MAURITIUS SUGAR SYNDICATE

Report and Financial Statements

2019-2020



MAURITIUS SUGAR SYNDICATE

www.mauritiussugar.mu

Level 7, Medine Mews, Chaussée, Port Louis, Mauritius.

phone: (230) 212 0814/15
(230) 208 7053
(230) 208 8756
fax: (230) 208 8757

email: contact@mauritiussugar.mu

Propriety of Mauritius Sugar Syndicate

Role and Status of the Mauritius Sugar Syndicate

In 1951, following the recommendations of the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate (the "Syndicate"), which finds its origins in 1919, was legally constituted for an indefinite period in pursuance of the Mauritius Sugar Syndicate Act 1951.

The Mauritius Sugar Syndicate is the sole organisation responsible for the marketing of sugar produced 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 after deduction of common expenses. All sugar producers are members of the Syndicate and they numbered 10,883 for the 2019 crop. In fulfilment of its role, the Syndicate's primary objective is to optimise producers' revenue through adoption of commercial strategies likely to capture the highest yields obtainable from markets on a sustainable basis. Its operations are structured into specialised departments geared to provide support services of direct relevance to its core business, namely marketing and sales, logistics and planning, finance and accounts, service assistance to producers, and also ensuring quality and food safety for the sugars supplied.

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 including corporate growers, and eight representatives of large and small cane planters. The representatives of the corporate sector are appointed by the relevant members while the planters' representatives are appointed by the Minister of Agro-Industry and Food Security upon recommendation of their respective associations.

The President of the Syndicate is elected at the organisation's Annual General Meeting (AGM) held in September. Since 1976, the President's Chair rotates between a planter and a corporate representative. The AGM also approves the composition of the Committee and that of the Executive and Selling Committee (ESC), which comprises ten members, including six representatives of the corporate sector and four planters' representatives, but also the CEO of the Mauritius Cane Industry Authority (MCIA) who is invited to attend.

The ESC, which meets every month, is the steering body of the Syndicate and decisions are taken by consensus. The Committee meets at least twice a year to ratify these decisions. For improved governance, sub-committees, comprising members of the ESC, have been established to provide support to the Syndicate's Management in specific areas. They are the Marketing Committee, the Forex Committee, and the Audit and Risk Management Committee. A Remuneration Committee is set up on an ad hoc basis to address issues relating to remuneration, promotion and recruitment within the organisation.



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MAIN COMMITTEE

President
- Nicolas Maigrot

Vice-President
- Keeshorlal Gungah

Corporate Sector Representatives
- André Bonieux
- Fabien de Marassé Enouf
- Hector Espitalier Noël
- Jean Raymond Hardy
- Henri Harel
- Jérôme Jaen
- Sébastien Lavoipierre
- Jean Li Yuen Fong
- Arnaud Marrier d'Unienville
- Jacques Marrier d'Unienville, G.O.S.K.
- Thierry Merven
- Jean Ribet
- Thierry Sauzier (up to 30 March 2020)

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Gunness Bhuruth
- Amal Mungur
- Jugduth Seegobin
- Hemant Rao Anand Sonoo

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Raffick Ahmad Chattaroo, M.B.E.
- Pramanund Newoor, M.S.K.
- Jugdutt Rampersad, O.S.K.

EXECUTIVE AND SELLING COMMITTEE

President
- Nicolas Maigrot

Vice-President
- Keeshorlal Gungah

Members
- Gunness Bhuruth
- André Bonieux
- Hector Espitalier Noël
- Jean Li Yuen Fong
- Jacques Marrier d'Unienville, G.O.S.K.
- Pramanund Newoor, M.S.K.
- Thierry Sauzier (up to 30 March 2020)
- Hemant Rao Anand Sonoo

In attendance
- Rajkamal Soniah (CEO of MCIA up to March 2020)
- Satish Purmessur (CEO of MCIA as from May 2020)



CHIEF EXECUTIVE OFFICER & SECRETARY

- Devesh Dukhira

Executive Assistant
- Marie Claire Lo Fong

Administrative Assistant
- Gooroodeo Noyan

MARKETING & SALES

International Marketing Executive
- Laurent Courteille (up to 30 April 2020)

Chief Marketing Officer
- Sébastien Giraud (as from 15 May 2020)

Marketing & Sales Manager
- Stéphane Casse

Sales Coordinator
- Ian Samuel

Sales Executive
- Darmen Mooneesamy

Marketing Assistant
- Jesieka Baptiste-Rabot

FINANCE & ACCOUNTS

Chief Finance Officer
- Balmick Sanjay Molaye

Treasurer and Reporting Accountant
- Indira Goboodun

Accountant
- Leeneshwar Mohes (as from 17 August 2020)

Accounts Officers (as at August 2020)
- Yudhisthir Gopaul
- Shristee Bundhun (as from 1 October 2019)
- Naseera Maghoo (as from 14 October 2019)

Accounts Clerks
- Suraya Hamahjudhy (as from 3 February 2020)
- Chandni Koopla (as from 17 February 2020)

Administrative Assistant
- Vijay Luxmi Sanuchur

SALES ADMINISTRATION & LOGISTICS

Head of Sales Administration & Logistics
- Khemraj Jhurry

Sales Administration & Logistics Officers
- Glen Baniaux
- Dany Jaune
- Ayesha Ramsurrun
- Manish Heerbhunjinsing

Logistics Officer
- Mohamad Irshad Saydan

Sales Administration & Logistics Assistant
- Karine Ribet

Export Documentation Assistant
- Doretta Larose

PRODUCERS' SERVICE

Producers' Service Executive
- Chetanand Dookhony

Senior Producers' Service Officer
- Purshotum Luchmun Roy

Producers' Service Officer
- Varsha Boolakee

CENTRAL QUALITY

Chief Quality Assurance Officer
- Patrick Bussier

Quality Assurance Officers
- Faisal Earally
- Sanjaye Goboodun

Quality Assurance Coordinator
- Shivalingum Chengalaram

Secretary
- Belinda Punchaye

SUPERVISING AND SAMPLING

Warehouse Supervisor in charge
- Patrick Henry

Warehouse Supervisors
- Clifford Davy
- Nazim Minnotte
- Rajeswar Boodhoo
- Denis Pin
- Sailesh Kumar Seeballuck
- Loic Keblé (as from 1 July 2020)

LEGAL COUNSELS
- ENSAfrica (Mauritius)

US TRADE COUNSEL
- Ryberg and Smith LLC

EXTERNAL AUDITORS
- Deloitte

INTERNAL AUDITORS
- Ernst & Young (EY) Mauritius

FOREX CONSULTANT
- Stewardship Consulting (Pte) Ltd (up to December 2019)

The President's Report



Sugar sales for the 2019 crop have unrolled under improved market conditions, after two consecutive years of direly depressed prices. As world supply fell short of demand in 2019-20, the deficit having been estimated by the International Sugar Organisation (ISO) in September 2019 at 4.76 M tons for the October 2019 – September 2020 campaign, compared with global surpluses of 8.49 M tons and 1.81 M tons during the corresponding periods of 2017-18 and 2018-19 respectively, prices started improving as from then. The New York #11 futures price of raw sugar thus rose from below US 12 cts/lb in July 2019 to around US 13 cts/lb in December and surged to above US 15 cts/lb by February 2020. Though still short of the world average cost of production, presently estimated by LMC International at US 23cts/lb, this increase was encouraging for export producers seeking sustainable price levels. The global sugar market recovery also supported prices in the EU where, coupled with the fall in beet sugar production from 21.32 M tons in 2017 to 17.63 M tons in 2018 and 17.36 M tons in 2019, pressure on stocks intensified, entailing a rise in the average monthly ex-works price for white sugar over the marketing year starting in October 2019 to € 362 per ton at time of writing compared with € 319 per ton in the preceding campaign.

The sugar industry in Mauritius benefited from these price recoveries and its total sales revenue was consequently enhanced by some 20% compared with the previous campaign, hence resulting in an ex-Syndicate price for the 2019 crop at MUR 11,384 per ton sugar, a 31% rise over the preceding period when it had attained MUR 8,686. The depreciation of the Mauritian Rupee as from February 2020, together with the review of certain direct operational costs incurred by the Syndicate, also contributed towards this price improvement. This price level is, however, still insufficient, being much lower than the production costs of even the most efficient growers and millers. Government intervened to guarantee an overall payment of MUR 25,000 per ton for the first 60 tons sugar produced, which was a significant support to the smaller growers but less meaningful for those producing larger quantities.

As producers have repeatedly argued since they started facing volatility in their sugar revenue with the erosion of the country's trade preferences in its traditional markets, an extensive reform of the industry is of paramount importance to ensure its long-term sustainability. While certain measures taken over the last few years have provided some breathing

space, especially for the smaller growers, a bold long-lasting restructuring of the industry, that can provide the required visibility and assurance to all categories of producers and other relevant stakeholders, remains unresolved. The economic sustainability of the cane industry rests on two fundamental reviews, namely a thorough improvement in the industry's competitive edge and a profound enhancement of the other revenue streams of the cane, especially from the cane biomass. It is good to recall that while bagasse already accounts for some 14% of the electricity produced for the national grid, Government has set as target an increase in the local renewable energy mix to 40% by 2030. The recommendations of the World Bank, which was approached by Government in June 2019 to provide strategic policy options to assure the sustainability of the sugar industry, are expected to address these long-awaited reforms. At time of writing, consultations were being finalised and the international financial institution was to submit its report forthwith.

In the absence of the above mentioned reforms, despite the initiatives taken at industry level to adapt to the new market dynamics after abolition of the ACP/EU Sugar Protocol, namely with regard to value addition locally and expansion of the export market base, the sugar sector could be perceived as lacking the required visibility. However, while sugar export presently represents less than 1% of the country's GDP, as per Statistics Mauritius report, it should be highlighted that it still accounts for over 10% of its total domestic export revenue. In addition, the contribution of the cane co-products is often ignored in the National Accounts, notwithstanding the significant savings brought by its biomass in the domestic energy bill, while the activities of service providers, who directly or indirectly depend on the sugar industry, are also often overlooked.

The global confinement triggered by the COVID19 pandemic as from February 2020, with a devastating impact on the world economy, has been a wakeup call, and has reminded everyone of the importance of agricultural activities to every nation. In Mauritius, the sugar industry has indeed been the most resilient, with shipments for the 2019 crop sugars having been barely interrupted, any delay having been caused mainly by disruption in operations along the supply chain. Unlike other sectors of the economy, sales have therefore remained consistent, with deliveries having even been momentarily boosted while the country was in lockdown.

"The sugar industry has been the most resilient to the COVID-19 related confinement."

The effect of the confinement, which lasted for months in certain countries, would rather be felt for the 2020 crop as the supply and demand trend has been severely disrupted. Firstly, according to the ISO August 2020 estimates, global sugar consumption would have been impacted, largely beacuse of the lockdowns worldwide, by some 6.38 M tons over the period under review. Secondly, oil prices have fallen drastically owing to excess supply, largely because of the same shutdown, entailing a significant reduction in the ethanol parity in Brazil, from almost US 15 cts/lb in February 2020 to closer to US 10 cts/lb at time of writing, hence enticing producers to increase their sugar mix at the expense of ethanol: it reached 47.0% by end August 2020, compared with 35.5% at the same time for the previous crop, which should lead to a year-over-year (YOY) increase of over 8 M tons in sugar output for the world's largest producer. Hence, global production estimate for 2019-20 has been reviewed by the ISO in August 2020 to 169.6 M tons, compared with the May 2020 forecast of 166.8 M tons, while that for the following year, taking into account yield improvement foreseen in other countries, namely in India, US and Mexico has been estimated at 173.5 M tons. With the reduction in 2019-20 world consumption estimate to 169.7 M tons in August 2020, the forecasted deficit has become negligible, compared with the 9.3 M tons which had been estimated in May 2020. As a result, helped by the meaningful depreciation of currencies as from beginning 2020 in the major sugar producing countries, especially in Brazil, India and Thailand, the world market price fell drastically as from end February, the New York #11 attaining a 12-year low of US 9.05 cts/lb by end April, i.e. 40% decrease over this 8 weeks' period, but slowly recovering thereafter as activities started picking up in regions moving out of lockdown. It is unfortunate that the decreasing trend in cane and beet production triggered by the drastic price fall of 2017-18, has been disrupted by this global pandemic. In fact, except for unforeseen growth due to weather conditions or sugar/ethanol arbitrage, sugar output has been on a declining trend as farmers switch to more attractive crops, while factories shut down or shift to ethanol.



Two noteworthy examples are Russia with a 20 % YOY reduction in beet acreage for the 2020-21 season to 0.9 M Ha, and Thailand with a further 8% YoY reduction in cane area to 1.6 M Ha.

Likewise in the EU, after the 17% YOY decrease in beet sugar production in 2018, mostly because of unfavourable weather conditions, it is estimated to have attained 17.36 M tons for the 2019 crop harvest, which is some 19% below the record 2017 crop. It is interesting to note that, pursuant to the drastic fall in market prices in 2017, EU sugar producers have become less ambitious with regard to export and have accordingly closed 12 mills and reduced the acreage under beet cultivation by almost 8% to 1.55 M Ha. A second consecutive campaign in 2019 with production exceeding consumption by hardly 300,000 tons, has impacted on stock levels, hence on prices. As a result, total imports into the EU market rose from a mere 1.31 M tons in 2017 to 1.92 M tons in 2018, of which ACP/LDCs supplies comprised 0.56 M and 1.11 M tons respectively, and an estimated 2.00 M tons in 2019, and the EU closing stock in September 2019 was estimated at 1.83 M tons compared with 2.42 M tons at the same time in 2018. While the 2020 crop production was anticipated at time of writing to fall closer to 17.00 M tons owing to a dry Summer having prevailed in certain regions of the continent, the impact of the aphids-transmitted beet yellows virus, especially after the widened ban on the use of neonicotinoids, was unknown. According to beet producers in the usually most productive regions, sugar output could fall by as much as 25%, which would add further pressure to stocks, hence market prices. Meanwhile, the decline in EU consumption over the COVID19-related confinement, together with the significant global price fall, have unfortunately restrained further price improvements: as buyers and distributors find themselves with higher than normal stocks at the end of the 2019-20 campaign, they tend to be more conservative on their needs for the following year while seeking price discounts. The Syndicate's EU sales for the 2020 crop harvest have thus been influenced by such market complexities. As for the special sugars, on the other hand, the increased 'commoditisation' of the products, which used to be at premium values, has enticed most preferential suppliers in seeking a share of the EU market, albeit through supply of ordinary raw cane sugars, and often at the expense of quality.

The Syndicate meanwhile plans to review its market positioning and further diversify its export market base in

order to preserve the value of its authentic special sugars. While price remains a determining factor, especially as economic recession looms ahead, it is essential to ventilate the intrinsic values of Mauritius special sugars and the benefit they bring to the end consumers, namely with regard to their wholesomeness in terms of absence of additives but high anti-oxidant content, quality standards and specifications consistency, and also the stringent food-grade environment under which they are produced. In addition to the 22 EU countries, the Syndicate already has a market base in the US and also in some 36 other destinations in Eastern Europe, Middle East, South East and Far East Asia and in its neighbouring region. Given its aim to grow sales of these sugars with the view to increase its average sales proceeds, the Syndicate embarked into consultations with the millers and refiners in Mauritius, with the support of Ernst & Young (EY) consultants, for a review of the production mix and consequently the remuneration payable for the value-added processes while ensuring they remain sustainable. The consultants presented their recommendations to the Syndicate's Executive & Selling Committee in June 2020 and it was jointly agreed to reduce refining capacity to retain only OMOL as refinery while allowing Alteo and Terra to focus on production of special sugars. This agreement which will last till 2025, is based on the objective set to increase sales of these value-added sugars to 180,000 tons within the next 4-5 years. The Syndicate is accordingly targeting non-EU destinations, especially those with increasing purchasing power or consumer trend towards healthy products. The bilateral Free Trade Agreement signed in October 2019 between Mauritius and China, once ratified by both parties, should help pave the way towards such sales growth: the administrative procedures towards this end have unfortunately been delayed owing to the COVID19 pandemic. As part of the contextual effort to further valorize and differentiate Mauritian sugars, and also in response to the persistent trend in sustainable sourcing commitments driving demand across all market segments, the Syndicate achieved certification to the Chain of Custody Standard of Bonsucro, the leading global standard for sustainable sugar cane production, processing and trade. Through this accreditation, which provides assurance that claims of compliance can be tracked along the supply chain, the Syndicate will henceforth be able to market sugars produced by mills and farms certified under the Bonsucro Production Standard – a metric-based scheme for improving the social, environmental and economic sustainability of sugar cane farming.

"The industry is responding positively to the persistent trend in sustainable sourcing commitments."

As for the US market, where the annual minimum Tariff Rate Quota (TRQ) allocated to Mauritius is already being filled through the supply of special sugars, it could represent further market opportunities if preferential access is enhanced. Market balance in the US is carefully managed to preserve remunerative price levels. It is worth recalling in this regard that after Mexico had flooded the market in 2012 and 2013, further to full implementation of NAFTA, which drove sugar prices below the levels established by the Farm Bill, the US sugar industry brought antidumping and countervailing duty (AD/CVD) charges against them. After they were subsequently found to have engaged in illegal dumping and subsidies, a negotiated Suspension Agreement was reached in 2016, determining Mexico's new access under a formula that subtracts US production and TRQ imports from US consumption, the balance being assigned to Mexico. The Suspension Agreement has recently been reaffirmed by both the Department of Commerce and the US Court of International Trade, hence extending it through 2025. While this formula has stabilized the US sugar market, it nonetheless limits TRQ imports to the WTO bound minimum level of 1,117,195 mtrv, with a traditional share of 12,636 mtrv for Mauritius, except in years of low production in both the US and Mexico, which was the case in 2019-20. In fact, further to the serious reduction in the US beet crop in 2019 due to bad weather conditions, coupled with the lower than normal drought-stricken Mexico's production, Mauritius was allocated an extra 1,118 mtrv as shortfall reallocation in February and a further 5,354 mtrv when USDA increased the TRQ in April 2020, bringing Mauritius' total access for FY 2020 to 19,108 mtrv. The Syndicate managed to fill over 50% of this enhanced quota through supply of special sugars from both the 2019 and 2020 crops.

The outlook for FY 2021 at time of writing was for a return to normal production in both the US and Mexico, which made the USDA set the overall raw sugar TRQ on 9 July 2020 at the WTO bound minimum level. On the other hand, the initiation of FTA negotiations with Kenya,





which will lead to a model agreement for other AGOA beneficiaries, creates the first realistic opportunity for Mauritius to increase its access to the US market in a sustained manner. With Government's support, the Syndicate is making every effort to ensure that the new model FTA for Africa will include the possibility of enhanced access for its special sugars.

> **" Regional trade agreements provide insufficient support for Mauritius sugar exports. "**

The African market, which should have been the most accessible destination for Mauritius sugars, unfortunately continue to present challenges, which therefore compel the Syndicate to meanwhile seek opportunities further afar. Although its overall deficit exceeds 8 M tons annually, being forecasted at some 15 M tons by 2030, regional sugar receives limited market access priority, or if it does, it often lacks predictability. The continent wide commitment with the setting up of the African Continental Free Trade Area, which was officially launched in July 2019, should provide ready access to some 54 countries but meanwhile sugar treatment within the different regional trade blocs needs thorough reviews in order to reach this higher level continental goal. In reality, Mauritius sugars presently derive very little benefit from its membership to the South African Development Community (SADC) regrouping 16 countries, albeit for a meaningless TRQ, fixed at 2,825 tons in 2019-20, into the SACU market, in light of provisions of Annex VII of the SADC Trade Agreement. Despite the significant changes in market conditions since this derogation was agreed in year 2000, namely the erosion of trade preferences which used to be extended to sugar producers in the region, there is strong reluctance to review it. Likewise, non-SACU SADC producers, except Mauritius, have adopted reciprocal protectionist measures, such as import license restrictions or domestic reference prices, thereby limiting intra-regional sugar trade flows. As regards the Common Market for Eastern and Southern Africa (COMESA), which regroups 21 countries and is by far a sugar-deficit region, restrained margins of preference are provided for intra-regional sugar trade, except in Mauritius, and specifically for brown cane sugar in Kenya. In the latter case unfortunately, despite a consistent

annual deficit having averaged almost 600,000 tons over the last 3 years, according to the ISO, sales contracts often face the risk of being repealed owing to unforeseen decisions by the Kenyan authorities, such as the sudden opening up of its borders to world market sugars in May 2017, and more recently in July 2020 the suspension of all sugar imports. Together with the non-tariff barriers in place, namely the costly pre-shipment inspection imposed on every consignment, such abrupt decisions are far from providing the trade facilitation required within a regional trade bloc. On the other hand, other members of COMESA simply have negligible import tariffs for world market sugars, whereby the global price distortions prevail.

It is obvious that Mauritius is one of the rare countries providing significant margins of preference on sugars originating within these regional trade blocs. Consequently, the domestic market has been flooded with imports from these countries since import tariffs were first raised to 80% in July 2018 – the recent increase in tariff to 100% is therefore of no help. Paradoxically, since mid-2019, sugar has been increasingly sourced from Egypt, a country importing sugar from the world market owing to its own deficit averaging almost 1 M tons annually. Coupled with the duty exemption extended to industrial users, the granting of such trade preferences to regional sugars have been at the expense of local producers, especially when they themselves face so much restriction in the region. While urgent remedial measures by the Government are awaited, the Syndicate has continued losing domestic market share, whereby the equivalent sugars are having to be exported at lower price levels, hence entailing serious revenue shortfalls for the industry, estimated at over Rs 200 M for the 2019 crop year.

"World average production cost presently estimated at US 23 cts/lb compared with an average global price of US 13cts/lb over last 3 years."

Given the importance of the sugar industry to rural livelihood, most producers worldwide tend to enjoy considerable support from their respective Governments, not only with regard to the safeguard of their domestic prices, but also in the form of direct funding or other protectionist measures. As most countries have sizeable domestic markets, bearing in mind that only 35% of the world sugar production are actually exported, they are then assured of their profitability and can therefore afford exporting any excess production at below production cost levels, which are themselves often further twisted through subsidies or other direct support. Hence the price of sugar on the world market, which would therefore be the residual market for most excess producers, becomes distorted, thereby compelling producers to further enhance protection of their domestic markets. In light of this reality, in order to assure the viability of the sugar industry in Mauritius, it is therefore essential firstly to protect the domestic market from all sugar imports and secondly to focus on remunerative niche market segments for its own exports, taking advantage of trade preferences wherever applicable. Retaining a competitive edge is obviously key, not only on the quality aspect but also with regard to the cost of production, which itself necessitates, amongst others, economies of scale, hence the suspension of abandonment, or even ensuring a recovery, of acreage under cane cultivation. Last but not least, considering price fluctuations even in niche market segments, firstly because of volatility of sugar prices and secondly as a result of growing competition, the other revenue streams of the cane require urgent adjustments so producers can secure the real value for their co-products. It is hoped that the World Bank consultants, while recommending the strategic policy options to assure the sustainability of the sugar industry, will ensure that these long outstanding concerns are resolved at the earliest and these recommendations will accordingly be supported by all stakeholders.



Nicolas Maigrot
President


CASE IH

2019 Crop Sales



Production Supplies & Revenue

Although the below normal solar radiation and temperature amplitude recorded during the harvest period of the 2019 crop were not conducive to optimum sucrose accumulation, the favourable climatic conditions that had prevailed during the growth phase largely contributed to a marked improvement in cane productivity. Compared with the preceding crop, when 323,406 metric tons (mt) tel quel of sugar had been produced from 3,154,516 tons of cane reaped over 47,678 hectares (Ha), sugar productivity consequently rose by an average of 0.57 ton per hectare in 2019. Despite a 0.53% decrease in the island's average extraction rate to 9.73%, this has resulted in an improved crop outturn of 331,105 mt tel quel of sugar from 3,405,250 tons of cane harvested over a reduced area of 45,054 Ha. This sugar production level was 2% higher than the initial forecast of 325,000 mt made by the Crop Estimate Coordination Committee chaired by the Mauritius Chamber of Agriculture prior to the start of the harvest

The 2019 crop production was supplemented with carry-over stocks of 21,014 mt bagged special sugars and imported raw sugar feedstock, and the import of another 42,216 mt raw sugar consignment in November 2019, bringing total disposable sugar for the campaign to 394,335 mt, compared with 411,583 mt for the previous year. This volume was processed into 224,608 mt white refined sugar, 103,900 mt special sugars and another 41,670 mt direct consumption (DC) raw sugar, mostly for export sales, leaving an estimated surplus of 22,835 mt bagged special sugars and raw sugar feedstock at the end of the crop year, after allowing for storage and processing losses.

Table 1

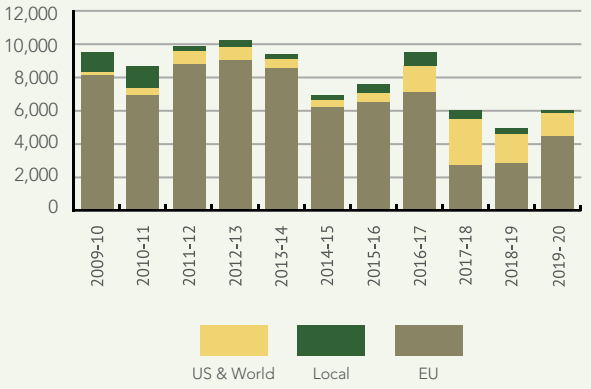
2019 Crop Sales (metric tons)	MT	
2019 Crop Outturn	331,105	
Add carry-over stocks from 2018 crop:		
Raw sugar feedstock/Bagged special sugars	21,014	
Add Imported raw sugar feedstock	42,216	
TOTAL DISPOSABLE SUGAR		394,335
EXPORT SALES 2019-2020		
European Union (EU)		260,046
United States		13,381
Regional Market		63,148
World Market		16,652
TOTAL EXPORT SALES		353,227
LOCAL SALES		11,326
TOTAL SALES		364,553
Less processing and storage losses (theoretical)		6,947
Estimated surplus		
Imported raw sugar and bagged special sugars		22,835

Sugar sales for the 2019 crop were undertaken under improved market conditions as global production decreased substantially, falling from 176.12 M mt in 2018-19 to 171.98 M mt in 2019-20 according to ISO September 2019 estimates. This would have been some 4.76 M mt lower than the global consumption projected at that time. The estimated deficit increased during the course of the year and was estimated at 9.44 M mt in February 2020. As a result, after having remained within the US 11-13 cts/lb range over the previous year, the New York #11 price of raw sugar on the global market started increasing as from September 2019, reaching a high of US 15.90 cts/lb during the third week of February 2020, before declining again with the impact of the COVID19-related confinement. Likewise, in the EU market, where beet sugar production had already decreased to 17.63 M mt in 2018, mainly due to unfavourable weather conditions, stock supplies became less abundant, compared with the record 2017 crop production of 21.32 M mt. A second consecutive year of subdued production, estimated at 17.36 M mt in 2019, again because of weather but also as a result of the 9% overall decline in acreage under beet cultivation, increased pressure on stocks, and consequently market prices. The average price of white sugar prevailing in the EU market has therefore been higher than global prices for most of the year under review, hence the export from the 2019 crop of 194,994 mt white refined sugar and 65,052 mt special sugars. Sales to other destinations comprised 13,354 mt special sugars in the US, 41,787 mt DC raw and 21,361 mt white refined sugars in the regional market, mainly to Kenya, and 16,614 mt special sugars in other market destinations.

As a result of the selling price increase, the Syndicate's total sales revenue attained MUR 7,422 M, compared with MUR 6,141 M for the previous 2018 crop. Likewise the net proceeds, after deduction of all operational and statutory expenses incurred by the Syndicate, increased from MUR 2,831 M for the preceding campaign to MUR 3,793 M, and the ex-Syndicate price paid to sugar producers consequently rose to MUR 11,384 per ton sugar, i.e 31 % higher than the MUR 8,686 disbursed for the preceding crop.

CHART I

Sugar proceeds per destination (MUR M)



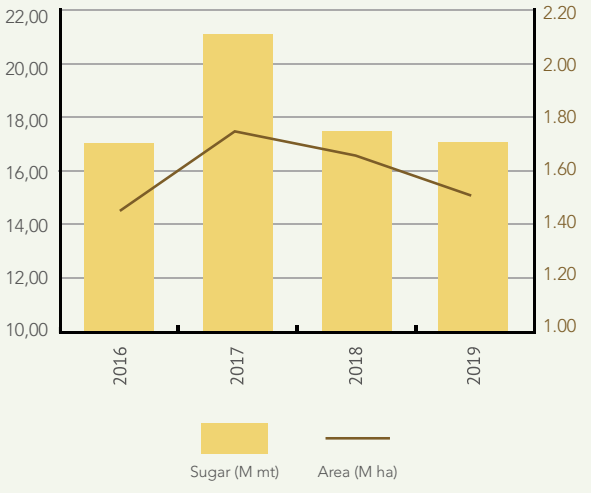
SALES

EU Market

The reduction in acreage under beet cultivation among most EU producing countries is revealing with regard to the thorough review of the strategy that had been adopted in 2017 to become a net exporter of white refined sugar to the world market. The record 1.68 M Ha planted in that year, in anticipation of liberalisation of production quotas, declined slightly to 1.62 M Ha in 2018 and further decreased to 1.55 M Ha in 2019 while 12 sugar mills have meanwhile ceased operations. The unfavourable weather conditions which prevailed over these two latter years, namely the high spring rainfall followed by a very dry and hot summer in 2018, and dry early season conditions followed by a very wet autumn in 2019, impacted on the average yields which in fact decreased from 12.7 tons sugar per hectare (tsh) in 2017 to 10.9 tsh and 11.3 tsh respectively. As a result, beet sugar production for the 2018 crop fell to 17.63 M mt, and for the 2019 crop to 17.36 M tons, and the closing stocks by end September to 1.8 M mt and a forecasted 2.0 M mt respectively, as imports meanwhile increased. After an exceptional 2017-18 campaign as a net sugar exporter, the EU has again become a net importer, net imports for the two following campaigns having been estimated at some 0.3 M and over 1.0 M mt respectively.

CHART II

EU beet sugar production



Mauritius, as a member of the Eastern and Southern African (ESA) trade bloc, continues to benefit from duty-free access in the EU market under the provisions of the interim Economic Partnership Agreement (iEPA) which was ratified in 2012. Hence, in consideration of this preferential trade access, the Syndicate has the ability to arbitrate sales, especially for its white refined sugar, between the EU and non-EU markets, in light of the most remunerative market prices obtainable and the EUR/US$ exchange rate. With the improved EU market environment in 2019-20, it therefore increased supplies for its white sugar to 194,994 mt, compared with 160,653 mt in the previous year, and a mere 110,258 mt in 2017. Most supplies have been directed to the deficit markets of the continent, namely in Spain, Greece and Italy.

As for its special sugars, EU sales attained 65,052 mt for the 2019 crop year, compared with 72,082 mt in the previous year. This decrease of almost 10% in performance is mainly due to increasing competition from Central American and other ACP/LDC producers, who are sparing no effort to secure a larger share of these market segments, that have undoubtedly become even more price sensitive. As a result, due to the tightening margins, special sugars have become less attractive for certain EU distributors, some of whom have even been reducing their orders as they rationalize their range of product offerings.

United States Market

The US Trade Representative (USTR) allocated to Mauritius for its FY 2020 its annual duty free raw sugar TRQ of 12,636 mt raw value (mtrv) on 12 July 2019, representing its historical share of the overall minimum bound TRQ of 1,117,195 mtrv set by the US Department of Agriculture (USDA) a few weeks earlier. These sugars are meant to arrive in the US between 1 October 2019 and 30 September 2020. In light of the decline in the US domestic sugar production during the year, having been estimated at 8.2 M short tons raw value (strv) in January 2020,

compared with 9.0 M strv in the preceding year, while Mexican supplies under the Suspension Agreement of the US, Mexico, Canada Agreement (ex-NAFTA) were also insecure owing to lower production forecasts, the USTR proceeded with the reallocation of 78,071 mtrv of unutilized TRQ on 7 February 2020, and subsequently on 3 April 2020, it increased by 317,515 mtrv the TRQ of traditional incumbent holders in a position to supply. Mauritius was thus allocated an additional TRQ of 6,472 mtrv altogether from these two exercises.

The Syndicate has over the years supplied its range of special sugars to diverse US buyers against its raw sugar TRQ allocation. With the additional allocation for FY 2020, it managed to secure additional orders, bringing total sales for the 2019 crop to 13,354 mt, compared with 10,936 mt in the previous year. The remaining TRQ would be used for sales of special sugars to be produced from the 2020 crop.

Regional and World Markets

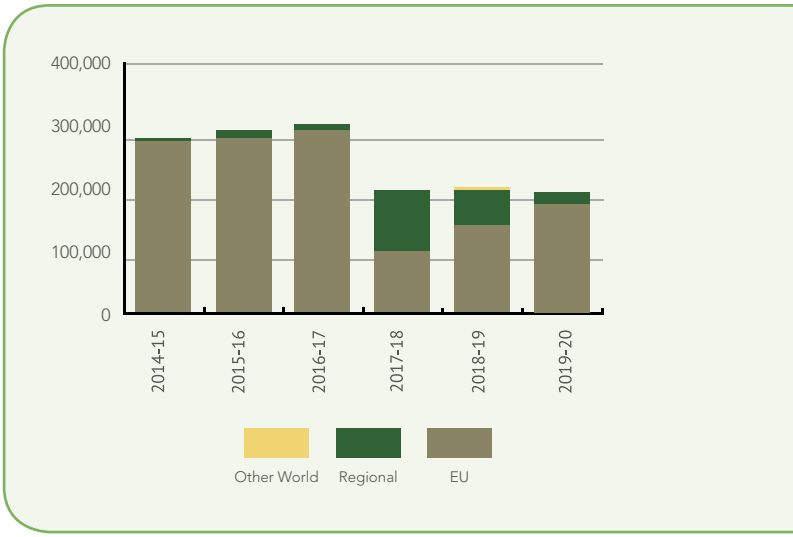
Mauritius has the privilege of being a member of two important trade blocs in the region, namely COMESA (Common Market for Eastern and Southern Africa) and SADC (Southern African Development Community). They regroup 21 and 16 countries respectively, though 9 of them have dual memberships whereby they can opt to choose the most appropriate provisions when trading between themselves.

While both COMESA and SADC are free trade areas and should have allowed free access of goods within their respective regions, they have special derogations for sugar which is often considered as a sensitive product. Hence, under Annex VII of the SADC Trade Agreement, the South African Customs Union (SACU) limits duty free access for non-SACU SADC sugars, set at 46,448 mt in 2019-20, of which the Mauritius share, on the basis of a net surplus definition dating back to 2000, was a mere 2,825 mt. In response to such unfair trade practices, other non-SACU SADC producers have imposed non-tariff barriers, further restricting intra-SADC sugar trade flows. The Syndicate fulfilled 96% of its 2019-20 SACU TRQ through supply of mostly white refined sugar and some special sugars produced from the 2019 crop.

As for the COMESA, which has a net deficit in sugar, most members not involved in production or with significant shortfalls, unfortunately allow free access of sugar from outside the region, and therefore provide no margin of preference for intra-regional trade. One of the rare countries protecting their borders from world market sugars is Kenya which, on the other hand, with the view to protect its producers, has sought a derogation at COMESA level to limit access of such sugars so that sales of their domestic produce can be prioritised. The limit was set at 250,000 mt in 2019 and then in 2020, and the quotas allocated to Mauritius was 55,509 mt and 48,075 mt respectively. Hence the Syndicate sold for the 2019 crop, 21,361 mt white refined sugar and 41,787 mt DC raw sugar, compared with 58,676 mt and 42,339 mt in the preceding campaign. Exports were unfortunately interrupted in July 2020 when the Kenyan Government announced the suspension of all sugar imports, apparently because of the influx of illegal imports from Uganda, especially during the COVID19 curfew. The suspension was released after 1 month after the Kenyan authorities reviewed their import procedures.

CHART III

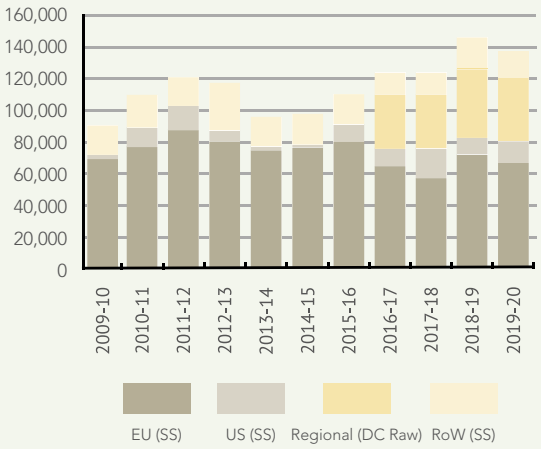
Export of white refined sugar (MT)



Although consumption growth seems to have reached a saturated stage in developed economies, such as North America and Western Europe, it appears more promising, especially with regard to special sugars, in the emerging markets. Driven by rising disposable incomes, urbanisation and changing food habits, the demand for sugar-based products in developing markets, such as in Africa, Asia and the Middle East, is showing an increasing trend. In this regard, the Syndicate, which is already present in over 30 countries outside the EU and the US, continues to strengthen its energies towards further market diversification.

CHART IV

Export of special and DC raw sugars (MT)



Local Market

The annual local market consumption is estimated at some 35,000 mt, split between some 32,000 mt white refined sugar and the balance as direct consumption raw sugar. Although priority of supplies should have been given to domestic producers, as is the case in most sugar producing countries, duty exempt imports from COMESA and SADC origins, and also tariff exemption provided to industrial users for the import of their raw materials, still allow import of sugar at distorted world market prices.

In light of this unfair competition, while the Syndicate cannot justify bringing down its domestic prices to distorted global price levels, it has continued losing market share. Hence total local sales from the 2019 crop attained a mere 11,326 mt, which is even lower than the 16,080 mt sold in the previous year. They comprised 8,188 mt white refined sugar and 3,138 mt raw sugar. Urgent remedial measures are awaited from the authorities to ensure that the local industry has priority over the domestic market.




CMA CGM
CMA CGM

Supply & Delivery Arrangements



Service Agreements for production of value-added sugars

The continuous decline in cane throughput, since the decision was taken to convert the island's total production into direct consumption sugars, falling even below what had been anticipated, coupled with the changes in market conditions, especially the further erosion of its preferential access into the EU market in 2017, have prompted a review of the sugar production mix. In this regard, with the support of Ernst & Young (EY) consultants, discussions were held between the Syndicate and the two refineries, namely that of Alteo and Omnicane Milling Operations Ltd (OMOL), and also the producers of special sugars, namely Terra Milling Ltd (TML) and Alteo Milling Ltd (AML), in order to decide on the new production allocation and consequently the remuneration payable with regard to value-addition brought to locally produced sugars. The EY consultants presented their findings and recommendations in June 2020 to the Syndicate's Executive & Selling Committee, which consequently approved the implementation of new framework agreements for the value-addition processes. It should be recalled that cane planters and millers are paid on a raw sugar basis; hence the Syndicate, with the view to improve the value of such raw sugar for the benefit of its members, is called upon to subcontract the value-addition processes to millers/refineries having invested in the required equipment

to be able to supply the sugars of enhanced quality to meet its buyers' needs. The net margin from such value-addition processes, after payment of the relevant manufacturing premium to the millers/refiners, is retained in the common kitty so that all members of the Syndicate can subsequently benefit from same in their annual ex-Syndicate prices.

In light of the Syndicate's marketing strategy to increase sales of special sugars, such production is expected to increase further, which will consequently leave an even lower quantity of raw sugar for refining. As a result, there would be much refining capacity in place, and the retention of both refineries was considered unsustainable. After discussions held with both entities, taking into consideration the flexibility provided by each, the EY consultants recommended the closure of the Alteo refinery so its adjacent mill can focus on production of special sugars. The excess raw sugar available, together with the excess raw sugar from TML after fulfilment of its production orders for special sugars, would be directed to OMOL for refining. The latter will therefore remain the only refinery in Mauritius, having meanwhile increased its annual capacity to 250,000 mt.

In addition to the discontinuation of the Syndicate's commitments to fulfil refining capacities, that PwC had recommended in 2016, the EY consultants proposed that the calculation of manufacturing premium payable for both white refined sugar and special sugars be aligned to percentages of the average prices obtainable from sales of each type of sugar, so that they can consequently share the burden and benefit of market price variations.

While the annual production of special sugars at TML, which has been an average of 80,000 tons over the last 8 years, will presently be capped at 85,000 tons, that at AML, which has been an average of 40,000 tons over the same period, will be gradually increased to attain the same level. However, provision is also made to allow OMOL to embark on the production of special sugars once the two other mills attain their desired throughput.

The sites producing special sugars, namely TML and AML, are certified BRC Global Standard (BRCGS) for food safety, a certification recognised by the Global Food Safety Initiative. The food safety plan at both sites is managed by Preventive Controls Qualified Individuals (PCQI) who have successfully completed training in the development and application of risk-based preventive controls to comply with the US Preventive Controls for Human Food regulation. In addition to BRCGS, TML has also been assessed and certified as meeting the requirements of FSMA Preventive Control and Preparedness module for the production and bagging of special sugars. In addition, the site has a food defence plan that was validated according to C-TPAT principles by the US Customs and Border Protection, is SEDEX registered, and undergoes an annual SEDEX members ethical trade audit covering labour standards, business ethics, health and safety, and environment management. While complying with the requirements of the Global Reporting Index G4 Sustainability Reporting Guidelines, TML is currently also preparing for Bonsucro certification. Likewise, AML is registered on Sedex and is currently working towards Bonsucro certification.

The production framework at either mill, which includes the processes, facilities and infrastructure, is continuously improved so as to meet the increasingly stringent buyers' demands. In this regard, the ongoing replacement of mild steel by stainless steel in order to further reduce presence of foreign particles, has now reached an advanced stage.

As is the case for special sugars, white refined sugar is produced in refineries that are BRC certified for food safety with the food safety plan managed by a PCQI. Sugar stability is achieved through adequate conditioning to ensure that it reaches the customer in a free-flowing state. In the case of OMOL refinery, certification covers not only the refinery but also the retail packing plant, where sugar can be packed in 500g/1Kg/2Kg packets and in sugar sticks. All sugars packed go through a metal detector prior to palletisation.

Both special sugars and white refined sugar produced in Mauritius meet Kosher and Halal requirements and are suitable for consumption by vegans and vegetarians. Moreover, preventive measures are in place for the control of foreign bodies and since allergens are not handled or introduced on the production sites, the risk of cross contamination is also almost negligible.

Quality & Food Safety

Food safety and food quality are two of the most important aspects within any food-handling environment. While the former keeps consumers safe, the latter satisfies their expectations in terms of food quality attributes and value. Food safety furthermore includes several routines that must be followed to avoid potential health hazards, and thus often overlaps with food defence to prevent harm to consumers. Keeping food safe as it moves along the supply chain is a significant challenge as the whole line must be safeguarded from accidental contamination and purposeful bioterrorism risks, while ensuring the product is handled safely, starting

from the processing stage to storage, till final delivery to the buyers. Creating and sustaining demand for Mauritius special sugars therefore rely on building the trust and confidence of customers in the integrity of the food system.

Assuring food quality and safety thus requires the implementation of effective controls at the level of warehouses and depots, as well as on the sugar and packaging materials received and used. The Central Quality Department (CQD) of the Syndicate works in close collaboration with all stakeholders involved in the supply chain, from producers to customers, including suppliers of packaging materials, container depots and storage facilities, to ensure the sugars produced are:

1. as per specifications & guidelines communicated to the producers: the analytical methods used for the purpose of quality control are accordingly relayed to them;
2. received, stored, delivered/exported in line with guidelines established, and accordingly communicated to the warehouse Managers: quality supervisors posted at the warehouses ensure that these activities are carried out as required, and their regular feedback enables the identification of issues and the timely implementation of corrective actions;
3. released for export/delivery only after verification of all quality and food safety information by the Syndicate's CQD.

The interaction of CQD representatives with producers and warehouse Managers involves the scheduling of buyers'/ auditors' visits and follow-up of any corrective action identified during such visits or resulting from customer complaints. Buyers' questionnaires are regularly reviewed with representatives of the producers and the warehouses, and relevant information and feedback are promptly shared to ensure the Syndicate retains a privileged position on their list of approved sugar suppliers. Through regular site visits and proper communication, the Syndicate's CQD also monitors improvements in the processes.

As regards packaging materials delivered to the producers, the Syndicate ascertains sourcing from suppliers meeting the required quality and food safety norms, as well as the ethical standards. Furthermore, the control procedures put in place by the CQD ensures that the packaging materials received and delivered to the producers are fit for its intended purpose.

Likewise, empty containers used for the transport of sugar are delivered by the depots based on guidelines established by the Syndicate and communicated to the shipping lines. Regular announced and unannounced audits conducted on site guarantee the supply of fit-for-purpose boxes to the industry, while the guidelines and quality checklists are regularly reviewed and updated to ensure continuous improvement in this respect. During the period under review, the cahier des charges for preparation of empty containers was reviewed, from a wet to a dry-cleaning process, with the view to further mitigate the impact of high moisture on sugar quality at destination.

As regards the import of raw sugar for refining purposes, required with the view to optimise local processing capacities, the CQD ensures that appropriate quality control is in place during its loading at origin, discharge at Port Louis and delivery to the refineries. All relevant quality documents relating to the imported sugar feedstock are made available to ascertain the refinery meets the specific clauses of the BRC standard.

The CQD also diligently performs its standing obligation towards producers by analysing daily sugar samples sent by the mills for Polarisation and moisture content. The results of such analyses are averaged and communicated to the Control & Arbitration department of the MCIA at the end of the crop, for determination of the sugar entitlements of millers and planters.

Storage Facilities and Shipping Arrangements

As for the previous campaign, the supply of empty 20-feet food-grade containers (TEUs) from the shipping lines' depots has remained a challenge and it was further compounded in 2020 by the COVID19-related confinement, which significantly reduced availability of TEUs from captive imports. The lockdown on the other hand prompted households to build stocks for their basic necessities, and sugar was in even greater demand as housewives delve into home baking and cooking. The resulting upsurge in retail sales prompted the Syndicate's buyers in various destinations to seek frontloading of their deliveries: it therefore had to mobilise all service providers along the supply chain to be able to meet their growing needs. With Government's support for the issue of the required Work Access Permits, loading and shipments resumed hardly a few weeks after the confinement started in Mauritius. During the period of lockdown, the Syndicate hence managed to ship over 1,700 TEUs of sugar to some 30 different destinations.

The Syndicate collaborates closely with its usual shipping partners, namely Mediterranean Shipping Company (MSC), MAERSK Line and CMA-CGM, for the planning of its export deliveries: for the period under review, sugar consignments were shipped to 37 ports in the EU, 5 in the US and 35 in

other destinations. The turnaround time of containers, that is from the date they are gated out empty from the depot till loading onto vessels, has significantly improved through better coordination between the Syndicate and the millers/refiners with regard to their production planning matching customers' delivery schedules, and also thanks to an enhanced logistics software at the Syndicate that allowed a closer monitoring of container movements.

For the period under review, some 8,769 TEUs of white refined sugar were loaded directly at the Alteo and OMOL refineries for delivery to the Cargo Handling Corporation Ltd (CHCL) and the Mauritius Freeport Development (MFD) dedicated storage areas in Port Louis: 7,909 of them were exported to the EU, and the remaining 860 to the regional market, mainly to Kenya, on a first-in first-out (FIFO) basis. Moreover, out of these exports, 4,071 TEUs were loaded with liners, mainly destined for the EU, 3,328 with big bags ranging from 1.0 to 1.2 tons sugar each, and the balance in 25 kg or 50 kg Poly Propylene bags.

As for the other sugars, out of the 145,570 mt delivered from the 2019 crop, 41,670 mt were produced as DC raw sugar and loaded in 50 kg bags mainly for the Kenyan market, and the balance as special sugars in 25 kg, 50 kg or big bags. Prior to export, 94,043 mt of these sugars were delivered and stored at the MCIA warehouses in Les Salines, while 16,665 mt transited through Velogic and 32,129 mt through MFD facilities located at Mer Rouge and Jin Fei respectively. The remaining 2,733 mt DC raw sugar in 50 kg bags were stored at the OMOL warehouse at La Baraque prior to delivery to the CHCL terminal.

Drawing from past experience, the Syndicate limited the direct loading of containers at the factories to curtail potential prolonged storage, hence demurrage, arising from the unpredictability of the Kenyan market. Thus, for the 2019 crop, only 3,475 mt DC raw sugar were loaded directly into containers based on firm customer orders, while 35,462 mt were first delivered to the MCIA warehouses in Port Louis prior to loading into containers. As for previous years, all exports to Kenya underwent stringent quality control as per the Kenyan Bureau of Standards (KEBS) requirements, through an independent surveillance company, namely Société Générale de Surveillance (SGS). It is only after the product was quality released by SGS, that the Syndicate proceeded with shipments.

In line with the Syndicate's commercial strategy to increase export of special sugars, Shed 1 of the Bulk Sugar Terminal (BST) has been partially converted into a bagged sugar storage facility to accommodate some 28,000 mt sugar as from September 2020, while the remaining area continues to store raw sugar feedstock. Meanwhile, at time of writing, the project to relocate the MCIA Caudan warehouse, as requested by Landscope Mauritius in light of their own plan to construct a cruise terminal at that site, remains on hold, pending a thorough assessment of the Syndicate's future sugar storage needs.

Fairtrade Labelled Sugars

According to Fairtrade International's last annual report, global Fairtrade sugar sales have remained stable at around 200,000 mt in 2018. However, on account of the continued compliance difficulties encountered by several local cooperative societies, the Syndicate again fell short during the 2019-20 campaign of exploiting the full potential of the sales opportunities that arose. Thus, with 6 societies having been decertified during the harvest, while the application made by 4 others for recertification have not proved successful, the certified sugar availability from Mauritius was further reduced and the Syndicate could only harness 16,520 mt supplied by the remaining 21 certified groups for the 2019 crop for export on Fairtrade terms. This total throughput was even lower than the 18,630 mt made available in the previous year.

Sustainable Sugar Production

On the other hand, as a result of the Syndicate's successful accreditation to the VIVE Sustainable Supply Programme at the beginning of 2019, 10,117 mt of VIVE Claim Level sugar processed at the Alteo and Omnicane refineries were shipped during the 2019 – 20 campaign. The sugar was supplied to European and East African industrial users committed to sustainable sourcing. Focusing on continuous improvement throughout the supply chain, VIVE is a system that aims at enabling businesses to deliver sustainable improvements while demonstrating product traceability.

As part of its ongoing collaboration with Fairtrade authorities, the Syndicate contributed to the initiation of a breakthrough project to assess the carbon and water footprints of cane sugar production in Mauritius. Funded by Fairtrade International, this study, which started in November 2019 and lasted over 7 months, fulfilled the requirements of the GHG Protocol developed by the World Resource Institute and the World Business Council for Sustainable Development, and was entrusted to the German consultancy firm Soil & More Impacts. While on the agricultural side the assessment focused on analysing data from Fairtrade sugar cane farms, inputs were provided by OMOL and AML for the processing part. From field to harbour, the assessment thus determined that the average

carbon and blue water footprints in Mauritius amount to 0.36 CO_2e (carbon dioxide equivalent) per kg sugar and 6.8 litres per kg sugar cane respectively, with both performances being significantly better than the global generic averages of 0.43 CO_2e per kg sugar and 50 litres per kg sugar cane. Most notably, it was revealed that generation of renewable electricity from bagasse in Mauritius results in emissions of -0.53 CO_2e per kg sugar, thus exceeding the negative climate impact of the entire domestic cane sugar production process by a net 0.17 kg CO_2e per kg sugar.

As for the Sustainable Development Programme (SDP) initiated by Ctm Altromercato in Mauritius on behalf of Ferrero and in which the Syndicate is engaged under the terms of a five-year partnership agreement established in 2016, the overall performance of the 25 participating cooperatives was again noteworthy, with an increase in cane production from 34,351 tons in 2018 to 36,311 tons in 2019. As a further indication of the programme's impact in encouraging adoption of Good Agricultural Practices in sugar cane farming, 12 of these co-ops recorded sucrose extraction rates superior to the national average of 9.73%. For the fourth consecutive year under this Agreement, 4,000 tons of white refined sugar carrying an additional incentive to fund the SDP, were thus shipped to Ferrero through Ctm Altromercato. For the period under review, this premium was mainly used to subsidise fertiliser and herbicide purchases by the concerned planters. At time of writing, the Syndicate and Ctm Altromercato had engaged into discussion for the renewal of the SDP over a period of 5 years for an even larger quantity of sugar to be supplied to Ferrero.

The Syndicate has meanwhile prepared for certification to the Bonsucro Chain of Custody Standard. The audit, which was initially to take place in Mauritius in March 2020 by SCS Global Services, a Bonsucro licensed auditor and training provider, unfortunately had to be postponed as a result of the COVID19 lockdown. It was subsequently conducted virtually by end August 2020. The exercise was completed successfully and the Syndicate has been recommended for certification and, should accordingly be able to market Bonsucro certified sugars as from September 2020.

Direct Support to Producers

In pursuance of agreements with providers of cane management and harvest services, the Syndicate offers free-of-charge at-source cost deduction and repayment facilities to planters of the Alteo and OMOL factory areas. The 2019 crop harvest was marked by an improvement in performance in both these regions, with Alteo Planters Services and OMOL harvesting, on behalf of the 492 concerned planters, 51,989 tons of cane against 39,195 tons for the previous crop.

As has been the practice since the 2016 crop, the millers entrusted the Syndicate with the payment of cane transport costs and compensation for weighbridge closures refunded to eligible planters in accordance with MCIA Act provisions and agreements with milling companies. For the 2019 crop, a total of MUR 36.1 M was thus remitted under this item to concerned planters of all factory areas via the Syndicate's centralised payment platform.

As for the Sugar cane Planters Regrouping Project (SPRP), it could not unfortunately progress as steadily as in previous years because funds that have been earmarked for the period under review were utilised to primarily finance the guaranteed price of MUR 25,000 per ton sugar announced by Government in the 2019 Budget for the first 60 tons of sugar accruing to planters. Thus, only 19 planters could be serviced through the SPRP during the 2019 crop year, bringing the cumulative land extent regrouped, de-rocked and replanted to date under this scheme to 11,832 Ha. As regards the Cane Replantation Scheme for planters having previously benefited from SPRP and completed a cane cycle of at least 6 years, the cash grant was increased from MUR 71,000 to MUR 83,000 per Ha. As at mid-May 2020, landowners holding a total extent of 689 Ha had signed contract agreements with the MCIA to benefit from the scheme and an area of about 304 Ha had already been replanted.

Other noteworthy measures for planters announced by Government during the year under review included:

- Waiving of all debts in respect of the SPRP scheme;
- Waiving of 50% of the advance on fertilizers supplied through the MCIA for crop 2019;
- Waiving of the general insurance premium for crop 2019 for planters producing up to 60 tons sugar, though this was subsequently included in the price guarantee of MUR 25,000; and
- Provision of MUR 15 M for the acquisition of sugar cane harvesting equipment by the MCIA.



2020 Crop & Market Prospects



Production Supplies

As a result of the COVID19-related confinement, the beginning of the 2020 harvest was slightly delayed, with cane crushing starting on 15 June 2020 at Alteo. Because of suboptimal climatic conditions for cane growth that had prevailed during the period preceding harvest, total average stalk height at the end of June 2020 was lagging behind that at the same time in the previous year by 7.7% and inferior to the normal by 4.0%. With a reduction of at least 1,600 hectares expected in the area to be harvested this year, the Crop Estimate Coordinating Committee (CECC), chaired by the Mauritius Chamber of Agriculture, thus issued, on 26 May 2020, a first production forecast of 310,000 mt sugar from some 3.17 M tons cane to be reaped. The persistent rainfall deficiency during the harvest season impacted negatively on the cane productivity which therefore declined from an average of 79.5 tons cane per hectare (tch) at end June to 72.1 tch by end August 2020. Despite the improvement in sucrose accumulation due to favourable temperature amplitude and solar radiation during the cane maturation, enhancing the average extraction rate to an estimated 10% for the crop, it was not sufficient to compensate for the fall in productivity. Hence, against a forecasted cane throughput of 2.96 M tons, the CECC revised its production estimate at its meeting held on 7 September 2020 to 290,000 mt sugar.

Table 2

2020 Crop Estimated Sales (metric tons)

	MT	
2020 Crop Forecast	290,000	
Add carry-over stocks from 2019 crop:		
Raw sugar and bagged special sugars	22,835	
TOTAL DISPOSABLE SUGAR		312,835
EXPORT SALES FORECAST 2020-2021		
White refined sugar	150,000	
Special sugars	110,000	
DC raw cane sugar	40,000	
		300,000
LOCAL SALES ESTIMATES		
Raw sugar for direct consumption		3,500
TOTAL SALES FORECAST		303,500
Less processing and Storage losses		4,500
Estimated surplus		4,835

While a second consecutive year of global deficit was initially foreseen in 2020-21, after prolonged low world market prices since 2017, the propagation of the COVID19 at the start of the year, which compelled a number of countries to lockdown, has drastically changed this prediction, hence the initial price forecast. The August 2020 ISO forecast hence shows global production rising to 173.46 M mt, from 169.58 M mt estimated in 2019-20, which has itself been reviewed from an initial forecast of 166.80 M mt: global consumption estimates for 2019-20 have also been reviewed from 176.10 M to 169.72 M mt over the same period. With global consumption for the new 2020-21 campaign being forecasted at 174.19 M mt, the deficit expected would attain a mere 0.72 M mt.

In addition to yield recovery, due to improved weather conditions, in a number of key producing countries, namely in India, Pakistan, the US and Mexico, the production rise is especially associated with the Brazilian crop, which is likely to reach record sugar production level as the sugar mix ratio has been significantly increased after the collapse of oil, hence ethanol, prices earlier in the year. This shift in production is estimated to have deviated some 8 M mt sugar equivalent from ethanol.

The abovementioned review in world market balance, coupled with the depreciation in currencies amongst the largest sugar producers, namely in Brazil, India and Thailand, at the beginning of the year, have triggered a price fall of some 40% over the period from end February to end April 2020. Although over 40% of this decrease have been recovered by the start of the 2020 crop harvest, the market conditions remained worse than what had been anticipated at the beginning of the year, and encompassed more uncertainties compared with the same time in the previous campaign.

The spread of the pandemic has also dramatically impacted food supply and demand chains, daily people movements and the broader economy. The resulting lockdowns have more specifically affected certain market segments, namely the food service, following the closure of hotels, restaurants and coffee shops, and non-essential sugar-based food processing industries. While retail sales might have meanwhile risen due to increased home cooking and baking, supplies of the higher value-added sugars to the aforementioned segments have been particularly affected.

Sales of the 2020 crop sugars have therefore been influenced by these above-mentioned developments. The drop in world market prices, despite some slight adjustments as from May 2020, and the high closing stocks due to reduced deliveries during the confinements, have enticed the Syndicate's

buyers to negotiate lower prices for the new delivery period, sometimes even accompanied with reduction in their orders. This has been exacerbated by increasing competition from other suppliers, further driving down prices in order to secure enhanced market shares.

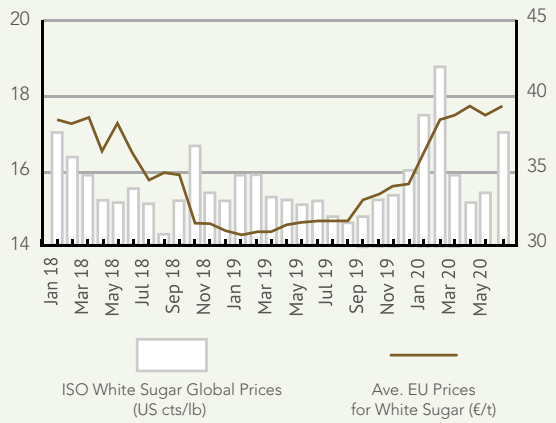
EU Market

According to the EU Commission May 2020 forecast, EU production for the 2020 crop was estimated at 17.60 M mt, compared with 17.36 M mt in the previous year when it had been affected by adverse weather conditions. The crop has notheless meanwhile been impacted by dry weather conditions, especially in France, Poland and the Benelux, while overall area under beet cultivation had been reduced to an estimated 1.52 M Ha, compared with 1.68 M Ha for the record 2017 crop. In addition, the yields are likely to be affected by the aphids-transmitted beet yellow virus, after the widened ban on the use of neonicotinoids, which is likely to affect especially the French harvest by at least 500,000 mt sugar. At time of writing, the 2020 EU crop forecast was closer to 17.00 M mt.

In light of the above production constraints, it is anticipated that EU market prices for the 2020-21 campaign should not follow the drastic fall in world market prices over the February-April 2020 period, despite the likely reduction in consumption and exports, triggered by the COVID19-related lockdowns. Already for the 2019-20 marketing year, the average ex-works price of white refined sugar, as reported by the EU Commission, had gradually increased and attained € 379 per mt in June 2020, after having fallen to a € 312 low in January 2019.

CHART V

Monthly average prices of white sugar (global v/s EU)



The average monthly price has in fact improved to € 362 per ton sugar at time of writing, from € 318 in the previous year, while the average price for 2016-17 prior to liberalisation of EU production quotas, had stood at € 492. For the new 2020-21 marketing year, the EU would again, for the 3rd consecutive year after the record 2017 crop, be a net sugar importer, total imports being forecasted at over 2 M mt. Given the consequential favourable market prices, coupled with the strong EUR, having attained a peak of US$ 1.19 by end August 2020, the EU is expected to remain the more attractive destination for the Mauritius 2020 crop sugars.

In light of its Most Favoured Nations (MFN) import tariffs of €335 per ton raw sugar meant for processing and €419 per ton direct consumption sugar, the EU has remained somewhat protected from the world market price distortion, except when the domestic producers themselves have excess supplies, as was the case for their 2017 crop harvest when production quotas had just been liberalised. Fortunately, after the drastic market price fall triggered by this 27% year-over-year throughput increase, which entailed severe financial losses among the EU beet sugar producers, they became less ambitious on their production targets which, together with the effect of unfavourable weather conditions in the following years, restored some price improvements.

The EU market has on the other hand maintained preferential access for ACP sugar supplies under the interim Economic Partnership Agreements (iEPA), which the EU Commission negotiated with the various ACP regional groupings, in anticipation of the end of the Cotonou Agreement in 2020. Mauritius, together with four members of the Eastern and Southern African (ESA) trade bloc, namely Comoros, Madagascar, Seychelles and Zimbabwe, are implementing the iEPA as from May 2012. The iEPA provides for duty free and quota free access for sugar from the respective trade blocs to the EU market and their total exports for the 2018-19 marketing year, after the significant fall in the EU crop outturn, attained 1.11 M mt by end September 2019, compared with 0.56 M mt over the preceding campaign. Comparatively, the overall sugar imports into the EU, including from third countries having established free trade agreements with the latter, increased from 1.3 M to 1.9 M mt over the same period, and are expected to exceed 2 M mt in the 2019-20 marketing year. ACP supplies for the year under review already stood at 0.70 M mt as at 18 August 2020.

Negotiations were launched in October 2019 for the deepening of the iEPA between the EU and the ESA group. It covers various aspects, namely economic cooperation,

trade facilitation, agriculture, SPS and TBT, and Rules of Origin, and is an opportunity to explore how the Mauritius sugar industry could further improve its market access to the EU, while taking into consideration its production capabilities. Discussions are ongoing and the target has been set for the implementation of the new framework within the next 5 years.

British Market

In 2019, Great Britain was the 5th largest export destination for Mauritius sugar, constituting some 10% of its total exports. Despite announcement of its official separation from the EU in December 2020, it remained to be seen at time of writing, how sugar trade will be managed, especially with regard to any preferential supply from the EU continent. After this transition period ending 31 December 2020, a new Britain-EU trade policy framework will in fact be in place. Based on the communication issued by the Department of International Trade in May 2020, a tariff of £ 35/100 kg will be imposed on EU sugar if no agreement is reached by that deadline. While the ESA group has already been assured of continuity of preferential access as under the existing iEPA, hence with no disruption of trade, Mauritius should therefore maintain a margin of preference into this market in the event of a hard BREXIT especially for its white refined sugar, which is presently being largely sourced from producers in the EU belt region.

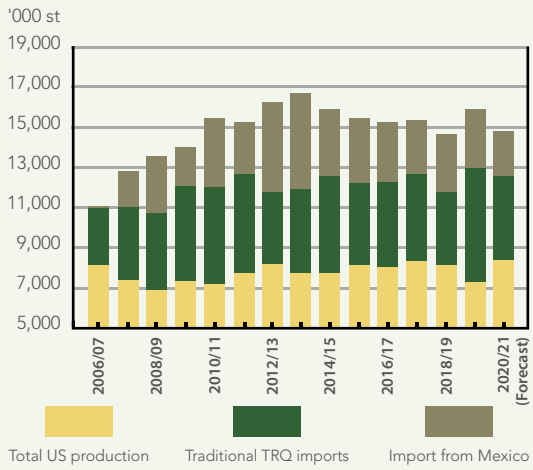
Both the EU and the UK have remained traditional markets for the Mauritius special sugars, still accounting for almost half of their total sales, but they are being increasingly challenged by new producers, especially from the Central American countries, which finalised free trade agreements with the EU in 2013. Supplies of direct consumption raw sugar from these countries to the EU have exceeded 80,000 tons in 2019, with an annual average increase of 18% over the last 7 years, a trend which poses a threat of commoditising the high value-added special sugars from traditional suppliers. In this regard, the Syndicate is in discussion with its various EU customers how to safeguard, or even consolidate, its market position in their respective markets, namely by putting emphasis on its large variety of sugars, their wholesomeness, and their consistency in quality and supplies.

US Market

Mauritius normally secures its traditional share of the aggregate raw sugar tariff rate quota (TRQ) which is usually set by the US Department of Agriculture (USDA) at the minimum WTO bound level of 1,117,195 metric tons raw value (mtrv) over the October/September delivery period. Mauritius is thus allocated the minimum annual TRQ of 12,636 mtrv, which has over the last 5 years been filled through the supply of special sugars. In light of supply shortfalls arising from reduced domestic production or supplies from other preferential producers, the US Trade Representative (USTR) may decide to reallocate during the course of the year unused TRQ allocations to those countries in a position to ship additional sugar. The USDA may also increase the TRQ if additional imports are needed. In this regard, while the US beet crop for 2019-20 was reduced to an estimated 8.2 M short tons raw value (strv), compared with the 9.0 M strv estimate in the previous year, and Mexico's supplies were also anticipated to be below normal, Mauritius was provided with an extra 1,118 mtrv TRQ as shortfall reallocation in February and a further 5,354 mtrv when USDA increased the TRQ in April 2020, bringing its total access for FY 2020 to 19,108 mtrv. As the delivery period was subsequently extended to 31 October 2020, the Syndicate managed to fulfil 82% of the enhanced TRQ from both the 2019 and the 2020 crops. As for the 2020-21 delivery period, the USDA set the overall raw sugar TRQ on 9 July 2020 at the bound minimum level of 1,117,195 mtrv, with Mauritius' allocation being the usual 12,636 mtrv, subject to possible increase through shortfall reallocation and/or TRQ increase, which nevertheless seems unlikely at time of writing, barring unforeseen circumstances. The Syndicate aims at fulfilling this new TRQ through supply of special sugars to its range of US buyers.

CHART VI

US sugar supplies



The US market, with an annual consumption of some 12.2 M strv, produces between 8 and 9 M strv sugar annually, the deficit being met by the traditional raw sugar TRQ suppliers, but increasingly under other FTA arrangements, especially from Mexico in the context of the US, Mexico, Canada Agreement

(USMCA), previously known as NAFTA. It should be recalled that pursuant to the two fold increase in Mexican sugar supplies from 2012 to 2013, antidumping and countervailing duty (AD/CVD) charges had been filed in 2016-17 by the US sugar industry against Mexican sugars but a Suspension Agreement (SA) was subsequently implemented to allow controlled access of these sugars with regard to both volume and prices. The SA was reviewed by the Department of Commerce for a five-year period in April 2020 in order to avoid injury to the domestic sugar industry and was subsequently affirmed by a decision of the US Court of International Trade.

The US President has meanwhile advised that the Africa Growth and Opportunity Act (AGOA), which expires in 2025, will not be renewed, as he intends to negotiate a series of bilateral Free Trade Agreements (FTAs) with individual African countries. Although sugar has not been eligible for preferential access under AGOA, the new proposed trade arrangement is seen as an opportunity for raw sugar TRQ holders to seek enhanced preferential access for their products in the US market. The US and Kenya started formal negotiations in July 2020 for the first bilateral FTA in this regard, with the aim of establishing a model FTA for other AGOA countries. Mauritius is reported to being in the second batch of African countries with which a bilateral FTA would be negotiated. Meanwhile, the Syndicate has made representations through its US Trade Counsel, to both USTR and the US International Trade Commission, to ensure that enhanced preferential market access for sugar remains part of the trade discussions.

Regional Markets

Although the countries neighbouring Mauritius should have provided secured market access for its sugars, namely in light of the deficits which certain of them frequently face and the regional trade agreements in place, most of them unfortunately either restrict access into their markets, or have porous borders which allow imports at the distorted world market prices.

Within the 21 member states of the Common Market for Eastern and Southern Africa (COMESA), which should have provided duty free and quota free access, an attractive margin of preference is mainly extended by Kenya for direct consumption raw sugar, which otherwise carries an import tariff of 100%. However, in order to ensure that their own domestic producers are not penalised, the Kenyan authorities have sought a special safeguard at the Council of Ministers to ensure that supplies from other COMESA producers do not exceed their annual shortages. Hence for the 2019 calendar year, it announced a total deficit of 250,000 mt, of which Mauritius had a share of 55,509 mt, while in the following year, the deficit was again estimated at 250,000 mt, with some 48,075 mt allocated to Mauritius. These TRQs were fulfilled through the export of direct consumption raw sugar to a range of buyers in Kenya, which the Syndicate has been regularly supplying over the last 4 years.

A COMESA Sub Committee comprising the Secretariat and representatives of both Kenya and the group of sugar exporting countries, has the task of monitoring and assessing the implementation of the safeguard. Although this restriction should not apply for white refined sugar, which is not presently produced in Kenya, their representatives stated during the virtual Sub-Committee meeting held in July 2020, that the amalgamated TRQ comprised 150,000 mt white refined sugar and 100,000 mt mill white or brown sugar, on the ground that their industry should meanwhile be producing white sugar, which therefore needed protection from duty-free imports. This would further restrain preferential access for COMESA sugars into Kenya.

Paradoxically the net margin of preference presently provided by Kenya for white refined sugar is only 10%, after the 90% duty restitution extended to eligible industrial users, hence with import prices closer to global price levels. This reimbursement is bound to be repealed if domestic production of white sugar were to be protected.

On the other hand, Kenya suspended, with immediate effect, all sugar imports, including from COMESA origins, in early July 2020, on the ground that it had an influx of unlawful imports and was in the process of developing new import regulations. Although the suspension was released after 1 month, it severely disrupted sugar deliveries from Mauritius at the beginning of the harvest.

Meanwhile, in light of the difficulties which certain buyers of Mauritius sugar have been facing in obtaining their import licenses, the Syndicate has finalised, further to a resolution of the 2019 Ministerial session of the Kenya-Mauritius Joint Commission for Cooperation, a bilateral arrangement with the Kenya Sugar Directorate in May 2019 to assure smooth trade flows between the two countries.

As for the 16 member states of the South African Development Community (SADC), which has an overall sugar surplus estimated at over 1 M mt annually, only 3 countries, excluding those forming the South African Customs Union (SACU), need to import sugar regularly but unfortunately no margin of preference is extended to regional producers. On the other hand, the surplus producers

impose non-tariff barriers to other fellow members, though they themselves often import sugar at distorted world market prices, the SACU region having imported from outside the region over 100,000 mt sugar annually. Hence the SACU, under Annex VII derogation of the SADC Trade Protocol, which dates back to 2000, limits access for non-SACU sugar producers. It was set at 46,448 mt in 2019-20 and revised to 46,948 mt in 2020-21, of which the Mauritius share, in light of its historical exposure to global price volatility, would be a mere 2,856 mt: this quota would be filled mostly through supply of white refined sugar.

Although global market conditions have changed drastically over the last 10 years, mainly with the erosion of these countries' trade preferences in the EU, whereby Mauritius is now the most exposed to such price fluctuations in light of its largest net sugar surplus in the region, other member states prefer maintaining the status quo. In response to the SACU market access restrictions, other countries, except Mauritius, have also imposed equivalent non-tariff barriers in order to protect their own producers from sugars originating in this Customs Union.

After the coming into force of the African Continental Free Trade Area (AfCFTA) in May 2019 and launching of the operational phase in July 2019, the agreement has been ratified by 28 countries out of the 54 signatories. The African continent represents a market of 1.2 billion people, which is expected to grow to 2.5 billion by 2050. While trade preference for Mauritius under SADC and COMESA will be maintained under the respective agreements, the AfCFTA could create opportunities in other regions, namely in Northern, Western and Central Africa. However, given that sugar is considered as a sensitive product in most countries, which would be inclined to request for a special dispensation, trade preferences for this product under the AfCFTA was yet to be defined at time of writing.

Other Export Markets

With the support of its economic diplomacy, Mauritius has negotiated bilateral free trade agreements, comprising preferential market access for its special sugars, with two countries accounting for the world's fastest emerging markets, namely China and India. While the agreement with the former was signed in October 2019, and would provide for a reduced tariff quota of 15,000 mt sugar starting from 2021, that will grow gradually over the forthcoming years, negotiations with the latter country, which is embedded in a larger Comprehensive Economic Cooperation and Partnership Agreement, and which should also provide a tariff rate quota for special sugars, was yet to be finalised at time of writing.

As both countries also produce sugar, they impose high protection of their respective markets in order to avoid unfair competition from the global price distortion. They are therefore appropriate destinations for the high value-added special sugars from Mauritius which, given the segments being targeted, should not on the other hand be competing with their own produce. In light of the increasing affluential population and the evolving consumer trend, it is foreseen that these countries would in the future become significant market destinations for Mauritius sugar exports.

Coupled with the above, the Syndicate will pursue the consolidation of its markets for its special sugars in other regions where it has already made inroads, namely in Eastern Europe, the Middle East, South East Asia and the Far East. As consumers' preferences increase in favour of wholesome ingredients and products, the potential demand for such products is bound to increase.

Local Market

Despite Government's decision announced in its 2020 budget to increase import tariff on sugar from 80 to 100%, the Syndicate will continue to face fierce and unfair competition from duty free imports from COMESA and SADC and also from industrial users who are exempted from payment of import duty on their raw materials. While all stakeholders are cognisant of the revenue shortfall incurred by local producers when their own sugars are being displaced, measures to safeguard the domestic market, as is already the case in most sugar producing countries, especially in the region, are still awaited at time of writing.

The Syndicate has meanwhile, in collaboration with the local refinery, continued to reinforce its commercial relationship with its customers, namely by assuring direct delivery to their premises.




January
May

Financial Management, Risk Management and Audit



One of the critical success factors of the Syndicate in enhancing and adding value to the ex-Syndicate price payable to the sugar producers is to establish and apply effective financial management practices. As its primary objective, the Syndicate ensures that disbursements are adequately and continuously made to them to sustain their activities. In parallel, it has ascertained proper treasury management, while ensuring that fluctuations in foreign currencies are adequately managed and there is a proper balance of internal controls.

Disbursements made to Producers for Crop 2019

A snapshot of the various categories of disbursments made to sugar producers for crop 2019 by the Syndicate (net of the SIFB premium) is provided in the table below.

Table 3

Revenue Streams (converted to per ton sugar equivalent)	Planters			Millers
	First 60 mt	Above 60 mt	Miller Planters	
Sugar proceeds	11,384	11,384	11,384	11,384
Bagasse Transfer Price Fund (BTPF)	143	143	66	14
Molasses and Distillers	1,640	1,640	1,640	-
SIFB Premium	-	(410)	(410)	(410)
Government Financial Support (to planters for first 60 mt)	10,910	-	-	-
TOTAL	24,077	12,757	12,680	10,974

Sugar Accruing

The Syndicate made a first conservative estimate of the ex-Syndicate price at MUR 10,000 per mt sugar, on basis of which, advances were paid to producers as their sugars were being produced. Hence, for growers cultivating under 100 Ha land, a first advance of MUR 8,000 per mt sugar was paid by the Syndicate as from July 2019. After Government guaranteed the payment of MUR 25,000 per mt sugar for the first 60 mt sugar produced, and subsequently recommended an enhanced advance of MUR 20,000 for such category of producers. The Syndicate raised its first advances to such planters to MUR 9,300 per ton sugar as from 3rd October 2020, while the authorities financed the balance of MUR 10,700 per mt sugar. Advances paid to the other producers, through the financial year ended 30 June 2020, were continuously increased as follows:

Table 4

PERIOD	Increase in Advance	Cumulated Advance	% of estimated ex-Syndicate price
	MUR/MT	MUR/MT	%
July 2019 up to December 2019	6,000	6,000	60
January 2020 up to March 2020	1,500	7,500	75
April 2020 up to May 2020	1,000	8,500	85
June 2020	800	9,300	93

The above advances paid to producers during the financial year ended 30 June 2020 necessitated funds amounting to MUR 3.2 billion. Once the ex-Syndicate price was finalised at MUR 11,384 per mt sugar, payments were settled with producers on 17 July 2020, requiring a further disbursement of MUR 566 M by the Syndicate.

Molasses and contribution by Distillers/Bottlers

The responsibility for determination of the final price payable for molasses, which includes the contribution made by Distillers/Bottlers for absolute alcohol retrieved for domestic consumption, rests with the Control and Arbitration Department (CAD) of the MCIA. For the 2019 crop, the disbursement in this respect was finalised by the CAD on 24 July 2020 at MUR 3,717 per ton molasses or at an equivalent of MUR 1,640 per mt sugar. The full amount of MUR 427 M was consequently paid by the Syndicate to all producers on 12 August 2020 after receipt of final dues from the respective distilleries.

The contribution from Distiller/Bottlers, amounting to MUR 157.5 M, was collected by the Mauritius Revenue Authority and remitted to the Syndicate through the Ministry of Agro-Industry and Food Security throughout the financial year. The remaining balance, with regard to molasses payment, was invoiced by the Syndicate to the distillers on 4 February and subsequently on 29 July 2020, based on the tonnages of molasses purchased or used by them during the year.

Bagasse Transfer Price Fund (BTPF)

Pursuant to Section 13 of the Sugar Industry Efficiency (SIE) Act 2001, proceeds in respect of the Bagasse Transfer Price Fund for crop 2019 amounting to MUR 20.0 M and MUR 38.3 M (net) were received by the Syndicate from Omnicane Thermal Energy Operations Limited and the Central Electricity Board on 7 July and 8 July 2020 respectively. Disbursements of the BTPF were consequently made on 14 July 2020 to the 2 groups of producers as per the SIE Act 2001 as follows:

a) MUR 66.34 per mt sugar for the first group, i.e. Miller-Planters;
b) MUR 143.06 per mt sugar for the second group i.e. Other planters.

Government Financial Support

Following the promulgation of the Finance Act 2019, all planters have been entitled to a guaranteed price of MUR 25,000 per ton sugar for the first 60 mt accruing to them for crop 2019. This has been made possible through a Government Financial Support (GFS) topping up payments already earmarked for the producers, which are as follows: (i) the final ex-Syndicate price for sugar accruing (ii) the price paid for molasses (including the contribution made by Distillers/Bottlers) (iii) the Bagasse Transfer Price Fund (iii) the Global Cess component which would have been payable on the first 60 mt sugar, and (iv) the deemed SIFB premium which would have been payable by growers with less than 60 mt sugar accruing.

An amount of MUR 570.6 M was received by the Syndicate from the MCIA for crop 2019 under the GFS though total disbursement made by the Syndicate amounted to MUR 609.8 M, of which MUR 582.6 M had been paid during year ended 30 June 2020 and a final settlement of MUR 27.2 M on 14 August 2020. Due to the initial enhanced advances paid, as recommended by the MCIA, to a broader category of producers, which also included those cultivating cane on less than 100 Ha land, total payment effected by the Syndicate to eligible producers thus exceeded receipt of MCIA funds by MUR 39.2 M: the difference of MUR 26.7 M was recouped from the final sugar proceeds on 17 July and molasses proceeds on 12 August 2020, and the balance of MUR 12.5 M would be retained from sugar accruing for crop 2020.

Based on the amount disbursed, the equivalent payment under GFS made to growers producing up to 60 mt of sugar, therefore attained MUR 10,910.40 per mt sugar.

SIFB Premium

The final premium declared and payable to the Sugar Insurance Fund Board (SIFB) for crop 2019 amounted to MUR 139,774,780. An amount of MUR 23,014,844 earmarked for growers producing less than 60 mt sugar was included in the GFS topping up their proceeds to MUR 25,000 per ton sugar. The balance of MUR 116,759,936, equivalent to MUR 410 per mt sugar for the other producers, was retained by the Syndicate out of the final settlement of their sugar proceeds accruing for crop 2019 on 17 July 2020 and accordingly remitted to the SIFB. The share between Millers and Planters is as follows:

a) Millers' share: MUR 28,921,242; and
b) Planters' share: MUR 87,838,694.

SIFB Compensation

General Fire compensation declared by the SIFB for crop 2019 amounted to MUR 10,224,579. This amount was paid through the Syndicate to the eligible producers on 3 June 2020.

Fairtrade premium for certified Cooperative Credit Societies

27 Cooperative Credit Societies (CCS), producing an estimated 20,931 mt Fairtrade sugar, were certified at the begining of crop 2019. During the financial year, 6 of them were unfortunately decertified and at 30 June 2020, the remaining 21 CCSs had produced an estimated 16,500 mt Fairtrade-certified sugar.

For year ended 30 June 2020, an amount of MUR 21.5 M was invoiced to relevant customers as Fairtrade premium due on sales of the certified sugars. Out of this amount, MUR 12.9 M have been distributed to the CCSs as at 30 June 2020 and the balances shall be paid out after the relevant amounts invoiced to the buyers are settled with the Syndicate.

Payments on behalf of Millers

During financial year ended 30 June 2020, a total amount of MUR 35.3 M was received from the milling entities of Terra, Alteo and OMOL, representing the refund of extra transport costs and payment of compensation in respect of weighbridge closures, accruing to planters. These sums were subsequently remitted by the Syndicate to the relevant planters' accounts or through their respective CCSs with which they were registered.

Crop Financing, Treasury Management and Borrowings

In order to make disbursements as advances on sugar accruing to producers for crop 2019, which amounted to MUR 3.2 billion throughout the year ended 30 June 2020, the Syndicate availed itself of existing facilities with commercial banks and other financial institutions, which have been renewed on equivalent terms. The facilities used for crop financing were mostly in the form of short-term borrowings at favourable rates of interest. At 30 June 2020, these short-term loans amounted to MUR 2,091 M compared with MUR 2,831 M at the end of the previous financial year.

Moreover, the Syndicate financed the purchase of a consignment of imported raw sugar feedstock, amounting to some USD 13 M, through short term financing duly negotiated with commercial banks and adequately hedged against the cross rate EUR/ USD in order to minimise the finance costs.

The Syndicate had also taken a long-term borrowing of MUR 300 M from the SIFB to supplement the ex Syndicate price for the 2017 crop. A first instalment of this loan amounting to MUR 60 M, was repaid in May 2020, thus leaving a balance of MUR 240 M due on the loan as at 30 June 2020 .

The treasury management function, operating under the Finance department of the Syndicate has established cash flow budgets and rolling forecasts, and ensured monitoring to be able to take informed decisions on cash requirements and to secure the most competitive costs of finance. At the same time, the principles for good working capital management were enforced to ensure that the Syndicate operates efficiently through the monitoring of its sugar inventories, trade receivables and payables to the best effect. Finance costs for crop 2019 hence decreased by 39% compared to the preceding crop as shown in the table below:

Table 5

	Crop 2019	Crop 2018	Difference between Crops 2019 & 2018	
	MUR M	MUR M	MUR M	%
Borrowing costs	82.9	136.6	53.7	39

This decrease in borrowing costs was also attributable to the reduction in the repo rate by 100 basis points to 1.85% in April 2020, as decided by the Bank of Mauritius with the view to contain the impact of the COVID19-related lockdown on the economy.

Foreign Exchange Receipts and Hedging Performance

Out of the total annual revenue from sales of sugar, which amounted to MUR 7.422 billion, MUR 238 M represented local market sales and the balance of MUR 7.1 billion (96%) represented proceeds from exports. The latter was denominated mainly in EUR and USD and attained EUR 118 M and USD 60 M respectively. Under the aegis of the Forex Committee, the Syndicate pursued its established practice of hedging its foreign currency receipts to mitigate the risks and volatility inherent in the currency market.

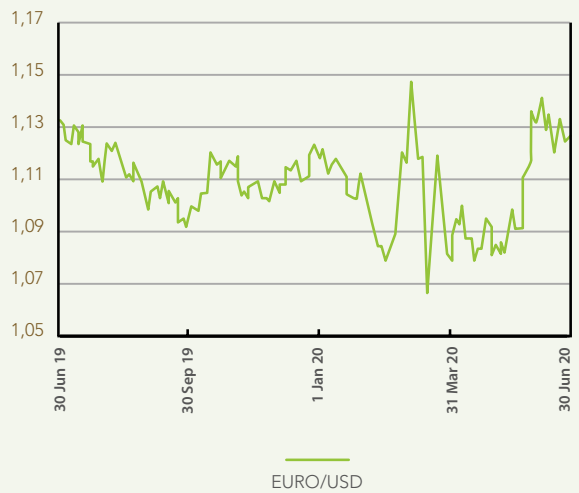
The Syndicate started to hedge the sugar proceeds of crop 2019 as from December 2018 when the EUR/USD pair was trading at 1.1400, EUR at MUR 38.50 and USD at MUR 33.90. The EUR/USD exchange rate held rather steady till end January 2019 before starting its downward trend, mostly on account of the BREXIT, reaching a trough of US$ 1.0658 on 19 March 2020 before turning around to US$ 1.1230 by the end of June 2020. This turnaround was mainly influenced by the COVID19-related confinement.

Europe, compared to the United States of America, has been able to better contain the spread of the deadly virus, thus automatically favoured by the market. In contrast, the US has and is still grappling at time of writing to coordinate measures to reduce the impact of the virus to its economy. On 18th August 2020, the EUR/USD parity surged to a peak of US$1.195.

The evolution of the EUR / USD parity during year ended 30 June 2020 is depicted in the following graph:

CHART VII

Evolution in EUR/USD parity



On the domestic market, there has been a sharp depreciation of the Rupee vis a vis the EUR and USD as from March 2020 after the lockdown and economic downturn resulting from the COVID19 pandemic. The buying rates moved from MUR 39.14 to MUR 43.48 for the EUR and from MUR 35.28 to MUR 39.55 for the USD. The depreciation of the MUR vis a vis the EUR and USD has ranged between 10% and 15% during the period March to June 2020.

The evolution of the MUR against the EUR and USD during year ended 30 June 2020 is depicted in the following graph:

CHART VIII

Evolution EUR/MUR and USD/MUR



At time when the Rupee started to depreciate sharply, the Syndicate had already hedged most of its Forex proceeds for crop 2019. Thus, it could not take full advantage of the market situation prevailing as from March 2020. The average exchange rate achieved for crop 2019 reached MUR 40.57 against EUR and MUR 35.49 against USD. Nevertheless, on unshipped sales at 30 June 2020, the Syndicate achieved a windfall gain of some MUR 200 M, which has impacted positively on the ex-Syndicate price for crop 2019.

Internal Controls

The Main Committee is responsible for the system of internal control and risk management of the Syndicate and is committed to continuously maintain adequate internal control procedures with a view to safeguard its assets and reputation. Areas with high residual risks are continuously assessed and reviewed with the assistance of the Internal Audit function.

Management is accountable to the Main Committee for the design, implementation and enforcement of these internal controls, ensuring that the associated processes and systems are operating satisfactorily. The Main Committee derives assurance that the internal control systems are effective through the lines of defence. Hence It has:

(i) to be appraised regularly in respect of performance and operations, and

(ii) to ensure that the Internal Audit function is in accordance with their internal audit plan.

In the design of the internal control system, the Syndicate has applied a 'right balance of internal controls' whereby the efforts, costs, and time involved in operating these controls are balanced against the nature and significance of the risks they mitigate. This is summarised in the diagram below which highlights that an optimal level of internal controls is an important consideration for higher performance and value creation.

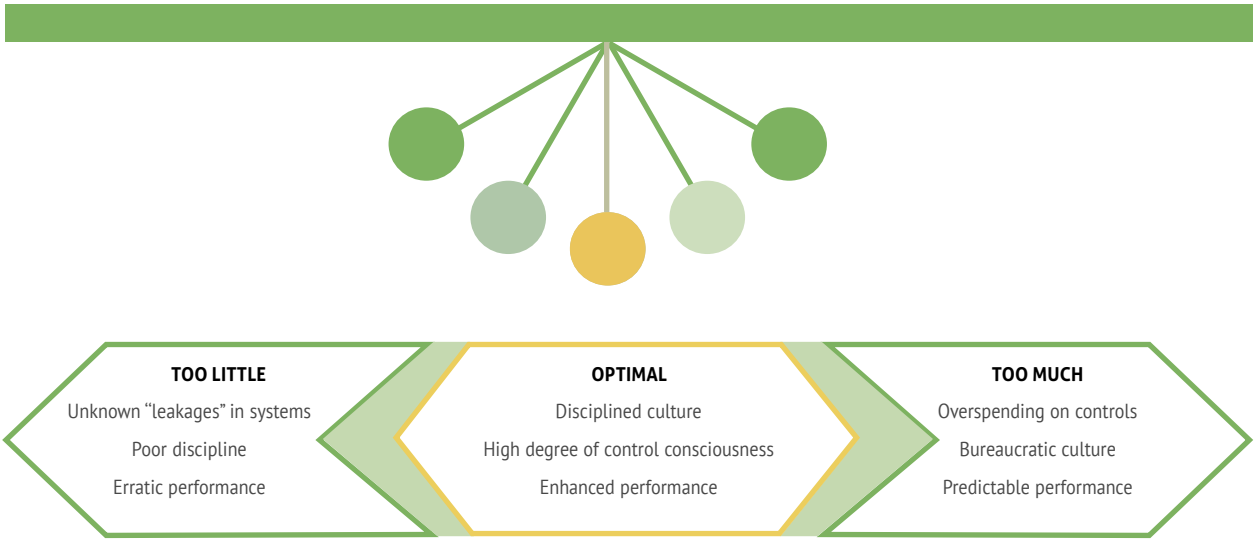
Areas with high inherent risks at the Syndicate and which necessitate an enhancement in internal control remain:

a) Inventory management and control on stocks of sugars (i.e., white refined sugar, special sugars, plantation white sugar and non-originating sugar) and consumables (i.e. bags, liners and steel bars)
b) Customise and upgrade the Sage Pastel Evolution ERP to meet business requirements and provide necessary relevant information promptly to Management of the Syndicate for informed decisions
c) IT general controls

In the field of inventory management and controls, the following action plans are still in progress:

a) ensuring that there are proper business processes with adequate internal controls so that all transactions on stock movements can be properly controlled and captured;
b) assuring that information on transactions or stock reports from external warehouse providers and millers/refiners are made properly, and promptly communicated to the Syndicate to enable proper monitoring and control;
c) ascertaining that adequate resources are put in place at the Syndicate for proper inventory control;
d) upgrading the inventory management module under the current ERP; and
e) ensuring that proper customised reports are generated from the ERP to provide information to Management for control and decision.

In respect of the customisation and upgrade of the ERP on modules like Contract Management or Sales Order Management and also to ensure that there is adequate IT general control, the Syndicate has initiated steps to recruit an IT officer who will be responsible for these duties and ensure that there is enhanced IT Governance and Controls.



Source: Smart Control: Transforming controls to reduce cost, enable growth and keep the business safe, EY, 2013.

Specific Accounting Policy Framework of the Syndicate

The Syndicate has an Accounting Policy Framework inherent to itself as an entity, given its constitution, mandate and activities.

The Accounting Policy Framework specific to the Syndicate was used as a basis to prepare the financial statements for the year ended 30 June 2020. The various specific Accounting Policies used have been disclosed in the Audited Financial Statements for the current year.

Financial Reporting

During the financial year ended 30 June 2020, Management has established procedures to ensure that month-end close the books are effectively made within a reasonable time. At the same time, there is an established monthly financial reporting and analysis so that Management has comprehensive and updated snapshot of the financial position and performance of the Syndicate to assist them in taking informed action.

This financial reporting will be continuously enhanced.

Risk Management

Together with an effective strategic planning and execution, the Syndicate has ensured that there is proper management of risks and uncertainties.

In terms of Risk Governance, the Audit and Risk Management Committee (ARMC) of the Syndicate stresses on the responsibilities of the Lines of Defences with regard to identifying, evaluating, responding and monitoring of risks that may impact business objectives, operations and performance. The "Three Lines of Defence" model is applied to have a cohesive approach to reinforce the effectiveness across the risk governance structure of the Syndicate which stands as per Table 6:

(i) Operational risks are managed by continuously updating policies, revamping marketing strategies, adapting to the needs of the market, usage of adequate technology & Information Technology and constant review of the organisational needs of the Syndicate.

(ii) The risks and challenges created by the COVID19 pandemic have been properly addressed by the Syndicate through appropriate mitigating actions to ensure business continuity and re-assure all its stakeholders.

Table 6

MAIN COMMITTEE
(delegated to the Executive and Selling Committee)
Tone at the Top with overall responsibility to ensure the process of risk management and risk appetite.
Takes adequate measures to monitor effective management of risks and sound system of internal controls.

Senior Management of the Syndicate	**Audit and Risk Management Committee**
Oversee implementation, embedding of risk management practices and regular monitoring of the Syndicate's key residual risks.	Monitor and review the risk management process and internal controls systems with the support of senior management of the Syndicate.

First line of defence	Second line of defence	Third line of defence
Operational Function	**Support Function**	**Internal Audit**
Accountable for monitoring of risks and ensuring that internal controls are effective and adhered to.	The Finance functions of the Syndicate monitor the effectiveness of the first "Line of Defence" in mitigating the occurrence and significance of risks.	Independent assurance to the Audit and Risk Management Committee on risk management, controls and governance process.

(iii) Significant financial risks are closely monitored by Management and full disclosure is made in the financial statements for the risks identified during the year.

Audit and Risk Management Committee (ARMC)

The Executive & Selling Committee has delegated its overall responsibility for internal controls and risk management to the ARMC which reviews the risk philosophy, strategy and policies of the Syndicate.

The terms of reference of the ARMC are:

a) to evaluate continuously the financial reporting process;
b) to review the accuracy, integrity, and reliability of the financial statements of the Syndicate;
c) to examine the adequacy and effectiveness of the Governance, risk management and internal control system of the Syndicate;
d) to approve the annual plan and assess the report of the Internal Audit function; and
e) to recommend the appointment of external auditors and attend to any matter raised by them prior, during or after completion of the audit on the financial statements.

The Committee comprises 4 non-executive directors and met five times during the year under review. The Chief Executive Officer and the Chief Finance Officer are invited to attend the meetings with the presence of the Internal Auditors and External auditors when it is deemed necessary.

Internal Audit

Ernst and Young (EY) provided internal-audit services to the Syndicate as part of a contract which covered the period from 1st August 2017 to 31st July 2020. This contract has been renewed for another 3-year term ending on 31st July 2023.

EY provides independent assurance to the ARMC as to the adequacy and effectiveness of governance, risk management and internal controls. It has unrestricted access to review all activities and transactions undertaken within the Syndicate and to appraise and report thereon. It applies a risk-based methodology that enables it to provide assurance on controls that address high risk areas and therefore help with the strengthening of the internal controls framework. This in turn supports the achievement of strategic objectives, thus enhancing organisational value for the sugar producers.

Internal audit activities are carried out in line with the internal audit plan and are approved by the ARMC of the Syndicate prior to the start of each financial year. Representatives of the internal auditor are invited to all meetings of the respective ARMCs and are entitled to convene a special meeting of the Committee to deal with any matter which they may consider as urgent. A follow-up mechanism is also in place to facilitate the monitoring of progress of audit-related matters.

During the year ended 30 June 2020, the main tasks carried out by the internal auditors have been:

a) to conduct a detailed follow-up of action plans of previous internal audit reports issued between 2015 and 2019 to appraise their implementation status; and
b) to conduct a review on Data Protection and Privacy in line with the Mauritius Data Protection Act 2017 (on-going).

Operational and Senior Management were apprised of salient audit observations and action plans during closing meetings held following completion of internal audit engagements. Such forums are intended to validate and prioritise the importance of management action plans for addressing internal control deficiencies or improvements. The internal audit reports are subsequently reported to Senior Management of the Syndicate and the ARMC.

External Audit

Deloitte was appointed during the meeting of the Main Committee in September 2019 as the external auditors of the Syndicate for audit on the financial statement for year ended 30 June 2020. Management assisted the new external auditors in understanding the business and the specific matters relating to the Syndicate and attended to all their requests. Regular meetings were held amongst Senior Management of the Syndicate, the ARMC and the external auditors to provide the necessary information to facilitate their work and clear all blocking issues.

Reports issued by the external auditors, namely the Management Letter or the Audit Reports have been promptly and properly attended to by Senior Management of the Syndicate and the ARMC.



Financial Statements

Mauritius Sugar Syndicate and its Subsidiary

2019-2020



Report on the audit of consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of The Mauritius Sugar Syndicate ("the Syndicate") and its subsidiary ("the group") set out on pages 46 to 72, which comprise the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss, consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements, the financial position of the Group and the Syndicate as at 30 June 2020, the consolidated and separate financial performance and consolidated and separate cash flows for the year then ended have been prepared in all material respects, in accordance with and comply with the accounting policies of the Group and the Syndicate.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of preparation

We draw your attention to Note 2(a) of the financial statements in respect of the Basis of Preparation which states that the financial statements have been prepared, in all material respects, in accordance with and comply with the accounting policies of the Group and the Syndicate. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Mauritius Sugar Syndicate for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 September 2019.

Report on the contractual requirements

In accordance with the engagement letter dated 2 April 2020, we report as follows:

- we have no relationship with, or interest in, the Syndicate and its subsidiary other than in our capacities as auditor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Syndicate as far as appears from our examination of those records.

Other information

The Main Committee is responsible for the other information. The other information comprises The President's Report 2019-2020, 2019 Crop Sales, Supply & Delivery Arrangements, 2019 Crop & Market Prospects, Financial Management, Risk Management and Audit but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Main Committee for the consolidated and separate financial statements

The Main Committee is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with and in compliance with the accounting policies of the Syndicate and they are also responsible for such internal control

as the main committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the committee is responsible for assessing the Syndicate's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the main committee either intend to liquidate the Syndicate and the group to cease operations, or have no realistic alternative but to do so.

The Main Committee is responsible for overseeing the Syndicate's and the group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 and the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Main Committee' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Syndicate's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Syndicate and the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Main Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report is made solely to the Syndicate's members, as a body, in accordance with engagement letter dated 2 April 2020. 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.

Port Louis, Mauritius
Date: 28 September 2020

Deloitte
Chartered Accountants

Statement of Financial Position
at 30 June 2020

	Notes	THE GROUP 2020	THE GROUP 2019	THE SYNDICATE 2020	THE SYNDICATE 2019
		Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
ASSETS					
Non-current assets					
Equipment	4	12,585	16,120	12,585	16,120
Intangible assets	5	1,955	2,517	1,955	2,517
Non current receivables	6	235,000	368,836	235,000	368,836
Investment in subsidiary	7	-	-	459	459
		249,540	387,473	249,999	387,932
Current assets					
Current receivables	6	115,000	105,000	115,000	105,000
Inventories	8	83,474	218,641	83,474	218,641
Trade and other receivables	9	3,451,674	3,049,828	3,451,465	3,046,285
Cash and cash equivalents	10	282,763	257,946	282,611	255,387
Derivative financial instruments	11	-	12,165	-	12,165
		3,932,911	3,643,580	3,932,550	3,637,478
TOTAL ASSETS		4,182,451	4,031,053	4,182,549	4,025,410
RESERVE					
Non distributable reserve	12	(64,595)	12,165	(64,595)	12,165
LIABILITIES					
Non-current liabilities					
Retirement benefit obligations	13	68,190	53,398	68,190	53,398
Borrowings	14	180,000	240,000	180,000	240,000
		248,190	293,398	248,190	293,398
Current liabilities					
Derivative financial instruments	11	64,595	-	64,595	-
Borrowings	14	2,151,406	2,910,458	2,151,406	2,910,458
Trade and other payables	15	1,782,855	815,032	1,782,953	809,389
		3,998,856	3,725,490	3,998,954	3,719,847
TOTAL LIABILITIES		4,247,046	4,018,888	4,247,144	4,013,245
TOTAL RESERVE & LIABILITIES		4,182,451	4,031,053	4,182,549	4,025,410

These financial statements have been approved by the Committee for issue on 28 September 2020.

The notes on pages 49 to 72 form an integral part of these financial statements.
Independent Auditor's report on pages 44 to 45.

Devesh Dukhira
Chief Executive Officer

Balmick Molaye
Chief Finance Officer

Statement of Profit or Loss

for the year ended 30 June 2020

	Notes	THE GROUP & THE SYNDICATE 2019-2020 Crop			THE GROUP & THE SYNDICATE 2018-2019 Crop		
		Rs'000	*Rs per MT*	*%*	*Rs'000*	*Rs per MT*	*%*
REVENUE							
Sales proceeds	16	7,422,014	22,277	99.38	6,140,505	18,837	100.00
Other income	17	46,075	138	0.62	31,271	95	-
		7,468,089	22,415	100.00	6,171,776	18,932	100.00
EXPENDITURE							
Direct operating costs	18	(3,075,333)	(9,230)	(41.18)	(2,769,987)	(8,496)	(44.88)
Storage charges	19	(188,446)	(566)	(2.52)	(309,364)	(950)	(5.01)
Administrative and other charges	20	(102,297)	(307)	(1.37)	(69,381)	(212)	(1.12)
Service Providing Institutions and MCIA Levy	21	(39,069)	(117)	(0.52)	(63,394)	(195)	(1.03)
Sugar Insurance Reserve Fund		(337)	(1)	(0.00)	(332)	(1)	(0.01)
TOTAL EXPENDITURE		(3,405,482)	(10,221)	(45.59)	(3,212,458)	(9,854)	(52.05)
Finance cost - net	22	(269,844)	(810)	(3.61	(127,963)	(392)	(2.07)
NET REVENUE DISTRIBUTED TO ALL PRODUCERS AS EX-SYNDICATE PRICE		3,792,763	11,384	50.80	2,831,355	8,686	45.88

The notes on pages 49 to 72 form an integral part of these financial statements.
Independent Auditor's report on pages 44 to 45.

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	THE GROUP 2020	THE GROUP 2019	THE SYNDICATE 2020	THE SYNDICATE 2019
		Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Net revenue distributed to all producers as Ex-Syndicate price		3,792,763	3,177,907	3,792,763	3,177,907
Adjustments for:					
Profit on disposal of Equipment	17	(300)	(162)	(300)	(162)
Interest paid		211,438	181,607	211,438	181,607
Interest income		(62)	(31)	(62)	(31)
Depreciation		4,303	5,053	4,303	5,053
Amortisation		1,209	1,086	1,209	1,086
Retirement benefit obligations		14,792	(3,453)	14,792	(3,453)
Operating profit before working capital changes		4,024,143	3,362,007	4,024,143	3,362,007
Decrease in inventories		135,167	261,464	135,167	261,464
(Increase)/decrease in trade and other receivables		(278,010)	384,914	(281,344)	387,503
Increase in trade and other payables		967,823	476,761	973,564	473,697
Increase in derivative financial Instruments		-	78,295	-	78,295
		824,980	1,201,434	827,387	1,200,959
Cash generated from operations		4,849,123	4,563,441	4,851,530	4,562,966
Payment made to producers		(3,792,763)	(3,177,907)	(3,792,763)	(3,177,907)
Advances made to planters		-	(169,853)	-	(169,853)
Interest paid		(211,438)	(181,608)	(211,438)	(181,608)
Net cash from operating activities		844,922	1,034,073	847,329	1,033,598
Investing activities					
Purchase of plant and equipment		(768)	(2,674)	(768)	(2,674)
Purchase of intangible assets		(647)	(661)	(647)	(661)
Proceeds from disposal of plant and equipment		300	711	300	711
Interest received		62	31	62	31
Net cash used in investing activities		(1,053)	(2,593)	(1,053)	(2,593)
Financing activities					
Loans repaid		(3,969,093)	(5,919,198)	(3,969,093)	(5,919,198)
Loans received		3,099,585	5,121,502	3,099,585	5,121,502
Net cash used in financing activities		(869,508)	(797,696)	(869,508)	(797,696)
Net (decrease)/increase in cash and cash equivalents		(25,639)	233,784	(23,232)	233,309
Movement in cash and cash equivalents					
At July 01, 2019		257,946	114,551	255,387	112,467
Net (decrease)/increase in cash and cash equivalents		(25,639)	233,784	(23,232)	233,309
Effects of foreign exchange	10	50,456	(90,389)	50,456	(90,389)
AT JUNE 30, 2020		282,763	257,946	282,611	255,387

The notes on pages 49 to 72 form an integral part of these financial statements.
Independent Auditor's report on pages 44 to 45.

1. General Information

In 1951, following the recommendations made by the Mauritius Economic Commission 1947-48, the Mauritius Sugar Syndicate ("the Syndicate"), which had been founded in 1919, was set up for an indefinite period in pursuance of the Mauritius Sugar Syndicate Act of 1951.

The Syndicate is the sole sugar marketing organisation in Mauritius and its objective is the sale of all sugars received by it for the account of its members, all of whom are sugar producers comprising corporate and independent sugarcane growers, as well as millers and the distribution of the proceeds of such sale.

SUCOM is incorporated in France and its main business activity is the marketing of sugar. The company provides its marketing services to The Mauritius Sugar Syndicate in the Europe.

All local sugar producers are members of the Syndicate. The Syndicate's registered office and principal place of business is 7th Floor, Medine Mews Building, La Chaussee Street, Port Louis.

The Syndicate and its subsidiary have the same reporting date.

These financial statements are submitted for consideration and approval at the Annual General Meeting of the members of the Syndicate.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared, in all material respects, in accordance with and comply with the accounting policies of the Group and the Syndicate as stated in the financial statements.

The Syndicate and its subsidiary are collectively referred to as "The Group".

The financial statements are presented in Mauritian Rupees and all values are rounded to the nearest thousand (Rs'000), except when otherwise stated.

The financial statements are prepared under the historical cost convention except that derivative financial instruments are carried at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received on sale of an asset or on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Syndicate takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(b) Investment in Subsidiary

Separate financial statements of the Syndicate

In the separate financial statements of the Syndicate, investment in the subsidiary company is carried at cost. The carrying amount is reduced to recognise any impairment in the value of the investment.

Subsidiary is entity controlled by the Syndicate.

2. Significant Accounting Policies (cont'd)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Syndicate and the entity controlled by the Syndicate (its subsidiary) made up to 30 June each year. Control is achieved when the Syndicate:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Syndicate reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Syndicate has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Syndicate considers all relevant facts and circumstances in assessing whether or not the Syndicate's voting rights in an investee are sufficient to give it power, including:

- the size of the Syndicate's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Syndicate, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Syndicate has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Syndicate obtains control over the subsidiary and ceases when the Syndicate loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Syndicate gains control until the date when the Syndicate ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(c) Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

	%
Computer equipment	25
Furniture and equipment	10
Motor vehicles	20

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss.

(d) Intangible Assets-Computer Software

Acquired computer software licences with finite useful lives are capitalised on the basis of costs incurred to acquire and bring to use the specific software (carried at cost) less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their useful economic lives which generally range from 3 to 5 years and assessed for impairment whenever there is an indication that the asset may be impaired. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software controlled by the Syndicate and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(e) Derivative Financial Instruments

Derivative financial instruments

The Syndicate enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 11.

Derivatives are recognised initially at the contracted value on the date the derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss as the instrument matures. Pursuant to its Committee meeting July 15, 2016, the Syndicate resolved to account for unreaslised gains/(losses) relating to proceeds that the Syndicate expects to receive for the future crop year in a non distributable reserve, if the maturity of the instruments falls after the year end.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as current assets or current liabilities. Other derivatives are presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months.

2. Significant Accounting Policies (cont'd)

(f) Trade and Other Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Also included in trade receivables are the sale of sugars relating to the crop year under review, and may not yet have been shipped to the customers at the end of the reporting period. If collection is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current asset. If not, they are presented as non current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Syndicate will not be able to collect all amounts due.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in profit or loss.

(g) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs for the loan to the extent that is probable that some of or all the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

At the end of the reporting date, borrowings denominated in foreign currencies are stated at their carrying amount at the time of disbursement. Exchange differences arising on the repayment of loan are recognised in statement of profit or loss at the time of repayment.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits. Bank overdrafts are included in borrowings within current liabilities on the statement of financial position. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities. Included in trade and other payables are direct operating costs accrued at year end with respect to the unshipped portion of sugars that relate to the current crop year.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Physical stock held by the Syndicate at the end of any reporting period, their disclosure in the financial statements and their basis of valuation are as follows:

- Bags, steel bars, liners and other consumables: Included in inventories with cost derived using the weighted average cost method.
- Non-originating Sugar: Net balance not attributable to sales contract for current crop is included in inventories with unit cost used as the weighted average cost

(k) Retirement Benefits Obligations

The Syndicate has both defined benefit and defined contribution plans. The Syndicate and all its employees also contribute to the appropriate National Pension Scheme, which are defined contribution schemes.

Defined Contribution Plan

A defined contribution plan is a pension plan under which the Syndicate pays fixed contributions to a separate entity. The Syndicate has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and prior year periods. Payments to defined contribution plans are recognised as an expense included in profit or loss within employee benefit expenses when employees have rendered service that entitle them to the contributions.

Defined Benefit Plan

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of defined benefit pension plans in the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in profit or loss in the period in which they occur.

The Syndicate determine the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset), taking into account any changes in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

Service costs comprising current service cost, past service cost, as well as gains and losses on curtailments and settlements are recognised immediately in profit or loss.

2. Significant Accounting Policies (cont'd)

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts redundancy in exchange for these benefits. The Syndicate recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(l) Foreign currencies

Functional and presentation currency

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

Transactions and balances

In preparing the financial statements of the Group and the Syndicate, transactions in currencies other than the Syndicate's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities, with the exception of borrowings (see note 14) that are denominated in foreign currencies are retranslated at the rates prevailing at that date or to a date which is very near to the reporting date and gives a good approximation of the retranslated amount in Rupees. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

All foreign exchange gains and losses are presented in profit or loss within finance cost - net.

(m) Revenue Recognition

Revenue consists of gross sugar export proceeds derived from:

- Shipped' sugar exports
- Unshipped' sugars
- Sales of sugar on local market

Revenue is measured based on the consideration to which the Syndicate expects to be entitled in a contract with a customer. The Syndicate recognises revenue on a crop basis, that is, for 'shipped' sugar exports, whenever it proceeds with the shipment of sugar as well as for 'unshipped' sugars which pertain to available stock quantities to fill sales contract for the current crop year. Revenue is shown net of returns, rebates and discounts.

'Shipped' Sugar exports

The Syndicate sells white refined sugar and special sugars to the European Union (EU), United States of America (USA), Regional Market (Africa) and the World Market. Revenue is recognised when control of the goods has transferred to the customer, that is, at the time the sugar is loaded on the ship. A receivable is recognised by the Syndicate when the goods have been shipped to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

'Unshipped' sugar

Unshipped' sugar at the reporting date is recognised from customers based on the remaining quantities of firm orders for exports which will be shipped after the reporting date. The amount of revenue is measured at the latest contract price agreed between the customer and the Syndicate or the best estimate by management where contract is not yet secured.

Sales of Sugar on local market

The Syndicate sells white refined sugar and special sugars to customers on the local market. Revenue is recognised when control of the goods is transferred to the customer, generally on delivery and acceptance by the customer.

(n) Expenses

Expenses are accounted for on the accrual basis and charged to statement of profit or loss. Included in expenses are the direct operating costs accrued at year end with respect to the 'Unshipped' sugars that relate to the current crop year under review.

(o) Non-Current Receivables

Non current receivables represent amounts advanced to producers through various Government financial support schemes from previous crops. They are re-imbursed by Producers over the next three to five years and are included with the finance costs of the Syndicate.

3. Critical Accounting Judgements and key sources of estimation uncertainty

In applying the Syndicate's accounting policies, which are described in note 2, the Main Committee is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Syndicate's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Main Committee has made in the process of applying the Syndicate's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3. Critical Accounting Judgements and key sources of estimation uncertainty (cont'd)

Critical Accounting Estimates & Judgement For Discount Rate Used To Determine The Carrying Amount Of The Syndicate's Defined Benefit Obligation

The determination of the Syndicate's defined benefit obligation depends on certain assumptions, which include selection of the discount rate. The discount rate is set by reference to market yields at the end of the reporting period on government bonds yields. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Syndicate's financial statements within the next year. Further information on the carrying amounts of the Syndicate's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 13.

Current Critical Accounting Estimates & Judgement For Revenue Recognition

At the end of the reporting period, the Syndicate recognises the 'Unshipped' sugars that relate to the crop year under review as revenue and the valuation of the the 'Unshipped Sales' is described in note 2(m).

Critical Accounting Estimates & Judgement For Depreciation Policies

Equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net of the amount that the Syndicate expect to obtain from disposal of the asset, if the asset was already of the age in condition expected at the end of its useful life.

4. Equipment

	THE GROUP & THE SYNDICATE			
	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
(a) COST				
At July 01, 2018	4,316	14,827	16,153	35,296
Additions	263	321	2,090	2,674
Reclassification	(84)	(138)	(3)	(225)
Disposals	-	-	(4,935)	(4,935)
At June 30, 2019	4,495	15,010	13,305	32,810
At July 01, 2019	4,495	15,010	13,305	32,810
Additions	469	299	-	768
Disposals	-	-	(1,115)	(1,115)
At June 30, 2020	4,964	15,309	12,190	32,463
DEPRECIATION				
At July 01, 2018	2,890	6169	7,189	16,248
Charge for the year	707	1,306	3,040	5,053
Reclassification	(130)	(94)	(1)	(225)
Disposal adjustment	-	-	(4,386)	(4,386)
At June 30, 2019	3,467	7,381	5,842	16,690
At July 01, 2019	3,467	7,381	5,842	16,690
Charge for the year	550	1,314	2,439	4,303
Disposal adjustments	-	-	(1,115)	(1,115)
At June 30, 2020	4,017	8,695	7,166	19,878
NET BOOK VALUE				
At June 30, 2020	947	6,614	5,024	12,585
At June 30, 2019	1,028	7,629	7,463	16,120

(b) Depreciation expense of Rs. 4,303,000 (2019: Rs. 5,053,000) has been charged to administrative and other charges.

5. Intangible Assets

	THE GROUP & THE SYNDICATE
	Computer Software
	Rs'000
(a) COST	
At July 01, 2018	3,953
Addition	661
At June 30, 2019	4,614
At July 01, 2019	4,614
Addition	647
At June 30, 2020	5,261
AMORTISATION	
At July 01, 2018	1,011
Charge for the year	1,086
At June 30, 2019	2,097
At July 01, 2019	2,097
Charge for the year	1,209
At June 30, 2020	3,306
NET BOOK VALUES	
At June 30, 2020	1,955
At June 30, 2019	2,517

(b) Amortisation charge of Rs. 1,209,000 (2019: Rs. 1,086,000) has been charged to administrative and other charges.

6. Non Current Receivables

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Support Scheme to producers (more than 1 year)	235,000	368,836
Support Scheme to producers (less than 1 year)	115,000	105,000
Total receivables	350,000	473,836

A financial support of Rs.850 per Tonne of sugar had been distributed to sugar producers through a loan contracted from the Sugar Insurance Fund Board. The repayment period had been agreed for 5 years following a moratorium period of 2 years starting from 2017 Crop. Rate of interest agreed with the Sugar Insurance Fund Board at 4.50% per annum is payable as from the date of the loan. The capital repayment is due as from 2019 crop and a sum of Rs 60M will impact the Ex Syndicate price for crops 2019 to 2023.

Pursuant to the ESC minutes dated 08 July 2020, it has been approved that an additional support of Rs.600 per Tonne had been distributed to producers for Crop 2017. As approved by the ESC minutes dated 31 July 2020, Rs 63,836,377 has been recouped against the Crop 2019 and the remaining balance of Rs 110,000,000 will be amortized over the 2 years (2021, 2022).

A financial support of Rs.14.40/MT of sugar from crop 2018 had been distributed to sugar producers through short term loan from different banks (falling under the bank facilities). The amount has been disbursed at the start of crop year 2019 and has been recouped during the same year from the producers.

7. Investment In Subsidiary

		THE SYNDICATE	
		2020	2019
		Rs'000	*Rs'000*
(a)	At July 01,	459	389
	Share of profit	-	70
	At June 30	459	459

(b) Details of the subsidiaries are as follows:

Name of the Company	Country of Incorporation	Class of shares held	Nominal value of investments (€)	% Holding	Main Business	Financial Period ended
2020 SUCOM	France	Ordinary	10,000	100	Marketing Agency	June 30
2019 SUCOM	France	Ordinary	10,000	100	Marketing Agency	June 30

(c) Investment in subsidiary company is denominated in Euro.

8. Inventories

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At Cost				
Bags, steel bars and liners	46,274	49,056	46,274	49,056
At Net Realisable Value (NRV)				
Non originating sugar	37,200	169,585	37,200	169,585
	83,474	218,641	83,474	218,641

9. Trade and other receivables

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Trade Receivables				
Export proceeds	1,351,486	892,138	1,351,486	892,138
Unshipped sugars	2,025,247	2,027,243	2,025,247	2,027,243
	3,376,733	2,919,381	3,376,733	2,919,381
Staff loans	2,203	2,086	2,203	2,086
Advances to producers/planters	32,719	71,861	32,719	71,861
Other receivables	40,019	56,500	39,810	52,957
	3,451,674	3,049,828	3,451,465	3,046,285

"The average credit period on sales of sugars is between 30 to 60 days. No interest is charged on trade receivables. The Group and the Syndicate do not hold any collateral over any past due trade debtors balances. Allowances for doubtful debtors are recognised against trade receivables which are past due on a case to case basis.

Before accepting any new customer, the Group and the Syndicate assess the credit quality of the customer and define the terms and credit limits accordingly.

The main committee are of opinion that the trade receivables are fully receivable and that no provision is required.

As of June 30, 2020, trade receivables of Rs 193,458,341 for the Group and the Syndicate (2019: Rs 18,195,000) were past due but not impaired.

The carrying amounts of trade and other receivables approximate their fair values and no impairment is required.

9. Trade and other receivables (cont'd)

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
61-90 days	79,004	19,047	79,004	19,047
91-120 days	113,097	910	113,097	910
more than 120 days	1,357	(1,762)	1,357	(1,762)
	193,458	18,195	193,458	18,195

The carrying amounts of trade and other receivables are denominated in the following currencies:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupee	155,587	2,203,223	155,587	2,203,223
US Dollar	1,171,473	203,114	1,171,473	203,114
Euro	2,124,614	642,940	2,124,405	639,397
GBP	-	551	-	551
	3,451,674	3,049,828	3,451,465	3,046,285

10. Cash and Cash Equivalents

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Bank and cash balances	282,763	257,946	282,611	255,387

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Bank and cash balances				
Mauritian Rupee	192,170	131,793	192,170	131,793
US Dollar	47,446	49,804	47,446	49,804
Euro	39,083	72,287	38,931	69,728
GBP	4,064	4,062	4,064	4,062
	282,763	257,946	282,611	255,387

(iv) Reconciliation of liabilities arising from financing activities.

	THE GROUP & THE SYNDICATE				
	At July 01, 2019	Additions	Repayments	Foreign exchange movement	At June 30, 2020
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
Long-term borrowings	240,000	-	(60,000)	-	180,000
Short-term borrowings	2,910,458	3,099,584	(3,909,093)	50,456	2,151,405
Overdraft	-	1	-	-	1
	3,150,458	3,099,585	(3,969,093)	50,456	2,331,406

	THE GROUP & THE SYNDICATE				
	At July 01, 2018	Additions	Repayments	Foreign exchange movement	At June 30, 2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
Long-term borrowings	200,000	40,000	-	-	240,000
Short-term borrowings	3,760,249	5,081,502	(5,919,198)	(12,095)	2,910,458
Overdraft	2,376	-	(2,376)	-	-
	3,962,625	5,121,502	(5,921,574)	(12,095)	3,150,458

11. Derivative Financial Instruments

The Syndicate entered into foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options with different commercial banks of Mauritius for terms not exceeding 12 months at any point in time. At June 30, 2020, the unrealised deficit on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options under taken for crop 2020 was Rs.64,594,800 compared to a surplus of Rs.12,165,000 for crop 2019. It is anticipated that once the contracts will mature the deficit will then be realised and will impact on the amount distributed to producers in 2020 crop.

	THE GROUP & THE SYNDICATE		
	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS (DEFICIT)
	Rs'000	*Rs'000*	*Rs'000*
At June 30, 2020			
Normal Forward	1,744,691	1,804,806	(60,115)
Leverage Forward	83,500	87,980	(4,480)
	1,828,191	1,892,786	(64,595)

	THE GROUP & THE SYNDICATE		
	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS (DEFICIT)
	Rs'000	*Rs'000*	*Rs'000*
At June 30, 2019			
Normal Forward	2,549,545	2,539,640	9,905
Leverage Forward	81,200	78,940	2,260
	2,630,745	2,618,580	12,165

12. Non Distributable Reserve

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Unrealised (loss)/profit on normal and leverage forward deals	(64,595)	12,165	(64,595)	12,165
(Deficit)/Surplus	(64,595)	12,165	(64,595)	12,165

13. Retirement Benefit Obligations

Amounts recognised in the statement of financial position:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Defined pension benefits (note 13(ii))	68,190	53,398	68,190	53,398
Analysed as follows:				
Non-current liabilities	68,190	53,398	68,190	53,398
Amount charged to profit or loss:				
Defined pension benefits (note 13(v))	14,792	(3,453)	14,792	(3,453)

(i) The Syndicate operates a defined benefit pension and a contributory pension scheme. The level of benefits provided depends on members' length of service and their salary in their respective final year leading up to retirement.

The assets of the plan are held independently and administered by the Sugar Industry Pension Fund / Feber Associates.

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligtions were carried out at June 30, 2020 by AON Hewitt. The present value of the defined benefit obligations, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

(ii) The amounts recognised in the statement of financial position are as follows:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Present value of funded obligations	190,273	178,087	190,273	178,087
Fair value of plan assets	(122,083)	(124,689)	(122,083)	(124,689)
	68,190	53,398	68,190	53,398
Unrecognised actuarial loss	-	-	-	-
Liabilities recognised in the statement of financial position	68,190	53,398	68,190	53,398

The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At July 01,	53,398	56,851	53,398	56,851
Recognised in the statement of profit or loss	18,215	2,219	18,215	2,219
Contributions paid	(3,423)	(5,672)	(3,423)	(5,672)
At June 30,	68,190	53,398	68,190	53,398

(iii) The movement in the defined benefit obligations over the year is as follows:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At July 01,	178,087	177,999	178,087	177,999
Current service cost	3,398	5,881	3,398	5,881
Past service cost	(23,343)	-	(23,343)	-
Employee Contributions	416	722	416	722
Interest costs	8,958	10,162	8,958	10,162
Benefit paid	(11,039)	(5,664)	(11,039)	(5,664)
Liability experience gain	(5,538)	(6,443)	(5,538)	(6,443)
Liabilty loss/(gain) due to change in financial assumptions	39,334	(4,570)	39,334	(4,570)
At June 30,	190,273	178,087	190,273	178,087

(iv) The movement in fair value of plan assets of the year is as follows:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
At July 01,	124,689	121,148	124,689	121,148
Interest income	7,268	7,047	7,268	7,047
Employer contribution	3,423	5,672	3,423	5,672
Employee contributions	416	722	416	722
Benefit paid	(11,039)	(5,664)	(11,039)	(5,664)
Return on plan assets excluding interest income	(2,674)	(4,236)	(2,674)	(4,236)
At June 30,	122,083	124,689	122,083	124,689

(v) Amounts recognised in the statement of profit or loss

		THE GROUP		THE SYNDICATE
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Current service cost	3,398	5,881	3,398	5,881
Past service cost	(23,343)	-	(23,343)	-
Net interest on net defined benefit liability	1,690	3,115	1,690	3,115
Movement in other comprehensive income	36,470	(6,777)	36,470	(6,777)
Employee contribution	(3,423)	(5,672)	(3,423)	(5,672)
Total included in employee benefit expense	14,792	(3,453)	14,792	(3,453)

13. Retirement Benefit Obligations (cont'd)

Total included in employee benefit expense can be analysed as follows:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Included in				
Administrative and other charges	14,792	(3,453)	14,792	(3,453)
Actual return on plan assets	4,594	2,811	4,594	2,811

(vi) The principal actuarial assumptions used for accounting purposes were:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	%	*%*	*%*	*%*
Discount rate	4.00	6.00	4.00	6.00
Future salary increases	3.00	5.00	3.00	5.00

(vii) Sensitivity analysis on defned benefit obligations at end of the reporting date:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Increase due to 1% decrease in discount rate	28,321	24,906	28,321	24,906
Decrease due to 1% increase in discount rate	22,953	20,270	22,953	20,270

An increase/decrease of 1% in other principal actuarial assumptions would not have a material impact on defined benefit obligations at the end of the reporting period.

The sensitivity above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occuring at the end of the reporting period. The present value of the defined benefit obligation has been calculated using the project unit credit method.

The sensitivity analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

(viii) The defined benefit pension plan exposes the Syndicate to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

(ix) The Syndicate expects to pay Rs 3.6m in contributions to its post-employment benefit plans for the year ending June 30, 2021.

(x) The weighted average duration of the defined benefit obligation is 13 years at the end of the reporting period.

14. Borrowings

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Non-Current				
SIFB loan	180,000	240,000	180,000	240,000
Current				
SIFB loan	60,000	60,000	60,000	60,000
Bank loans	2,091,405	2,714,430	2,091,405	2,714,430
Other loans	-	136,028	-	136,028
Bank overdrafts	1	-	1	-
	2,151,406	2,910,458	2,151,406	2,910,458
Total borrowings	2,331,406	3,150,458	2,331,406	3,150,458

(a) The loan from SIFB is on a repayment period of 5 years following a moratorium period of 2 years starting from 2017 Crop. The loan from SIFB bears interest at 4.5% per annum (2019: 4.5%).

(b) The interest rates per annum vary from 2.50% to 4.50% on Rupees accounts (2019: 2.40% to 4.00%) and 1.10% to 3.60% on USD (2019: 2.50% to 3.60%) while interests on loans in Euros were in the range of 0.80% to 0.90% per annum (2019: 0.50% to 0.60%).

(c) Short term loans & money market lines are secured by the preferential lien over all sugars as conferred by Government Ordinance No.87 of 1951. They are utilised to enable advances to be made to producers pending receipt of export proceeds.

In 2019, the short term borrowings included a sum of Rs 170M remitted to sugar producers at June 30, 2019 representing payment of an enhancement of their net revenue for Crop 2017.

(d) Bank loans and other loans bear interest at the rate of 2.5% to 4.5% per annum (2019: 2.40% to 4.00%). Bank overdrafts bear interest at 3.7% per annum (2019: 6%).

14. Borrowings (cont'd)

(e) The exposure of the Syndicate's borrowings to interest-rate changes and the contractual repricing dates are as follows:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Within 1 year	2,151,406	2,910,458	2,151,406	2,910,458
1 to 5 years	180,000	240,000	180,000	240,000
	2,331,406	3,150,458	2,331,406	3,150,458

(f) The carrying amounts of the Syndicate's borrowings are denominated in the following currencies:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupee	1,115,000	2,350,028	1,115,000	2,350,028
Euro	843,231	368,190	843,231	368,190
US Dollar	373,175	432,240	373,175	432,240
	2,331,406	3,150,458	2,331,406	3,150,458

15. Trade and Other Payables

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Amount payable to producers	864,369	213,304	864,369	213,304
Trade payables and accrued expenses	912,600	588,899	912,698	588,899
Provisions and other payables	5,886	12,829	5,886	7,186
	1,782,855	815,032	1,782,953	809,389

(a) The carrying amounts of trade and other payables approximate their value.

(b) The Syndicate has policies in place to ensure that all payables are settled within the credit time frame.

(c) The carrying amounts of trade and other payables are denominated in the following currencies:

	THE GROUP		THE SYNDICATE	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupee	1,655,254	719,308	1,655,254	719,308
US Dollar	1,982	-	1,982	-
Euro	125,508	95,724	125,606	90,081
GBP	111	-	111	-
	1,782,855	815,032	1,782,953	809,389

16. Sales Proceeds

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Sales proceeds were arrived as follows:		
'Shipped Sugar exports	4,352,797	3,678,153
'Unshipped' Sugar	2,831,380	2,027,243
	7,184,177	5,705,396
Sales of Sugar on local market	237,837	435,109
Total sales proceeds	7,422,014	6,140,505

17. Other Income

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Share of profit	-	18,339
Sundry income	45,775	12,770
Profit on disposal of equipment	300	162
	46,075	31,271

Sundry Income include mostly Insurance claim received and miscellaneous income.

18. Direct Operating Costs

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Sugar processing fees and packing cost	1,374,986	1,364,464
Freight & export charges	736,309	482,991
Bags and other related charges	107,346	97,760
Liners, steel bars and other related costs for white refined sugar	53,383	36,049
Costs of imports for local market and re-export	654,649	717,793
Other costs	148,660	70,930
	3,075,333	2,769,987

(a) Cost of imports

Costs of imports for local market and re-export are calculated on a landed basis for 54,259 MT (2019: 58,247 MT) of white refined sugar and raw sugar feedstock.

19. Storage Charges

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
MCIA (Ex-BSSD & BST) - Recurrent expenditure	80,600	81,010
CHC and MFD storage charges	107,846	228,354
	188,446	309,364

20. Administrative and Other Charges

	THE GROUP& THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Depreciation on equipment	4,303	5,053
Amortisation of intangible assets	1,209	1,086
Rental of office	3,278	3,034
Employee benefit expense	68,935	41,116
Overseas representation and mission expenses	3,470	4,511
Professional fees including subscriptions	9,465	6,038
Others	11,517	8,340
Committee members fees	120	203
	102,297	69,381

(a) Employee Benefit Expense

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Wages and salaries, including termination benefits	52,252	42,964
Social Security costs	1,891	1,605
Pension costs - Defined benefit plans	14,792	(3,453)
	68,935	41,116

21. Service Providing Institutions and MCIA Levy

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Levy on Local Sales	39,069	63,394

22. Finance Cost - Net

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Finance income		
Interest income	62	31
Exchange gain - net	-	53,613
	62	53,644
Finance costs		
Interest payable:		
Exchange loss - net	58,468	-
Foreign currency accounts	14,055	28,806
Mauritian balances	68,849	107,801
Producers Support (Crop 2017)	128,534	45,000
	269,906	181,607
Finance cost - Net	(269,844)	(127,963)

23. Related Party Transactions

	THE GROUP & THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Key mananagement personnel remuneration	19,672	12,463

	THE SYNDICATE	
	2020	2019
	Rs'000	*Rs'000*
Balances with related parties:		
Amount receivable from subsidiary (SUCOM)	98	-
Amount payable to subsidiary (SUCOM)	-	3,584
Transactions with related parties:		
Brokerage and marketing fees charge by subsidiary (SUCOM)	29,632	22,608

24. Financial Instruments

Financial Risk Management

The Syndicate's activities expose them to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on its financial performance. The Syndicate seek to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The Syndicate does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Risk management is carried out under policies approved by the Marketing Committee, Risk Management Committee and the Forex Management Committee. These Committees are independent bodies that monitor risks and policies implemented to mitigate risk exposures.

Market risk

Currency risk

The Syndicate operate internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the Euro and US Dollar. Foreign exchange risk arises on future commercial transactions, recognised assets and liabilities in a currency that is not the Syndicate's functional currency.

The Forex Management Committee manages foreign exchange risk by monitoring the concentration and timing of trade receivables by type of currencies. To manage its foreign exchange risk arising from future commercial transactions, and recognised assets and liabilities, the Syndicate use foreign exchange forward contracts and has foreign currency bank accounts which are transacted with commercial banks.

24. Financial Instruments (cont'd)

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

	THE GROUP			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	659,455	2,452,733	2,769,698	3,069,336
US Dollar	1,218,919	252,917	375,158	432,240
Euro	2,163,390	715,227	968,738	463,914
GBP	4,064	4,062	111	-
	4,045,828	3,424,939	4,113,705	3,965,490

	THE SYNDICATE			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2020	2019	2020	2019
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	659,455	2,452,733	2,769,698	3,069,336
US Dollar	1,218,919	252,917	375,158	432,240
Euro	2,163,336	709,125	968,836	458,271
GBP	4,064	4,062	111	-
	4,045,774	3,418,837	4,113,803	3,959,847

Foreign currency sensitivity analysis

At the end of reporting period, if the Mauritian rupee had weakened/strengthened by 5% against the following currencies with all variables remaining constant, the impact for the year on net revenue before distribution to producers are shown in the table, below:

	THE GROUP			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2020	2019	2020	2019
Impact on net revenue before distribution to producers:	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
US Dollar	60,946	12,646	18,758	21,612
Euro	108,170	35,761	48,437	23,196
GBP	203	203	6	-
	169,319	48,610	67,201	44,808

	THE SYNDICATE			
	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2020	2019	2020	2019
Impact on net revenue before distribution to producers:	*Rs'000*	*Rs'000*	*Rs'000*	*Rs'000*
US Dollar	60,946	12,646	18,758	21,612
Euro	108,167	35,456	48,442	22,914
GBP	203	203	6	-
	169,316	48,305	67,205	44,526

Interest rate risk

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

At June 30, 2020, if interest rate on rupee-denominated borrowings had been 50 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs 327,579 (2019: Rs 533,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or other financial asset.

A liquidity risk arises on advances to planters made on a weekly basis. To meet its cash outflow, the Syndicate use overdraft and loan facilities with banks and institutions in the sugar sector to supplement its regular inflow of sugar proceeds to settle its debts as they become due.

All borrowings, derivatives, bank overdraft and other payables that are due for settlement within 12 months of the date of the statement of financial position, have been classified under current liabilities.

The Syndicate manage liquidity risk by maintaining the adequate level of cash and overdraft facilities to settle its debts as they become due.

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from cash and cash equivalents as well as credit exposures to retail customers, including receivables.

Credit risk arises from cash and cash equivalents as well as credit exposure to retail customers, including receivables.
The Syndicate assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Local sales to retail customers are settled by cheques or bank transfers. Similarly proceeds from exports are received through transfers to the Syndicate's bank accounts held with reputable local commercial banks.

24. Financial Instruments (cont'd)

For banks and financial institutions, credit risk can be assessed by the historical information about the financial strengths of the financial institutions with which the Syndicate is dealing with. In the opinion of management, there is no associated risk as these are reputable institutions' in the industry.

The credit quality of trade and other receivables that are neither past due nor impaired, can be assessed by reference to external credit ratings if available or historical information about counterparty default rates. For the year under review trade receivables were not impaired.

The carrying amount of trade and other receivables in the financial statements, which is net of impairment losses, represents the Syndicate's maximum exposure to credit risk without taking account the value of any collateral obtained. The Syndicate's main debtors are its overseas buyers on account of sugar sold to them.

25. Taxation

The Syndicate is a non-profit making organisation and is exempt from taxation.

26. Contingent Liabilities

(i) The Syndicate has no contracted bank guarantees at June 30, 2020 and 2019.

27. Subsequent Events

The recent global outbreak of the coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak and the resultant economic impact is uncertain and cannot be predicted. The effect of the impact of COVID-19 has not been reflected in these financial statements. However, management has confirmed that the impact on the future results of the Syndicate is likely to be immaterial considering that there has not been any impact on its customer base and demand for sugars.

Appendix I

Disbursements and deductions to producers

The Appendix does not form part of the financial statements.

		THE GROUP & THE SYNDICATE	
	Note	2019-2020 Crop	2018-2019 Crop
		Rs'000	*Rs'000*
Bagasse Transfer Price Fund	(a)	58,344	54,991
Government financial support	(b)	609,833	-
Molasses Remittance and distiller/bottler contribution	(c)	427,641	324,993
Additional financial support assistance from SIFB	(d)	381,330	-
Sugar Cane Sustainability Fund	(e)	-	70,352
Sugar Insurance Fund Board Premium	(f)	(116,848)	(103,784)
Net amount distributed to producers		1,360,300	346,552

Notes on disbursements and deductions to producers

(a) BAGASSE TRANSFER PRICE FUND

Bagasse Transfer Price Fund represents the sum received by beneficiaries in respect of bagasse used for the production of electricity by the Central Electricity Board and for other usage. Remittance to sugar producers is effected in accordance with the Sugar Industry Efficiency Act 2001 (Section 13).

	2019-2020 Crop	2018-2019 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	58,344	54,991
Paid out to:		
Planters of the first group	7,001	6,599
Planters of the second group	22,171	20,897
Millers or producers of electricity	29,172	27,495

Amount Per Metric Ton of Sugar Accruing	2019-2020 Crop	2018-2019 Crop
	Rs	*Rs*
Planters of the first group	66.34	52.79
Planters of the second group	143.06	161.05

Amount Per kWh of Firm or Continuous Electricity	2019-2020 Crop	2018-2019 Crop
	Rs	*Rs*
Millers or producers of electricity	0.087	0.092

The Bagasse Transfer Price Fund for 2019-2020 crop was distributed on 14 July 2020, in accordance with the Section 13 of SIE Act 2001.

The Appendix does not form part of the financial statements.

(b) GOVERNMENT FINANCIAL SUPPORT

An amount of Rs 609.8 M was paid by the Government as financial support planters for the 1st 60 tonne of sugar accruing to them.

(c) MOLASSES REMITTANCE & DISTILLER/BOTTLER CONTRIBUTION

(i) The final price of molasses inclusive of Distillers/Bottlers contribution determined by the MCIA amounts to Rs 3,717 (2019: Rs 3,840) per tonne of molasse.
(ii) Contribution received and receivable from Distillers/Bottlers during the Crop year amounted to Rs 157 M (2019: Rs.149 M).

(d) ADDITIONAL FINANCIAL SUPPORT ASSISTANCE FROM SIFB

As mentioned in the Finance Bill 2019, an amount of Rs 381 M was paid to large planters and millers as additional financial support assistance from SIFB for the 2018 crop.

(e) SUGAR CANE SUSTAINABILITY FUND

No sustainability fund were received during the year which relates to Crop 2019. In 2018, the MCIA transferred to the Syndicate for the third consecutive year a sum of Rs 70 M to be distributed to cane growers for their bagasse utilised in the production of electricity.

(f) SUGAR INSURANCE FUND BOARD PREMIUM

The general and fire insurance premium amounted to Rs 116M for crop 2019 (104M for crop 2018) and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974. A sum of Rs 23M (2019: 17M) representing general premium for planters producing less than 60 tonnes of sugar was subsidised by the government.

Appendix II
Crop Statement

The Appendix does not form part of the financial statements.

	2019-2020 Crop					2018-2019 Crop				
	Plantation White Sugar	Raw Non-Originating Sugar	White Sugars	Special Sugars	TOTAL	Plantation White Sugar	Raw Non-Originating Sugar	White Sugars	Special Sugars	TOTAL
	MT	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*
Sales - Export	-	-	133,319	80,463	213,782	-	-	169,683	72,533	242,216
Stock of sugar	42,057	9,240	21,979	58,094	131,370	47,409	30,891	15,950	35,775	130,024
Total sugar for Export	42,057	9,240	155,298	138,557	345,152	47,409	30,891	185,633	108,308	372,240
Sales - Local market	-	-	7,187	2,247	9,434	-	-	12,349	3,440	15,788
Total	42,057	9,240	162,485	140,804	354,586	47,409	30,891	197,981	111,748	388,029
Processing & Storage Loss					18,029					8,767
Total Sugar MTTQ					372,615					396,796
Less non-originating sugar for re-export					42,216					73,390
Total production of Sugar MTTQ					330,399					323,406
Adjustment at 98.5° Polarisation by MCIA (Control & Arbitration Department)					333,176					325,983

Ex-Syndicate Price Per Metric Ton

	On Whole Production
	Rs
2007 - 08	18,620.15
2008 - 09	17,427.30
2009 - 10	14,612.03
2010 - 11	13,535.72
2011 - 12	16,020.16
2012 - 13	17,573.32
2013 - 14	15,829.86
2014 - 15	12,693.50
2015 - 16	13,166.37
2016 - 17	15,571.50
2017 - 18	10,716.64
2018 - 19	8,685.60
2019 - 20	11,383.65