Mauritius Sugar Syndicate

Report and Statement of Account

2013 - 2014

MAURITIUS
SUGAR
SYNDICATE



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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 sugar marketing organisation in Mauritius; it has for object the sale of all sugars received by it for the account of its members and the distribution of the proceeds of such sale after deduction of common expenses. All sugar producers are members of the Syndicate.

In fulfillment of its role, the Syndicate's primary objective is to optimize producer revenue through adoption of commercial strategies likely to capture the highest yields obtainable from markets on a sustainable basis. Its operations are structured into specialized departments geared to provide supporting services of direct relevance to its core business, namely marketing, sales and logistics, finance and accounts, and also quality and food safety. It also offers customized services to planters including payments of advances to finance their growing and harvesting operations. To monitor developments on the international scene likely to affect the commercial interests of Mauritius on sugar, the Syndicate operates an office in Brussels with an overseas-based representative. The Syndicate also enlists the services of a counsel in Washington D.C to monitor developments in the US market. Their respective role is to ensure that the concerns of the Mauritius sugar industry are properly addressed and that its interests are safeguarded on the international front. The Brussels-based Overseas Representative also represents Mauritius at the International Sugar Organisation (ISO).

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

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 representative of the MSPA. The AGM also approves the composition of the Committee and that of the Executive and Selling Committee. The Executive and Selling Committee is composed of eleven members, including six representatives of the MSPA, four planters' representatives, as well as the CEO of the Mauritius Cane Industry Authority (MCIA).

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

For the year under review, out of some 16,500 producers in Mauritius, 8,600 were registered to receive their sugar proceeds directly with the Syndicate while 7,500 obtained their sugar proceeds through the 149 credit cooperative societies registered with the Syndicate. The remaining producers were paid through their appointed brokers.





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MAIN COMMITTEE

President
- Cyril Mayer

Vice-President
- Nareshwar Gujadhur

Corporate Sector Representatives
Nominated by the Mauritius Sugar Producers' Association
- Gérard Chasteau de Balyon
- Arnaud Dalais
- Patrick de Labauve d'Arifat
- Gibert Espitalier Noël
- Hector Espitalier Noël
- Henri Harel
- Jean Luc Harel
- Vincent Labat
- Thierry Lagesse
- Jean Li Yuen Fong
- Jacques Marrier d'Unienville
- Thierry Merven
- Jean Ribet

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Jean François Camoin
- Hubert Daruty de Grandpré
- Hansraj Ruhee

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Anuradha Baichoo
- Soobas Muniah
- Hurrydeo Soobhug
- Kreepalloo Sunghoon

EXECUTIVE AND SELLING COMMITTEE

President
- Cyril Mayer

Vice-President
- Nareshwar Gujadhur

- Anuradha Baichoo
- Vijay Kumar Bojeenauth (up to 8 May 2014)
- Patrick de Labauve d'Arifat
- Hector Espitalier Noël
- Jean Li Yuen Fong
- Jacques Marrier d'Unienville
- Soobas Muniah
- Vinod Ramharai (from 9 May to 8 August 2014)
- Jean Ribet
- Hansraj Ruhee

LEGAL COUNSELS

- ENSafrica (Mauritius)
- BLC Chambers

US TRADE COUNSEL

- Ryberg and Smith LLC

AUDITORS

Chartered Accountants
- BDO & CO

FOREX CONSULTANT

- Stewardship Consulting (Pte) Ltd

CHIEF EXECUTIVE OFFICER

- Jean Noël Humbert

CHIEF EXECUTIVE OFFICER DESIGNATE & SECRETARY

- Devesh Dukhira (as from 1st January 2014)

Confidential Secretary
- Marie Claire Lo Fong

MARKETING & LOGISTICS

Chief Marketing Officer
- Pascal Lelong (as from 16 May 2014)

Logistics Coordinator
- Paul Caboche

Senior Import/Export Logistics Officer
- Khemraj Jhurry

Import/Export Officers
- Dany Jaune
- Yudhisthir Gopaul

Secretaries
- Jesieka Baptiste
- Karine Ribet

ACCOUNTS & FINANCE

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Accountant
- Indira Goboodun

Accounts Officers
- Dooshyant Leckraz (up to 31 July 2014)
- Aruna Patten

Secretary
- Vijay Luxmi Sanuchur

PRODUCERS' ACCOUNTS & LOCAL SALES

Head of Department
- Chetanand Dookhony

First Assistant
- Purshotum Luchmun Roy

Second Assistant
- Varsha Boolakee

CENTRAL QUALITY DEPARTMENT

Chief Quality Assurance Officer
- Patrick Bussier

Assistant Chief Quality Assurance Officer
- Shivalingum Chengalaram

Quality Assurance Officers
- Faisal Earally
- Sanjaye Goboodun

Secretary
- Belinda Dorza

SUPERVISING AND SAMPLING

Supervisors in charge
- Gaëtan Tranquille
- Patrick Henry

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

OVERSEAS REPRESENTATIVE

- Géo Govinden



The President's Report 2013-2014

After two consecutive years of market price improvement, resulting in the ex-Syndicate price paid to sugar producers in Mauritius increasing to MUR 17,573 per tonne of sugar for Crop Year 2012-13, the current Crop Year 2013-14 has been marked by a significant downturn in the price. With a final settlement of MUR 230 per tonne of sugar paid to producers in July 2014, the ex-Syndicate price for the period has attained MUR 15,830 per tonne of sugar and is forecast to move further down in 2014-15. The ex-Syndicate price for Crop Year 2014-15, initially estimated at Rs 14,000 per tonne, is now expected to be lower. Such a dramatic decline in price, severely impacting on producer revenue and on the profitability of their operations, constitutes a major challenge for the sugar sector at a time when massive and costly investments have been undertaken to enable its adaptation to the rapidly changing market environment.

The main cause for this downturn is the sudden and abrupt fall in price of sugar in the Syndicate's export markets, more importantly in the EU which absorbs some 90 percent of sugar produced in Mauritius. This situation is clearly reflected in the official report of the EU Commission giving the monthly average ex-works price of refined sugar sold in bulk across the 28 EU Member States. The latest figures available as of this writing in August 2014, indicate an average ex-works price of 562 Euro per tonne for June 2014 compared with 722 Euro per tonne for June 2013 and 706 Euro per tonne at the same time in the preceding year. As a consequence, the price obtained by the Syndicate from buyers of its refined sugar under the Long Term Partnership Agreement (LTPA) with Suedzucker AG, representing some three-quarter of total sugar exports from Mauritius, has been under strong pressure, decreasing by some 25 percent over the same period. In the USA, the second preferential export market for the Syndicate where Mauritius benefits from an annual minimum quota of 12,076 metric tons under the US Raw Sugar Tariff Rate Quota (TRQ), raw sugar prices have decreased to an average of US 21.85 cents per lb over the July 2013-June 2014 period compared with US 22.88 cents per lb in the previous period and US 35.40 cents per lb in July 2011-June 2012. Finally, prices in the world market, to which the Syndicate supplies some 20,000 tonnes special sugars annually, have remained very much subdued, oscillating between US 14.70 and US 20.16 cents per lb in the New York #11 reference market for raw sugar and between USD 399 and USD 529 per tonne in the LIFFE reference market for white sugar. Such prices were lower than the figures of US 16.22 cents to US 23.73 cents per lb and USD 475 to USD 660 per tonne obtained in 2012-13 for raw and white sugar respectively. Sales undertaken by the Syndicate during Crop Year 2013-14 were thus impacted by the highly unfavourable conditions prevailing in all markets, EU, US and world markets alike.



The root causes for such a hostile market environment, although of various nature in different markets, may be attributed to the single most important condition which is supply-demand imbalance, starting with the world market itself. Indeed, according to the latest estimates published by the International Sugar Organisation (ISO), the world market will have in 2013-14 experienced a surplus of some 4.4 M tonnes of sugar, constituting the 4th consecutive year of global surplus while increasing stocks to nearly 78.0 M tonnes from 74.4 M tonnes in the previous year. Although sugar consumption has remained on a rather steady growth path of above 2 percent per annum, representing an increase of some 3.3 M tonnes for year 2013-14, increased export availability, coupled with decreased import requirement as a result of global economic downturn as well as more favourable production conditions and stock build up in the main importing countries, stock to consumption ratio has continued to increase to reach a high of 43.6% in 2013-14 compared with 42.3% in the previous year and 38.4% in 2011-12. It is also noteworthy that, due to currency depreciation in Brazil and India, two sugar giants accounting for some 40 percent of global sugar production, producers in these countries have been isolated from the signal of a declining world market price which otherwise would have prompted them to decrease their production. As reflected by the ISO statistics, world market prices are inversely proportional to stock-to-consumption ratio, with the former expected to remain subdued until the market enters into a new deficit period leading to substantial stock drawdowns. On a more comforting note, the ISO is estimating a reduced surplus of 1.3 M tonnes in 2014-15 and a return to global deficit and stock drawdowns as from 2015-16.

As for the EU market, the price slump suffered in 2013-14 has just been the logical prolongation of the downturn taken in the previous year with the exceptional measures adopted by the EU Commission to increase sugar availability in the single market. It is to be recalled that the Brussels-based institution had in 2012-13 taken the decision to proceed with the release of no less than 600,000 tonnes of out-of-quota beet sugar into the market while at the same time allowing imports for an equal amount of cane sugar at reduced duty. By the end of the 2012-13 marketing year in September 2013, sugar stock in the EU had risen to some 2.4 M tonnes from 1.6 M tonnes in the previous marketing year and is forecast to remain at about the same level at the end of the current marketing year in September 2014. Although, in contrast with previous years, a large proportion of deliveries from Brazil under the CXL arrangements did not materialise due in particular to the low market prices prevailing in the EU, they have been partially replaced by increased supplies from ACP and LDC countries under the EPA EBA arrangements as well as by new supplies under the Free Trade Agreements established between the EU and certain Central and Southern American countries and regions.



The President's Report 2013-2014 (cont'd)

The net outcome has been a market which has remained grossly oversupplied throughout the year with a dramatic incidence on prices. Similarly, the relatively low sugar prices obtained in the US market were also due to a large oversupply situation resulting mainly from a spectacular growth in imports from Mexico over the past two years, thereby causing stock-to-consumption ratio to rise to 19.9% by November 2013 for Financial Year (FY) 2014 compared with 17.9% in the previous year and 17.2% in FY 2012. Sugar suppliers like Mauritius could, however, derive some comfort from two developments during the year: in the EU, the Commission's decision in early 2014 to suspend the application of any further measure for increasing supplies to the market, and in the USA the decision of the US International Trade Commission to proceed with its investigation in the Anti Dumping and Countervailing case submitted by the American sugar industry, with a subsequent preliminary ruling of the US Department of Commerce on 26 August 2014 that Mexican sugar exports to US have been benefiting from illegal government subsidies thereby imposing duty deposits on Mexican supplies. As for the antidumping case, a preliminary ruling is expected on 24 October 2014. Such decisions would at least help in mitigating any further deterioration in the supply-demand balance in the Syndicate's two preferential markets.

It is thus against a backdrop of highly unfavourable prices in its export markets that the Syndicate has had, during the year under review, to pursue its dual mission of satisfying its customers' needs while trying to safeguard producer revenue in Mauritius to the best of its capability. Given the lower prices achieved in all export destinations, compounded by a decrease of about 20 percent in its sales of special sugars compared with the previous year, the total export revenue achieved by the Syndicate for the 2013-14 Crop Year was reduced to 9,452 M from 10,342 M rupees for the previous Crop Year, hence the significant decrease in the ex-Syndicate price paid to sugar producers in Mauritius. The drop in the Syndicate's export performance for its special sugars is attributed to a large extent to a shortfall in its exports under the US Raw Sugar TRQ as a result of an oversupplied market and also due to the Kenyan market not upholding the offtakes achieved in the previous year. On a more positive note, however, the Syndicate has been in a position to repeat the same performance as in the previous year by exporting almost the totality of the 20,731 metric tons of Fairtrade sugar produced from the 2013 crop. These supplies were made to 14 buyers in 8 countries, mainly in the EU market. It is to be recalled that Fairtrade sugar attracts a special Fairtrade Premium of 60 US dollars per tonne paid directly to the certified small planters' cooperatives: a total amount of US $ 1.24 M is thus payable as FT Premium to the certified cooperatives for Crop Year 2013-14.



On the procurement side, as in previous years, the refined sugar for export under the Long Term Partnership Agreement (LTPA) was produced by the Alteo and Omnicane refineries and delivered in Port Louis in lined 20-foot containers for shipment throughout the year according to a shipping programme established by Suedzucker AG. The special sugars manufactured by Terra Milling, Alteo Milling and Deep River Beau Champ (DRBC) Milling were delivered in 25kg, 50kg and Big Bags to the BSSD warehouses in Port Louis for shipment throughout the year also according to shipping programmes established with the Syndicate's buyers. It is to be noted that the DRBC mill was engaged in its last year of operation with the centralisation on Alteo of all its milling activities as from the 2014 crop, including for its production of special sugars. Given that DRBC was the sole producer of soft sugars of the Muscovado type in Mauritius and also the important contribution of such sugars to the added value achieved by the industry in export markets, a special attention was paid to the transfer of production from one site to the other ensuring that all the required quality and food safety standards were upheld. At time of writing, the process had been successfully completed with regular deliveries of soft sugars undertaken from Alteo's new facilities. With the closure of the DRBC factory, Mauritius has achieved one of the main objectives set under the Multi Annual Adaptation Strategy 2006-2015, which is the centralisation of the milling sector on 4 sugar mills. Still on the procurement side, the Syndicate has, in the context of the Surveillance Audits undertaken by FLO-Cert during the year under review, continued to support the efforts of some 4,500 small sugarcane growers grouped into 29 cooperatives in view of maintaining their Fairtrade certified status; two of them have yet to pass the audit. The Syndicate firmly believes that in an increasingly competitive market environment, the Fairtrade label offers a real opportunity for the more vulnerable producers to consolidate their operations and derive additional revenue to finance their development projects. It has therefore initiated action in view of increasing the number of Fairtrade certified cooperatives during the next Crop Year.

During the year under review, one of the main issues that have captured the attention of sugar stakeholders in Mauritius and in many other sugar supplying countries to the EU market has been the decision taken by the EU in the context of the Common Agricultural Policy reform to end beet sugar and isoglucose quotas in September 2017. Different studies undertaken to assess the impact of such a measure on the market, including a study undertaken by the EU Commission's own services, have revealed that the EU market is likely to undergo significant changes as from 2017 with inter alia a dramatic fall in the market price, an increase in supplies of beet sugar and isoglucose and a sharp drop in imports.



The President's Report 2013-2014 (cont'd)

These findings were subsequently confirmed in a report published by the EU Commission in December 2013 entitled Prospects and Income for Agricultural Commodities in the EU for the period 2013 to 2020. It appears that with this new wave of reform in the EU, aid for supporting private storage would become the only instrument left to manage market balance in case of surplus production in the future. The EU Commission will also still have the possibility of adopting special measures to manage balance between supply and demand whenever the market conditions will dictate. Given the direct impact that the end of quotas would have on their export revenue and consequently on the future viability of their respective sugar industries, the ACP countries have during the year intensified their lobbying campaign near the EU Member States and institutions in view of persuading them to extend the EU quota regime till at least 2020. In spite of a favourable recommendation of the EU Parliament in this respect, the final co-decision taken by the EU Council and EU Parliament to end quotas in September 2017 have therefore been a real disappointment for the traditional suppliers like Mauritius and have likewise triggered a real shock wave across the market.

With a sharp drop in the EU market prices recorded as from last quarter of 2013, there is a general sentiment amongst market players that the post-2017 market conditions are already prevailing. It is clear that the exceptional measures taken by the EU Commission in 2012 to increase sugar availability in the market compounded by the TRQ entries from Central and Southern America under the FTA agreements and the steadily increasing deliveries under the EBA EPA arrangements have all contributed to turn, what had till then been a sellers' market, into a buyers' market. Market analysts believe that these unfavourable market conditions are likely to stretch into the 2014-15 marketing year and even further into the following year, with prices remaining very much subdued during that period. Given the current level of spot prices obtained in different regions of the EU market and also the prices expected under the annual contracts for 2014-15, the Syndicate had on 6 June 2014 issued a first price estimate on the sugar to be produced for the 2014 crop at 14,000 rupees per tonne compared with a final price of 15,830 rupees per tonne achieved for the 2013 crop. However, given further price decline in the EU market during the last quarter, the Syndicate may have to reduce its estimate during the year. This price level is acknowledged to be far short of the average viability price of sugar producers in Mauritius. After the end of the Sugar Protocol in 2009 and the reform measures adopted under the MAAS 2006-2015, the sugar sector in Mauritius is now facing a new challenge for which adequate responses have to be found. In this context, the Syndicate welcomes Government's decision to undertake a major study in view of assessing the socio-economic and environmental



impact of the end of EU quotas on the sugar sector thereby proposing relevant measures to safeguard its long term viability and ensure its sustained multifunctional role in the country's future development. Pending these proposals, producers are facing real hardship and have to find ways and means to address their short term profitability and immediate cash flow situation. The Syndicate welcomes in this regard Government's initiative to provide a special financial support to small and medium planters for a period of two crop years pending the outcome of the impact study. Given the current difficulties, the Syndicate is also supportive of the initiative taken by the Mauritius Chamber of Agriculture to request a special financial support for all producers from the Sugar Insurance Fund Board in the context of the fund's actuarial review.

In the meantime, the Syndicate is leaving no stone unturned in its endeavour to attract the highest possible returns from markets and to safeguard producer revenue in Mauritius. In this regard, it has during the year under review pursued its contacts with different market players in the EU for discussions on the terms of prospective long term partnerships for the sale of its refined sugar to the EU following the end of the existing LTPA in September 2015. The increasingly competitive EU market environment is guiding the Syndicate to adopt a new approach in the marketing of its refined sugars with more flexibility in its partnerships across markets and a greater ability to capture higher returns through the export of increasing tonnages of added value products. For its special sugars, the Syndicate has faced increasing competition, especially in the EU and US markets, from low value direct consumption unrefined sugars which are supplied from new origins as cheaper substitutes to the sugars from Mauritius. This has caused disturbance in the market, leading to value destruction at the expense of the Syndicate's traditional supplies. To protect its market share and value, the Syndicate has during the year under review explored new avenues both in terms of product development and prospection of new markets and new segments within its traditional markets. The Syndicate has thus remained alive to the challenges of a dynamic market environment and has ensured at all times, through the responses it has chosen to adopt, that producer revenue in Mauritius remains its ultimate objective.

Cyril Mayer
President





2013 CROP

Production, Supplies and Revenue

The 2013 crop suffered from dry weather conditions especially during the earlier part of the cane growth stage, and despite abundant rainfall during the first quarter of 2013, the stalk did not recover sufficiently. Hence, although the average height over the island attained 186.7 cm by end June 2013, which was comparable to the last 5 years' average, the average yield for the crop reached a mere 71.37 tons cane per hectare (TCH), lower than the yield of 72.91 TCH attained in the previous crop and much lower than the last 5 years' average of 74.47 TCH. On the other hand, favourable temperature amplitudes together with above normal solar radiation during the cane ripening phase between April and June 2013, supported sucrose accumulation and consequently an average extraction rate of 10.62% was achieved for the 2013 crop, compared with 10.38% for the previous harvest and an average of 10.21% over the last 5 years. Hence, out of the 3.82 M tons of cane harvested during the 2013 crop over 53,464 hectares (ha) of land, 404,713 tons tel quel of sugar were produced. Comparatively, for the preceding year, 409,200 metric tons tel quel sugar were produced from 3.95 M tons cane harvested over 54,140 ha land.

TABLE I

2013 Crop Sales (metric tons)

	MT	
2013 CROP PRODUCTION	404,713	
Add carry-over stocks from 2012 crop		
PWS	33,007	
Bagged sugar	6,491	
Add imported sugar feedstock	52,785	
TOTAL DISPOSABLE SUGAR		496,996
EXPORT SALES 2013-2014		
European Union (EU)		
White refined sugar	329,037	
Special sugars	73,311	
		402,348
United States		
Special sugars		4,179
World Market		
Special sugars		17,600
Local Market		
White refined and DC raw sugars		10,300
TOTAL SALES		434,427
Less processing and storage loss		(12,696)
ESTIMATED SURPLUS		49,873

The crop outturn of 404,713 metric tons tel quel sugar was supplemented with the carry-over stock of 33,007 metric tons plantation white sugar feedstock for refining and 6,491 metric tons bagged special sugars from the preceding crop, as well as 52,785 metric tons of Very High Polarisation (VHP) raw sugar received from imports for remelting and further processing by the local refineries. Hence total availability of sugar for the 2013-14 marketing year amounted to 496,996 metric tons and it was processed into both refined sugar and special sugars for delivery to the Syndicate's buyers locally and overseas. The '2013 Crop Sales' (Table I) at page 15, illustrates the sales mix for the 2013-14 marketing year.

The Syndicate exported, over the 2013-14 Crop Year, 424,127 metric tons sugar in total, comprising 329,037 metric tons refined sugar shipped from Port Louis as at end June 2014, and 95,090 metric tons of special sugars for dispatch till the end of the marketing year in September 2014. The refined sugar was supplied exclusively to the EU market under the 2009-15 commercial partnership agreement between the Syndicate and Suedzucker AG, to meet its delivery commitments in EU during the 2013-14 marketing year, while the special sugars were exported to over 100 customers in the EU, US and the world market. The Syndicate suffered from deteriorating market conditions in most of its export destinations as a result of, firstly a supply surplus and, secondly a reduced consumption of high value-added sugars owing to the persistent financial crisis in a number of these countries. The total export revenue for the 2013 crop consequently decreased to MUR 9,452 M, compared with MUR 10,342 M for the previous year. The net proceeds, including sales on the local market, but after deduction of all operational and statutory expenses of the Syndicate, amounted to MUR 6,461 M compared with MUR 7,247 M for the previous campaign. It should be remarked that, as per provisions of the Economic Restructuring and Competitiveness Programme (ERCP) of August 2010, Global Cess, which is the main component of the statutory expenses, is calculated on the basis of 4 percent of the ex-Syndicate price and thus amounted to MUR 258 M compared with MUR 288 M paid in the previous year. The ex-Syndicate price for the 2013 crop, prior to disbursement of the SIFB premium, was thus finalised at MUR 15,830 per ton of sugar, a reduction of 10 % compared with the MUR 17,573 per ton paid to sugar producers for the previous crop. The SIFB premium paid by producers for the 2013 crop amounted to MUR 271,3 M, compared with MUR 294,4 M paid for the 2012 crop It should be noted that the Sugar Insurance Fund Board (SIFB) undertook an actuarial review exercise during the first half of 2014 and a revision in premia payable by sugar producers is foreseen as from the 2014 crop.

At the end of the crop year in June 2014, there was a closing stock of 14,771 metric tons plantation white sugar and another 18,210 metric tons imported VHP raw sugar feedstock, which would be further processed at the start of the 2014 crop to meet delivery commitments towards Suedzucker's customers in EU till the end of the marketing year in September 2014 as well as for the deliveries to the local market. There was also a stock of 16,892 metric tons special sugars in bags which would be carried over to the following delivery period.

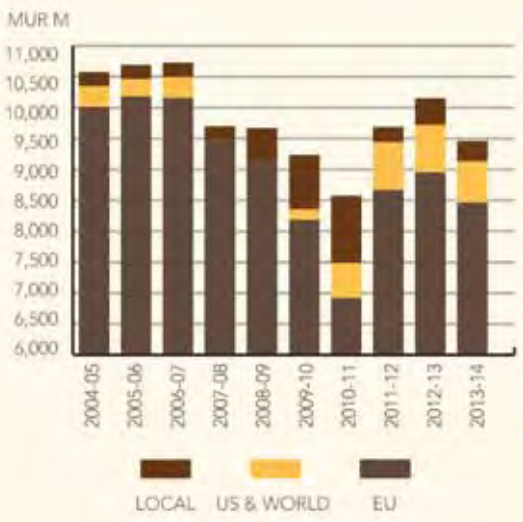
Sales

European Union Market

Sugar has been exported from Mauritius to the EU under the market access arrangements between the EU Commission and ACP countries signatory to the Economic Partnership Agreements (EPAs), which have replaced the ACP/EU Sugar Protocol since October 2009. These arrangements provide for duty-free market access for non-LDC ACP suppliers like Mauritius subject to the application of a double trigger transitional safeguard mechanism which would cap their supplies at the agreed Regional Safeguard Threshold (RST) in case the total ACP/LDC supplies exceed 3.5 M tons white sugar equivalent (wse). Mauritius is a member, within the EPA, of the Eastern and Southern African (ESA) region, for which the RST, established on the basis of the traditional supplies of the non-LDC suppliers from this region to the EU market, has been set at 632,851 tons wse in 2011-12 and maintained till 2014-15 when quantitative restrictions will terminate

CHART I

Sugar Proceeds per destination



for all EPA signatories. In the meantime, Mauritius and Zimbabwe, the only non-LDCs within ESA, can jointly export sugar to the EU up to this quantity with no risk of being confronted with payment of customs duty as long as the ceiling of 3.5 M tons wse for total ACP/LDC supplies has not been reached. However, once the 3.5 M tons wse ceiling is attained, the Commission will stop issuing import licenses for only those non-LDCs having reached their RSTs. On the other hand, LDCs do not face any market access restriction for their sugars in the EU market, a provision that will extend to non-LDC ACP suppliers as from October 2015.

Since implementation of the EPAs, total ACP/LDC sugar supplies to the EU have been well below the overall ceiling of 3.5 M tons, reaching only 2.059 M tons wse in the 2012-13 marketing year. Consequently Mauritius, like other ACP suppliers, has not had to face any export restriction for its sugar to the EU market. As for the 2013-14 marketing year, the total import licences allocated for sugar from the non-LDCs of the ESA reached 621,060 tons wse as at 3 September 2014 and exports are expected to attain 723,000 tons wse by the end of the quota year in September 2014; this is a significant increase over the sugar supplies of 529,066 tons wse from these countries into the EU in the preceding marketing year. As at the same date, total ACP/LDC sugar supplies for the quota year amounted to 2,025,456 tons wse, of which 1,414,520 tons wse originated from non-LDCs, and they are expected to reach some 2.299 M tons wse by 30 September 2014.

Total export of sugar from Mauritius to EU during the 2013-14 marketing year, i.e for arrival in EU till end September 2014, including sugars sold under the previous year's contract, is expected to reach 407,638 metric tons, comprising 333,300 metric tons refined sugar and 74,338 metric tons of special sugars. Most of the refined sugar, i.e an equivalent of 331,270 metric tons, have been delivered in bulk containers while 2,030 metric tons have been shipped in bags. As regards the special sugars, they have been shipped mostly in polypropylene bags, in retail packets for those customers having made arrangements with independent packers in Mauritius, and a smaller proportion in the form of irregular sugar cubes.

Refined sugar

Refined sugar produced in Mauritius is supplied exclusively to the EU market under a commercial partnership agreement, extending over the 2009-15 period, with the German group Suedzucker AG. The sugar, which is of EEC Grade 2 quality, hence complementing Suedzucker's own supplies of beet sugar produced in the EU, is exported principally in liner containers of 25 metric tons each for just-in-time delivery to a range of customers across the EU market. The refineries are BRC (British Retail Consortium) certified and have a full traceability system in place thereby allowing deliveries to even the most stringent industrial users. At the behest of buyers, the sugar can occasionally be shipped in big bags stuffed in containers. Shipment of refined sugar processed from the 2013 crop sugars, as well as from the carry-over stock of plantation white sugar from the previous crop and imported VHP raw sugar feedstock, reached 329,037 metric tons as at 30 June 2014; these deliveries included 14,000 metric tons sugar with the Fairtrade label. Shipment has been organized with the 3 main shipping lines serving Port Louis, namely MSC, CMA CGM and Maersk, to some 15 different ports across the EU prior to delivery to the final customers.

CHART II

Export of Special Sugars



Special Sugars

A total of 73,311 metric tons of special sugars, including some raw and refined sugar in cubes, were sold during the 2013-14 delivery period to a number of buyers in twenty different EU countries. This represents a 9.8% decrease in sales compared with the previous crop, mostly triggered by fierce competition from new suppliers of raw sugar for direct consumption as they try to market ordinary raw sugar as special sugars. While the most discerning buyers value the efforts required to produce special sugars of consistent quality, and in a food safe environment, certain traders in the EU are misleading their customers by marketing any ordinary raw sugar, including VHP sugar meant for refining or coloured refined sugar, as a special sugar. The Syndicate views this attempt to commoditize special sugars with grave concern: while the Mauritian industry has invested heavily in the development of these natural and wholesome sweeteners over the last 40 years, having meanwhile acquired the necessary know how to guarantee products of a seamless quality, these are being replaced, albeit in restricted price-sensitive market segments, by ordinary raw sugars at heavily discounted prices. The Syndicate has responded to this challenge by reinforcing its communication on its special sugars, thereby explaining to the market the attributes of Mauritius special sugars compared to the ordinary raw sugars. On the other hand, much emphasis is placed on further product development and market diversification to maintain an edge over such unfair competition.

The special sugars have been exported mostly in polypropylene bags, of either 1050 kgs, 50 kgs or 25 kgs, and, as occasionally requested by buyers, they have also been packed by independent packers prior to shipment from Port Louis. Shipment has been organised with the 3 main shipping lines serving Port Louis, namely MSC, CMA CGM and Maersk, to some 36 different ports across the EU.

EU Prices

The export price of direct consumption sugars from Mauritius tracks the market price in Europe: while refined sugar sold under the commercial partnership with Suedzucker AG is sold at prices equivalent to those of beet sugar, special sugars attract an additional market premium on the basis of their value-addition. The average ex-works price of refined sugar, which is regularly monitored by the European Commission through a reporting system involving all 28 Member States and posted on its website after a period of 1 month, serves as a reference to both sugar operators and the regulators. Although market prices have historically been relatively stable throughout a marketing year, they have been very volatile during the 2013-14 delivery period.

CHART III

Evolution of EU market price for refined sugar from 2009-10 to 2013-14





In fact, the EU Commission adopted exceptional measures during the course of 2013, having been prompted by the enhanced differential between European prices and world market prices, to introduce a further 1.2 M tons sugar in an EU market which was already balanced. The estimated ending stock for 2012-13 prior to these measures was 887,000 tons wse and pursuant to the additional imports of 600,000 tons sugar from third party suppliers at reduced customs duties and the release into the market of 600,000 tons of out-of-quota sugar at reduced levy, the estimated ending stock for 2012-13 subsequently rose to 2.245 M tons wse. With such a sudden increase in supply, the average ex-works price for white sugar, after attaining a peak of € 738/ton in January 2013, started to decline, decreasing month-after-month to reach € 562/ton in June 2014: the price evolution is illustrated in Chart III at page 18. Supply contracts, though established over the 12 months' period, have consequently been revisited by sugar buyers with spot prices gradually replacing contractual prices.

The oversupplied market is also having an impact on negotiations for the 2014-15 marketing year supply contracts. While buyers feel that spot prices could be further reduced, they are reluctant to finalize annual contracts. On the other hand, the market prices at the end of the 2013-14 delivery period have reached unsustainable levels for a number of beet producers in the EU as well as preferential suppliers from the ACP/LDCs, and there is much resistance to finalize annual contracts at these price levels. Market prices are consequently expected to remain volatile during the 2014-15 marketing year, though at lower levels compared to the previous period.

Proceeds relating to the export of sugar to the EU are predominantly received in Euros. The sales proceeds of the industry and resulting ex-Syndicate price are therefore highly dependent on the Euro parity against the local currency. For the period during which sales of foreign currencies were undertaken, the buying rate remained between MUR 39.10 and MUR 41.15 to the Euro, compared with the MUR 36.59– 40.57 range during the previous year, as shown in Chart IV.

It remained fairly stable in the range of MUR 39.09–39.72 until May 2013, but subsequently weakened and by June 2013, it reached MUR 40.50 against the Euro. The local currency made some temporary peaks of MUR 41.12–41.15 in March 2014 but then retreated to remain closer to the MUR 40.60/EUR level.

Through its hedging operations, initiated as from January 2013 for the 2013 crop, the Syndicate managed to achieve an average exchange rate of MUR 42.31 to the Euro on the sales of its export proceeds, compared with MUR 40.62 to the Euro in the previous year. The appreciation of the Euro during the period under review has helped to partly mitigate the loss in revenue prompted by the reduced market prices.

CHART IV

Evolution of MUR/Euro buying rate from 2012-13 to 2013-14



United States Market

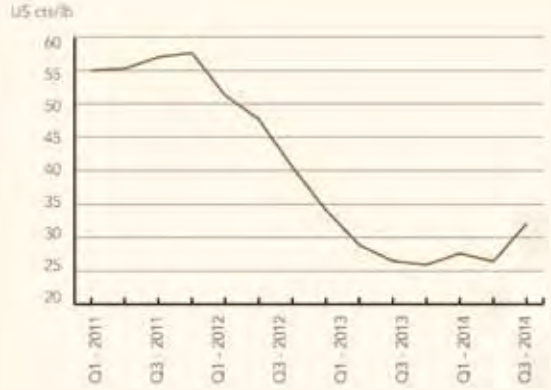
The raw sugar TRQ for Financial Year (FY) 2014 (October 2013-September 2014) was set by the US Department of Agriculture on 12 September 2013 at the minimum WTO Uruguay Round Agreement bound level of 1,117,195 metric tons raw value (mtrv). Mauritius was consequently allocated, on basis of its historical shipments to the US, a share of 12,636 metric tons raw value (12,076 metric tons tel quel) sugar which it could export duty-free to the US market. Owing to the market surplus during the year under review, with an opening stock estimated

at 2.158 M short tons (ST) there was no subsequent increase in the TRQ. This market surplus is explained by the surge in sugar imports from Mexico under NAFTA, which in the previous year reached 2.124 M ST raw value out of the total US sugar imports of 3.224 M ST. As of writing, import of sugar from Mexico for FY 2014 was expected to reach 2.054 M ST, out of total imports of 3.645 M ST.

After a remarkable decrease in US market prices since end 2011 because of the declining world market prices and also the increase in Mexican sugar supplies, they seemed to have reached a trough during the year under review, even increasing slightly during the second quarter of 2014. This change in price trend is explained by the petition filed by the American Sugar Alliance, after which the US International Trade Commission determined on 9 May 2014, that sugar imports from Mexico have injured or threatened to injure US sugar producers. The US Department of Commerce have investigated and consequently determined, through a ruling issued on 26 August 2014, that Mexican sugar exports could have been benefiting from illegal government subsidies and consequently imposed duty deposits of up to 17% depending on the mill supplying the sugar. The market prices have reacted to this development and the average wholesale price of white sugar, which was US 26.50 cts/lb in March 2014 increased to US 29.75 cts/lb in the following month; it attained US 36.60 cts/lb in August 2014, as illustrated in Chart V.

CHART V

US Wholesale refined sugar prices (US cts/lb)



The consequent risk of decreased supplies from Mexico, which has reduced the USDA's ending stock forecast for FY 2014 from 1.88 M ST in January to 1.60 M ST by May 2014, seems to be the reason having prompted them to proceed in July 2014, with the view to maintain market balance, with reallocation of 99,290 metric tons TRQ from countries having stated that they would be unable to fulfill their allocation. As in preceding years, all supplies from Mauritius to US were in the form of special sugars and total exports entering duty-free under the FY 2014 TRQ attained 4,179 metric tons tel quel out of the total allocation of 12,076 metric tons. This significant reduction, compared to deliveries of 9,616 metric tons over the previous period, is explained by the fact that price levels in US became simply non-remunerative as they have been reduced by half. In addition, as in the EU market, the Mauritius special sugars increasingly faced fierce competition with suppliers of raw sugar for direct consumption from Central and Latin America.

Sales in US were concluded on a CIF US ports basis at a premium compared to the market prices of refined sugar, and deliveries were completed mainly in big bags of 1050 kg, 55 lbs bags or in retail packets when prior arrangements had been made with packers in Mauritius. Shipments were effected mainly on MSC and Maersk vessels.

During the year under review, US customs officials visited Mauritius, at the behest of a customer, to inspect the supply chain from the mills till loading onto vessels for export: it was undertaken successfully and the industry has consequently been awarded the C-TPAT (Customs-Trade Partnership Against Terrorism) certificate. It reaffirms security of the supply chain in Mauritius with respect to terrorism, resulting in expedited processing of cargoes upon arrival in US, hence fewer Customs examination.

World Market

Despite the persistently depressed world market price level, the Syndicate managed to maintain market share for its special sugars in most of its export destinations other than EU and US. Its sales in Kenya was, however, affected by a surge in sugar



supplies from outside COMESA in 2013 but with duty preference which has reduced the market price to unprofitable levels. The local authorities subsequently imposed a temporary ban on sugar imports and sales contracts established with buyers of special sugars could not therefore be fulfilled.

Although the Syndicate has had a leading market position for its special sugars in many countries comprising world market destinations, it is being increasingly challenged by ordinary raw sugar for direct consumption being offered at lower prices. It will subsequently reinforce its communication campaign with the view to explain to its buyers the attributes of its special sugars compared to the ordinary raw sugars.

Total export to the world market reached 17,600 metric tons for the 2013-14 marketing year, compared with 27,616 metric tons in the preceding period. Deliveries were completed mainly in polypropylene bags of 1050 kgs, 50 kgs or 25 kgs and, as occasionally requested by buyers, they have also been packed by independent packers prior to shipment from Port Louis. Shipment has been organised with 4 shipping lines serving Port Louis, namely MSC, CMA CGM, Maersk and Mitsui, to some 26 different ports worldwide.

Local Market

Some 6,500 metric tons of refined sugar and 3,800 metric tons of raw sugar for direct consumption were produced from the 2013 crop for delivery to the domestic market. While the raw sugar was sourced from domestic production, the white sugar was processed by the local refineries from imported raw sugar feedstock, which the Syndicate imported during the year under review, pursuant to international tender exercises.

Local market sales by the Syndicate amounted to a total of 14,348 metric tons, compared with 17,925 metric tons in the previous year. Out of these supplies, 3,707 metric tons of refined sugar and 1,473 metric tons of raw sugar for direct consumption were delivered to industrial users, compared with 4,885 metric tons and 1,381 metric tons respectively in the previous year. The remaining tonnage, plus 193 metric tons of special sugars, were sold to wholesalers and packers for direct consumption. The worsening sales performance can be explained by the fierce competition from other importers of refined sugar from diverse origins, as well as the increase in the MCIA levy in March 2014 on domestic sugar sales from MUR 2.70 to MUR 3.70 per kg. It should be recalled that this levy, to which the Syndicate also contributes in respect of its local sugar sales, is used for the payment of pension to the ex-Dockers made redundant with the coming into operation of the Bulk Sugar Terminal some 30 years ago.

In compliance with established customs procedures, the Syndicate also issued Export Certificates to exporters of locally manufactured sugar-containing goods, covering export of 548 metric tons equivalent sugars during the period under review, compared with 927 metric tons in the preceding year. This continued decline is explained in a significant part by the fact that certain large industrial users have resorted to importing their own sugar requirements and therefore are no longer required to obtain certificates from the Syndicate for the export of their sugar-containing products.





SUPPLY & DELIVERY ARRANGEMENTS

Agreements with Refiners

The processing of refined sugar from raw sugar feedstock for supply to the EU market as well as for local market deliveries, is subcontracted by the Syndicate to the two back-end refineries in Mauritius, namely Omnicane Milling Operations Ltd (OMOL) and Alteo Refinery Ltd. Sugar Refining Service Agreements have been signed in this regard between these refineries and the Syndicate, back–to-back with its commercial partnership agreement with Suedzucker AG, i.e extending till 30 September 2015. The refineries are remunerated through a refining service fee for each ton of refined sugar produced and delivered in containers to the Cargo Handling Corporation Ltd terminal or in bags to the BSSD warehouse in Port Louis. The combined annual throughput capacity of both refineries is around 400,000 metric tons of refined sugar and, in light of the actual crop outturn, it can be optimised through the utilization of VHP raw sugar feedstock imported by the Syndicate. During the period under review, two consignments of 26,738 and 26,047 metric tons were delivered at the Bulk Sugar Terminal in Port Louis in August 2013 and March 2014 respectively, for storage and subsequent collection by the refineries. Such operations, undertaken in conformity with the value tolerance rule provided under the ACP/EU Economic Partnership Agreements (EPA) for duty-free export to the EU, enable the Syndicate to increase its export of refined sugar and also to supply to the local market at a lower cost, thus increasing its competitive edge and enhancing producers' revenue.

During the period from July 2013 to June 2014, 331,740 metric tons refined sugar have been produced by the refineries, compared with 302,040 metric tons during the same period in the previous year. Out of this outturn, 329,710 metric tons were delivered in bulk containers, 2,030 metric tons in big bags for export and another 6,500 metric tons in 50 kg bags for the domestic market. The feedstock used by the refineries was locally produced Plantation White Sugar (PWS) as well as imported VHP raw sugar. In addition to supplies from their respective adjacent mills, Alteo Refinery Ltd secured extra PWS from DRBC Milling and OMOL from Medine Sugar Milling. The excess sugars, which could not be stored in their adjoining sheds, were delivered and stored at the Bulk Sugar Terminal in Port Louis for collection by the refineries during the intercrop campaign.

Framework Agreement for Supply of Special Sugars

Production of special sugars is subcontracted by the Syndicate, under a framework agreement established since the 2009 crop with the three producers of these added-value sugars, namely Terra Milling, Alteo Milling and DRBC Milling. With the latter's closure after the 2013 crop, its production of Demerara and soft sugars has been transferred to Alteo Milling at FUEL. Though the combined capacity of the mills exceeds 120,000 tons sugar p.a, which is the carve-out allowed for sales of special sugars under the 2009-15 commercial agreement with Suedzucker AG, they produced and delivered only 110,094 metric tons of these specialty products from the 2013 crop, on account of reduced sales by the Syndicate during the period under review.

The millers have continually upgraded their production facilities so as to meet the increasingly stringent quality and food safety requirements of the Syndicate's customers. The regular in situ audits undertaken by the latter are keeping them abreast of new market requirements in this respect. With the know-how acquired over the years, producers of special sugars have developed an expertise in production of new varieties of special sugars to meet customers' changing needs. The Syndicate and its suppliers in Mauritius have also during the year under review been in a position to respond positively to some of its customers' requirement for responsibly sourced products by demonstrating full compliance with social, ethical and environmental standards.

While all facilities, including the BSSD warehouses, are HACCP certified, Terra Milling also operates a fully operational food safety management system on BRC standards. As for Alteo Milling, it had to wait for the delocalization process of DRBC, which was already ISO 22000 certified, into its new premises before applying for BRC certification, a step which was successfully completed in August 2014.

Through a close collaboration with these factories, the Syndicate ensures that the production of special sugars is carried out within the required quality assurance framework. Each daily production batch is accompanied by a Product Release Certificate which guarantees a positive release into the BSSD warehouses, ready for export. The Syndicate's Central Quality Department (CQD) manages a surveillance program, as from acceptance of the sugar in the stores, to ensure that it is maintained in a suitable condition for its intended use. As in previous years, each production batch was analysed by the CQD on basis of daily representative samples for the purpose of the Control & Arbitration Department of the MCIA.

Supply of Fairtrade Sugars

Despite a reduced harvest for the 2013 crop and a contraction to 27 certified co-operative societies, from 32 in the previous year resulting from a merger and the unsuccessful audits of 4 others, total availability of Fairtrade sugars from Mauritius has remained fairly stable with a production outturn of 20,731 metric tons sugar compared with 21,984 metric tons for the previous year. These 27 certified producer organizations comprised some 4,500 small cane growers altogether.

In accordance with Fairtrade requirements, co-operative societies certified in 2009 were subject to the annual surveillance audit, whereas those certified in 2011 had to undergo renewal audits. These regular controls, which are driven by FLO Cert, the global certification and verification body for Fairtrade, aim at ensuring continuous compliance with the social, economic and environmental standards laid down by Fairtrade International. In this regard, the Syndicate has held regular information meetings with representatives of the certified co-operatives and, in collaboration with the Mauritius Fairtrade Co-operative Federation, provided them with ongoing support and guidance to help them in sustaining their certification. Likewise, the Syndicate has promoted communication and dialogue between the certified co-operatives and its Fairtrade sugar buyers by arranging several meetings between them in the course of the year.

Total sales of Fairtrade sugars from the 2013 crop attained 20,687 metric tons, including 14,000 tons of refined sugar delivered mainly to industrial users in the EU and the balance sold as special sugars to over a dozen countries worldwide. The resulting Fairtrade premium, amounting to USD 1.24 M altogether, would be collected by the Syndicate for onward transfer into the bank accounts of the certified cooperatives as per established principles. With an increasing demand in Fairtrade sugar in its various export markets, the Syndicate has approached the Mauritius Cooperative Agricultural Federation to encourage additional cooperative societies to seek certification. The Syndicate and the Mauritius Fairtrade Cooperative Federation are providing support to the eligible societies in the preparation of their certification audits, hopefully during the course of the 2014 crop.

Harvest Services, FORIP & Other Support Schemes for Planters

Since the 2011 Crop, the Syndicate, through an agreement with Alteo Planters Services Ltd (APSL) concerning the provision of Planters' Harvest Services, offered at-source cost deduction and repayment facilities to planters of the enlarged Alteo (FUEL) milling zone. Charges relating to various types of harvest services provided by APSL to planters of the FUEL, ex-Mon Désert Alma and ex-Highlands factory areas were thus retained from their sugar proceeds for repayment to the service provider. During the 2013 harvest, a total of 569 planters, including 394 independent planters, supplying 50,887 tons of cane harvested over 780 hectares of land, were serviced by APSL compared with 448 planters producing about 48,000 tons of cane in the previous year.

Regarding the implementation of the Field Operations Regrouping and Irrigation Project (FORIP) for small and medium planters, Government disbursed, out of the EU-funded Accompanying Measures for Sugar Protocol countries (AMSP), MUR 458 M during the period under review, compared with MUR 351 M for the previous year. The project initiated in 2006 aims at covering some 12,000 ha of land by 2015, thus improving the cost



competitiveness of the relevant planters and ensuring a sustainable cane supply from them. As of this writing, the total cumulative land area regrouped, de-rocked and planted under FORIP amounted to 8,200 ha belonging to some 8,300 planters. It is worth mentioning that by the end of 2013, 1,165 of these 8,200 ha had been prepared for harvest mechanization and other cultural practices.

In order to further buttress planters' sustainability, Government provided the following schemes, incentives and facilities:

- Provision of a line of credit of MUR 1.3 billion by the Bank of Mauritius to commercial banks for maintaining the 80% advance to small and medium planters for each crop.
- Restoring the VAT refund scheme for agricultural machinery, equipment and tools, introduced in 2012.
- Extension of leasing facilities for agricultural equipment for an additional year under the Planters' Harvest Scheme.
- Income Tax exemption on the first 60 tons of sugar for planters cultivating less than 15 ha of land and who rely solely on sugar income.
- Improving land productivity and halting agricultural land abandonment, together with the provision of MUR 30 M for the continuation of the Compost Subsidy Scheme.

Storage Facilities and Delivery Arrangements

As in previous years, the refined sugars produced by Omnicane and Alteo refineries were loaded directly from their conditioning silos into food-grade containers fitted with polyethylene liners holding 25 tons sugar each. These containers were selected and prepared in accordance with established *cahier des charges* agreed between the Syndicate and the shipping lines. The filled containers were consequently delivered to the Cargo Handling Corporation Ltd (CHC) container terminal or at the Mauritius Freeport Development (MFD) depot in Port Louis for export, while buffer stocks were retained to allow regular shipments from Mauritius through the year, including during refinery maintenance shutdowns. A working protocol has been established with both service providers for the management and monitoring of the sugar containers prior to shipment.

When operating at their full capacity, the refineries would together deliver over 50 containers of refined sugar to Port Louis on a daily basis. A customised tracking system allows monitoring of container movements from the depot, where the empties are delivered, to the refineries and back to Port Louis for loading onto vessels. This ensures a proper stock management and a steady flow of containers till shipment, thereby reducing the risk of any bottleneck along the supply chain. For the year under review, 13,150 containers have thus been loaded with refined sugar prior to export to some 15 different ports within the EU.

Shipments were organised on the basis of a rolling plan, regularly updated by the EU commercial partner, with the main shipping lines offering a service from Port Louis to the selected European ports. Freight service agreements have been finalised with these companies with the view to optimise the cost of delivery to the final destination in Europe and for the required visibility during the year: joint meetings were organized during the year to review their performance and negotiate the different cost elements along the supply chain. In addition to the tracking of containers in Mauritius, a second tracking system is triggered once the vessel sails from Port Louis in order to follow up on their transit till they reach the end customers in Europe.

Only around half of the daily production outturn of Plantation White Sugar (PWS) from the mills with back-end refineries was refined during the crop campaign while the balance was stored in their adjoining sheds for processing in the off-crop. As regards PWS from the other mills, namely Médine, Deep River Beau Champ, and a smaller availability from Terra Milling, they were delivered by them during the crop either directly to the refineries or to the Bulk Sugar Terminal (BST) in Port Louis for recovery by the refineries for further processing. One of the sheds at the BST has been adapted accordingly with the installation of the required equipment for collection of the sugar feedstock. During the 2013 crop the BST received 39,982 metric tons PWS

altogether, which included 36,775 metric tons from the aforementioned mills and another 3,207 metric tons from OMOL and Alteo Milling. Delivery of PWS to the two refineries during the crop year attained 50,667 metric tons, comprising production from the 2013 crop as well as the carry-over stock from the previous crop.

The Syndicate imported and received delivery, during the year under review, of 2 consignments of VHP raw sugar feedstock for refining, with a total discharge weight in Port Louis of 52,785 metric tons. These non-originating sugars (NOS) were purchased on a CIF basis, pursuant to international tender exercises, from Brazil and were delivered in Port Louis in August 2013 and March 2014. These sugars were subsequently stored in one of the sheds of the BST, in a separate heap for traceability purposes, prior to gradual transfer to the refineries for further processing. At end June 2014, the stock of NOS held at the BST and at the refineries stood at 18,210 metric tons.

As regards export of special sugars, as in previous years, shipments were effected in 20 ft containers and consignments were delivered to customers in both the EU and non-EU markets on a Cost Insurance Freight (CIF) basis. Unlike refined sugar, they were produced only during the crop and consequently had to be stored at the BSSD warehouses in Port Louis for year-round shipments as per buyers' requirements. These warehouses are HACCP certified and the BSSD personnel ensured that all conditions were met to secure a safe food grade environment during the storage, handling and loading of the sugars. Furthermore, the storage, handling and stuffing of the bagged sugars in containers at time of export were closely monitored by the Syndicate's supervisors attached to the warehouses in order to ascertain compliance with strict quality control standards. The BSSD ensured a First In First Out handling of the bagged sugars.

110,479 metric tons of special sugars for direct consumption were delivered in bags to the BSSD warehouses from the 2013 crop, against 130,563 metric tons for the previous campaign. Out of these deliveries, 83,811 metric tons have been shipped in bags in containers as at end June 2014 while another 11,816 tons have been delivered to packing companies for retail packaging prior to export. Total export by the end of the marketing year in September 2014, is expected to attain 95,090 metric tons. During the period from July 2013 to June 2014, the BSSD also received delivery, for domestic sales, of 6,500 metric tons of refined sugar produced by the refineries and some 3,800 metric tons raw sugar for direct consumption. Total deliveries on the local market during this period, including from carry-over stocks, comprised 10,788 metric tons refined sugar, 3,564 metric tons raw sugar for direct consumption and 356 tons special sugars.

Quality & Food Safety

During the year under review, the Central Quality Department (CQD) of the Syndicate has, as in the past, attended to customers' requests regarding quality related questionnaires, food safety certificates as well as for any quality complaint on their sugar consignments. More regularly, it has provided certificates of analysis for every consignment shipped by the Syndicate. Pursuant to its mission of maintaining the quality edge of sugars exported, the CQD has also supported the marketing team in delivering the highest quality to price value.

White refined sugar is produced for both export and the local market and manufactured by BRC-certified refineries. This standard provides for product release only when all agreed procedures, including those established with the Syndicate, have been completed. As in previous years, the CQD had therefore the responsibility of approving the quality information provided by the refineries and subsequent clearance of daily production batches prior to export or delivery on the local market.

Likewise, the CQD has been responsible for the clearance of daily production batches of sugar prior to dispatch and has issued certificates of analysis for all consignments shipped from Port Louis or delivered to local clients. Moreover, it has closely monitored with the sugar factories improvements in their process and implementation of appropriate corrective actions. After the relocation of DRBC milling activities to the



Alteo factory in FUEL, the special sugars previously produced by the former have been validated by the CQD prior to release and delivery. Such control was essential to provide assurance to customers that product quality and safety have not been altered by the change in production site. The Syndicate's team of supervisors responsible for monitoring quality assurance at storage has worked in close collaboration with the BSSD personnel to ensure that special sugars are properly stored and handled before dispatch.

The quality of the VHP raw sugar imported by the Syndicate for reprocessing by the refineries was carefully monitored by the CQD to ensure compliance with agreed specifications. Tests were carried out on samples drawn during discharge to analyze for polarization and moisture content. Delivery of the raw sugar feedstock to the refineries was also closely monitored.

As regards packaging materials used for loading of sugar, namely bags and container liners, the CQD regularly interacted with suppliers to discuss the technical requirements and propose, as required, improvements in their design. In addition, samples were assessed for compliance with regards to mechanical, permeability, handling and stacking properties as well as for food contact standards prior to release and subsequent use by the sugar producers. These materials were currently sourced by the Syndicate directly from suppliers overseas. As part of the CQD's quality control procedures, they were audited to ensure that products dispatched were of the required quality and safe for use in direct contact with sugar.

Procedures have also been established by the CQD to ensure that containers used for the transport of sugar are fit for their intended purpose. During the period under review, audits have been conducted regularly by the Syndicate's Quality Assurance Officers at the two container depots in Port Louis to ensure that cleaning, selection and dispatch of containers were performed according to the *cahier des charges* agreed with the shipping lines. Concurrently, follow up of corrective actions with depots ensured the delivery of fit-for-purpose containers for the transport of sugar as validated prior to stuffing of containers at the BSSD and the refineries.

Reporting to the MCIA

As a standing obligation towards sugar producers, the analysis of polarization and moisture of plantation white sugar and special sugars delivered by the mills were performed on a daily basis by the CQD and their average results were communicated to the Control and Arbitration Department of the MCIA at the end of the crop. These data are used to determine the tonnage of sugar accruing to the millers and planters.





2014 CROP & MARKET PROSPECTS

The 2014 crop benefited from abundant rainfall especially during the growth phase of the cane. The cumulative rainfall for the period October 2013-July 2014 amounted to 2004 mm, representing 110% of the last 5 years' average. The maturing phase has also been blessed with above normal solar radiation and favourable temperature amplitudes, namely during the period from April to June 2014. Consequently the average stalk height obtained over the island by May 2014 was comparable to the last 5 years' average of 224 cm, and by the following month, it attained 230 cm, thus maintaining a 3% lead over that recorded at the same time in the previous year. The average cane *richesse* estimated by end June was 14.3% which was 1.8% higher than that assessed at the same time in the preceding crop.

The Crop Estimate Coordinating Committee, chaired by the Mauritius Chamber of Agriculture, set the initial crop estimate on 16 May 2014 at 415,000 metric tons of sugar on the basis of an estimated cane production of 4.0 M tons and an average extraction rate of 10.4%, compared with 404,713 metric tons sugar produced from 3.8 M tons cane harvested during the previous crop.

TABLE II

2014 Crop Estimated Sales (metric tons)

	MT	
2014 CROP ESTIMATE	415,000	
Add carry-over stocks from 2013 crop		
PWS	14,771	
Imported sugar	18,210	
Bagged special sugars	16,892	
Add imported sugar feedstock	26,000	
TOTAL DISPOSABLE SUGAR		490,873
EXPORT SALES ESTIMATES 2014-2015		
European Union		
White refined sugar	295,000	
Special sugars	70,000	
		365,000
United States		
Special sugars		8,000
World Market		
Special sugars	20,000	
White refined sugar	30,000	
		50,000
Local Market		
White refined and Raw sugar for direct consumption		25,000
TOTAL SALES ESTIMATES		448,000
Less Processing and Storage Loss		(9,450)
Estimated Surplus		33,423

The initial forecast was maintained at a meeting of the commitee held on 11 August 2014.

The 2014 crop production will be supplemented with some 14,771 metric tons of plantation white sugar available as at end June 2014 and 16,892 metric tons of bagged sugar stocks carried forward from the previous crop, bringing total availability of locally produced sugar to some 446,663 metric tons. The Syndicate, moreover, plans to import one consignment of VHP raw sugar feedstock in bulk to top-up the carry over stock of 18,210 tons from the previous delivery period, and to supplement local production to consequently meet local market requirements in white sugar and also increase total export of processed sugars from Mauritius while being strictly compliant with relevant rules of origin. Total availability of sugar for the 2014-15 crop year would consequently increase to some 490,873 metric tons, compared with 496,996 metric tons for the previous period.

Out of the locally produced sugar feedstock, some 295,000 metric tons of white sugar would be processed by the refineries for export to the Suedzucker AG customer base in the EU. With the projected import of some 26,000 metric tons raw sugar feedstock, an extra 45,000 metric tons white sugar would be made available, subject to optimal capacity utilisation of the refineries, for delivery to the local market and for export to other market destinations. On the basis of the production capacity of the local refineries, with a combined daily output in excess of 1,250 metric tons sugar, the stock of plantation white sugar at the end of the crop would be around 30,000 metric tons, a buffer stock necessary to facilitate transition to the following crop. Furthermore, some 100,000 metric tons special sugars are to be produced for export to the EU, US and world market destinations and another 4,000 metric tons to meet local market requirements in raw sugar for direct consumption. The 2014 crop estimated sales are detailed in Table II on page 29.

European Union Market

Under the commercial partnership agreement between the Syndicate and Suedzucker AG, which is running into its sixth year, the bulk of the 2014 crop production will be exported as white refined sugar for delivery to the latter's customer base in the EU. These quantities will be produced throughout the year, except during the refineries' maintenance shutdowns, and will be shipped regularly for delivery, mostly in bulk containers, directly to their customers across the EU. On the basis of a crop outturn of 415,000 metric tons sugar, some 295,000 metric tons white refined sugar are thus to be exported to the EU market.

Moreover, the Syndicate forecasts to contract sales of some 70,000 metric tons special sugars for shipment to a range of customers across the EU during the October 2014/September 2015 marketing year. Like for the previous campaign, further sales increase remains a challenge especially owing to the significant decrease in the price of white refined sugar, whereby industrial customers in particular are inclined to revert to utilisation of this sugar. In response to this new challenge, the Syndicate has developed a new strategy that aims at retaining its customer base and at also penetrating new market segments. As regards packing formats, the special sugars will be shipped mostly in 1,050 kg, 50 kg or 25 kg polypropylene bags in containers and occasionally, upon buyers' request, in retail packets, after subcontracting the packaging operations to local operators.

The Regional Safeguard Threshold (RST) quantity for the Eastern and Southern African (ESA) region has been set, under the ACP/EU EPA Sugar Agreement, at 632,850.9 tons wse for the 2014-15 delivery period.

United States Market

The US import quota for raw sugar for Financial Year (FY) 2015, in respect of the October 2014-September 2015 delivery period, was set by the United States Department of Agriculture (USDA) on 2 September 2014 at the minimum WTO bound level 1,231,497 short tons raw value (1,117,195 mtrv). Mauritius consequently obtained its usual 1.2% net share allocation of this quota, amounting to 12,076 metric tons tel quel of sugar. Although the sugar market has been depressed over the last few years as a result of the surge in imports from Mexico under NAFTA, allegedly subsidised by their government, this situation might change for



FY 2015. The US Department of Commerce has announced a preliminary ruling on 26 August 2014 that Mexican exports have been benefiting from illegal government subsidies and consequently imposed duty deposits ranging between 2% and 17% on such supplies pending a final determination in the investigation on 7 January 2015. As regards the antidumping case, a preliminary ruling is expected on 24 October 2014.

In light of the improved market conditions in US, given that prices have returned to 2012 levels, the Syndicate expects to restore a major part of its sales of special sugars among its various buyers and consequently maximise the US TRQ allocated to Mauritius for FY 2015.

World Market

The Syndicate plans to further diversify sales of its special sugars from the 2014 crop outside the EU and US markets. In addition to consolidation of its position in a number of its existing markets, emphasis is placed on the regional and also emerging markets where niche market segments are being established, together with partners in these countries, for these value-added products. Total supplies of special sugars to the world market are expected to reach 20,000 metric tons in 2014-15, compared with 17,600 metric tons finalised in the previous year.

In anticipation of market liberalisation in the EU in October 2017, the Syndicate will concurrently explore sales opportunities, namely in the regional market, for its white refined sugar.

Local Market

The local market requirements in white refined sugar will be met from processing by the local refineries of raw sugar feedstock imported by the Syndicate. Such imports are sourced from the world market through international tenders: the New York #11 price evolution is closely monitored by the Syndicate in order to minimise the cost of purchase and consequently keep sales prices on the local market at the lowest level. A first cargo of some 26,000 metric tons high polarisation sugar is expected to be delivered in Port Louis by end October 2014: this consignment would be used for production of some 20,000 metric tons of refined sugar for delivery on the local market during the year. The purchase of an additional cargo of sugar feedstock could be envisaged in 2015 subject to evolution of the domestic market where overall demand is now estimated at 32,000 metric tons per annum. The sugar delivered to the local market is of EEC Grade 2 quality and is equivalent to that being supplied to the customers of Suedzucker AG in the EU market. Likewise, the annual local requirement for raw sugar for direct consumption, which is now estimated at some 4,000 metric tons per annum, will be sourced from local producers. Sugars destined for the local market are bagged in 50 kg polypropylene bags and are stored at the BSSD warehouses under the required quality and food safety norms and standards, prior to delivery to local customers.


7524.16
0.00
55.02
11.02
6825.40
6725.89

Advance and Payment to Producers

In keeping with current practice, advances for the 2013 crop were paid by the Syndicate to producers upon receipt of the first sugar produced from their canes. In order to encourage them to fertilize their cultivation and increase their efficiency for subsequent crops, Government, in its budget speech of November 2012, announced the renewal of a special line of credit amounting to MUR 1.3 billion as from start of the harvest. A Protocole d'Accord was thus signed between the Syndicate and the Bank of Mauritius on 4 July 2013 which finally enabled disbursement of a sum of MUR 1.04 billion to various commercial banks for on-lending to the Syndicate at a preferential interest rate up to 3.50% per annum. Consequently a first advance amounting to MUR 13,200 per metric ton, representing 80% of the first estimated ex-Syndicate price, was paid to those planters having less than 100 hectares of land under sugar cane cultivation. Refund of the said amount was paid out from the planters' proceeds by 31 May 2014. As regards the other producers, the Syndicate made use of its overdraft and short term loan facilities with different local commercial banks to incur an initial advance of MUR 10,300 per metric ton representing 62% of the estimated sugar proceeds as from the start of the harvest period. The advances were progressively increased to reach a final payment of the ex-Syndicate price of MUR 15,829.86 on 4 July 2014.

Payment to sugar producers was made weekly during the harvest period and monthly as from January 2014. While some 8,600 planters were paid directly by the Syndicate by crediting their accounts held with various local commercial banks, some 368 planters were paid through their respective brokers. Remittances for 7,500 planters were made through 149 cooperative credit societies with which they were registered.

Borrowings

Short term loan contracts were negotiated by the Syndicate with local commercial banks at preferential interest rates to ensure availability of funds to meet its obligations which comprised payment of direct operational costs, the Global Cess, the SIFB premium and advances to sugar producers. Funding requirements were supplemented by short term loans on a call basis from the MCIA and the SIFB at negotiated interest rates. Debts amounting to MUR 3,858 M were still outstanding as at 30 June 2014 as compared with MUR 3,683 M in the previous financial year.

Bridge Term Facility to Refiners

To improve the quality of white refined sugar produced by Alteo Refinery Ltd through additional investment into new processing facilities, the Syndicate had entered into a bridge term facility loan with the latter in November 2011 for the sum of Eur 2.5 M at an interest rate of Euribor 1 month + 1.5% payable monthly in arrears. A final capital refund of Eur 1.25 M was made by Alteo Refinery Ltd to the Syndicate on 30 June 2014.

Contribution by Distillers/Bottlers for Absolute Alcohol

In compliance with Section 47 of the MCIA Act (Amended) 2011, every distiller-bottler is required to make a contribution to the Syndicate in respect of cane or cane products used for the production of alcohol, for distribution to planters during the crop year. The contribution of MUR 20.00 for each litre of alcohol removed from the distillery for home consumption under the Excise Act is converted into a rate per ton of sugar accruing to small and medium planters and was paid in two tranches during the crop year. For the 2013 crop, 4.3 M litres of alcohol were removed for local consumption with distillers'/ bottlers' contribution cumulating to MUR 85.9 M during the crop year. A first tranche of MUR 44.4 M representing MUR 143.13 per ton of sugar was paid to cane growers on 27 December 2013 while the balance of MUR 41.5 M was settled on 18 July 2014. This measure which was introduced by Government under the Finance Act 2010 embedded in the MCIA Act 2011 and the Finance (Miscellaneous Provisions) Act 2013, enabled sugar planters to benefit from an additional sum of MUR 268.71 per ton of sugar produced in the crop year.

Payment of Bagasse Proceeds

A sum of MUR 62.9 M received by the Syndicate with respect to bagasse proceeds for the 2013 Crop Year was remitted to sugar producers on 08 July 2014. In line with the Sugar Efficiency Act (Amendment to Schedule) Regulations 1999, the first category of producers represented by Alteo Ltd, Terragri Ltd and Medine Sugar Estate, received MUR 62.98 per ton of sugar accruing while all other sugar cane planters were paid MUR 119.48 per ton, and finally those involved in power supply received MUR 0.09 per ton of sugar accruing to them.

Foreign Exchange Receipts and Hedging Performance

The Syndicate's receipts for the year under review consisted mainly of export proceeds from white refined sugar and special sugars amounting to MUR 9,452 M and another MUR 322 M from sales to the local market. The proceeds, received mainly in Euros and US dollars were hedged with a view to optimising returns from the Syndicate's sales revenue for the crop year. Pursuance of its longstanding hedging policy was instrumental in protecting producers from currency exchange risk especially against the backdrop of the euro zone crisis since 2009. The Forex Committee, as mandated by the Executive and Selling Committee and comprising the President, the Vice-President, a representative of the MSPA, a planter's representative and the Syndicate's Management met regularly during the year to:

i. monitor forex exposure taking into consideration the balance of currencies held for sale,

ii. review the target/goals set by the Committee,

iii. assess performance of the hedging instruments in use, and finally

iv. re-assess and adjust hedging strategies accordingly. As in previous years Stewardship Consulting (Pte) Ltd continued to provide its support in ensuring that the recommended hedging principles and strategies of the Committee were applied by Management and that best practices were adhered to.

In line with usual practice, the Syndicate started to hedge its sugar proceeds for the 2013 crop as from January 2013. 40% of foreign currency sale was completed by start of the harvest in June 2013 while some 70% of the estimated sales proceeds were hedged by December 2013. Sales of foreign currencies were maintained until the end of the crop year and any unsold balance was carried forward to the following year. In order to achieve the target rate recommended by the Syndicate's Executive & Selling Committee, as part of its hedging strategy, a percentage of the available Euros was converted into US dollar and thereafter sold into the local currency. This strategy contributed to achieving a weighted average exchange rate of MUR 42.31 to the Euro for the crop year.

The Mauritian Rupee remained fairly stable on the local market averaging MUR 40.33 to the Euro during the sale period; it however remained within the MUR 39.09–39.79 range in the first half of 2013 when sales of foreign currencies were initiated but stabilised around MUR 40.60 against the Euro until 30 June 2014. The greenback exchange rate held

TABLE III

Crop

Crop	WEIGHTED AVERAGE RATE ACHIEVED	AVERAGE MARKET SPOT RATE	HEDGING SURPLUS
	MUR/EUR	MUR/EUR	MUR (M)
2009	44.50	42.78	367.00
2010	40.88	39.58	292.30
2011	41.35	37.69	304.30
2012	40.62	38.85	560.66
2013	42.31	40.44	304.16



firm below MUR 30.00 with an appreciating tendency during the period May to September 2013, but retreating to settle at an average rate of MUR 29.85 thereafter. It is noteworthy that the exchange rates of these two currencies against the Mauritian Rupee have a direct impact on the hedging performance of the Syndicate, more so during a period when the weighted average treasury bills rates and the banks' savings rate remained fairly low, two important factors determining the premia receivable from the sale of foreign currencies on a forward basis.

The hedging performance achieved by the Syndicate over the past five years is set out at Table III on page 34.

Risk Management

Risk management principles and practices adopted by the Syndicate have so far enabled it to effectively manage its internal and external risks by anticipating, understanding and addressing those areas where the likelihood of events was found to be high. The Risk Management Monitoring Action Plan which provided a basis for identified risk areas was continually reviewed and updated by the Risk Management Committee which is comprised of the President, the Vice President, a representative of the MSPA, a small planters' representative and the Management of the Syndicate. This exercise has aimed at creating an awareness on such risks and preparing a contingency plan to address them.

Information systems management was identified as an area requiring particular attention during the financial year. The services of PricewaterhouseCoopers (PwC) were contracted in order to undertake a Business Impact Analysis and a Risk Assessment of critical IT applications and infrastructure in use at the Syndicate. As part of its assignment, PwC was required to identify, select and formulate appropriate IT disaster recovery procedures for high risk systems and finally prepare a Disaster Recovery Plan (DRP) deemed necessary for the continuity of the business operations in the event of any such computerized system failure. Following workshops and training sessions with the employees of the Syndicate, the DRP was implemented as from May 2014. A Crisis Management team, including a DR Champion, was appointed with roles and responsibilities of each member defined. Regular meetings are scheduled between PwC and the DR team to enable the latter understand fully the procedures to be followed in the event of an IT system failure.

Reducing health and safety risks at work has also been one of the concerns of the Syndicate during the crop year. In recognition to the importance of health and safety of employees at the workplace and in order to align itself to the recommendation of the Ministry of Labour, Industrial Relations and Employment, the Syndicate hired the services of the consultancy firm, Health & Safety Management Solutions Co. Ltd to undertake a review of health and safety risks prevailing at the Syndicate. Shortcomings were identified and corrective measures recommended by the consultant for implementation.





INSTITUTIONAL MATTERS & OVERSEAS REPRESENTATION

EU CAP reform

On 26 June 2013, a political agreement on the reform of the EU's Common Agricultural Policy (CAP) was reached between the Commission, the European Parliament and the Council. On 16 December 2013, the Council of EU Agriculture Ministers formally adopted the four basic regulations for the reformed CAP as well as the transition rules for 2014 and these were published in the Official Journal of 20 December 2013. The new CAP reform adopted, inter alia, the abolition of EU beet and isoglucose quotas as of 1 October 2017.

Commission officials were of the view that the abolition of sugar quotas was in line with the EU's Common Agricultural Policy main objectives and that the EU had to adapt to market conditions. The Commission recognized that it would have no other tool than private storage to manage the market. However, it thought that the traders, as was the case in other sectors, would react in a manner to prevent great disturbances. The Commission own impact study ahead of the June 2013 decision concluded that with the abolition of quotas, EU sugar beet production was expected to expand, driven by positive expectations on world market prices and growing demand for ethanol.

End December 2013, the Commission released a new study on "Prospects for agri markets and income 2013-2023" which, inter alia, states that the medium-term outlook for sugar beet and sugar is mixed. Driven by expectations for world prices, growing demand for ethanol and the abolition of the quota scheme in 2017, EU sugar beet production is projected to expand in the coming decade; additional volumes will be used mainly to produce sugar rather than ethanol. With no more quotas, out-of-quota and in-quota prices will progressively merge and the production of ethanol from sugar beet will become less competitive. In addition, following the expiry of isoglucose production quotas in 2017, isoglucose is expected to increasingly replace sugar in selected food consumption uses.

The study projects that the EU price for white sugar will fall to Euro 408/ton in 2017 and 405/ton in 2023 from Euro 726/ton in 2012. Imports are foreseen to decline regularly from the current level of around 3.6 M tons (including some 2.3 M tons from ACP sources), to reach 1.9 M tons in 2023. These projected imports will occur only if the EU exports a significant quantity of its production. However, the price reporting by the Commission indicates that prices have meanwhile dropped sharply from last year's levels to reach Euro 562/ton in June 2014.

An ISO study on "EU sugar market post 2017" released in April 2014 revealed that since 2006, the EU sugar industry has managed to significantly increase its efficiency, measured in beet yields per hectare, thereby cutting the average cost of beet, and has shut down many inefficient factories. As a result, sugar output was likely to become more responsive to world market prices, and higher sugar prices globally could even provide producers in the common market with an extra incentive to increase production for exports. In an average scenario, the ISO forecasts EU sugar production to rise from 15.8 M to 17.4 M tons while sugar consumption would fall by some 0.5 M tons as a result of additional sweetener market penetration by isoglucose. Sugar imports were forecasted to drop significantly from 3.8 M to 2.3 M tons in 2017 while exports would rise to over 2 M tons. ISO concluded that current exporters of sugar to the EU might have to divert their shipments to regional as well as other world market destinations as the EU would be unable to absorb more sugar, thus losing its current status as the world's largest sugar importer.

In anticipation to the negative effects on their exports to the EU, the ACP sugar producers had lobbied strongly for EU quotas to be maintained until at least 2020. They have questioned EU policy coherence and are now calling on the EU to conduct an impact assessment of the reform in 2017 and introduce corrective measures as appropriate. The Commission has intimated that whilst there was no obligation to conduct a review of the post-2013 CAP, it had a reporting obligation on its implementation and would continue to monitor the market and conduct forecast analysis. Under those difficult circumstances, the ACP have urged the EU not only to display flexibility in implementing the current Accompanying Measures for Sugar Protocol countries (AMSP) to allow full

utilisation of allocated resources through reallocation amongst beneficiary countries but also to consider reallocating such funds which may be de-committed by any beneficiary in respect of any unimplemented project to other projects proposed by the beneficiary. The ACP also requested the EU to seriously consider putting in place new accompanying support measures (outside of the European Development Funds) to enable the ACP sugar producing countries complete the necessary reform to render their sugar sector more competitive.

ACP Research and Development Programme

The current ACP sugar research programme which benefitted from EU support to the tune of EUR 13 M is drawing to an end. This programme (of which MSIRI has been a major beneficiary) has been welcomed by the ACP industries as being of great value to them. The ACP has launched a call for proposals for a new Research and Innovation Programme. As of writing, 50 proposals had been received from 18 countries in the ACP and in Europe, thus indicating a great interest for such programmes. It is noteworthy that many proposals have been prepared jointly by ACP and EU research centres. These proposals will be examined by the ACP Scientific Committee in conjunction with the private sector to ensure that the programme would be industry-oriented and assist in improving the competitiveness of the sector. The ACP industries have also requested the EU to support this new Research and Innovation Programme with adequate resources.

The ACP are, moreover, about to sign a Memorandum of Understanding with CIRAD, the French research centre working with developing countries, to address international agricultural and development issues.

Economic Partnership Agreements (EPA)

On 15 April 2013, the European Parliament adopted the amendment of the Market Access Regulation (MAR) 1528/2007. The amendment meant that non-LDC ACP countries that initialed an EPA/IEPA at the end of 2007 but had not signed and ratified it or taken necessary steps towards ratification, would no longer benefit from duty-free, quota-free access under that EPA as of 1 October 2014. As sugar was not covered by either GSP or GSP+, non-LDC ACP countries who were not signatory of an EPA/IEPA would be subjected to the dissuasive MFN duty in the sugar sector. The EU has regularly explained that no extension of the deadline would be entertained.

It is also noteworthy that as of 1 October 2015, only non-LDC ACP exports would be subjected to a specific sugar safeguard which currently features in Implementation Regulation 1528/2007 and replicated in the various EPAs. The ACP sugar producers considered that the maintenance of this specific sugar safeguard was discriminatory and unfair to non-LDC ACP sugar suppliers to the EU and should be rescinded.

SADC Sugar Agreement

Mauritius, as a member of the Southern African Development Community (SADC), benefits from preferential trade within the SADC region with, in the case of sugar, which is considered as a sensitive product in most Member States, its trade governed by Annex VII of the SADC Trade Protocol. This specific agreement, which establishes trade preference for sugar within the region as well as cooperation among the sugar producing countries with the view to promote the sustainability of their respective industries, however, restricts preferential access into the Southern African Customs Union (SACU), which comprises South Africa, Swaziland, Botswana, Lesotho and Namibia. Consequently, while sugar producers from this region benefit from duty-free and quota-free market access into the remaining SADC market, non-SACU sugar suppliers have limited duty-free quota access into the SACU market under the Annex VII Agreement. The total quota allocated by SACU to non-SACU sugar producers for the April 2013-March 2014 marketing year was 40,640 tons, and the Mauritius share, based on an initial minimum quota allocation of 1,500 tons per annum and compounded by an annual growth factor, was 2,468 tons. For the 2014-15 marketing year, the total sugar quota will increase to 41,379 tons, in light of market growth in SACU, and the Mauritius share will be 2,515 tons. While the Syndicate managed to export only 66 tons of special sugars during the 2013-14 delivery period, supplies are expected to



increase in the following year with the development of new market opportunities within the upmarket retail sector.

The SADC Sugar Agreement is monitored and managed by the Technical Committee on Sugar (TCS) which is composed of government and sugar industry representatives of the Member States. The Syndicate participates regularly in its bi-annual meetings, held during the year under review in February and July 2014, and in deliberations on matters of interest. In addition to quota monitoring, discussions are currently on-going on the development of a streamlined action plan in the context of a SADC Regional Sugar Strategy with focus on the highest priorities: in addition to the sugar trading environment, it will delve into environmental, social and business practices to support sugar trade and investment within the region and also diversification and value-addition within the industry. This exercise will be entrusted to a consultant and funding will be sought from potential donors.

The TCS has played an important role in influencing the South African Department of Trade and Industry in having an external tariff on sugar re-introduced on 4 April 2014 following a surge in imports from low cost sugar producers into the SACU; from nil it was thus put at Rand 1,320 per ton sugar. Pending this measure, sugar trade within the region has been destabilised, as regional supplies have been displaced, and certain countries such as Zimbabwe and Tanzania have consequently sought for derogation to impose import licenses and surtaxes to protect their own industry. Under the ambit of the TCS, a harmonised Best Management Practice framework is being encouraged for sugar cane industries in the region, based on the South African SUSFARMS model. On the other hand, at the behest of the Committee of Ministers of Trade, the SADC Secretariat has compiled a matrix to facilitate monitoring and reporting of the implementation of Annex VII Agreement, based on a self-assessment and validation by each Member State. This new evaluation system is supposed to be implemented by 2014 and the Secretariat will accordingly assess implementation of the Sugar Agreement and any derogation sought by Member States. In the meantime, the industry has obtained the support of the International Sugar Organisation (ISO) for the review of Annex VII: a study has highlighted in the first phase the persistent distortion in sugar trade in the world market in respect of both tariff and non-tariff barriers and, in the second phase, it will examine the possibility of adjusting to the new world sugar trade environment. Meetings of the TCS are usually preceded by consultations among representatives of SACU and non-SACU sugar producers at the level of the SADC Sugar Producers' Consultative Forum (SPCF). They allow preliminary discussions on issues of importance for the region so that common industry positions can subsequently be articulated at the TCS level.

Tripartite Free Trade Agreement (TFTA)

In the midst of the negotiation of a Free Trade Agreement (FTA) among the Regional Economic Communities (RECs) of SADC, COMESA and EAC to increase trade amongst its members, the SADC Sugar Industries have taken the lead to propose a *modus operandi* for sugar trade within this enhanced Tripartite FTA. Given the sensitivity of the sugar industry for most countries in the region, the industry is proposing a special dispensation for sugar but without prejudice to existing acquis within each REC. While in Mauritius the import duty on sugar is already at zero, most countries within the region are treating the product as sensitive. However, in the spirit of facilitating trade, they would opt for a partial liberalisation but with preferential access being granted to surplus producers into deficit markets in the region. This could be achieved either through a preferential duty, i.e. lower than the MFN rate, or import quotas benefiting from zero or preferential import duties. It should be remarked that several countries which are currently in a deficit situation have expansion plans for their sugar industries; they would therefore be reluctant to liberalise sugar imports fearing the risk of being displaced in their domestic markets by sugar from lower cost producers. It is understood that, in a spirit of regional cooperation, no country would pose a threat to the development of the sugar industry within the TFTA region. Mauritius is party to this objective as long as the principle of acquis is maintained within the existing RECs. Further liberalisation within the enlarged TFTA is to be triggered through bilateral exchange of offers and negotiations, namely between SACU and EAC or COMESA which are not members of SADC.

A Working Group comprising industry representatives within the enlarged TFTA, including the Syndicate, has been set up to establish the framework of an optimal arrangement for preferential sugar trade in the context of further trade liberalisation. Its assignment includes addressing issues of rules of origin, development cooperation, recognition and accommodation of the principle of acquis, consolidating information on sugar trading conditions in all TFTA countries, detailed modalities on the institutional arrangements for negotiating sugar trade arrangement, transparency in exchange of information on offers and requests made. Given the specificity of each REC, developing a TFTA is challenging, yet necessary to enhance trade within a larger geographical region. In a spirit of regional cooperation, it is widely accepted that any sugar deficit should be fulfilled from within the TFTA region rather than from external suppliers. The objective, once the TFTA is consolidated, is to extend preferential sugar trade to the whole of Africa, which overall is a deficit market, in the form of a Continental Free Trade Agreement.

2014 US Farm Bill

In February 2014, the Senate and the House of Representatives passed the conference report on the Farm Bill, which President Obama subsequently signed into law on 7 February. The conference report on the Farm Bill renews the current sugar program through 2018 with no change. The 2008 Farm Bill should have been renewed in the ordinary course at the end of 2012, but partisan bickering over funding for food-based welfare programs contained in the bill proved insurmountable. Instead, the 2008 Farm Bill was extended for 2013 and was then renewed in February 2014 for the traditional five-year term. During the extended debate over the Farm Bill, amendments were offered to "reform" the US sugar program. Although all amendments were defeated, such votes were closer than in the past, which will undoubtedly encourage the reformers to continue their efforts to lower the US support price and/or otherwise undermine the sugar program.

The International Sugar Trade Coalition (ISTC), whose members are developing countries that export sugar to the United States under the tariff rate quota (TRQ) and of which the Syndicate is a charter member, participated actively in the long campaign to renew the sugar program in the context of the Farm Bill. Mr. Paul Ryberg, the Syndicate's representative in Washington D.C., is the President of ISTC.

Antidumping and Countervailing Duty Case Against Mexican Sugar

Sugar imports from Mexico set a new record of 2.1 million metric tons (MT) in 2012-13, causing a dramatic 50% drop in the US market prices. USDA undertook various actions to try to shore up the US support price, namely:

i. Ethanol Feedstock Flexibility Program was implemented for the first time, but with limited results.

ii. USDA implemented three re-export program credit swaps, which removed approximately 300,000 MT sugar from the market.

iii. USDA has urged TRQ holders not to ship while USTR has provided assurances of non-prejudice to such quota holders. Both the Philippines and the Dominican Republic consequently reduced their shipments to the US.

However, the unprecedented volume of imports from Mexico overwhelmed these efforts, resulting in the first domestic loan defaults and forfeitures of sugar stocks in a decade. The US domestic sugar industry, represented by the American Sugar Alliance (ASA), had been preparing an antidumping and countervailing duty (AD/CVD) case against Mexican sugar for several years, but there was no "injury" until the price collapse and loan defaults by end 2013. Hence, with the surge in sugar imports in 2012-13, the ASA filed the AD/CVD case on 28 March 2014.

On 18 April 2014, the US International Trade Commission (USITC) held the first hearing on the ASA's AD/CVD charges. At that hearing, Mexico and its allies asserted that the increase in their supplies simply replaced sugar that the quota holders diverted away from the US market. Because this misleading argument, if unrebutted, might be used to support



globalization of the TRQ in the future, ISTC felt compelled to respond to set the record straight. In a post-hearing statement on 23 April, ISTC explained that lower TRQ imports during 2012-13 were caused by USDA actions, in particular in keeping the TRQ at the minimum level and encouraging quota holders not to ship.

On 9 May 2014 the USITC issued its preliminary affirmative injury determination, which allowed the AD/CVD case to proceed. ISTC can claim some share of credit for this ruling due to its refutation of Mexico's misleading arguments. On 26 August 2014, the US Department of Commerce announced its affirmative preliminary determination in the CVD investigation and consequently recommended preliminary duty deposits on such Mexican sugar supplies: the government-owned mills representing 20% of production, have been hit with 17.01%, the cross-owned companies of Grupo Azucarero Mexico (GAM) with 2.99% and the other producers 14.87%. As for the antidumping case, a preliminary report is expected on 24 October 2014.

Total imports (TRQs, Mexico, and FTAs) into US during the October 2013-May 2014 period reached 2.255 M mtrv, a 25% rise from 1.811 M mtrv during the same period last year. This increase comes exclusively from imports from Mexico, which are running 48% above the same period last year: 1.545 M vs. 1.039 M mtrv. TRQ and FTA imports, however, are both lagging behind last year's record low level, down 6% and 8%, respectively. It remains to be seen what impact, if any, the ongoing AD/CVD case against Mexican sugar will have on the volume of imports from Mexico.

FTA Negotiations

The United States is currently pursuing two free trade negotiations that could affect sugar imports.

a. Trans-Pacific Partnership (TPP):
   Negotiations have been stalled by Japan's refusal to open its markets, but it is rumored that significant progress could be made by the end of the year. Australia is seeking to increase sugar access even though sugar was excluded from the bilateral FTA with the US USTR has so far refused to reopen the bilateral access terms, but a modest concession may be necessary to close the deal.

   Even more troubling, if Mexico is required to open its market to imports from Australia, it could in turn significantly increase its sugar exports to the US. So far, Mexico has refused to discuss imports from Australia. ISTC has urged USTR to exclude sugar from TPP.

b. Trans-Atlantic Trade and Investment Partnership: The EU is requesting access to the US sugar market, but most observers believe this is just a negotiating ploy to obtain leverage for concessions from the US in other sectors.

Food Safety Modernization Act

The US Food and Drug Administration (FDA) issued proposed regulations to implement the Food Safety Modernization Act (FSMA) in January 2013. FSMA would require all food production facilities, including those in foreign countries that export to the United States, to:

i. Register with FDA and renew registrations bi-annually;

ii. Develop HACCP-style plans to ensure food safety;

iii. Employ a qualified food safety expert;

iv. Make facility available to FDA inspection on demand; and

v. Maintain records to document compliance.

ISTC submitted comments to FDA, in conjunction with the US cane sugar industry on 12 November 2013, seeking an exemption for facilities producing only raw sugar for refining. FDA has not yet responded to this request.

TRQ Administration and Bali WTO Agreements

The Agreements reached in November 2013 in Bali include a new preference for first-come first-served

allocation for TRQs that are regularly under-filled, defined as being 65% or less. While the raw sugar US TRQ has historically been filled at far over the 65% level (traditionally 90%), there could be cause for concern if the low fill rates of 2012-13 continue.

2013-14 US Sugar Market: Tight Supplies or Continuing Oversupply?

The May 2014 World Agricultural Supply and Demand Estimates (WASDE) report, which as of writing presented USDA's latest market forecasts, predicts relatively tight sugar supplies in US for 2013-14, with a stocks-to-use ratio of 12.9, but this is based on imports from Mexico of just 1.855 million short tons (ST), i.e 13% less than 2012-13. In fact, imports from Mexico have continued to surge, up 40% ahead of the first seven months of the previous year's record level. On the other hand, US domestic production has backed off a little from last year's record level: 2013-14 production is forecast to be 8.484 M ST, down just 6% from last year's record of 8.982 M ST. 2013-14 TRQ imports are running well below the minimum TRQ level and seem likely to be even smaller than last year, which was a previous record low. US consumption has grown by some 3%, but insufficient to offset imports from Mexico if they continue at the current pace.

Contrary to USDA's prediction of tight supplies, if imports from Mexico continue to surge – at least unless/until AD/CVD duties are imposed - it seems that supplies will be abundant in US, and it is unlikely that the raw cane sugar market price will recover significantly from last year's collapse, when the price fell by 50% and traded below the "forfeiture level" of US 21 cents per pound. Average raw sugar price in the 1st quarter of 2013-14 was US 21.32 cents per pound, compared with US 20.91 cents/lb in 4th quarter of 2012-13.

In 2012-13 USDA took various steps to try to minimize defaults/forfeitures. So far this year there has been no similar action by USDA, which is predicting a tight market. The outcome of the pending AD/CVD case will likely determine whether the US sugar market in 2013-14 is tight or oversupplied.

International Sugar Organisation/World Association of Beet and Cane Growers

The Administrative Committee of the ISO held its 63rd meeting on 1st October 2013 prior to a special session of ISO Council to choose a new DG to succeed Dr. P. Baron who was retiring end 2013. The Council meeting was chaired in turn by H.E. Mr. Bainimarama, (Fiji), (Chairman) and Ambassador Derick Heaven (Jamaica), (Vice-Chairman). The two preselected candidates (Mr. J. Orive of Guatemala and Mr. G. Patacconi) were given the opportunity to make in turn presentations to Council and were thereafter subjected to a question/answer session.

The ISO Council subsequently decided to appoint Mr. José Orive as the new Executive Director of ISO for a four year contract under the same terms and conditions enjoyed by the outgoing Executive Director: it was further decided that until a final decision was taken on the number of terms an Executive Director can serve, the appointment could be renewed for a further four year period only.

New opportunities and increased uses for sugar were the prevailing themes at the 24th annual consultation of the World Association of Beet and Cane Growers (WABCG) and the International Sugar Organisation (ISO) on 25th November 2013 which kick-started the ISO week. About 120 delegates representing 28 countries were in attendance, a record turnout for the event. Delegates heard presentations on ethanol market trends, sugar market overviews and future prospects, and bio-based plastics as a new use of the output from sugar crops. The WABCG also held its executive board meeting and noted that Mr. T. Masson was replacing Mr. A. Patry at the WABCG secretariat.

Thereafter, the ISO held its 22nd seminar on the theme "Commercial success for sugar crops – investment, innovation and efficiency". The 42nd session of MECAS which took place in that same week examined the three following studies (a) Prospects for Sugar Refineries in Destination Markets (b) Indonesia: Future Sugar Prospects and (c) Productivity and Innovation in the World Sugar Industry. Mr. Greg Ascough (Booker Tate)



made a presentation on the theme "GPS Technology: Applications in Sugarcane Production."

In June 2014, the 45th ISO Council held in Montego Bay, Jamaica, started with a workshop on "Positioning for the New Market Frontiers". The workshop offered participants the opportunity to hear inter alia, an intervention on "The Implementation of the EU Accompanying Measures for Sugar Programme" in the ACP Countries by the head of the Sugar Transformation Unit, Ministry of Agriculture, and one on "Cane Breeding Development Needs to Meet Market Demand" by Dr. Anthony Kennedy, Director of the West Indies Central Sugarcane Breeding Station.

The 43rd MECAS, organised after the workshop, examined the following three studies (a) The EU Sugar Market Post 2017 (b) China Future sugar prospects and (c) Government Sugar Trade Policy – Import Duties and Tariff Rates Quotas: Impact on World Sugar Trade. The ISO indicated that world production was expected in 2013-14 to be 4.427 million tons higher than world consumption, with world stocks remaining high and expected to grow further by the end of this crop cycle. The Secretariat also estimated that the deficit phase might finally start developing in 2015-16. The 65th meeting of the administrative committee was held prior to the 45th Council session which was chaired by Ambassador D. Heaven of Jamaica.

WABCG held its mid-year Council session in Brussels from 11 to 13 June 2014. Delegates heard a series of presentations including on the Belgian beet profile and the Mexican likely developments. The Deputy Director General of DG Agri intervened on "EU sugar CMO after 2017: what to expect" whilst Mrs. Elisabeth Lacoste, General Secretary of CIBE, explained the measures the EU sector was taking to be competitive on the world sugar market by 2017. "Energy prices and possible consequences on agricultural commodity prices" were explained by Mr. Philippe Chalmin, professor at Paris Dauphine, whilst Mr. N. Rialland of CGB made a presentation on the "economic viability of second-generation ethanol production".

WTO

The WTO's 9th Ministerial Conference held in Bali at the end of 2013, concluded with ministers approving the "Bali Package" a selection of issues from the broader Doha Round negotiations. The Package consists of ten decisions/declarations covering trade facilitation, agriculture and development. A Ministerial Declaration called for a clearly defined work programme on the remaining Doha Development Agenda issues to be concluded by end 2014.

On Agriculture, the Bali Ministerial Conference produced a political commitment to reduce export subsidies in agriculture and keep them at low levels, a decision to reduce obstacles to trade when agricultural products are imported through quotas, and decisions to provide some reassurance for developing countries that they will not be challenged legally when they buy food at government-supported prices in order to stock it for food security and when they provide some government services. These topics were chosen because they were seen to be easier for negotiators to agree on. Members have now pledged to try to settle the rest of the much larger agricultural package on the Doha Round table.

Overseas Representation

EU representation

Over the past year, the Syndicate's Overseas Representative, Mr. Géo Govinden has pursued efforts to promote the interests of the Mauritian sugar industry, primarily vis a vis the European institutions in Brussels. He also participated actively in the activities of the ISO.

As an active and longstanding member of the Brussels sugar working group, he participated in joint technical meetings with the EU Commission. He attended the meetings of the Sugar Consultative group chaired by the Ambassador of Guyana. He formed part of the delegation of the Ambassadorial bureau when restricted meetings were being organized with high level officials of the Commission, such as the ones with the Director General of DG Agri and the ones with the

deputy director general of DG Development. He also attended meetings of the London Sugar Group.

He attended the 13th ACP Ministerial Conference on Sugar in Nadi, Fiji, from 14 to 18 October 2013. The theme of the conference, chaired by Hon. S. Faugoo, Minister of Agro Industry and Food Security, was "The Evolving Policy Environment for ACP Cane Industry". ACP Sugar Ministers agreed on an action plan and strategies to manage the challenges ahead. As a member of the Mauritius delegation, Mr. Govinden also attended the 99th session of the ACP Council of Ministers held in Nairobi, Kenya, from 17 to 20 June 2014 including the Ministerial consultations on Sugar held at the beginning of the session. He participated in the 39th session of the ACP-EU Council of Ministers meeting held at the end of the same week. He was closely involved in the drafting of technical briefs, statements, resolutions at all these meetings.

Throughout the year, Mr. Govinden has had regular working sessions with CEFS (Comité Européen des Fabricants de Sucre), CIBE (Confédération Internationale des Betteraviers Européens) and ASSUC (Association of Sugar Traders of the European Union). He also kept regular contacts with officials of the European Commission (DG Agriculture, DG Trade and DG Development), some Brussels-based representatives of Members States (especially Members of the Sugar Management Committee) as well as with certain members of the European Parliament.

As regards the ISO, the overseas representative had a crucial role, as Chairman of the selection committee (which comprised Argentina, Australia, Brazil, Cuba, EU, India, the Russian Federation, South Africa, Switzerland, Thailand), in the designation of the new Executive Director of the organisation. The process which spread over the May to December 2013 period proved to be a most delicate one and required a tactful and considered approach in the decision making, which Mr. Govinden managed to handle successfully. Mr. Govinden was one of the few guests invited to record, in a special edition of the International Sugar Journal, the appreciation of members for the outgoing Executive Director, Dr. Peter Baron.

Mr. Govinden attended the other meetings of the ISO in London in December 2013 during which he was re-elected as a Member of the Administrative Committee, the power house of the organisation.

He represented Mauritius at the 45th ISO Council session held in Montego Bay, Jamaica. He also took an active part in the 43rd MECAS meeting organised prior to the Council session.

Mr. Govinden also participated in the two WABCG meetings organised over the past year namely in London in December 2013 and in Brussels in June 2014.

On the multilateral front, Mr. Govinden formed part of the Mauritius delegation headed by Hon. A. Boolell, Minister of Foreign Affairs, Regional Integration and International Trade, which participated in the 9th WTO Ministerial Conference in Bali, Indonesia, in December 2013.

Mr. Govinden was a special guest of the Ministry of External relations of Brazil at the "3rd Sugar and Ethanol Summit- Brazil day" in July. This one day seminar attended by 180 participants from some 10 countries provided updated information about current status and future perspectives of the Brazilian sugar cane sector.

Washington Representation

Mr. Paul Ryberg of the Washington, D.C. law firm of Ryberg and Smith, L.L.C. has been the Syndicate's legal representative and lobbyist in the United States since 1982.

During 2013-14, Mr. Ryberg regularly liaised on the Syndicate's behalf with the US Congress, the US Department of Agriculture (USDA), the Office of the US Trade Representative (USTR), US Customs and Border Protection, and the other administrative agencies involved in setting and administering US sugar policy.



In order to maximize Mauritius' influence on US sugar policy, Mr. Ryberg organized in 2006 the International Sugar Trade Coalition (ISTC), whose members represent roughly half of the quota holders under the US tariff rate quota (TRQ). The Syndicate is a Charter Member of ISTC, and Mr. Ryberg is ISTC's President. Working via ISTC, Mr. Ryberg made regular representations during 2013-14 to Congress, USDA and USTR on various issues affecting sugar imports and the US sugar program, including in particular renewal of the sugar program in the 2013 Farm Bill.

Mr. Ryberg has kept the Syndicate regularly informed of all developments affecting the US sugar program and the US sugar market, including weekly monitoring of sugar imports. He has liaised, as necessary, with the Syndicate's special sugar customers in the United States. He is also the registered agent for all Mauritian sugar processing facilities under the FDA Food Safety Modernization Act (FSMA), and has kept the Syndicate informed of all developments affecting compliance with the FSMA.

During 2013-14, Mr. Ryberg participated in various conferences relating to US sugar policy.




MASSEY FERGUSON
6480



Statement of Account

2013-2014

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

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

Report on the Financial Statements

We have audited the financial statements of Mauritius Sugar Syndicate on pages 49 to 74 which comprise the statement of financial position at 30 June 2014, the statement of profit or loss and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements on pages 49 to 74 give a true and fair view of the financial position of the Syndicate as at 30 June 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO & CO
Chartered Accountants
Port Louis, Mauritius

Shabnam Peerbocus, FCA
licensed by FRC

Date: 25 September 2014

Statement of Financial Position
at 30 June 2014

	Notes	2014	2013
		Rs'000	Rs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	18,570	8,742
CURRENT ASSETS			
Inventories	6	209,741	219,901
Trade and other receivables	7	4,486,069	4,246,349
Cash and cash equivalents	8	163,987	273,746
Derivative financial instruments	9	61,661	-
		4,921,458	4,739,996
TOTAL ASSETS		4,940,028	4,748,738
LIABILITIES			
NON-CURRENT LIABILITY			
Retirement benefit obligations	10	23,605	9,092
CURRENT LIABILITIES			
Bank overdrafts	8	1,248,076	921,349
Borrowings	11	2,609,802	2,761,638
Trade and other payables	12	1,058,545	1,051,741
Derivative financial instruments	9	-	4,918
		4,916,423	4,739,646
TOTAL LIABILITIES		4,940,028	4,748,738

The notes on pages 53 to 74 form an integral part of these financial statements.
Independent Auditors' report on page 48.

These financial statements have been approved by the Committee for issue on 25 September 2014.

Jyoty Soomarooah
Chief Finance and Administrative Officer

Jean Noël Humbert
Chief Executive Officer

Statement of Profit or Loss
for the year ended 30 June 2014

	Notes	2013-2014 Crop			2012-2013 Crop		
		Rs'000	*Rs per MT*	*%*	*Rs'000*	*Rs per MT*	*%*
REVENUE							
Sales proceeds	13	9,774,208	23,949	100.00	10,766,747	26,110	100.00
Other income	14	144	-	-	-	-	-
		9,774,352	23,949	100.00	10,766,747	26,110	100.00
EXPENDITURE							
Direct operating costs	15	(2,958,150)	(7,261)	(30.32)	(2,953,916)	(7,157)	(27.41)
Storage charges	16	(128,575)	(297)	(1.24)	(130,662)	(317)	(1.21)
Administrative and other charges	17	(85,519)	(210)	(0.87)	(79,810)	(194)	(0.74)
Service Providing Institutions and Docker's Pension	19	(280,134)	(686)	(2.87)	(756,739)	(1,835)	(7.03)
Sugar Industry Reserve Fund		(405)	(1)	-	(409)	(1)	-
TOTAL EXPENDITURE		(3,452,783)	(8,455)	(35.30)	(3,921,536)	(9,504)	(36.39)
		6,321,569	15,494	64.70	6,845,211	16,606	63.61
FINANCE INCOME - NET							
Finance income - net	18	138,998	336	1.40	401,434	967	3.71
NET PROFIT BEFORE CONTRIBUTIONS AND DEDUCTIONS		6,460,567	15,830	66.10	7,246,645	17,573	67.32
Bagasse Transfer Price Fund		62,869			62,126		
Sugar Insurance Fund Board Premium		(271,309)			(294,369)		
NET REVENUE TO PRODUCERS		6,252,127			7,014,402		
Contribution by distillers/bottlers		85,919			87,670		
NET AMOUNT DISTRIBUTED TO GROWERS		6,338,046			7,102,072		

The notes on pages 53 to 74 form an integral part of these financial statements.
Independent Auditors' report on page 48.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014	2013
		Rs'000	*Rs'000*
CASh FLOWS FROM OPERATING ACTIVITIES			
Net revenue distributed to producers		6,338,046	7,102,072
Adjustments for:			
Profit/(loss) on disposal of property, plant and equipment		(561)	909
Effect of IAS 19 restatement to 2013 figures		14,483	-
Interest paid		166,481	164,700
Interest income		(1,320)	(3,129)
Depreciation		4,152	3,092
Foreign currency exchange gains		(44,105)	(60,536)
Retirement benefit obligations		4,758	11,470
Operating profit before working capital changes		6,481,934	7,218,578
Decrease/(increase) in inventories		10,160	(108,786)
Increase in trade and other receivables		(232,779)	(817,192)
Increase in trade and other payables		6,804	186,209
Increase/(decrease) in derivative financial instruments		(66,579)	39,540
		(282,394)	(700,229)
Cash generated from operations		6,199,540	6,518,349
Payment made to producers		(6,338,046)	(7,102,072)
Interest paid		(166,481)	(164,700)
Contribution paid on defined pension plan		(4,728)	(3,017)
Net cash used in operating activities		(309,715)	(751,440)
Investing activities			
Purchase of plant and equipment		(14,374)	(5,601)
Proceeds from disposal of plant and equipment		955	696
Interest received		1,320	3,129
Cash used in investing activities		(12,099)	(1,776)
Financing activities			
Loans received		6,599,243	2,761,638
Loans repaid		(6,751,079)	(2,487,200)
Cash (used in)/generated from financing activities		(151,836)	274,438
Net decrease in cash and cash equivalents		(473,650)	(478,778)
Cash and cash equivalents at beginning of year		(647,603)	(203,680)
Net decrease in cash and cash equivalents		(473,650)	(478,778)
Effects of foreign exchange on cash and cash equivalents		37,164	34,855
CASh AND CASh Eq UIVALENTS AT END OF Th E YEAR	8	(1,084,089)	(647,603)

The notes on pages 53 to 74 form an integral part of these financial statements.
Independent Auditors' report on page 48.



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 organisation responsible for the marketing and sales of sugar produced in Mauritius and its objective is the sale of all sugars received by it for the account of its members, who are all sugar producers comprising corporate and independent sugarcane growers, as well as millers and the distribution of the proceeds of such sale after deducting operational, administrative and statutory expenses.

All local sugar producers are members of the Syndicate. The Syndicate's registered office and principal place of business is Plantation House, Place d'Armes, Port Louis, Mauritius.

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

2. Significant Accounting Policies

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

(a) Basis of preparation

The financial statements of Mauritius Sugar Syndicate have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention.

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

Standards, Amendments to published Standards and Interpretations effective in the reporting period

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard has no impact on the Syndicate's financial statements.

IAS 27, 'Separate Financial Statements' relates to an entity preparing separate financial statements. The standard has no impact on the Syndicate's financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement: joint ventures are accounted for under the equity method.

2. Significant Accounting Policies (cont'd)

(a) Basis of preparation (cont'd)

Standards, Amendments to published Standards and Interpretations effective in the reporting period (cont'd)

Accounting for an interest in a joint venture using the proportionate consolidation method is not permitted under IFRS 11. The standard has no impact on the Syndicate's financial statements.

IAS 28, 'Investments in Associates and Joint Ventures'. The scope of the revised standard covers investments in joint ventures as well. IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting. The standard has no impact on the Syndicate's financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard has no impact on the Syndicate's financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IAS 19, 'Employee benefits' was revised in June 2011. The changes to the accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 10 for the impact on the financial statements.

IFRIC 20, 'Stripping costs in the production phase of a surface mine', has no impact on the Syndicate's financial statements.

Amendment to IFRS 7, 'Financial instruments: Disclosures', relates to financial instruments that are subject to an enforceable master netting arrangement or similar arrangements. This amendment includes new disclosures and is not expected to have any impact on the Syndicate financial statements.

Amendment to IFRS 1 (Government Loans) has no impact on the Syndicate's financial statements.

IFRS 1 (Amendment), 'First time adoption of IFRS', has no impact on the Syndicate's operations.

IAS 1 (Amendment), 'Presentation of financial statements', clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors' or voluntarily.

Annual Improvements to IFRSs 2009-2011 Cycle

IAS 16 (Amendment), 'Property, plant and equipment', clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The amendment does not have an impact on the Syndicate's operations.

IAS 32 (Amendment), 'Financial instruments: Presentation', clarifies the treatment of income tax relating to distributions and transaction costs. The amendment does not have an impact on the Syndicate's operations.

IAS 34 (Amendment), 'Interim financial reporting', clarifies the disclosure requirements for segment assets and liabilities in interim financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2014 or later periods, but which the Syndicate has adopted earlier.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments
IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IFRIC 21: Levies
Recoverable Amount Disclosures for Non-financial Assets (Amendments to IAS 36)
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IFRS 9 Financial instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Annual Improvements to IFRSs 2010-2012 cycle
Annual Improvements to IFRSs 2011-2013 cycle
IFRS 14 Regulatory Deferral Accounts
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 15 Revenue from contracts with customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

Where relevant, the Syndicate is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

(b) Property, plant and equipment

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

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

2. Significant Accounting Policies (cont'd)

(b) *Property, plant and equipment (cont'd)*

Depreciation is calculated on the straight-line method to write off their cost to their residual values over their estimated useful lives. The annual rates used are:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals of plant and equipment are determined by comparing proceeds with carrying amount and are included in the profit or loss.

(c) *Financial assets*

(i) Categories of financial assets

The Syndicate classifies its financial assets in the following categories: fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Certain derivative instruments do not qualify for hedge accounting and are accounted for at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

The Syndicate's loans and receivables comprise trade and other receivables and cash and cash equivalents.

(ii) Recognition and measurement

Derivatives which comprise of foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options are initially recognised at fair value on the dates the derivatives contracts are entered into and are subsequently re-measured at their fair value. These derivatives do not qualify for hedge accounting.

Changes in the fair value of derivatives are recognised immediately in the profit or loss. These derivatives are trading derivatives and are classified as current asset or liability. Changes in fair values of derivatives are included in the profit or loss within finance income.

Loans and receivables financial assets are carried at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(iii) Impairment of financial assets

Financial assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(d) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Included in trade receivables are the sales of sugars relating to the current harvest period and which are in production process and not yet 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.

2. Significant Accounting Policies (cont'd)

(e) 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 of the loan to the extent that is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawn 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.

(f) Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks (cash at bank) and bank overdrafts. Bank overdrafts are shown as a separate line within current liabilities on the statement of financial position.

(g) 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 liabilites 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.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average price basis for bags, steel bars and liners. The cost of finished goods comprises all costs of purchase and other costs incurred in bringing such stocks in its present location and condition, but exclude borrowing costs. Cost of inventories of white refined sugars for sale on the local market is determined at the net realisable value as the latter represents the cost to the Syndicate of such sugar produced locally. Cost of inventories of white refined sugar imported is valued at cost of purchase and other costs incurred in bringing such stocks in its present location and condition, but excludes borrowing costs. Net realisable value is based on estimated selling price in the ordinary course of business less applicable variable selling expenses.

(i) Retirement benefits

Recognition and measurement prior to 1 July 2013

Defined Contribution plan

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

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, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives'.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Recognition and measurement from 1 July 2013

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period 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 other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income shall not be reclassified to profit or loss in subsequent period.

The Syndicate determines 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.

2. Significant Accounting Policies (cont'd)

(i) Retirement benefits (cont'd)

Recognition and measurement prior to 1 July 2013 (cont'd)

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.

In the 2014 report the actuary changed its last year's figures. The Syndicate has accounted for the changes to the comparative figures of 2013 prospectively in 2014 because it cannot amend or alter 2013-2014 net revenue before contributions and deductions which determine the net amount distributed to producers and which was already paid to producers.

Gratuity on retirement

For employees who are not covered the net present value of gratuity on retirement payable under the Employment Rights Act 2008 is calculated by an actuary and provided for. The obligation arising under this item is not funded.

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.

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within ''finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within other (losses)/gains - net.

(k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Syndicate's activities and revenue for work in progress for the current crop year. Revenue is shown net of returns, rebates, discounts and other similar allowances.

The Syndicate recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Syndicate and when specific criteria have been met for each of the Syndicate's activities as described below. The Syndicate bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

- Sales of goods are recognised in the period in which the Syndicate has delivered products to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue is recognised at the point in time when the goods are exported.
- The Syndicate also recognises the unshipped portion of sugars that relate to the current crop year as revenue at the end of the reporting period. The revenue is determined based on the held for sale sugars at the end of the reporting period and the current market price at which the buyer has undertaken to purchase the goods as per the Long Term Partnership Agreement and the contracts with buyers of special sugars.
- Profit sharing is recognised on an accrual basis in accordance with the substance of the relevant agreements for all sugar process which are recognised as revenue and which relates to the current crop year.
- Interest income is recognised on a time-proportion basis using the effective interest method.

(l) Expenses

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

3. Financial Risk Management

The Syndicate's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and pricing 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 uses derivative financial instruments to hedge certain risk exposure.

Risk management is carried out under policies approved by the Marketing Strategy Committee, Risk Management Committee and the Forex Management Committee.

(a) Market risk

(i) Currency risk

The Syndicate operates 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.

3. Financial Risk Management (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

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 uses foreign exchange forward contracts and has foreign currency bank accounts which are transacted with commercial banks.

Currency profile

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

	FINANCIAL ASSETS		FINANCIAL LIABILITIES	
	2014	2013	2014	2013
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	357,034	119,319	3,069,569	3,129,609
US Dollar	61,972	71,188	686	1,190,583
Euro	4,228,710	4,328,998	1,846,168	405,977
GBP	2,340	590	-	13,477
	4,650,056	4,520,095	4,916,423	4,739,646

Sensitivity analysis

At the end of reporting period, if the 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:

	NET REVENUE BEFORE DISTRIBUTION TO PRODUCERS	
	2014	2013
	Rs'000	*Rs'000*
	+/-	*+/-*
US Dollar	3,064	55,970
Euro	119,127	196,151
GBP	117	644
	122,308	252,765

(ii) Interest rate risk

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

At 30 June 2014, if interest rate on rupee-demominated borrowings had been 10 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs 5,420,000 (2013: Rs 3,123,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) 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, overdraft and loan facilities have been obtained 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 overdrafts and other payables are due for settlement within 12 months of the date of the statement of financial position and have therefore been classified under current liablilites.

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

(c) 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 is managed by the Marketing Strategy Committee. Credit risk arises from cash and cash equivalents as well as credit exposure to retail customers, including receivables.

The Marketing Strategy Committee assesses 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 transfer.

For banks and financial institutions, credit risk can be assessed by the historical iinformation about the financial strengths of the financial institutions 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 financial assets that are neither past due nor impaired can be assesssed by reference to external credit ratings if available or historical information about counterparty default rates. Refer to note 7 for an analysis of trade receivables which are past due and impaired. For the year under review trade receivables were not impaired.

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

4. Critical Accounting Estimates and Judgement

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Syndicate makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of the pension obligations.

The actuary determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the actuary considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 10.

(b) Revenue recognition

At the end of the reporting period, the Syndicate recognizes the unshipped portion of sugars that relate to the current crop year as revenue. The Syndicate values any balance of plantation white sugar held at year end at the latest invoice price at which the customer has purchased the last consignment. For white refined sugar, the Syndicate determines the sales as being the unshipped quantity of sugars at the period end referenced to the latest EU reference price and adjusted for the profit share as per the LTPA agreement. Determination to the profit share is based on the latest selling price of white refined sugar on the European Market adjusted for (i) the EU price and (ii) logistic and finance charges. For special sugars, the Syndicate determines the sales as being the total quantity of sugars committed for sale at the period end and which is referenced to an average price at which customers have agreed to acquire the special sugars.

(c) Depreciation policies

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Syndicate would currently obtained from disposal of the asset, if the asset were already of the age in condition expected at the end of its useful life.

5. Property, Plant and Equipment

	Computer Equipment	Furniture and Equipment	Motor Vehicles	TOTAL
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
(a) COST				
At 1 July 2012	4,838	4,572	12,077	21,487
Additions	260	171	5,170	5,601
Disposal	-	-	(2,372)	(2,372)
At 30 June 2013	5,098	4,743	14,875	24,716
At 1 July 2013	5,098	4,743	14,875	24,716
Additions	304	9,878	4,192	14,374
Disposals	-	(851)	(4,320)	(5,171)
At 30 June 2014	5,402	13,770	14,747	33,919
DEPRECIATION				
At 1 July 2012	3,702	3,206	6,741	13,649
Charge for the year	480	265	2,347	3,092
Disposals adjustments	-	-	(767)	(767)
At 30 June 2013	4,182	3,471	8,321	15,974
At 1 July 2013	4,182	3,471	8,321	15,974
Charge for the year	581	1,077	2,494	4,152
Disposals adjustments	-	(457)	(4,320)	(4,777)
At 30 June 2014	4,763	4,091	6,495	15,349
NET BOOK VALUE				
At 30 June 2013	916	1,272	6,554	8,742
At 30 June 2014	639	9,679	8,252	18,570

(b) Depreciation expenses of Rs 4,152,000 (2012: Rs 3,092,000) has been charged to administrative and other charges.

6. Inventories

	2014	2013
	Rs'000	*Rs'000*
At Cost		
Bags, steel bars and liners	67,771	46,975
At Net Realisable Value		
Raw and white refined sugar	141,970	172,926
	209,741	219,901

7. Trade and Other Receivables

	2014	2013
	Rs'000	*Rs'000*
Trade Receivables		
Exports proceeds	1,656,469	1,423,886
Export proceeds – Unshipped sugars	2,618,663	2,665,050
	4,275,132	4,088,936
Other Receivables		
Loan to refiner	-	99,962
Staff loans	3,225	4,175
Others	207,712	53,276
	4,486,069	4,246,349

The carrying amounts of trade and other receivables approximate their fair values.

In order to be able to operate on a commercial basis, the Syndicate is required to provide credit facilities to its customers and partners. The credit period is 90 days from the date of issue of invoices for white refined sugar (2013:90days). For special sugar, the credit period is 30 days (2013:30 days).

As of 30 June 2014, trade receivables of Rs 478,039,000 (2013: Rs 406,277,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014	2013
	Rs'000	*Rs'000*
3 to 6 months	451,125	396,723
Over 6 months	26,914	9,554
	478,039	406,277

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

	2014	2013
	Rs'000	*Rs'000*
Mauritian Rupee	233,156	57,450
US Dollar	36,187	63,897
Euro	4,216,726	4,125,002
	4,486,069	4,246,349

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

8. Cash and Cash Equivalents

	2014	2013
	Rs'000	*Rs'000*
Cash at bank	163,987	273,746
Bank overdrafts	(1,248,076)	(921,349)
	(1,084,089)	(647,603)

(i) Bank overdrafts are secured by the preferential lien over stock of sugars as conferred by Mauritius Sugar Syndicate Act of 1951. They are utilised to enable advances to be made to producers pending receipt of export proceeds.

(ii) The interest rates per annum vary from 4.15% to 5.50% on Rupee accounts (2013: 4.30% to 8.00%) and Libor 1 month + 1.0% to Libor 1 month + 1.5% on Euros, GBP and USD accounts respectively (2013: Libor 1 Month + 1.5%).

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

	2014	2013
	Rs'000	*Rs'000*
Cash at bank		
Mauritian Rupee	123,878	61,252
US Dollar	25,785	7,291
Euro	11,984	204,613
GBP	2,340	590
	163,987	273,746
Bank overdrafts		
Mauritian Rupee	(6,271)	(296,749)
US Dollar	(687)	(570,432)
Euro	(1,241,118)	(40,690)
GBP	-	(13,478)
	(1,248,076)	(921,349)
Cash and cash equivalents	(1,084,089)	(647,603)

9. Derivative Financial Instruments

The Syndicate ensures that its sugar proceeds which are received in foreign currencies are hedged against the high volatility inherent in its receipts. 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 30 June 2014, the surplus on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options undertaken for 2013 crop was Rs 61,661,000 compared to a shortfall of Rs 4,918,000 for 2012 crop. It is anticipated that once the contracts will mature the surplus/shortfall will then be realised and will impact on the amount distributed to producers in 2014 crop.

9. Derivative Financial Instruments (cont'd)

	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS / (SHORTFALL)
	Rs'000	*Rs'000*	*Rs'000*
At 30 June 2014			
Normal Forward	276,355	270,495	5,860
Chooser Forward	1,920,940	1,879,354	41,586
Leverage Forward	700,330	686,115	14,215
	2,897,625	2,835,964	61,661
At 30 June 2013			
Normal Forward	583,150	583,150	-
Chooser Forward	1,436,738	1,437,630	(892)
Leverage Forward	2,538,910	2,542,936	(4,026)
	4,558,798	4,563,716	(4,918)

10. Retirement Benefit Obligations

	Notes	2014	2013
		Rs'000	*Rs'000*
Amounts recognised in the statements of financial position:			
Defined pension benefits	10 (ii)	23,605	9,092
Analysed as follows:			
Non-current liabilities		23,605	9,092
Amount charged to profit or loss:			
Defined pension benefits	10 (iv)	4,758	11,470

(i) The Syndicate operates a defined benefit pension. The plan is a final salary plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading to retirement.

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

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligtions were carried out at 30 June 2014 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.

	2014	2013
	Rs'000	*Rs'000*
(ii) The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	68,587	59,832
Fair value of plan assets	(44,982)	(36,257)
	23,605	23,575
Unrecognised actuarial loss	-	(14,483)
Liabilities recognised in the statement of financial position	23,605	9,092

	2014	2013
	Rs'000	*Rs'000*
The reconciliation of the opening balances to the closing balances for the net defined benefit liability is as follows:		
At 1 July,	9,092	639
Recognised in the statement of profit or loss		
*Effect of restatement to 2013 figures**	14,483	-
Charge for the year	4,758	11,470
Contributions paid	(4,728)	(3,017)
At 30 June	23,605	9,092

* In the 2014 report the actuary changed its last year's figures. The Syndicate has accounted for the changes to the comparative figures of 2013 prospectively in 2014 because it cannot amend or alter 2013-2014 net revenue before contributions and deductions which determine the net amount distributed to producers and which was already paid to producers.

	2014	2013
	Rs'000	*Rs'000*
(iii) The movement in the defined benefit obligations over the year is as follows:		
At 1 July,	59,832	59,616
Current service cost	3,810	3,330
Employee contributions	577	465
Interest costs	4,787	5,133
Benefit paid	-	(13,998)
Liability loss/(gain)	(419)	5,286
At 30 June	68,587	59,832

	2014	2013
	Rs'000	*Rs'000*
(iv) The movement in fair value of plan assets of the year is as follows:		
At 1 July,	36,257	46,512
Interest income	3,109	3,993
Employer contribution	4,728	3,017
Employee contributions	577	465
Benefit paid	-	(13,998)
Return on plan assets excluding interest income	311	(3,732)
At 30 June	44,982	36,257

10. Retirement Benefit Obligations (cont'd)

	2014	2013
	Rs'000	*Rs'000*
(v) Amounts recognised in the statement of profit or loss		
Current service cost	3,810	3,330
Net interest on net defined benefit liability	1,678	1,140
Past service cost	-	7,000
Actuarial gain/(loss)	(730)	-
Total included in employee benefit expense	4,758	11,470

	2014	2013
	Rs'000	*Rs'000*
Total included in employee benefit expense can be analysed as follows:		
Included in		
Administrative and other charges	4,758	11,470
Actual return on plan assets	3,420	261

	2014	2013
	%	%
(vi) The principal actuarial assumptions used for accounting purposes were:		
Discount rate	8.0	8.0
Expected rate of return on plan assets	-	10.0
Future salary increases	7.0	6.5
Future pension increases	1.0	1.0

	2014	2013
	%	%
(vii) The fair value of the plan assets at the end of the reporting period for each category, are as follows:		
Equity	40.0	45.0
Debt	22.0	26.0
Property	17.0	25.0
Others	21.0	4.0
	100.0	100.0

	2014	2013
	Rs'000	*Rs'000*
(viii) Sensitivity analysis on defined benefit obligations at end of the reporting date:		
Increase due to 1% decrease in discount rate	8,732	-
Decrease due to 1% increase in discount rate	7,799	-

(ix) 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 obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

(x) The sensitivity analysis may not be representative of the actual change in the defined benefit obligations 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.

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

(xii) The Syndicate expects to pay Rs 3.5 M in contributions to its post-employment benefit plans for the year ending 30 June 2015.

(xiii) The weighted average duration of the defined benefit obligation is 12 years at the end of the reporting period.

11. Borrowings

	2014	2013
	Rs'000	*Rs'000*
Unsecured loans	2,609,802	2,761,638

(a) The loans bear interest at the rate of 3.35% to 5.50% per annum (2013: 3.50% to 5.00%).

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

	2014	2013
	Rs'000	*Rs'000*
Mauritian Rupee	2,004,752	2,141,488
US Dollar	-	620,150
Euro	605,050	-
	2,609,802	2,761,638

12. Trade and Other Payables

	2014	2013
	Rs'000	*Rs'000*
Payable to producers under the Bagasse Transfer Price Fund	62,963	61,880
Manufacturing premium - white refined & special sugars	402,233	379,750
Freight	186,899	231,520
Other accruals	406,450	378,591
	1,058,545	1,051,741

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

(b) The Bagasse Transfer Price Fund was paid to the beneficiaries on 8 July, 2014 and contributions from Distillers/ Bottlers during the crop year has been paid in two tranches: on 27 December 2013 and 18 July 2014 respectively.

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

13. Sales Proceeds

	2014	2013
	Rs'000	*Rs'000*
Sales proceeds were arrived as follows:		
Gross Export Proceeds - Shipped	6,244,944	7,676,779
Gross Export Proceeds - Unshipped	3,207,282	2,665,050
	9,452,226	10,341,829
Proceeds from local sales	321,982	424,918
Total sales proceeds	9,774,208	10,766,747

14. Other Income

	2014	2013
	Rs'000	*Rs'000*
Sundry income	144	-

15. Direct Operating Costs

	2014	2013
	Rs'000	*Rs'000*
Manufacturing premium - white refined & special sugars	1,434,289	1,525,925
Export fee	81,645	92,285
Freight charges	549,222	613,389
Bags and other related charges	61,748	90,386
Liners, steel bars and other related costs for white refined sugar shipments	86,254	86,266
Cost of imports of raw sugar feedstock	700,074	510,084
Other costs	44,918	35,581
	2,958,150	2,953,916

Cost of imports

Costs of imports of raw sugar feedstock are calculated on a landed basis for 53,075 MT (2013: 34,919 MT) of white refined sugar and raw sugar feedstock.

16. Storage Charges

	2014	2013
	Rs'000	*Rs'000*
BSSD - Recurrent expenditure	78,900	60,100
MCIA (Ex-MSTC) rental, repair and maintenance costs of shed	7,560	7,642
CHC and MFD storage charges	42,115	62,920
	128,575	130,662

17. Administrative and Other Charges

	Note	2014	2013
		Rs'000	*Rs'000*
These are arrived at after charging:			
Depreciation on plant & equipment		4,152	3,092
Rental of office		2,733	2,857
Brussels representation		9,235	9,230
Employee benefit expense	17(a)	46,324	46,273
(a) Employee benefit expenses			
Wages and salaries		40,375	33,661
Social security costs		1,191	1,142
Pension costs		4,758	11,470
		46,324	46,273

18. Finance Income - Net

	2014	2013
	Rs'000	*Rs'000*
Finance Income		
Interest income	1,320	3,129
Gain on forward exchange contracts (unrealised)	61,661	-
Exchange gain - net	242,498	565,576
	305,479	568,705
Finance costs		
Interest payable:		
Foreign currency accounts	24,862	19,091
Mauritian balances	141,619	143,262
Loss on forward exchange contracts (unrealised)	-	4,918
	166,481	167,271
Finance Income - Net	138,998	401,434

19. Service Providing Institutions and Dockers' Pension

	2014	2013
	Rs'000	*Rs'000*
Payment to Service Providing Institutions and Dockers Pension as determined by MCIA, comprises financing of the following:		
Global Cess	258,040	287,600
Payment of pension to redundant Dockers	22,094	69,139
Restructuring of Service Providing Institutions	-	400,000
	280,134	756,739

The sugar industry was called upon to contribute to the social cost of the reform of the Service Providing Institutions (SPIs). In September 2012, Government advanced a soft loan of Rs 400 at 3% interest rate per annum for onward grant to the MCIA. The Syndicate has paid the MCIA the full amount of Rs 400M in September 2012 for the restructuring of the SPI's. No such expenditure was incurred in the current year.

20. Bagasse Transfer Price

Bagasse Transfer Price Fund represents the sum received by sugar producers with respect to 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 (Amendment of Schedule) Regulation 1999.

21. Contribution By Distillers/Bottlers

In line with MCIA Act, Paragraph 27 (1), the sum received as contribution from Distillers/Bottlers during the crop year has been paid in two tranches: on 27 December 2013 and 18 July 2014 respectively.

22. Sugar Insurance Fund Board Premium

The premium of Rs 271,309,000 (2012 crop: Rs 294,369,000) is deducted from the sugar proceeds of the producers and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974.

23. Related Party Transactions

	2014	2013
	Rs'000	*Rs'000*
Compensation of key mananagement personnel		
Salaries and short term employee benefits	12,407	11,885

24. Contingent Liabilities

The Syndicate has contracted bank guarantees in favour of the Mauritius Revenue Authority amounting to Rs 456,353 (2013: Rs 5,466,353). It is the normal practice of the Syndicate to apply for duty and VAT exemptions with respect to items/equipment imported and held for eventual re-exports (admission temporaire) or personal use.The Syndicate is therefore required to provide bank guarantees to the Mauritius Revenue Authority which evidence that such imports are not meant for sales on the local market.

Once the items/equipments are re-exported or disposed with the authorisation of the Mauritius Revenue Authority, the bank guarantees are thereby cancelled. The Syndicate considered that no liability will arise as the probability for default in respect of the guarantee is remote.

Crop Statement

	2013-2014 Crop				2012-2013 Crop			
	Plantation White Sugar	White Sugar	Special Sugar	TOTAL	Plantation White Sugar	White Sugar	Special Sugar	TOTAL
	MT	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*
Net landed weight	-	239,717	50,524	290,241	-	184,252	70,558	254,810
Stock of sugar	65,141	29,250	49,982	144,373	70,493	32,751	51,919	155,163
Total sugar for Export	65,141	268,967	100,506	434,614	70,493	217,003	122,477	409,973
Local Market sales	-	6,473	3,715	10,188	-	10,272	3,862	14,134
Total	65,141	275,440	104,221	444,802	70,493	227,275	126,339	424,107
Processing & Storage Loss				12,696				12,012
Production MTTQ				457,498				436,119
Less non-originating sugar for re-export				52,785				26,919
Total Production of Sugar MTTq				404,713				409,200
Adjustment at 98.5° Polarisation by Arbitration & Control Department				408,125				412,366

Sales Proceeds (FOBS)

	2013-2014 Crop	2012-2013 Crop
	Rs 000's	*Rs 000's*
European Union		
White refined sugar	5,974,368	6,045,808
Special sugar	2,487,130	2,905,859
Total - European Union	8,461,498	8,951,667
United States of America (USA)	120,388	259,549
World Market	554,946	513,127
	9,136,832	9,724,343
Local Sales	321,983	424,918
TOTAL	9,458,815	10,149,261

Average Price (FOBS) Per Tonne

	2013-2014 Crop	2012-2013 Crop
	Rs per Tonne	*Rs per Tonne*
European Union		
White refined sugar	18,415	20,249
Special sugar	30,865	31,153
United States of America (USA)	23,896	26,487
World	25,238	25,283
Average Export Price	21,136	23,046

Average Local Market Price Per Tonne

	2013-2014 Crop	2012-2013 Crop
	Rs per Tonne	*Rs per Tonne*
Local Market	21,620	22,000

Statement of Distribution of Bagasse Proceeds

	2013-2014 Crop	2012-2013 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	62,869	62,126
Paid out to:		
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	7,544	7,455
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	23,890	23,608
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	31,435	31,063

Amount Per Metric Ton of Sugar Accruing	2013-2014 Crop	2012-2013 Crop
	Rs	*Rs*
Planters of the first group according to the Second Schedule of SIE (Amendment) Act 1993	62.98	61.75
Planters of the second group according to the Second Schedule of SIE (Amendment) Act 1993	119.48	116.74

Amount Per KWH of Firm or Continuous Electricity	2013-2014 Crop	2012-2013 Crop
	Rs	*Rs*
Millers or producers of electricity according to the Second Schedule of SIE (Amendment) Act 1993	0.090	0.090

The Bagasse Transfer Price Fund for 2012-2013 crop was distributed as from 8 July 2014 in accordance with the Sugar Industry Efficiency (Amendment of Schedule) Regulations 1999.

Ex-Syndicate Price Per Metric Ton

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

		On whole production (As per provision of SIE Amendment ACT No. 1, 1993)	On first 3,000 tonnes exported	On the remainder
1989 - 90	Millers	-	7,812.06	6,448.62
	Planters	-	7,845.82	6,482.38
1990 - 91	Millers	-	8,000.98	6,603.66
	Planters	-	8,029.85	6,632.53
1991 - 92	Millers	-	8,204.61	6,789.51
	Planters	-	8,242.80	6,827.70
1992 - 93 *	Millers	7,736.33	-	-
	Planters	-	8,472.01	7,000.66
1993 - 94 *	Millers	8,722.74	-	-
	Planters	-	9,551.06	7,894.42

	On Whole Production
1994 - 95 *	10,412.78
1995 - 96 *	11,462.80
1996 - 97 *	12,318.64
1997 - 98 *	11,907.41
1998 - 99 *	13,230.19
1999 - 00 *	12,373.77
2000 - 01 *	11,570.14
2001 - 02 *	12,834.68
2002 - 03 *	14,046.86
2003 - 04 *	15,216.29
2004 - 05 *	16,150.36
2005 - 06 *	17,625.68
2006 - 07 *	17,891.24
2007 - 08 *	18,620.15
2008 - 09 *	17,427.30
2009 - 10 *	14,612.03
2010 - 11 *	13,535.72
2011 - 12 *	16,020.16
2012 - 13 *	17,573.32
2013 - 14 *	15,829.86

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

Sugar Revenue

Crops 1989-1990 to 2013-2014	Exports (FOB Basis) & Other Receipts	Local Sales	Total Receipts
Crop	*Rs'000*	*Rs'000*	*Rs'000*
1989 - 1990	4,727,704	99,124	4,826,828
1990 - 1991	5,339,427	105,534	5,444,961
1991 - 1992	5,410,500	121,569	5,532,069
1992 - 1993	5,900,080	166,752	6,066,832
1993 - 1994	5,841,078	149,743	5,990,821
1994 - 1995	5,674,723	120,015	5,794,738
1995 - 1996	6,937,252	205,963	7,143,215
1996 - 1997	8,010,272	207,257	8,217,529
1997 - 1998	8,229,017	188,593	8,417,610
1998 - 1999	9,211,231	206,834	9,418,065
1999 - 2000	5,336,766	205,706	5,542,472
2000 - 2001	7,500,668	205,972	7,706,640
2001 - 2002	9,057,055	233,255	9,290,310
2002 - 2003	8,246,710	224,090	8,470,800
2003 - 2004	9,118,411	224,063	9,342,474
2004 - 2005	10,351,658	224,304	10,575,962
2005 - 2006	10,464,376	226,825	10,691,201
2006 - 2007	10,495,475	231,772	10,727,247
2007 - 2008	9,470,630	227,254	9,697,884
2008 - 2009	9,112,641	557,705	9,670,346
2009 - 2010	8,355,800	876,209	9,232,009
2010 - 2011 (Restated)	7,487,205	1,087,539	8,574,744
2011 - 2012	9,446,017	239,298	9,685,315
2012 - 2013	9,724,343	424,918	10,149,261
2013 - 2014	9,136,832	321,983	9,458,815

Acronyms

ACP	African Carribean and Pacific
BSSD	Bagged Sugar Storage and Distribution Co. Ltd.
BMP	Best Management Practices
BRC	British Retail Consortium
BST	Bulk Sugar Terminal
CHCL	Cargo Handling Corporation Limited
CQD	Central Quality Department
CEFS	Comité Européen des Fabricants de Sucre
CAP	Common Agricultural Policy
CIBE	Confédération Internationale des Betteraviers Européens
DDA	Doha Development Agenda
ESA	Eastern and Southern Africa
EPA	Economic Partnership Agreement
ERCP	Economic Restructuring and Competitiveness Programme
ASSUC	European Association of Sugar traders
EEC	European Economic Community
EBA	Everything But Arms
FY	Fiscal Year
FDA BTA	Food and Drug Administration's Bio-Terrorism Act
FSMC	FUEL Sugar Milling Co. Ltd
FRL	FUEL Refinery Ltd
IEPA	Interim EPA
ISO	International Sugar Organisation
ISTC	International Sugar Trade Coalition
LDC	Least Developped Countries
LTPA	Long Term Partnership Agreement
MECAS	Market Evaluation Consumption and Statistics Committee
MCIA	Mauritius Cane Industry Authority
MTTQ	Metric tons tel quel
Mtrv	Metric tons raw value
OMOL	Omnicane Operations Ltd
PWS	Plantation White Sugar
RST	Regional Safeguard Threshold
SACU	South African Customs Union
SADC	Southern African Development Community
SIFB	Sugar Insurance Fund Board
SPCF	Sugar Producers Consultative Forum
TRQ	Tariff Rate Quotas
TCS	Technical Committee on Sugar
TFTA	Tripartite Free Trade Area
USDA	US Department of Agriculture
USTR	United States Trade Representative
WSE	White Sugar Equivalent
WG	Working Group
WTO	World Trade Organisation