for post 2013, the European Commission said that financial resources would be made available through the national envelope under the European Development Fund and that it would be left to the respective governments to define their country strategic plans.

SADC

Technical Committee on Sugar

In keeping with its mandate under the SADC Trade Protocol to monitor and coordinate sugar production and trade within the SADC region, the Technical Committee on Sugar (TCS) has, through the regular meetings held during the year, pursued its works on matters of relevance to member states. These have included inter alia the scanning charges on sugar exports undertaken from Mozambique, the amendments to Annex VII of the SADC Trade Protocol regarding the new fixed quota allocation system to non-SACU sugar producers as well as the proposed amendments to accommodate the interests of the non-sugar producing countries. The meetings also focussed on the implementation of the measures agreed in the framework of the SADC Regional Sugar Strategy Action Plan, the proposed treatment of sugar in the future SADC-COMESA-EAC Tripartite FTA, the establishment of SADC Guidelines for Best Management Practices in Sugarcane and Sugar Production, the need to proceed with a review of Annex VII, and the publication of a SADC Sugar Digest. Regional trade in sugar was also regularly reviewed with reporting from the South African

Revenue Service (SARS) on quota imports into SACU during the 2010/11 marketing year and also with the calculation of the quotas to be allocated to the non-SACU producers for the 2011/12 Marketing Year. The meetings also offered members an opportunity to submit views on developments regarding the establishment of a SADC Regional Agricultural Policy as well as progress made by certain member states on the project of sugar fortification with Vitamin A.

Meetings of the TCS were as usual preceded by consultations between representatives of the SACU and non-SACU sugar producers at the level of the SADC Sugar Producers' Consultative Forum (SPCF) to examine issues of importance for the region and articulate common industry positions at TCS level. Among the different issues addressed by member states during the year, an important one for Mauritius has been the adoption by the Committee of Ministers on Trade (CMT) of a new quota system under Article 4 of Annex VII for non-SACU supplies to the SACU market based on a minimum fix annual quota of 1,500 metric tons for each non-SACU supplier plus an additional tonnage prorated to the relative share of the average quota allocated to each non-SACU country over the period 2001/2002 to 2007/2008. Additionally, the overall quota attributable to the non-SACU suppliers will be increased annually to reflect the percentage market growth in SACU or by 500 metric tons whichever the higher. With this new allocation formula, Mauritius has obtained a quota allocation of 2,372 metric tons for the Marketing Year 2010/2011 and will dispose of an estimated quota of 2,407 metric tons for Marketing Year 2011/2012. In order to ensure that the amendments approved by the CMT in this regard were implemented with clarity and were void of any ambiguities, Mauritius has proposed certain technical amendments, with no effect on the substance of the agreement, which were discussed at the July 2011 TCS meeting and submitted to the July 2011 Trade Negotiating Forum (TNF) for approval.

Another important issue addressed during the year has been the approach to be adopted at TCS level to accommodate the request made by the non-sugar producing countries for a more specific recognition of their commercial interests under Annex VII of the Trade Protocol. Given the inability of members to agree on an acceptable solution at the 41st TNF meeting held in January 2011, a decision was taken to refer the matter to a small Working Group (WG), chaired by the SADC Secretariat, to make appropriate recommendations. The recommendations of the WG were subsequently circulated to TCS members for comments. The general view expressed by the industry representatives through the SPCF was that Annex VII was essentially an instrument to delay the liberalisation of sugar and that any amendment to accommodate the interests of the non-sugar producers should not affect its main objectives. It was however proposed that the definition of the TCS in Annex VII be amended to encompass representatives of national governments, sugar industries, and government accredited representatives and also that Article 5 of the annex on "Cooperation" be amended to include downstream sugar operations, hence providing sufficient space to accommodate the interests of the non-sugar producers. At its meeting held in July 2011, the TNF agreed on the new proposed definition for the TCS in Annex VII. Regarding the inclusion of downstream sugar operations in the text, the July 2011 TNF recommended that the concerns of the non-sugar producing countries in this regard be accommodated in the context of the proposed review provided at Article 3 of Annex VII.

On the work programme adopted by the TCS under the SADC Regional Sugar Strategy Action Plan, one of the main challenges has remained the difficulty to obtain funding for implementation of the programme. In this regard, the TCS has approached the SADC Secretariat to obtain names of potential donors and advice on the processes and requirements for approaching such donors. Regarding the future SADC-COMESA-EAC Tripartite FTA, it was noted that the Tripartite Summit held on 12 June 2011 had agreed on and signed a declaration for the establishment of the Tripartite FTA (TFTA), although the time frame to reach this objective had now been extended from two to three years, preceded by a preparatory phase of one year which would be spent on preparations and rules of procedures. In this context, the TCS has agreed on the principle that sugar should be treated as a sensitive product under a special dispensation in the TFTA. Another issue widely discussed at TCS level during the year is the need for the SADC sugar and sugarcane producers to adopt common guidelines on best management practices (BMPs) in the context of the increasing market requirements. It was agreed that the South African SUSFARMS would be the basis for developing SADC BMPs and that a consultant would be enrolled to create a new document called 'SADC BMP Guidelines for Sugar Production' which would adapt and extend SUSFARMS to cover BMPs in the other SADC sugar producing countries. On the need to undertake a review of the conditions prevailing in the world sugar market five years after entry into force of Annex VII, as provided by its Article 3.1 in order to ascertain if the world sugar market had normalised sufficiently to make liberalisation acceptable, the TCS has proposed that such review had to be undertaken but should be delayed in view of the current uncertainties. It was also agreed that the matter would become a standing item on the TCS agenda for discussion at each future meeting. Finally, the works undertaken for the production of a SADC Sugar Digest have come to fruition during the year with the appointment of a consultant for publication of a first edition of this document.

Federation of SADC Sugar Producers

An important event for the regional sugar industries during the year under review has been the hosting by the South African Sugar Association (SASA) in Durban on 13 July 2011 of the 6th annual conference of the Federation of SADC Sugar Producers (FSSP). The event was widely attended, with the participation of representatives from governments and industries from both the SADC sugar producing and non-producing countries. The theme of the conference was "Drivers of Growth: Trade and Diversification in the SADC Sugar Industry" with a focus on two potential drivers of growth for the regional sugar industries, namely market access arrangements for sugar and diversification into renewable energy. The conference was honoured by the presence of high ranking officials of the Government of South Africa in the persons of the South African Deputy Minister of Trade and Industry, the KwaZulu-Natal Premier and the MEC for Economic Development, Environment and Tourism. In the official speeches, stress was laid on the importance of sugar industries in the SADC region and the crucial role they played in the socio-economic development and the welfare of its people. Appeals were made for further support to the regional industries through enhanced access to preferential markets while producers were exhorted to be more aggressive in the development of alternative uses for sugarcane resources, namely in the production of renewable energy as exemplified by the case of Mauritius.

Specific presentations were made under the two sub-themes of the conference by sugar industry and independent experts. They included Trade Opportunities in SADC, the Future Potential Value of EU Access for SADC, the Imperative of Diversification into Energy Markets for Sugar Industries Globally, Preferential Access as a Driver for Ethanol Production in SADC and finally, Policy Support for Renewable Energy in SADC. Following the presentation a Communiqué was issued in which the Conference:

- Noted the importance of European (EC) Accompanying Measures for improving the region's cost competitiveness and as such called for additional resources and an extension of the EC Accompanying Measures support post-2013

- Emphasised the need for improving the conditions for increasing sugar trade among the different countries and regions of Africa, whilst recognizing that, given the distortions in the world sugar market, trade liberalisation for sugar should be subject to special treatment under any new Free trade Area agreements.

- Noted that the recently launched Tripartite FTA negotiations between member states of SADC, Common Market for Eastern and Southern Africa and the East African Community offered the region an opportunity for increased regional and continental trade and integration.

- Recognised the continued importance of the EU market for the SADC sugar producers, and that further reform of the EU Sugar Regime should accommodate predictable and meaningful support for sugar industries in ACP countries so that their viability and sustainability could be used to promote stability in the EU market.

- Noted that such reforms should not prejudice preferences enjoyed by EPA/EBA suppliers, including accomodating preferential access for South Africa which is envisaged within a set of conditions that preserve regional and ACP interests (including safeguard thresholds).

- Recognised the importance of developing a diversified sugar industry, including advocating for mandatory or legislated policies and tariffs for renewable energy.

- Emphasised the need for an enabling policy and regulatory framework for attracting investment into renewable energy. Agreed to support joint policies for renewable energy that could be underpinned by the combined size of the SADC markets and the SADC resource base.

2012 Farm Bill

The legal authority for the U.S. sugar program is contained in the 2008 Farm Bill, which will expire in 2012. Preliminary work is already underway in Congress on what will become the 2012 Farm Bill. The central issue in Congress this year and almost certainly next year will be the ongoing efforts to reduce the federal budget deficit. This will also be the driving force in shaping the 2012 Farm Bill.

It is very likely that U.S. farm program spending will be cut significantly in the 2012 Farm Bill. Although the U.S. sugar program operates at no net cost to the federal budget, in the past when budget constraints required cuts in farm program spending, the sugar program was also affected. It is likely, therefore, that efforts will be made either to cut the sugar "loan rate," which sets the floor for U.S. sugar market prices, or to impose fees or taxes on sugar so that all farm sectors share in the deficit reduction "pain." Less clear, however, is how any such measures will affect the actual market price for sugar. Since the full implementation of NAFTA in 2008, imports from Mexico have had a much more profound impact on the U.S. sugar market price than have the regulatory mechanisms contained in the Farm Bill. Simply put, when imports from Mexico have been high, the U.S. price has been low, and when imports from Mexico have fallen, the U.S. price has been high.

Other than possible reduction in the loan rate, no major changes to the regulatory structure of the sugar program are expected in the 2012 Farm Bill. The industrial sugar users and other opponents of the sugar program will undoubtedly make a concerted effort to abolish or significantly reform the sugar program, but these efforts have never obtained any serious traction in the Farm Bill process. Indeed, several bills intended to abolish the sugar program have already been introduced in Congress this year, but none has moved forward.

Working in close collaboration with other quota holders via the International Sugar Trade Coalition (ISTC), the Syndicate will participate actively in the Congressional deliberations over the sugar program in the context of the 2012 Farm Bill. ISTC intends to support renewal of the current U.S. sugar program with as few changes as possible. The one exception is the TRQ administration provisions that were added in the 2008 Farm Bill and that prohibit the U.S. Department of Agriculture (USDA) from increasing the TRQ prior to April 1 of any year (i.e., the mid-point of the quota year) in the absence of an emergency sugar shortage. These TRQ administration provisions have been widely criticized as unduly restricting USDA's ability to manage sugar supplies. ISTC intends to propose that the TRQ administration provisions be modified to grant USDA greater flexibility in managing sugar imports.

It is expected that the 2012 Farm Bill will not be enacted until mid-2012.

WTO

The WTO Doha Round negotiations have not progressed sufficiently over the year under review to allow for a conclusion of the Round in December 2011. Members still held widely divergent positions which are unlikely to be bridged in the short term. The WTO Director-General and the Chairpersons of the negotiating bodies have striven to find a way forward by delivering on an "LDC Package" at the Eighth Ministerial Conference, to be held in Geneva on 15-17 December 2011.

The ACP Sugar Group will remain actively engaged in the WTO forum so as to to ensure that the acquis, especially the December 2009 package on preferential treatment for sugar – tropical products - and bananas, is safeguarded and "multilateralised" or locked-in.

There were suggestions from certain WTO Members that future WTO work should include trade and currency exchange rates, climate change, and food security. The ACP have agreed to try to use this new agenda (so called 21st Century issues), to improve the modalities for further protecting their sugar industries.

ISO

As is customary, the ISO held a series of meetings in London in November 2010:

The 19th International Seminar "Crunch time goodbye - sugar and bio-energy flying high?" attended by 424 participants from 69 countries.
- the 55th Administrative Committee which noted the positive development that the ISO was likely to comprise 100 Members in the near future,
- the 38th Session of the International Sugar Council on 3 December which inter alia elected Mauritius as a Member of the Administrative Committee for 2011.

The meetings were attended by Mr G. Boodram (President of MSS) and Mr G. Govinden (Overseas Representative).

The 37th Mecas, the 56th Administrative Committee and the 39th ISO Council were held in Arusha, Tanzania at end of May/early June 2011. On that occasion, the Overseas Representative was elected Vice President of the Administrative Committee.

Overseas Representation

EU Representation [Brussels]

Over the past year, Mr Geo Govinden, who is now the sole Overseas Representative of the Syndicate and of the Chamber of Agriculture, has been actively involved, primarily in Brussels and London, to promote the views of the Mauritian sugar community.

In Brussels, he has widely contributed to the work of the Brussels Sugar Working Group and of the Ambassadorial Sugar Consultative Group. He has taken an active part in a series of joint technical encounters with officials of the EU Commission on the important issue of implementation rules which govern ACP sugar imports on the EC market over the period 1 October 2009 to 30 September 2015. In London, Mr Govinden has participated actively in the monthly meetings of the EBA/EPA Sugar Commercial Group representing the ACP and LDC industries supplying to the EU.

As representative of the Mauritius sugar sector Mr. Govinden also attended various important ACP ministerial meetings in Brussels during the year under review, including a meeting of the ACP Trade Ministerial Committee and the Joint Ministerial Trade Committee held in October 2010 as well as the 92nd and 93rd sessions of the ACP Council of Ministers in November 2010 and May 2011 respectively which were preceded, as is customary, by the Ministerial Consultations on sugar. The Overseas Representative was closely involved in the drafting of technical briefs, statements and resolutions at all these meetings as well as at the 36th ACP-EC Council of Ministers.

Mr. Govinden has during the year maintained regular contacts with the EU Commission's officials dealing with sugar issues and has been closely involved in the preliminary discussions on the most effective way of using Rules of Origin in order to maximize industrial capacity in Mauritius. He also maintained a close working relationship with beet and sugar producers' organizations in the EU such as the CEFS (Comité Européen des Fabricants de Sucre) and CIBE (Confédération Internationale des Betteraviers Européens). In this context, he has organised meetings between the London EBA/EPA Commercial Group and these two European sugar organisations to ascertain that their positions and strategies were widely disseminated and understood within the ACP Sugar Group and that action on issues of common interest, such as the CAP reform, were taken in a

coordinated manner vis-à-vis EU decision-makers. To further promote the views of the ACP Group on issues of critical importance for the future of their sugar industries, Mr. Govinden has participated actively in debates held in different fora including the CGB (French beet growers) Annual Meeting in December 2010, the General Assembly of ASSUC (European Association of Sugar traders) held in Brussels in June and the 10th World Association of Cane and Beet Growers World Sugar Conference in Cambridge in July 2011. He also took an active part in the annual conference of the Federation of SADC Sugar Producers (FSSP) conference held in Mauritius in August 2010.

The Overseas Representative was also very closely involved with the consultants who were hired by the Commonwealth Secretariat to produce a study on "the impact of the EU tariff rate quota offers, CAP reform proposals and WTO-based trade liberalization on ACP sugar exporting countries". The report, submitted in November 2010, contained recommendations which served as a basis for the formulation of an ACP position on CAP reform.

At the International Sugar Organisation (ISO) level, the Overseas Representative attended the 19th international seminar held in November 2010 in London followed by the Mecas, Administrative Committee and ISO Council meetings, and in May 2011, he participated in the Mecas, Administrative Committee and the ISO Council meetings held in Tanzania, where he was elected Vice President of the Administrative Committee.

Finally, on the multilateral front, although the WTO negotiations in the context of the Doha Development Agenda have stalled, the Mauritius sugar sector has, through the presence of its Overseas Representative at meetings in Geneva, continued to keep track of the complex technical issues in discussion by Member States.

Mr. Govinden has during the year continued to submit to the Syndicate regular reports, briefs and analyses and has constantly advised on what he felt was the best strategy for the organisation and its Members.

US Representation (Washington)

2011 represents the 30th year of collaboration between the Mauritius Sugar Syndicate and Mr. Paul Ryberg of the Washington, D.C. law firm of Ryberg and Smith, L.L.C., the Syndicate's legal representative and lobbyist in the United States.

Mr. Ryberg has regularly liaised on the Syndicate's behalf with the U.S. Department of Agriculture (USDA), the Office of the U.S. Trade Representative (USTR), U.S. Customs and Border Protection, and the other administrative agencies involved in setting and administering U.S. sugar policy.

Mr. Ryberg has kept the Syndicate regularly informed of all developments affecting the U.S. sugar program and the sugar market, including weekly monitoring of sugar imports. He has supported the Syndicate near its customers and has also provided legal advice on issues affecting its sugar exports to the United States.

Working via the International Sugar Trade Coalition (ISTC), of which he is the President, Mr. Ryberg made representations during 2010-11 to USDA and USTR on various issues affecting sugar imports and the U.S. sugar program, including the need for increases in the TRQ and the allocation of such TRQ increases among the quota holders.

As Congress is beginning its work on the 2012 Farm Bill, Mr. Ryberg and ISTC will be actively engaged to ensure that Mauritius' interests in continued access to the U.S. sugar market are protected.

During 2010-11, Mr. Ryberg participated in various conferences relating to U.S. sugar policy, and was a featured speaker at the 2010 International Sweetener Symposium, which was held in Vail, Colorado in August 2010.

During the past year, Mr. Ryberg visited Mauritius twice – in January and June 2011 – to confer with Syndicate officials.



ACKNOWLEDGEMENTS

We are grateful to the Government of Mauritius and in particular to the Minister of Agro Industry and Food Security, the Honourable Satya Veyash Faugoo, for the continued support extended to the Syndicate during the year in the pursuance of its mission. We are also grateful to the previous Vice Prime Minister and Minister of Finance and Economic Development, the Hon. Pravind Jugnauth, and to the Vice Prime Minister and Minister of Finance and Economic Development in office, the Honourable Xavier Luc Duval, GCSK, for their respective contributions in support of the ongoing reform programme aiming at fostering the competitiveness of the sugar sector against the backdrop of global economic and financial crisis

We are also extending our thanks and gratefulness to the Honourable Arvin Boolell, GOSK, Minister of Foreign Affairs, Regional Integration and International Trade, who has always been alive to the challenges met by the sugar sector in the context of a more globalised and competitive market environment and has spared no efforts to continue promoting the interests of Mauritius and its ACP partners in different fora, regionally and internationally. We are also appreciative of the continued efforts of our outgoing Ambassador in Brussels, H.E. Mr S. Gunessee, in defending the interests of the Mauritius sugar sector on issues of critical importance for safeguarding the future value of its preferential market access to the European Union. His personal involvement in the discussions with the EU Commission on the issue of utilization of non-originating sugar in local production is noteworthy. Our thanks also go to our Ambassador in Geneva, H.E. Mr Naresh Servansing for his unflinching support and attentive consideration of the views and positions expressed by the industry through the voice of its Overseas Representative, Mr Geo Govinden, whenever issues of importance regarding treatment of sugar in WTO have been addressed.

We are also thankful to the ex-Permanent Secretary of the Ministry of Agro-Industry and Food Security, Mrs Vijay Lutchmee Ramsamy, and to the Acting Permanent Secretary in office, Mr Chettandeo Bhugun, as well as all the staff of the Ministry for their collaboration during the year. Their initiatives in respect of the consultations undertaken with the industry stakeholders on matters pertaining to the reform of the Global Cess and restructuring of the service providing Institutions have been particularly appreciated. Our thanks are also extended to the officials of the Ministry of Foreign Affairs and International Trade, in particular Mr Assad Bhuglah, Director of the Trade Policy Unit, Mr Sunil Boodhoo, Deputy Director, and their colleagues of the Ministry for their usual commitment and highly professional support on matters of relevance to the affairs of the sugar sector.

We are also grateful to the officials of the Ministry of Finance and Economic Development for the opportunities given to the Syndicate during the year to interact on matters of importance to the industry and in particular on implementation of the support measures provided under the Economic Restructuring and Competitiveness Programme in the context the Eurozone crisis. We wish also to express our appreciation to the staff of the Ministry of Cooperatives for their contribution and support in the context of the second phase of the Fairtrade project which resulted in the certification of 27 cooperative societies during the year. We also wish to express our deep appreciation to the Executive Director and staff of the Mauritius Sugar Authority who have spared no effort to support the Syndicate in its projects and to work in close collaboration with it throughout the year.

We also extend our thanks to the Bank of Mauritius, the commercial banks, the management and staff of the sugar factories, the Mauritius Chamber of Agriculture, the Mauritius Sugar Terminal Corporation, the Bagged Sugar Storage and Distribution Co Ltd, the Sugar Insurance Fund Board, the Cane Planters and Millers Arbitration and Control Board, the Mauritius Sugar Industry Research Institute and other organisations of the sugar industry for their collaboration and support during the past year.

Finally, as outgoing President of the Syndicate, I would like to convey my warm thanks to the Vice President of the Syndicate, Mr Jacques Marrier d'Unienville and to my colleagues of the Syndicate's Committee and of the Executive and Selling Committee for their support and guidance during my mandate. All my colleagues are joining me to commend the CEO and staff of the Syndicate, as well as our Overseas Representative in the EU, Mr Geo Govinden, and our lobbyist in Washington, Mr Paul Ryberg, for the work accomplished during the year.

Gansam Boodram
President



Statement of Account

2010 / 2011

Auditor's Report

Sales Proceeds





Sugar Revenue



Financial Position

Independent Auditors' Report to the Members of the Mauritius Sugar Syndicate

This report is made solely to the members of the Mauritius Sugar Syndicate (the "Syndicate"), as a body. Our audit work has been undertaken so that we might state to the Syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of Mauritius Sugar Syndicate on pages 49 to 73 which comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of distribution to producers and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Committee's responsibilities for the financial statements

The Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. They are also responsible for such internal control they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Syndicate's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Syndicate's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 49 to 73 give a true and fair view of the financial position of Mauritius Sugar Syndicate as at 30 June 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte
Chartered Accountants
28 September 2011

Jacques du Mée
Licensed by FRC

Statement of Financial Position
at 30 June 2011

	Notes	2011	2010
		Rs'000	*Rs'000*
NON-CURRENT ASSETS			
Property, plant and equipment	3	9,003	19,237
Retirement benefit assets	10	7,878	8,674
		16,881	27,911
CURRENT ASSETS			
Inventories	4	36,407	32,573
Accounts receivable			
Trade receivables	5 (a)	2,266,722	3,363,643
Other receivables	5 (b)	152,763	70,478
		2,419,485	3,434,121
Derivative financial instruments	20(c)	153,040	100,615
Bank balances			
Rupee accounts	6 (a)	61,841	84,085
Foreign currency accounts	6 (b)	84,291	8,254
		2,755,064	3,659,648
TOTAL ASSETS		2,771,945	3,687,559
CURRENT LIABILITIES			
Bank overdrafts			
Rupee accounts	7 (a)	1,087,549	451,017
Foreign currency accounts	7 (b)	769,630	1,927,900
Loans	8	282,200	290,800
Other payables	9	632,566	1,017,842
TOTAL LIABILITIES		2,771,945	3,687,559

Approved and authorised for issue on 28 September 2011.

Jean Noël Humbert
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

Statement of Comprehensive Income
for the year ended 30 June 2011

	Note	2010/2011 Crop			2009/2010 Crop		
		Rs'000	*Rs per tonne**	*%*	*Rs'000*	*Rs per tonne*	*%*
REVENUE							
Sales Proceeds	11	8,879,441		99.39	9,165,657		99.28
Other Income	12	54,455		0.61	66,352		0.72
		8,933,896	19,563.43	100.00	9,232,009	19,623.07	100.00
EXPENDITURE							
Direct Operating Costs	13	1,887,256	4,113.05	20.96	1,461,767	2,956.37	15.07
Storage Charges	14	70,200	153.72	0.78	69,400	147.51	0.75
Finance charges	15	111,133	263.02	1.34	104,803	373.44	1.90
		2,068,589	4,529.79	23.08	1,635,970	3,477.32	17.72
Statutory							
Service Providing Institutions & Docker's Pension	16	612,652	1,341.57	6.84	642,636	1,365.96	6.96
Sugar Industry Reserve Fund		456	1.00	0.01	467	0.99	0.00
		613,108	1,342.57	6.85	643,103	1,366.95	6.96
Administrative							
Administrative & Other Charges	17	70,942	155.35	0.79	78,460	166.77	0.85
TOTAL EXPENDITURE		2,752,639	6,027.71	30.72	2,357,533	5,011.04	25.53
NET REVENUE BEFORE DEDUCTION OF SIFB PREMIUM		6,181,257	13,535.72	69.28	6,874,476	14,612.03	74.47

**The "Rs per tonne" column represents expenditure of the relevant item divided by total sugar production.*

Statement of Distribution to Producers
for the year ended 30 June 2011

	2010/2011 Crop	2009/2010 Crop
	Rs'000	*Rs'000*
Net revenue from Statement of Comprehensive Income	6,181,257	6,874,476
Add Bagasse Transfer Price Fund	65,281	68,434
Deduct Sugar Insurance Fund Board Premium	(157,638)	(586,625)
NET AMOUNT DISTRIBUTED TO PRODUCERS	6,088,900	6,356,285

Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011	2010
		Rs'000	*Rs'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Sugar and Bagasse Transfer Price Fund		8,944,722	9,234,091
Other Income		54,455	66,352
Expenses (statutory, direct and administration)		(2,752,639)	(2,357,533)
Sugar Insurance Fund Board Premium		(157,638)	(586,625)
		6,088,900	6,356,285
Net amount to producers		(6,088,900)	(6,356,285)
Retained revenue		-	-
Adjustments for:			
Gain on sale of property, plant and equipment		(53,504)	(492)
Loss on assets written off		-	9
Finance costs		111,133	104,803
Interest income		(951)	(6,959)
Depreciation		3,358	3,395
Retirement benefits asset		796	5,317
Operating surplus before working capital changes		60,832	106,073
Decrease/(Increase) in accounts receivable		1,014,636	(2,837,672)
Increase in inventories		(3,834)	(17,208)
(Decrease)/Increase in accounts payable		(385,276)	664,264
Increase in derivatives financial instruments		(52,425)	(27,692)
		573,101	(2,218,308)
Cash generated from/(used in) operating activities		633,933	(2,112,235)
Interest paid		(111,133)	(104,803)
Net cash generated from/(used in) operating activities		522,800	(2,217,038)
INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(3,513)	(5,195)
Proceeds from sale of Property, Plant and Equipment		63,893	731
Interest received		951	6,959
Cash generated from investing activities		61,331	2,495
FINANCING ACTIVITIES			
Loans received		-	109,300
Loans paid		(8,600)	-
Net cash (used in)/generated from financing activities		(8,600)	109,300
Net increase/(decrease) in cash and cash equivalents		575,531	(2,105,243)
Cash and cash equivalents at begining of year		(2,286,578)	(181,335)
Cash and cash equivalents at end of year	18	(1,711,047)	(2,286,578)

1. Status and Activities

In 1951, following the recommendations made by the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate, which had been founded in 1919, was set up for an indefinite period in pursuance of Ordinance No. 87 of 1951.

The Mauritius Sugar Syndicate is the sole sugar marketing organisation in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale. All sugar producers are members of the Syndicate.

2. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements of the Mauritius Sugar Syndicate have been prepared under the historical cost convention as modified by the revaluation of derivatives and in accordance with International Financial Reporting Standards (IFRSs).

(b) Application of New and Revised International Financial Reporting Standards (IFRS)

In the current year, the Syndicate has applied all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2010.

2.1 New and revised IFRSs applied with no material effect on financial statements

The following relevant new and revised Standards and Interpretations have been applied in these financial statements. Their application has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

IAS 1	Presentation of Financial Statements - Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 7	Statement of Cash Flows - Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 32	Financial Instruments: Presentation - Amendments relating to classification of rights issues
IAS 36	Impairment of Assets - Amendments resulting from April 2009 Annual Improvements to IFRSs
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from April 2009 Annual Improvements to IFRSs

2. Significant Accounting Policies (cont'd.)

(b) Application of new and revised International Financial Reporting Standards (IFRSs) (contd.)

2.2 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant IFRSs and IFRICs were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets) (1 January 2012)
IAS 24	Related Party Disclosures - Revised definition of related parties (effective 1 January 2011)
IFRS 7	Financial Instruments Disclosures – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective 1 January 2011)
IFRS 7	Financial Instruments - Disclosures - Amendments enhancing disclosures about transfers of financial assets (effective 1 July 2011)
IFRS 9	Financial instruments - Classification and Measurement (November 2009) (effective 1 January 2013)
IFRS 13	Fair Value measurements (effective 1 January 2013)

The management anticipates that these amendments will be applied in the financial statements for the annual periods beginning on the respective dates as indicated above. The managements have not yet had an opportunity to consider the potential impact of the application of these amendments.

(c) Accounting Judgements and Key sources of Estimation Uncertainty

The preparation of financial statements in accordance with IFRS requires management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgments and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgment that have a significant effect on the amounts recognized in the financial statements, or estimation and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequently costs are included in the assets carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Syndicate and the cost of the item can be measured reliably.

Depreciation of assets is calculated on the straight-line method to write off their cost to their estimated residual values over their estimated useful lives.

	%
Annual rates used	
Freehold building	2
Computer equipment	20
Furniture and equipment	10-20
Motor vehicles	20

No depreciation is provided on freehold property.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the Statement of Comprehensive Income.

(e) Financial instruments

Financial assets and liabilities are recognized in the Statement of financial position when the Syndicate becomes party to the contractual provisions of the financial instruments.

(i) Accounts receivable

Accounts receivable are recognized at amortised value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due according to the original terms of receivables.

2. Significant Accounting Policies (cont'd.)

(ii) Accounts payable

Accounts payable are stated at their amortised cost.

(iii) Borrowings

Borrowings are recognized at amortised value being their issue proceeds net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Syndicate has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Borrowing costs are recognized in statement of comprehensive income in the year in which they are incurred.

(iv) Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at reporting date.

(f) Related Parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average price basis.

Cost of stocks comprises all costs of purchase and other costs incurred in bringing such stocks in its present location and condition. Net realizable value is the estimate of the selling price in the ordinary course of business less selling expenses.

(h) Retirements benefits

(i) Defined benefit pension plan

The present value of funded obligations is recognized in the statement of financial position as noncurrent liability after adjusting the fair value of plan assets, any unrecognized actuarial gains and losses and any unrecognized past service cost. The valuation of the funded obligations is carried out annually by a firm of actuaries.

The current service cost and any recognized past service cost are included as an expense together with the associated interest cost, net of expected return on plan assets.

A portion of the actuarial gains and losses is recognized as income or expense if the net cumulative unrecognized actuarial gains and losses at the end of the previous accounting period exceed the greater of:

- 10% of the present value of the defined benefit obligation at that date; and
- 10% of the fair value of the plan assets at that date.

(ii) State plan and defined contribution pension plan

Contributions to the National Pension Scheme and defined contribution pension plan are expensed to the statement of comprehensive income in the period they fall due.

(i) Provisions

Provisions are recognized when the Syndicate has a legal or constructive obligation resulting from past events which will result in an outflow of economic benefits that can reasonably be estimated. They are measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are adjusted to reflect the current best estimate.

(j) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which entity operates ("functional currency"). The financial statements are presented in Mauritian rupees, which is the Syndicate's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange differences resulting from the settlement of such transactions and from the translation at the end of reporting date exchange rates of outstanding monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

(k) Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2. Significant Accounting Policies (cont'd.)

(l) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sales of sugar

Sales proceeds include revenues from sugar exports as well as local sales.

Revenues from sugar exports are recognized upon transfer to the buyer of the significant risks and rewards of ownership, and are stated on a crop basis at the FOB and Stowed price.

Revenues from local sales are recognized upon delivery and acceptance by the local customers.

Interest Income

Interest income is accrued on a time basis using the effective interest rate method.

(m) Cash and cash equivalent

Cash comprises of cash at bank and bank overdrafts.

3. Property, Plant and Equipment

	Land and Building Freehold	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
COST					
At 1 July 2009	10,389	3,974	4,346	10,341	29,050
Additions	-	982	713	3,500	5,195
Disposals	-	-	-	(1,784)	(1,784)
Written off	-	(124)	(2)	-	(126)
At 30 June 2010	10,389	4,832	5,057	12,057	32,335
At 1 July 2010	10,389	4,832	5,057	12,057	32,335
Additions	-	757	384	2,372	3,513
Disposals	(10,389)	-	-	(2,740)	(13,129)
Written off	-	(829)	(653)	-	(1,482)
At 30 June 2011	-	4,760	4,788	11,689	21,237
DEPRECIATION					
At 01 July 2009	-	2,751	3,500	5,114	11,365
Charge for the year	-	747	218	2,430	3,395
Disposals	-	-	-	(1,545)	(1,545)
Written off	-	(116)	(1)	-	(117)
At 30 June 2010	-	3,382	3,717	5,999	13,098
At 01 July 2010	-	3,382	3,717	5,999	13,098
Charge for the year	-	654	267	2,437	3,358
Disposals	-	-	-	(2,740)	(2,740)
Written off	-	(829)	(653)	-	(1,482)
At 30 June 2011	-	3,207	3,331	5,696	12,234
NET BOOK VALUE					
At 30 June 2011	-	1,553	1,457	5,993	9,003
At 30 June 2010	10,389	1,450	1,340	6,058	19,237

The freehold land and building consisted of a residential property in London occupied by the General Overseas Representative. The property has been disposed of during the year.

4. Inventories

	2011	2010
	Rs'000	*Rs'000*
At Cost		
Bags, steel bars and liners	36,407	32,573

5. Accounts Receivable

	2011	2010
	Rs'000	*Rs'000*
(a) Trade Receivables		
Exports proceeds	1,745,809	3,014,912
Local proceeds	520,913	348,731
	2,266,722	3,363,643

Sale Proceeds

It is the Syndicate's policy to assess the creditworthiness of customers prior to signing a sale agreement with the customer.

In order to be able to operate on a commercial basis , the Syndicate is required to provide credit facilities to its customers and partners. The credit period is 90 days from the date of issue of invoices for white refined sugar. For special sugar, the credit period is 30 days (2010: 30 days).

Of the trade receivable from sugar exports at year end, Rs 855 M (2010: Rs 1,478 M) is due from our major customer.

Ageing of past due but not impaired

(i) Export proceeds	2011	2010
	Rs'000	*Rs'000*
Export proceeds receivable above 30 days but before 90 days	284,320	147,455
Export proceeds receivable above 90 days	16,177	-
	300,497	147,455

(ii) Local Proceeds

The average credit period for local sales is less than 15 days.

Based on past practices and experiences, the Syndicate believes that there is no need for provision for doubtful debts as the export and local proceeds receivable are fully recoverable.

5. Other Receivable (cont'd)

(b) Other Receivables

With the implementation of the ERCP measure, the Syndicate has made an enhanced advance of 80% of the initial estimated price for crop 2011 to the small and medium sugar producers, 70% of the estimated ex-Syndicate price to the other sugar producers. Some Rs 115 M has been disbursed in June 2011 compared to Rs 52 M in June 2010. This sum will be accounted as "Amount distributed to producers" in the forthcoming year.

		2011	2010
Components of Other Receivables		*Rs'000*	*Rs'000*
Advances to Producers		107,972	51,737
Prepayments/Receivables		36,862	14,044
Staff loans	(i)	3,944	4,291
Loan to Refiners	(ii)	3,985	-
Others		-	406
		152,763	70,478

(i) Staff loans comprise of car loans, advances on salary and housing loans to employees.
All car loans advanced bear interest at the rate of 6% per annum (2010: 6%).
Advances on salary are interest free. As regards to housing loans, they are advanced to certain categories of employees, and bear interest at 5% per annum (2010: 5%). Car Loans and Housing Loans are secured by a lien and repayable on a monthly basis.

(ii) The Syndicate has advanced a bridge term loan facility for the sum of Eur 2.5 M, refundable in a maximum period of two years.
A first disbursement of EUR 100,000 (Rs 3,985,000) was made during the year and may be refundable within a year.

6. Bank Balances

(a) The bank balances include the Bagasse Transfer Price Fund of Rs 65.3 M (2010: Rs 68.4 M) received on 30 June 2011 and not yet paid at year end.
(b) The foreign bank balances represent the following:

	2011	2010
	Rs'000	*Rs'000*
Euro	385	172
GBP	23,466	4,902
USD	60,440	3,180
TOTAL	84,291	8,254

7. Bank Overdrafts

(a) The bank overdraft includes a sum of Rs 900 M from State Bank of Mauritius Ltd at the preferential interest rate of 3.50% per annum, not reimbursed at year end.

(b) The foreign bank overdrafts comprise of the following:

	2011	2010
	Rs'000	*Rs'000*
Euro	769,630	1,853,676
USD	-	74,224
TOTAL	769,630	1,927,900

Bank overdrafts are secured by the preferential lien over all sugars as conferred by Ordinance No. 87 of 1951. The interest rates vary from 3.5% to 7.5% on Rupees accounts (2010 : 4.75% to 8.5% p.a.) and Libor + 1.5% p.a. on Euros and USD accounts respectively (2010: Libor +1.5%).

8. Loans

	2011	2010
	Rs'000	*Rs'000*
Unsecured loans	282,200	290,800

The loans denominated in Rupees bear interest from 4.75% to 5.25% per annum (2010: 5% to 7% p.a), and the Euro loans bear interest at the rate of Libor + 1.50% per annum.
Unsecured loans are repayable on demand.

9. Other payables

	2011	2010
	Rs'000	*Rs'000*
Interests accrued	-	10,521
Payable to producers under the Bagasse Transfer Price Fund	65,281	68,434
Other Accruals	414,245	838,272
Deferred income on account of cash flow hedges	153,040	100,615
	632,566	1,017,842

The Bagasse Transfer Price Fund was paid to the beneficiaries on 6 July 2011.
The Syndicate has policies in place to ensure that all payables are paid within the credit timeframe.

10. Retirement Benefit (Assets)/ Obligations

(a) All the assets held with Anglo Mauritius Assurance Society Ltd have been transferred to the Sugar Industry Pension Fund as from 01 July 2008. An actuarial valuation was then carried out. The valuation was reviewed as per IAS 19 during the financial year.

b) Amounts recognised in the Statement of Financial Position are :	2011 *Rs'000*	2010 *Rs'000*
Present value of funded obligations	58,277	39,632
Fair value of plan assets	(46,066)	(39,569)
	12,211	63
Unrecognised Actuarial loss	(20,089)	(8,737)
	(7,878)	(8,674)

(c) Amounts recognised in the Statement of Comprehensive Income are :	2011 *Rs'000*	2010 *Rs'000*
Current Service Cost	3,273	3,449
Interest cost	4,118	4,545
Expected return on plan assets	(4,265)	(4,777)
Past service cost	318	566
Curtailment or settlement loss	-	5,734
Total included in employee benefit expense	3,444	9,517

(d) Movement in liability recognised in Statement of Financial Position	2011 *Rs'000*	2010 *Rs'000*
At 1 July	(8,674)	(13,991)
Recognised in the statement of comprehensive income	3,444	9,517
Contributions paid	(2,648)	(4,200)
At 30 June	(7,878)	(8,674)
Actual return of plan assets	4,339	5,126

(e) The principal actuarial assumptions used for accounting purposes were:	2011 %	2010 %
Discount rate	10.0	10.5
Expected rate of return on plan assets	10.0	10.5
Future salary increases	7.0	7.0
Future pension increases	3.0	4.0

10. Retirement Benefit (Assets)/ Obligations (cont'd)

(f) Reconciliation of the present value of defined benefit obligation	2011 Rs'000	2010 Rs'000
Present value of obligation at start of period	39,632	56,103
Current service cost	3,273	3,449
Employee Contributions	349	532
Interest cost	4,118	4,545
Past service cost	-	-
Benefits paid	(839)	(26,289)
Liability loss	11,744	1,292
Present value of obligation at end of period	58,277	39,632

(g) Reconciliation of fair value of plan assets	2011 Rs'000	2010 Rs'000
Fair value of plan assets at start of period	39,569	56,000
Expected return on plan assets	4,265	4,777
Employers contributions	2,648	4,200
Employee contributions	349	532
Benefits paid	(839)	(26,289)
Asset gain	74	349
Fair value of plan assets at end of period	46,066	39,569

(h) Distribution of plan assets at end of period	2011 %	2010 %
Percentage of assets at end of year		
Equities overseas	18	18
Local equities	30	29
Fixed interest securities - Overseas	9	5
Fixed interest securities - Local	7	1
Property	22	25
Loans & fixed deposits	14	20
Cash & Other	-	2
Total	100	100

Where the plan is funded, the overall expected rate of return of plan assets is determined by reference to market yields on bonds and expected yield differences on other types of assets held.

i) History of obligations, assets and experience adjustments	2012 Rs'000	2011 Rs'000	2010 Rs'000	2009 Rs'000	2008 Rs'000	2007 Rs'000
Fair value of plan assets		46,066	39,569	56,000	31,134	20,401
Present value of defined benefit obligations		(58,277)	(39,632)	(56,103)	(45,462)	(26,214)
Deficit		(12,211)	(63)	(103)	(14,328)	(5,813)
Asset experience gain/(loss) during the period		74	349	(7,605)	(413)	(2,250)
Liability Experience loss during the period		(11,671)	(1,292)	(2,250)	(1,576)	-
Expected employer contributions	2,833					

Retirement benefit obligations are based on the report of Aon Hewitt Ltd dated 24 June 2011.

11. Sales proceeds

	2011 Rs'000	2010 Rs'000
Sales proceeds were arrived as follows:		
Gross Exports Proceeds	8,025,441	8,463,285
Bulk freight deducted at source	(84,440)	(335,002)
Container freight paid locally	(443,035)	(272,827)
Foreign exchange differential	293,936	433,992
	7,791,902	8,289,448
Proceeds from Local sales	1,087,539	876,209
Total Sales Proceeds	8,879,441	9,165,657

12. Other Income

	2011 Rs'000	2010 Rs'000
Other Income comprises of the following elements:		
Gain on disposal of London property	52,899	-
Gain on disposal of motor vehicle	605	492
Miscellaneous Income	-	58,901
Interest receivable	951	6,959
	54,455	66,352

13. Direct Operating Costs

		2011	2010
		Rs'000	Rs'000
Manufacturing premium - white refined & special sugars	*(i)*	1,036,572	722,387
Export fee		20,764	13,818
Insurance & survey fees for exported sugar		120	185
Bags and other related charges		113,962	56,525
Liners, steel bars and other related costs		56,727	30,526
Cost of imports for local market	*(ii)*	650,131	567,436
Other costs		8,980	70,890
		1,887,256	1,461,767

(i) White refined sugar production started as from the financial year 2009/10, and Refiners' Service Fees were paid accordingly in the year.

(ii) Cost of imports

Costs of imports for the local market is calculated on a landed basis for 25,660 MT of white refined sugar (2010: 24,600 MT) of refined sugar.

14. Storage Charges

	2011	2010
	Rs'000	Rs'000
BSSD - Recurrent expenditure	61,300	58,400
MSTC - Rental, repair and maintenance costs of shed	8,900	11,000
	70,200	69,400

15. Finance charges

	2011	2010
	Rs'000	Rs'000
Interest Payable:		
Foreign Currency Bank overdrafts	24,847	12,000
Interest charges on Rupee loans	86,286	92,803
	111,133	104,803

16. Payments to service providing institutions and Dockers' Pension

	2011	2010
	Rs'000	Rs'000
Payment to service providing institutions (Global Cess), and Dockers' Pension, as determined by the Mauritius Sugar Authority, comprises financing of the following :		
Cane Planters and Millers Arbitration and Control Board	79,117	88,410
Farmers Service Corporation	47,388	47,491
Mauritius Sugar Authority	32,078	32,645
Mauritius Sugar Industry Research Institute	173,414	169,595
Mauritius Sugar Terminal Corporation	68,389	82,379
Sugar Planters Mechanical Pool Corporation	118,938	122,316
Payment to redundant workers - Dockers' Pension	93,328	99,800
	612,652	642,636

17. Administrative and Office charges

		2011	2010
		Rs'000	Rs'000
These are arrived at after charging:			
Depreciation on plant & equipment		3,358	3,395
Gain on sale of property, plant & equipment		(53,504)	(492)
Loss on assets written off		-	9
Employee benefit expenses	(i)	39,511	42,348

	2011	2010
	Rs'000	Rs'000
(a) Employee Benefit Expenses		
Wages and salaries, including termination benefits	31,879	32,282
Social Security Costs	935	1,048
Pension Costs - defined benefit plans	6,697	9,018
	39,511	42,348

18. Cash and cash equivalents

	2011	2010
	Rs'000	Rs'000
Bank balances		
Rupee accounts	61,841	84,085
Foreign currency accounts	84,291	8,254
Bank overdrafts		
Rupee accounts	(1,087,549)	(451,017)
Foreign currency accounts	(769,630)	(1,927,900)
	(1,711,047)	(2,286,578)

19. Taxation

The Syndicate being an exempt body, its income is not subject to income tax.

20. Financial Instruments

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Fair Value

The fair values for both financial and non-financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short term nature.

(a) Categories of Financial Instruments	2011 *Rs'000*	2010 *Rs'000*
Financial Assets		
Accounts Receivable	2,382,623	3,420,077
Bank Balances	146,132	92,339
	2,528,755	3,512,416
Financial Liabilities		
Bank overdrafts	1,857,179	2,378,917
Loans	282,200	290,800
Other payables	479,526	917,227
	2,618,905	3,586,944

Financial assets exclude prepayments and financial liabilities exclude deferred income on account of cash flow hedges.

(b) Market Risk

Market risk is managed by the Marketing Strategy Committee that monitors all the marketing strategies of the Syndicate, monitors the activities and then recommends action to the Executive and Selling Committee of the Syndicate.

(c) Foreign Currency Risk Management

Management of foreign currency risk is done through the Forex Management Committee which monitors closely the sugar proceeds receivable in foreign currencies and recommends the strategies to be used in the currency risk management.

20. Financial Instruments (cont'd)

(i) Currency Profile

The currency profile of the financial assets and liabilities of the Syndicate is summarised below:

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2011	2010	2011	2010
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
United States Dollar	60,440	3,180	-	74,224
Euro	1,746,194	3,015,084	769,630	1,853,676
Pound Sterling	23,466	4,902	-	-
Mauritian Rupee	698,655	489,250	1,849,275	1,659,044
	2,528,755	3,512,416	2,618,905	3,586,944

(ii) Foreign currency sensitivity analysis

The Syndicate is mainly exposed to the Euro, USD and Pound Sterling currencies.

The table below details the Syndicate's sensitivity to a 5% increase (depreciation) in Mauritian Rupee against the Euro, Pound Sterling and the United States dollar. 5% is the sensitivity rate used when reporting foreign currency internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The positive number below indicates an increase in amount distributed to producers where the Mauritian Rupee depreciates by 5% against the relevant currencies against the major currencies disclosed as financial assets and liabilities.

For a 5% strengthening of the Mauritian Rupee vis-à-vis the relevant currencies, there would be an equal opposite impact on the amount distributed to producers, and the balances below would have been negative.

	2011	2010
	Rs'000	*Rs'000*
	US DOLLAR IMPACT	
Increase/(decrease) in amount distributed to producers	3,022	(3,552)
	GBP IMPACT	
Increase in amount distributed to producers	1,173	245
	EURO IMPACT	
Increase in amount distributed to producers	48,828	58,070

The above sensitivity analysis takes into acccount the effect of forward contracts.

(iii) Forward foreign exchange contract

In order to secure a price to the producers' community, it is the policy of the Syndicate to enter into forward contracts, swaps and options on a regular basis. The Syndicate ensures that its sugar proceeds which are received in foreign currencies are fully hedged against the high volatility inherent in its receipts.

The Syndicate ensures that all its receipts are hedged by the end of the crop year. To this effect, sale of foreign currencies on a forward basis for crop 2010 started in January 2010.

	FWD TRANSACTIONS						CONTRACT VALUE						FAIR VALUE					
	EUR FWD		USD FWD		EUR FWD		USD FWD		EUR FWD		USD FWD		EUR FWD		USD FWD		EUR FWD	
Outstanding Contracts Cash Flow Hedges	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*	*2011*	*2010*
Average exchange rate (Rs)	41.85	42.82	29.27	32.37	39.85	42.82	29.27	32.37	39.85	42.82	29.27	32.37	39.85	38.51	27.47	31.51		
Maturity less than 3 months (Rs'000)	4,500	-	-	23,287	179,325	753,830	-	746,795	179,325	-	-	733,758						
Maturity above 3 months (Rs'000)	37,950	14,085	38,850	23,070	1,512,308	746,795	1,137,185	1,500,625	1,512,308	542,413	1,067,210	726,911						
TOTAL (Rs'000)	42,450	14,085	38,850	46,357	1,691,633	1,500,625	1,137,185	1,500,625	1,691,633	542,413	1,067,210	1,460,669						
Unrealised surplus at 30 June (Rs'000)	153,040	100,615																

The Syndicate entered into forward contracts with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time.

At 30 June 2011, the surplus on forward exchange transactions undertaken for crop 2010 was Rs 153 M as compared to Rs 101 M for crop 2009.

It is anticipated that once the contracts will mature, the surplus/shortfall will then be realised and will impact on the amount distributed to producers in crop 2011

20. Financial Instruments (cont'd)

(d) Interest rate risk management

The Syndicate is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by negotiating the best interest rates available with commercial banks and with institutions of the sugar industry.

The interest rate risk profile of the financial assets and liabilities at 30 June 2011 was:

	2011	2010
	% p.a.	*% p.a.*
Financial Assets		
Cash resources - Mauritian rupees	3.50 to 4.50	4.00 to 5.00
Cash resources - foreign currencies	0.05 to 0.75	0.05 to 1.00
Financial Liabilities		
Loans - Mauritian rupees	4.75 to 5.25	5.25 to 7.00
Bank overdraft - Mauritian rupees	3.50 to 5.50	5.25 to 6.95
Loans - foreign currencies	-	-
Bank overdraft - foreign currencies	2.00 to 3.50	2.00 to 3.50

(e) Interest rate sensitivity analysis

The sensitivity analysis below has been determined on the exposure to interest rates for non-derivative financial instruments at the reporting date.

A 50 basis points of increase or decrease represents management's assessment of the reasonably possible changes in interest rates.

For floating rate liabilities/assets, the analysis is prepared assuming the amount of liability at the reporting date was outstanding for the whole year. If interest rate had been 50 basis points higher and that all other variables were held constant, the company's results would have been affected as follows:

	2011	2010
	Rs'000	*Rs'000*
Decrease in amount distributed to producers	(99,662)	(128,869)

Had the interest rates been 50 basis points lower and all other variables were held constant, there would have been an equal and opposite impact on the amount distributed to producers.

(f) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Syndicate.

The carrying amount of financial assets in the financial statements, which is net of impairment losses, represents the Syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Syndicate's main debtors are its overseas' buyers on account of sugar sold to them. The Syndicate ensures that payments are received on due time by requesting for advance payments or payments against submission of documents.

(g) Liquidity risk management

A liquidity risk is faced on making advances to planters on a weekly basis during the crop season and on a monthly basis in the inter-crop season. Overdraft and loan facilities have been obtained with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds.

(h) Interest risk and liquidity risk tables

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Syndicate can be required to pay.

	Weighted average effective interest rate	At Call	Less than 1 year	Total
	%	Rs'000	Rs'000	Rs'000
2011				
Loans in Mauritian Rupees	4.75	282,200	-	282,200
Bank overdraft in Mauritian Rupees	3.50	1,087,549	-	1,087,549
Bank overdraft in foreign currencies	2.50	769,630	-	769,630
Non-Interest bearing	-	479,526	-	479,526
		2,618,905	-	2,618,905

	Weighted average effective interest rate	At Call	Less than 1 year	Total
	%	Rs'000	Rs'000	Rs'000
2010				
Loans in Mauritian Rupees	5.25	290,800	-	290,800
Bank overdraft in Mauritian Rupees	4.70	451,017	-	451,017
Bank overdraft in Foreign Currencies	2.20	1,927,900	-	1,927,900
Non-Interest bearing	-	917,227	-	917,227
		3,586,944	-	3,586,944

21. Related Party Transactions

The Syndicate is making the following disclosures in respect of the year under review in accordance with IAS 24 - Related Party Transactions.

	2011	2010
	Rs'000	Rs'000
Retirement Benefit Assets	3,444	9,517
Compensation of key management personnel short-term benefits	10,222	9,969

22. Contingent Liabilities

No provision has been made in the financial statements in respect of bank guarantees to the Mauritius Revenue Authority amounting to Rs 476,353 (2010: Rs 476,353).

It is the normal practice of the Syndicate to apply for duty and VAT exemptions with respect to items/equipment imported and held for eventual re-exports (admission temporaire). The Syndicate is therefore required to provide bank guarantees to the Mauritius Revenue Authority which evidence that such imports are not meant for sales on the local market.

Once the items/equipments are re-exported, the bank guarantees are thereby cancelled.

The Syndicate considers that no liability will arise as the probability for default in respect of the guarantee is remote.

Crop Statement

	2010/2011 CROP				2009/2010 CROP			
	Plantation White Sugar	White Refined Sugar	Special Sugar	TOTAL	Plantation White Sugar	White Refined Sugar	Special Sugar	TOTAL
	Tonnes	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*	*Tonnes*
Net landed weight	74,608	251,297	106,447	432,352	257,471	105,593	91,028	454,092
Loss in weight	97	-	-	97	282	-	-	282
Net shipped weight	74,705	251,297	106,447	432,449	257,753	105,593	91,028	454,374
Local market sales & stock	-	10,051	2,019	12,070	-	9,405	131	9,536
Reprocessed sugar	-	-	34	34	-	-	(146)	(146)
	74,705	261,348	108,500	444,553	257,753	114,998	91,013	463,764
Loss				669				433
Normal processing loss in the production of White Refined Sugar				7,251				3,037
Production TTQ				452,473				467,234
Adjustment at 98.5° Polarisation by Cane Planters & Millers Arbitration & Control Board				456,662				470,467

N.B: 24,600 tonnes of refined sugar and 4,200 tonnes of Special Raw sugar have been imported for the local market.

Computation of ex-Syndicate Revenue and Price

	2010/2011 Crop	2009/2010Crop
	Rs'000	*Rs'000*
Ex-Syndicate Revenue		
Net amount b/f from Statement of Account including receipt from Bagasse Transfer Price Fund	6,088,900	6,356,285
Add back:		
Sugar Insurance Fund Board Premium	157,638	586,625
Deduct:		
Receipt from Bagasse Transfer Price Fund	(65,281)	(68,434)
	6,181,257	6,874,476

	2010/2011 Crop Per Tonne	2009/2010 Crop Per Tonne
	Rs	*Rs*
Ex-Syndicate price before deduction of SIFB premium	13,535.72	14,612.03

Sales Proceeds

	2010/2011 Crop	2009/2010 Crop
	Rs M	*Rs M*
European Union		
Raw and plantation white sugar	1,010	4,323
White refined sugar	4,323	1,860
Special sugar	1,874	1,932
Total - European Union	7,207	8,115
USA	265	49
World	320	125
	7,792	8,289
Local Sales	1,087	876
TOTAL	8,879	9,165

Average Price (FOBS) Per Tonne

	2010/2011 Crop	2009/2010 Crop
	Rs per tonne	*Rs per tonne*
European Union		
Raw and plantation white sugar	13,430	16,650
White refined sugar	16,566	17,004
Special sugar	24,310	23,355
USA	19,556	19,323
World	19,211	19,189
Average Export Price	17,571	17,989

Average Local Market Price Per Tonne

	2010/2011 Crop	2009/2010 Crop
	Rs per tonne	*Rs per tonne*
Local Market	28,761	22,669

Statement of Distribution of Bagasse Proceeds

	2010/2011 Crop	2009/2010Crop
	Rs	*Rs*
Bagasse Transfer Price Fund	65,280,562	68,434,065
Paid out to:		
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	7,833,667	8,212,088
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	24,806,614	26,004,945
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	32,640,281	34,217,032

Amount Per Tonne of Sugar Accruing

	2010/2011 Crop	2009/2010 Crop
	Rs	*Rs*
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	66.39	79.35
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	103.85	98.53

Amount Per KWH of Firm or Continuous Electricity

	2010/2011 Crop	2009/2010 Crop
	Rs	*Rs*
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	0.096	0.096

The Bagasse Transfer Price Fund in respect of 2010/11 crop was distributed as from 6 July 2011 in accordance with the Sugar Industry Efficiency (Amendment of Schedule) Regulations 1999.

Ex-Syndicate Price Per Tonne

Basis 98.5° polarisation per category of producer before deduction of SUGAR INSURANCE FUND BOARD PREMIUM

Crops 1986-87 to 2009-2010		On first 1,000 tonnes exported	On next 2,000 tonnes exported	On the remainder
Crop		*Rs*	*Rs*	*Rs*
1986 - 87	Millers	5,314.87	4,517.51	4,118.83
	Planters	5,348.13	4,550.77	4,152.09
1987 - 88	Millers	6,064.69	5,141.20	4,679.46
	Planters	6,101.79	5,178.31	4,716.56
1988 - 89	Millers	6,817.57	5,809.62	5,305.65
	Planters	6,855.48	5,847.53	5,343.56
		On whole production (As per provision of SIE Amendment ACT No. 1, 1993)	On first 3,000 tonnes exported	On the remainder
1989 - 90	Millers	-	7,812.06	6,448.62
	Planters	-	7,845.82	6,482.38
1990 - 91	Millers	-	8,000.98	6,603.66
	Planters	-	8,029.85	6,632.53
1991 - 92	Millers	-	8,204.61	6,789.51
	Planters	-	8,242.80	6,827.70
1992 - 93 *	Millers	7,736.33	-	-
	Planters	-	8,472.01	7,000.66
1993 - 94 *	Millers	8,722.74	-	-
	Planters	-	9,551.06	7,894.42
		On Whole Production		
1995 - 96 *		11,462.80		
1996 - 97 *		12,318.64		
1997 - 98 *		11,907.41		
1998 - 99 *		13,230.19		
1999 - 00 *		12,373.77		
2000 - 01 *		11,570.14		
2001 - 02 *		12,834.68		
2002 - 03 *		14,046.86		
2003 - 04 *		15,216.29		
2004 - 05 *		16,150.36		
2005 - 06 *		17,625.68		
2006 - 07 *		17,891.24		
2007 - 08 *		18,620.15		
2008 - 09 *		17,427.30		
2009 - 10 *		14,612.03		
2010 - 11 *		13,535.72		

* *With effect from Crop 1992-1993, the price of bagasse is no longer included in the final price of sugar (see Statement of Distribution of Bagasse Proceeds).*

Sugar Revenue

Crops 1979-80 to 2009-2010	Exports (FOB Basis) & Other Receipts	Local Sales	Total Receipts
Crop	*Rs '000*	*Rs '000*	*Rs '000*
1979 - 1980	2,005,157	28,905	2,044,041*
1980 - 1981	1,581,466	59,840	1,639,734*
1981 - 1982	2,188,345	77,810	2,266,155
1982 - 1983	2,713,524	87,538	2,801,062
1983 - 1984	2,579,829	85,641	2,665,470
1984 - 1985	2,755,683	102,771	2,858,454
1985 - 1986	3,361,210	97,715	3,458,925
1986 - 1987	3,982,671	115,882	4,098,553
1987 - 1988	4,489,649	89,238	4,578,887
1988 - 1989	4,550,341	94,342	4,646,013*
1989 - 1990	4,727,704	99,124	4,826,828
1990 - 1991	5,339,427	105,534	5,444,961
1991 - 1992	5,410,500	121,569	5,532,069
1992 - 1993	5,900,080	166,752	6,066,832
1993 - 1994	5,841,078	149,743	5,990,821
1994 - 1995	5,674,723	120,015	5,794,738
1995 - 1996	6,937,252	205,963	7,143,215
1996 - 1997	8,010,272	207,257	8,217,529
1997 - 1998	8,229,017	188,593	8,417,610
1998 - 1999	9,211,231	206,834	9,418,065
1999 - 2000	5,336,766	205,706	5,542,472
2000 - 2001	7,500,668	205,972	7,706,640
2001 - 2002	9,057,055	233,255	9,290,310
2002 - 2003	8,246,710	224,090	8,470,800
2003 - 2004	9,118,411	224,063	9,342,474
2004 - 2005	10,351,658	224,304	10,575,962
2005 - 2006	10,464,376	226,825	10,691,201
2006 - 2007	10,495,475	231,772	10,727,247
2007 - 2008	9,470,630	227,254	9,697,884
2008 - 2009	9,112,641	557,705	9,670,346
2009 - 2010	8,355,800	876,209	9,232,009
2010 - 2011	7,791,902	1,087,539	8,879,441

* *Adjustment by Insurance compensation for sugar lost in cyclones.*

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