MAURITIUS SUGAR SYNDICATE



2015-2016

Report and Statement of Account



2015-2016

Report and Statement of Account



MAURITIUS SUGAR SYNDICATE

www.mauritiussugar.mu

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

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

email: contact@mauritiussugar.mu

Propriety of Mauritius Sugar Syndicate

Role and Status of the Mauritius Sugar Syndicate

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

The Mauritius Sugar Syndicate is the sole 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 fulfilment of its role, the Syndicate's primary objective is to optimise 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 specialised departments geared to provide support services of direct relevance to its core business, namely marketing, sales and logistics, finance and accounts, assistance to producers, and also quality and food safety for sugars produced by its members.

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 relevant members 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 corporate representative. 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 corporate sector, four planters' representatives, and 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 Audit and Risk Management Committee. A Remuneration Committee is set up on an ad hoc basis to address issues relating to remuneration, promotion and recruitment within the organisation.

For the year under review, out of 14,571 producers in Mauritius, 7,114 were registered to receive their sugar proceeds directly from the Syndicate while 7,446 obtained their sugar proceeds through the 145 credit cooperative societies registered with the Syndicate. The remaining producers were paid through their appointed brokers.



Contents

6 Committees

7 Staff

8 The President's Report 2015-2016

17 2015 Crop

25 Supply & Delivery Arrangements

31 2016 Crop & Market Prospects

37 Crop Financing & Payments

41 Statement of Account 2015-2016

47 Notes to the Financial Statements



MAIN COMMITTEE

President
- Hector Espitalier Noël

Vice-President
- Kreepalloo Sunghoon, M.S.K.

Corporate Sector Representatives
- Gérard Chasteau de Balyon
- Sailesh Chunen
- Patrick de Labauve d'Arifat
- Fabien de Marassé Enouf
- Jean Raymond Hardy (in replacement of Gilbert Espitalier Noel in December 2015)
- Henri Harel
- Sébastien Lavoipierre
- Jean Li Yuen Fong
- Nicolas Maigrot (in replacement of Cyril Mayer in December 2015)
- Christian Marot (in replacement of Arnaud Dalais in December 2015)
- Jacques Marrier d'Unienville
- Thierry Merven
- Jean Ribet

Large Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Nageshwar Gujadhur
- Amal Kumar Mohabeer Mungur
- Hansraj Ruhee
- Hemant Rao Sonoo

Small Planters' Representatives
Nominated by the Minister of Agro-Industry & Food Security
- Rambhajun Babooa, M.B.E.
- Hurrydeo Soobhug
- Trilock Ujoodha

EXECUTIVE AND SELLING COMMITTEE

President
- Hector Espitalier Noël

Vice-President
- Kreepalloo Sunghoon, M.S.K.

Members
- Patrick de Labauve d'Arifat
- Nageshwar Gujadhur
- Jean Li Yuen Fong
- Nicolas Maigrot (as from December 2015)
- Jacques Marrier d'Unienville
- Amal Kumar Mohabeer Mungur
- Jean Ribet
- Trilock Ujoodha
- Jugdis Bundhoo (CEO of the MCIA)

LEGAL COUNSELS

- ENSAfrica (Mauritius)
- BLC Robert & Associates Ltd

US TRADE COUNSEL

- Ryberg and Smith LLC

EXTERNAL AUDITORS

- BDO & CO

INTERNAL AUDITORS

- Ernst & Young Mauritius

FOREX CONSULTANT

- Stewardship Consulting (Pte) Ltd

CHIEF EXECUTIVE OFFICER & SECRETARY

- Devesh Dukhira

Confidential Assistant
- Marie Claire Lo Fong

MARKETING & LOGISTICS

Chief Marketing Officer
- Ashween K. Bunwaree

Senior Sales Administration & Logistics Officer
- Khemraj Jhurry

Sales Administration & Logistics Officer
- Glen Baniaux

Import/Export Officers
- Dany Jaune
- Ian Samuel (as from 15 September 2015)

Logistics Officer
- Ajagen Moothoosamy (as from 1 September 2015)

Marketing Assistant
- Jesieka Baptiste

Sales & Logistics Assistant
- Karine Ribet

ACCOUNTS & FINANCE

Chief Finance and Administrative Officer
- Jyoty Soomarooah

Treasurer/ Accountant
- Indira Goboodun

Accountant
- Seewanandsing Goodcharan (up to 31 August 2016)

Accounts Officers
- Saviraj Pilly Potiah
- Yudhisthir Gopaul
- Bhavna Kanhye (up to 31 May 2016)

Accounts & Finance Assistant
- Vijay Luxmi Sanuchur

Receptionist/Secretary
- Doretta Larose (as from 1 December 2015)

PRODUCERS' SERVICE

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



The President's Report





The 2015 crop was as challenging for sugar producers as for the preceding campaign, when the ex-Syndicate price had reached a 13-year low of Rs 12,694 per ton. Market prices worldwide had suffered the burden of 5 consecutive years of global surplus with stock-to-consumption ratio hovering as at September 2015 at 52.14%, a level last seen in 2003: the New York #11 raw sugar futures price consequently fell below US 10.5 cts/lb in August 2015, the lowest level over the last 7 years. In addition to supply and demand fundamentals, the market price was influenced by currency movements, especially among the larger sugar exporters, ethanol demand, particularly impacted by oil prices as well as government policies regarding ethanol mix, and sugar trade flows. Likewise, prices in the EU, increasingly aligned with the world market trend, especially in anticipation of EU production quota liberalization in October 2017, remained depressed, and in February 2015, the average ex-works price of white sugar attained a record low of € 414/ton, a price level which persisted till the start of the 2015 crop harvest. Sales negotiation for the 2015-16 marketing year was influenced in consequence and the revenue obtainable for Mauritius sugars was barely improved compared to the previous year.

The ex-Syndicate price paid to sugar producers for the 2015 crop thus attained Rs 13,166 per ton, a mere 3.7% rise over that for the 2014 crop, on account of a slight improvement in prices achieved during the year and also an increase in the proportion of sales of special sugars. Producers' revenue was supported for the second consecutive year with the disbursement from the Sugar Insurance Fund, further to Government's assent, of Rs 2,000 per ton sugar, though this amount was this year inclusive of the SIFB compensation provided in certain factory areas where production fell short by over 17% of their average. Planters were furthermore relieved with the waiver of the general insurance premium for the 2015 crop.



2015-2016

Fortunately, after the price-driven operational losses over the last couple of years, the sugar industry worldwide could start breathing with the beginning of a global deficit cycle in 2015/16. The International Sugar Organization (ISO) first announced a world deficit of 2.5 M tons in August 2015 which was increased to 5 M tons after 6 months and surged by August 2016 to 5.7 M tons, still a conservative figure compared with the estimates of other analysts with shortage forecast nearing 10 M tons. Notwithstanding the accumulation of global stock, attaining 83 M tons by September 2015 according to the ISO, an increase in market prices was triggered during the last quarter of the year. The rise persisted over the following 6 months as the sugar futures market attracted investment from speculators: by end-June 2016, investment reached long positions exceeding 15 M tons sugar and the New York #11 raw sugar futures price attained a 3-year high of US 20cts/lb. Unfortunately, given that shipment of sugar from the harvest had to start by July 2015, the Syndicate had already finalised most sales contracts by the time prices started rising. On the other hand, the flexibility which had been allowed to take advantage of better sales opportunities during the year vanished as the crop outturn declined from the initial estimate of 410,000 tons to 366,070 tons. With such reduced sugar availability, the Syndicate was even obliged to reduce deliveries under its existing contracts.

The lower global production level in 2015-16 was attributed firstly to adverse weather conditions, especially with El Nino starting to affect crops as from mid-2015 in major cane sugar producing countries like Brazil, Thailand, India, Australia and South Africa: the year-on -year overall production shortfall in these countries alone is expected to have exceeded 1.5 M tons. Production has, moreover, been restrained by a reduced interest among growers to adequately service their fields or even invest in new resources, given unprofitable price levels which had prevailed over the preceding crops.

World sugar consumption on its side continued rising and, according to the ISO, is expected to attain some 170.6 M tons in 2015-16, compared with 167.5 M tons in the previous year. Such persistent increase is driven firstly by population growth, and secondly by the rising purchasing power of consumers, especially in developing countries. Per capita annual consumption in China, for example, reached 11.3 kg in 2015-16, over 10% improvement from 10.2 kg in 2009-10, but still far from the average of 36.4 kg in the EU for the same marketing year. The anti-sugar campaign in the more mature markets, yet to be validated scientifically, has consequently not sufficed in reversing this global trend: the ISO forecasts that global consumption would continue growing by some 1.8% per annum over the foreseeable future.

The EU market followed the same price trend, except that most supply contracts, usually established on an annual basis and prior to the start of the harvest in August/September, had been finalised before the price hikes. Since it is still reliant on imports under the prevailing sugar regime, price pressure has intensified with a reduced sugar availability from preferential suppliers, namely from ACP/LDC countries, firstly owing to adverse weather conditions having affected crop production in certain regions, namely in Southern Africa, and secondly because of better sales opportunities for their sugars in other destinations. Hence the total ACP/LDC sugar exports to EU as at 19 August 2016 attained only 1.5 M tons, which was some 380,000 tons lower than those at the same time in the preceding year. The market became more bullish with a lower 2015 crop outturn as EU growers had reduced their acreage under beet, after a bumper production of 19.5 M tons in the previous year, while the harvest was







subsequently affected by unfavorable climatic conditions. The 2015 crop outturn was estimated to have reached 14.9 M tons while the stock of quota sugar by the end of the campaign was forecasted at a mere 0.7 M tons, compared with 1.3 M tons by end September 2015.

During the course of the 2015-16 campaign, spot prices in the EU, though for less important sales volumes, attained levels which were up to 25% higher than those contracted for the same delivery period; at the time of writing, sales contracts for the following year were also being finalised at comparable price levels. However, the market environment after production quota liberalisation in October 2017 remains uncertain. On one hand, prices are expected to be pulled down as the market becomes self-sufficient, and on the other, as EU producers could then export freely without WTO restrictions, they would anticipate at least similar price levels in the EU as for their exports, possibly with an additional premium to compensate for their reliability of supplies. It should nevertheless be highlighted that EU beet growers have meanwhile increased their efficiency considerably to an average of 11.2 tons sugar per hectare (tph), compared with only 10 tph in Brazil; yields in France, now accounting for a quarter of EU production, have over the last 35 years doubled to 14 tph. Together with an extension in their beet campaigns, such ameliorations will no doubt make their sugar industry very competitive, both within the EU and at world market level. According to production forecasts after quota liberalisation, the EU is expected to export some 4 M tons sugar annually, that would make them the 4th largest exporter of white sugar worldwide and which could thereby impact on the white sugar premium.

The only uncertainty at time of writing remains the remuneration level for the beet, bearing in mind that the minimum price payable to growers will disappear after



October 2017. The fact that beet is an annual crop, farmers have the flexibility to shift to other produce if prices become more appealing. In contrast, the mills will require a critical mass of feedstock to maintain their competitive edge. Discussions are ongoing on a payment formula viable for both millers and growers, which should ultimately also influence EU market prices.

As for the 2017-18 campaign, the actual EU market prices could be even more challenging as beet producers would be inclined to increase their market share, in replacement of sugar imports, and could consequently adopt an aggressive pricing stance. Such value destruction would hopefully be short-lived, bearing in mind that most of them have incurred losses over the last few years of low market prices. The withdrawal of Great Britain from the EU adds further confusion to the future market environment since alone it represents an annual sugar deficit of over 1 M tons. While the sole UK beet processor could take advantage of the new frontiers with the rest of Europe to increase domestic market share, the local cane sugar refiner, having put all its weight in the 'Brexit' campaign, would seek to maximize duty-free import of raw cane sugar. With government's support, the Syndicate will need to keep track of trade discussions in order to ensure its preferential market access in UK is preserved and even enhanced.

The long-term commercial contracts signed by the Syndicate in early 2015 with CristalCo and British Sugar for the supply of 130,000 tons and 100,000 tons white sugar respectively, provides for the flexibility to deviate exports from the EU to non–EU destinations if these markets become more remunerative. It should be recalled that these agreements have replaced the exclusivity contract which the Syndicate had in place since it started supplying white sugar to the EU. With the growing insecurity in the EU market as from October 2017, the Syndicate has no other choice than to spread its risks, with as much flexibility as possible, whether with respect to its distribution channels or the market destinations for its sugars. Hence, in addition to these long-term contracts, the Syndicate has negotiated sales with several individual buyers for around one third of its annual production capacity for white refined sugar, while assuring an arbitrage between the EU and non-EU market destinations. For the 2015 crop, despite the reduced flexibility owing to the lower crop outturn, 21,000 tons white sugar were thus exported to neighbouring countries such as Madagascar, Comoros, Mayotte, Seychelles, Mozambique, Tanzania and Kenya, compared with 30,000 tons during the previous campaign. As for sales to the EU, they were targeted at specific market segments where Mauritius sugars can firstly have a competitive edge and secondly they would be least exposed to competition from beet sugar after production quota liberalisation. In this respect, emphasis is placed on the reliability of the source of supply, whether with regard to quality, food safety and deliveries, and also on the sustainability standards of the industry. It is interesting to note that various industrial users, and even retail outlets, worldwide have set the year 2020 as target, in line with the United Nations Sustainable Development goals, to ensure that all their supplies are produced and sourced in a sustainable manner.

The Fairtrade label is considered as an essential tool for such product positioning and already for the 2015 crop, some 28,068 tons of Fairtrade labelled white sugar were supplied to the EU market. In light of market demand, the Syndicate enlisted the support of the Mauritius Fairtrade Cooperative Federation to encourage further cooperative credit societies to become certified: 13 of them were successfully audited during the year under review bringing the number of certified organisations to 38. Likewise, independent growers, including larger planters, have been encouraged to join those







which are already certified. Fairtrade sugar production has consequently increased to 36,808 tons for the 2015 crop, a 68% year-on-year increase; almost the totality has been sold bringing in overall revenues of US $ 2.2 M as premium to certified cooperatives. The Fairtrade premium currently benefits over 6,000 planters.

Product differentiation is becoming increasingly important for special sugars as well, especially as numerous cane sugar producers worldwide are lured by the higher revenue in such market segments. While the Mauritian sugar industry has an edge, on account of its 40 years' production experience, a large portion of the new supplies is unfortunately ordinary raw sugar for direct consumption produced in less stringent production environment, consequently at lower cost and sold at significantly lower prices. Though Mauritian sales have not decreased, the price levels built over the years and associated with the quality of the products are under increasing threat. The value destruction is being exacerbated by importers confusing their customers as they try to displace Mauritius special sugars with these lower quality raw sugars. Moreover, preferential access for such value-added sugars in the EU is being eroded as the Commission establishes new Free Trade Agreements (FTAs) with different producers of cane sugar, most of them comprising duty-free Tariff Rate Quotas (TRQs) for raw sugar. After Columbia, Peru and Central America, which have started exporting direct consumption raw sugars to the EU, the Commission is now envisaging new FTAs with Mexico, US, Mercosur, Thailand, India and Philippines, amongst others, all producers of cane sugar. After a first blow with production quota liberalization in the EU in October 2017, which will affect exports of white sugar to the market, such FTAs are now further eroding trade preferences for the Mauritian sugar industry.

With the risk of market displacement from new suppliers,



the Syndicate has had to adapt its marketing strategy with the view firstly to protect its existing market share and secondly further expand its market base. During the year under review, new market outlets have been tapped, bringing to 54 the total number of countries where Mauritius special sugars are being exported. Likewise, total exports attained 79,775 tons in 23 countries in EU, 10,150 tons in US and 20,093 tons to other destinations, compared with 76,906 tons, 4,998 tons and 14,480 tons respectively during the preceding marketing year. Though encouraging, such performance cannot be considered as acquis as new suppliers are leaving no stone unturned to gain market share, while concurrently destroying the value attached to special sugars: importers and distributors tend to underestimate the fact that such an approach will only lead to commoditization of these value-added sugars whereby in future producers will refrain from making the extra effort to deliver sugars which are really 'special'.

Export of special sugars to the US market, undertaken within the Mauritius share of the raw sugar TRQ, has also been affected by such unfair competition. Prices obtainable by the Syndicate do not seem to have had support as market prices returned to normal levels during the year under review, after a settlement agreement had been reached by end 2014 in respect of the Anti Dumping and Countervailing Duty (AD/CVD) case brought against sugar imports from Mexico by the US sugar industry. It should be recalled that with the dramatic increase in Mexican sugar imports into US with full implementation of the North American Free Trade Agreement (NAFTA), surging from an annual 7,258 tons under the WTO raw sugar TRQ to 1.9 M tons in 2012-13, which had in turn triggered a collapse of prices below the forfeiture level under the US sugar program, the US industry filed in March 2014 AD/CVD charges against such imports. After 1½ years' investigation, the Department of Commerce (DOC) and US International Trade Commission (ITC) affirmed dumping, subsidy and injury findings which, if implemented, would have resulted in the imposition of AD/CVD duties in excess of 60%, likely to restrain sugar imports from Mexico. The parties negotiated a Suspension Agreement whereby sugar imports from Mexico would be subject to a quota and minimum prices to prevent dumping. The most important aspect of the Agreement has been a provision requiring that no more than 53% of Mexico's exports can be refined sugar, thereby assuring adequate throughput to the refineries; however, soon after implementation, it became evident that Mexico was supplying significantly less than 47% of its exports to the refineries. Rather, most of its exports reserved for raw sugar were Estandar supplied directly to industrial users. At time of writing, given the increasing pressure from the US sugar industry, Mexico has initiated discussions to renegotiate the Suspension Agreement.

On the other hand, the US market witnessed an emerging consumer trend favoring refined sugar made from non-GMO cane over US-grown GMO beet sugar. As a result there was downward pressure on refined beet sugar prices while shortage of raw sugars for refining was adding pressure on their prices. The oversupply of US beet sugar seems to have also stifled a price increase for special sugars. The Syndicate has nevertheless managed to recover part of its market share through the support of its US customers, and would consequently be selling 10,150 tons special sugars out of its enhanced 2015/16 US TRQ of 15,439 tons.

After erosion of its trade preferences in its traditional export markets, while the global sugar market remains distorted, with prices having been below production cost levels over the last few years, the Syndicate is focusing increasingly on commercial opportunities in the region,







namely in Eastern and Southern Africa and in the Indian Ocean islands. It is interesting to recall that Sub Saharan Africa is a deficit market, with an estimated shortage of 2.6 M tons sugar in 2015-16, while the African continent overall has a sugar deficit exceeding 7.5 M tons. In addition to the preferential trading environment provided within COMESA and SADC, of which Mauritius is a member, proximity and market knowledge provide the industry with a competitive advantage compared with suppliers from outside the region. The Syndicate hence supplied 28,700 tons white refined sugar and direct consumption raws to 8 different countries in this region during the year under review, and it plans to pursue its efforts in consolidating its market position over the following campaigns.

However, the regional market comes with its own challenges. A number of them already produce sugar, though short of their domestic needs, and impose market access controls in order to protect their local industries. Despite the commitments shown towards regional integration, they do not necessarily favour regional sourcing and have even sought derogation to restrict imports. The treatment of sugar under a Tripartite Free Trade Agreement, regrouping COMESA, SADC and EAC, though appearing as a safe haven politically, is still uncertain at time of writing: sugar producing countries are wary of a possible surge in regional supplies, especially as preferential exports to the EU become eroded, and tend to prioritize a managed market access in lieu of full liberalization. With Government support, the Mauritian industry will have to ensure its acquis are preserved while exploring all possible opportunities to find new homes for its sugar supplies.

In the same vein, the Syndicate welcomes measures announced by Government in December 2015 to safeguard its market access locally which, like in most sugar producing countries, should be considered as captive for its own industry.



It should be noted that an average import duty of over 30% is imposed on sugar globally in order to curtail competition from imports but the Minister of Finance introduced in the 2016 national budget a local import duty of 15%, a sufficient level to dampen competition. Such protection against imported sugars is necessary as world market prices remain distorted, especially that certain producers benefit from export subsidies or other support from their respective governments. Moreover, at the behest of the Syndicate, the Mauritius Standards Bureau has developed a quality standard for sugar to be sold on the domestic market: in absence of such requirements, sugars of inferior quality, and obviously with lower production costs, were being imported and sold at reduced prices. In light of these new provisions, the Syndicate should be able to recapture its share of the local market, now estimated at some 35,000 tons annually, hence assuring added revenue to its members. As a national institution, it will also likely be able to fulfill its obligation vis à vis the market by ensuring supply of the highest quality sugars at the most competitive prices.

Given its responsibility, as custodian of all locally produced sugars, to maximize the benefits of its members, the Syndicate strives to cut operational costs throughout the supply chain. In line with its objective to sell sugar as close as possible to the final user in order to secure the highest revenue, it has to ensure in parallel an optimization of its delivery costs, not only for the sea freight from Port Louis, but also, wherever applicable, from the port of discharge to the final customer. It works in close collaboration in this regard with shipping companies as well as with its commercial partners while ensuring the required flexibility to meet its buyers' requirements.

Likewise, the Syndicate has to ensure the lowest production cost in Mauritius in order firstly to remain competitive and secondly to maximize its members' revenue. In this regard, the year under review called for the renewal of the Sugar Refining Service Agreement it had signed with the two refineries prior to their set up in 2009. Given the context under which the industry had embarked onto for the local refining of the bulk of its sugars prior to export, and the security provided in return to the refineries with respect to their investment, a review of the refining service fee had to take into consideration the commitment taken by each party. It was therefore decided to entrust the study to an independent firm of consultants which was mandated to make an assessment of the viability of the refining operations and consequently submit a recommendation acceptable to both the industry and the service providers. At the time of writing, the study was almost completed and the consultants' recommendations were awaited.

Ultimately the Mauritian sugar industry needs to maintain its competitive edge in an increasingly volatile market environment. Given the continuous rise in global consumption, demand is bound to increase while production growth may not always follow. Seven years after the demise of the Sugar Protocol, the sector has managed to adapt to the new market environment with the required flexibility to cope with changing market conditions while targeting the most remunerative markets. Although it supplies less than 1% of the world sugar trade, Mauritius remains an important player in the sugar sector, on account of its experience with respect to quality assurance, reliability and its adaptability, in both its traditional and new regional markets.



Hector Espitalier Noël

President









2015 CROP

Production, Supplies and Revenue

The 2015 crop outturn attained a record low of 366,070 tons tel quel of sugar produced from 4,009,232 tons of cane, compared with 400,173 tons tel quel sugar from 4,044,721 tons of cane in the preceding year. The 8.5% shortfall in sugar production was mainly due to the reduction in extraction rate from 9.91% to 9.14%: this was the result of excessive rainfall during the cane maturation stage, which seriously affected sucrose accumulation. Compared with the 2013 crop, the extraction rate has gone down by an alarming 14% to reach its lowest level since 1947. The average productivity was not favourable either as islandwide it fell to 76.5 tons of cane per hectare (TCH) compared with 79.8 TCH achieved for the previous campaign.

The crop outturn was supplemented with carry-over stocks from the previous campaign of 9,611 metric tons (mt) plantation white sugar, 25,865 mt special sugars and also 64,800 mt of imported raw sugar for refining. Total disposable sugar for the 2015-16 marketing year thus amounted to 471,346 mt compared with 504,810 mt for the previous year. The raw sugar feedstock was processed into 337,286 mt refined sugar and 97,763 mt special sugars, principally for export but also to meet local market requirements. Domestic sales were complemented with 5,000 mt white sugar purchased by the Syndicate from Omnicane Sugar Trading further to their import of a raw sugar consignment in March 2016.

As detailed in Table I on page 18, total exports for the year under review attained 430,583 mt, comprising 320,565 mt refined sugar and 110,018 mt special sugars, for dispatch to the Syndicate's range of customers till the end of the marketing year in September 2016. The EU, which provided the most remunerative price levels, remained the main export destination. The 2015 crop also marked the start of the new long term supply agreement which the Syndicate had finalised with British Sugar and CristalCo earlier in the year for a combined 230,000 mt refined sugar, thus replacing the exclusivity contract it had in place since 2009. It consequently managed to pursue its market diversification strategy for white sugar both within the EU and in the regional market, and established annual sales agreements with a range of buyers in this regard. Hence some 299,565 mt white sugar were supplied to the EU and some 21,000 mt were exported to neighbouring countries in the Indian Ocean as well as in Eastern and Southern Africa. As regards special sugars,



Table I

2015 Crop Sales (metric tons)	MT	
2015 Crop Outturn	366,070	
Add carry-over stocks from 2014 crop:		
Bagged special sugars	25,865	
Plantation white sugar feedstock	9,611	
Imported raw sugar feedstock	22,349	
Add raw sugar feedstock imported during 2015 crop	42,451	
Add sugar purchased from Omnicane Sugar Trading	5,000	
TOTAL DISPOSABLE SUGAR		471,346
EXPORT SALES 2015-2016		
European Union (EU)		
White refined sugar	299,565	
Special sugars	79,775	
TOTAL EU EXPORTS		379,340
United States		
Special sugars		10,150
World Market		
Special sugars		20,093
Regional Market		
White refined sugar		21,000
LOCAL SALES		
White refined sugar and Raw sugar for direct consumption		17,741
TOTAL SALES		448,324
Less processing and storage losses		13,128
Estimated Surplus		
Bagged special sugars		9,894

they were exported, as per regular practice, under annual contracts to a range of customers in the EU, US and some 30 world market destinations.

Sugar prices unfortunately pursued their downward trend during the period under review to reach a 7-year low of US 10.13 cts/lb in August 2015. This decline was mainly due to excess sugar supply after 5 consecutive years of global surplus, and a weakening Brazilian Real during the year as a result of political turmoil and a deteriorating economic outlook, thereby reducing the production cost in USD of the world's largest exporter. Market prices were under further pressure as a result of export subsidies provided by certain sugar producers and also lesser conversion of cane to ethanol as oil prices suffered from continued decline during the period from May to December 2015 to attain a 6 years' low of US $ 26.55 per barrel in January 2016.

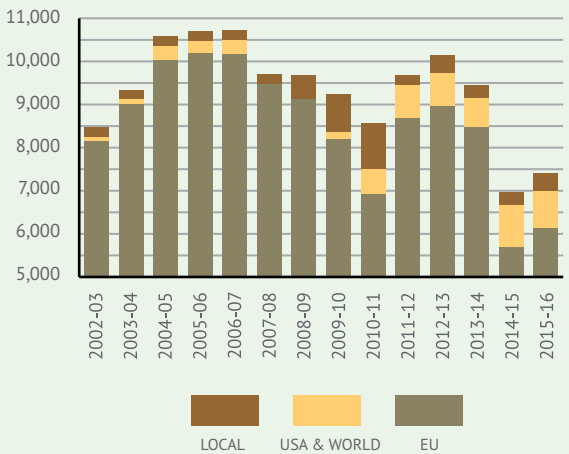
The sugar price trend nevertheless reversed as from October 2015 with the prospects of a long-awaited sugar deficit cycle.

Production levels among major sugar producers, namely Brazil, Thailand, India, Australia and South Africa, were in fact affected by the adverse impact of El Nino as from the second half of 2015. Prices thus started increasing and the raw sugar price on New York # 11 futures exchange reached US 15 cts/lb before end 2015 and surged to US 20 cts/lb by June 2016. Regrettably, the Syndicate could not take advantage of the improved price levels for its 2015 crop as most sales contracts had been finalised by the start of the harvest in July 2015 when market prices were still low. On the other hand, with the reduced production level during the course of the campaign, it did not have any spare sugar availability to take advantage of increased spot price levels.

As shown in Chart I below, total export revenue on an FOB Port Louis basis increased slightly for the 2015 crop to MUR 6,995 M, from MUR 6,669 M for the previous crop year, mainly due to a marginal improvement in market prices in the EU. Net proceeds for the year, including from local market sales, but after deduction of all operational and statutory expenses, amounted to MUR 4,859 M, compared with MUR 5,123 M in 2014-15. Global Cess, which represents 4% of the ex-Syndicate price, remained the main component of statutory expenses and amounted to MUR 194 M compared with MUR 205 M for the previous year.

CHART I

Sugar proceeds per destination (MUR M)



The ex-Syndicate price for the 2015 crop was finalised at MUR 13,166 per ton of sugar, 3.6% higher than the MUR 12,694 paid for the 2014 crop. For the second consecutive year, the ex-Syndicate price was supplemented with a special disbursement from the Sugar Insurance Fund Board (SIFB), following Government's approval of the actuarial recommendation of 2014: payment up to MUR 2,000 per ton was effected to all categories of producers, but included any compensation paid to relevant growers in those factory areas where an event year had been declared on account of a total production shortfall exceeding 17% of that region's average.

The closing stock of sugar in June 2016 amounted to 9,894 mt special sugars which would be carried over to the 2016-17 marketing year. There was no carry-over stock of Plantation White Sugar given the significantly reduced 2015 crop outturn.

Sales

European Union market

Mauritius, as a member of the Eastern and Southern African (ESA) region under the Economic Partnership Arrangements (EPA), signed an Interim EPA with the EU in 2009, together with Madagascar, Seychelles and Zimbabwe. Its sugar exports to the EU market therefore benefit from duty-free access while the automatic safeguard mechanism which used to limit exports of non-LDC ACP countries at the agreed regional thresholds also lapsed on 1 October 2015. There is consequently no more restriction on the quantity of sugar that Mauritius can supply duty-free to the EU market.

In light of adverse climatic conditions among a number of ACP/LDC suppliers during the year under review, in addition to the improved remuneration levels in non-EU destinations resulting from the increase in world market prices, less sugar has been supplied by such producers to the EU market. Hence, by 19 August 2016, total supplies from ACP/LDC countries had reached some 1.5 M mt compared with some 1.9 M mt at the same time in the previous year. The SADC region, which has been affected by a severe drought, has had the worse performance with only 126,653 mt supplied as at that date, 48% less than last year's exports, while ESA supplies attained 482,719 mt, 13% short of the performance at the same time in the previous year. The EU sugar market was under further stress as local production of beet sugar for the 2015 crop was significantly reduced, attaining only 14.4 M mt. This was the consequence of a reduced acreage under beet to 1.33 M hectares (ha), after a record sugar production of 19.0 M mt over 1.56 M ha for the previous crop, coupled with adverse weather conditions during the campaign.

Exports from Mauritius to the EU are expected to reach 379,340 mt by the end of the marketing year in September 2016, comprising 299,565 mt white refined sugar and 79,775 mt special sugars.

Refined sugar

The largest portion of the white refined sugar has been exported to CristalCo and British Sugar with which the Syndicate had signed long term commercial contracts for annual supply of 130,000 mt and 100,000 mt respectively. It should be recalled that these have replaced the exclusivity agreement for white sugar which had been in place since 2009. Shipments under these two contracts were made to 6 destinations across the EU. The balance of the EU sales was finalised under annual contracts with individual buyers in a position to offer the highest remunerative prices and most importantly those who would not be challenging sales of Mauritius sugars through other channels.

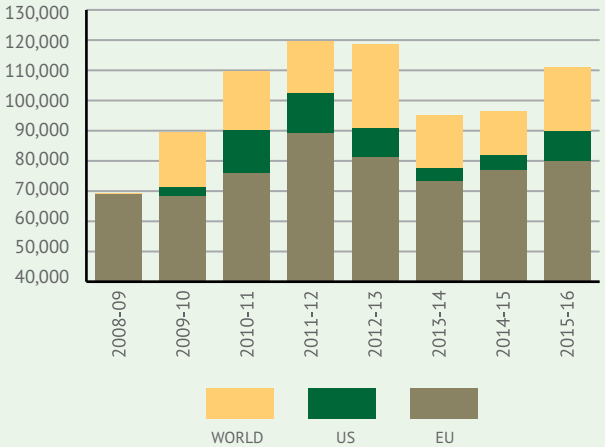
Since the initial crop forecast of 410,000 mt was reduced on account of the poor extraction rate as the harvest progressed, finally reaching 366,070 mt, the Syndicate did not have spare sugar availability to take advantage of the higher spot prices in the EU as from end 2015. On the other hand, it even had to reduce volumes committed under various supply contracts.

Special sugars

Export of Special Sugars to European destinations reached 79,775 mt for the 2015-16 marketing year compared with 76,906 mt for the previous period. This rise is reassuring given the stiff competition increasingly faced by the Syndicate from ordinary raw sugars, including VHP sugars meant for refining or coloured refined sugars, targeting the same market segments. Despite the price differential, owing to the more stringent production environment, Mauritian sugars seem to be valued by end users, on account of their attributes. The Special Sugars were supplied to 23 countries across the EU.

CHART II

Export of special sugars (MT)



EU prices

Market prices in the EU have been decreasing continuously since May 2013, pursuant to the Commission's exceptional measures to introduce more sugar in the market. It was exacerbated by the decision announced after a few months to liberalise production quotas in October 2017 with the view to align prices with those on the world market. During the year under review, the EU market in fact already responded to attain what was forecasted after quota liberalisation, and the average price of white sugar became closer to the London #5 futures prices. The EU average ex-works price of white sugar, which is regularly monitored by the EU Commission through a reporting system involving all 28 Member States and which serves as a reference for both sugar operators and regulators, in fact reached a record low of Euro 414 per ton in May 2015. Chart III on page 21 compares the evolution of the average ex-works price of white sugar in the EU market with that in world market destinations.

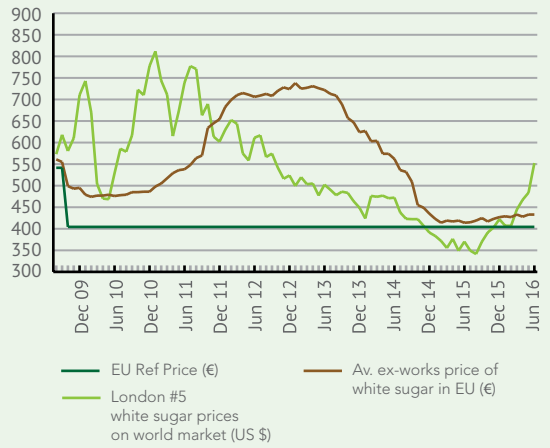
Since October 2015, there has been a reversal in the world sugar price trend but, given that most sales contracts in the EU had already been established prior to the start of its harvest in September, this price improvement on a global level had little effect on the average prices realised in the EU. The impact was nevertheless felt by buyers who had failed to secure their sugar requirements for the whole marketing year and they consequently had to pay higher spot prices in line with the new world market price levels. They were in fact caught by the lower sugar availability in the EU owing to reduced supplies from preferential sugar suppliers, not only because of a reduction in their own production owing to adverse weather conditions but also because of the tendency, at least for those with no long term commitments, to deviate their sugars to more remunerative non-EU destinations. The closing stock in the EU in September 2016 was estimated at a mere 0.7 M mt compared with 1.3 M mt in the previous year and 2.0 M mt in 2014. Although the Commission had been contemplating since end 2015 the possibility of introducing additional sugars through exceptional measures, no such decision was finalised at time of writing.

EC Regulation and ACP/EU EPA Agreement

In light of the likely impact of the termination of the Sugar Protocol for ACP sugar producers, the EU Commission had agreed to provide financial support to the tune of EUR 1.211 billion to the 18 Sugar Protocol beneficiaries under the Accompanying Measures to Sugar Protocol countries (AMSP). This support aimed at supporting projects such as competitiveness improvement and diversification into other agricultural activities. Under the AMSP, Mauritius secured

CHART III

Evolution of white sugar prices



EUR 250 M in the form of budget support, of which EUR 230 M have already been received. EUR 80 M were spent on FORIP (Field Operations Regrouping and Irrigation Project) and EUR 94 M helped fund the Voluntary Retirement Schemes (VRS). Loss of funding was the result of delays in setting up frameworks for ethanol and power plant procurement.

On the other hand, considering that the Common Agricultural Policy (CAP) reform announced in 2013 would have a direct impact on ACP sugar suppliers, there was an urgent need for a comprehensive review of the new regulatory and market conditions, and in evaluating the effectiveness of the AMSP and assessing the strategies of these sugar producers to cope with the new EU trading environment. In this context, the EU Commission approved funding for a study to focus on three main areas, namely (i) the evolution of the EU market after the EU sugar regime reform; (ii) the AMSP support mechanisms; and (iii) alternative markets for ACP sugar. This study on "Current and forecast market developments for ACP sugar suppliers to the EU market" was allocated to Cardno Emerging Markets (UK) Ltd but subcontracted to LMC International consultants, who visited Mauritius in March 2016 to meet relevant stakeholders. A draft report was presented for discussion with the main stakeholders, including the Commission and ACP sugar producers, in Brussels in June 2016 and it was finalised in the following month. The report lays emphasis on the threats that are having an impact on the sugar industry, namely cane abandonment, debt servicing following the massive investment incurred by the industry, price reductions in the EU and also the impact of new free trade agreements (FTAs) signed between the EU and certain cane producers which have further increased competition in the EU market.

United States market

In accordance with its obligations under the WTO, the United States (US) granted to Mauritius on 15 June 2015 a duty free tariff rate quota (TRQ) of 12,636 mt raw value sugar for Financial Year 2016 (1 October 2015 – 30 September 2016). The industry benefited from two subsequent increases in its TRQ during the course of the year, following reallocations by the US Trade Representative (USTR), bringing its 2015-16 allocation to 15,439 mt.

Given that white refined sugar is not eligible for preferential access under the US TRQ, the Syndicate focused on sales of its special sugars. Pursuant to an adjustment in its marketing strategy and with the support of its loyal cutomers, it succeeded in increasing export to 10,150 mt during FY 2016, compared with 4,542 mt in the previous year. These were shipped to 5 different ports across US. Despite fierce competition especially from Central and Latin American suppliers which, in light of their proximity, could sell raw sugar for direct consumption at discounted prices, the Syndicate managed to maintain a margin to justify the value addition over white sugar, which consequently rendered the transactions sustainable.

US Sugar Policy

Antidumping and Countervailing Duty Cases (AD/CVD) against Mexico

The year under review was dominated by the implementation of the Suspension Agreement (SA) pursuant to the AD/CVD case by the US against sugar imports from Mexico. It should be recalled that with full implementation of the North American Free Trade Agreement (NAFTA) in January 2009, Mexico had obtained unlimited access for its sugar into the US which led to oversupply in the market thereby causing prices to collapse below forfeiture level. Facing the prospect that the US sugar program would not be sustainable with this level of supplies, the US sugar industry filed AD/CVD charges against sugar from Mexico in March 2014. After over a year of deliberation, the Department of Commerce (DOC) and US International Trade Commission (ITC) issued final affirmative dumping, subsidy and injury findings on 17 September and 20 October 2015 respectively. If implemented, these rulings would have resulted in the imposition of AD/CVD duties in excess of 60%, which would have de facto restrained sugar imports from Mexico. The prospect of such high duties served as a major incentive for the parties to negotiate a settlement. Under the terms of the SA, sugar imports into US should be subject to (1) a quota based on a formula that would allow Mexico to supply a volume equal to local consumption minus local production and imports under the TRQ and its various free



trade agreements (FTAs); and (2) minimum prices to prevent dumping. The most important aspect was a provision requiring that no more than 53% of Mexican exports can be refined sugar with a view to provide adequate throughput to the US refineries. However, soon after the SA was implemented, it became evident that Mexico was not complying with the spirit of the provision as it was supplying significantly less than 47% of its exports to refineries: it had in fact been supplying Estandar as raw sugar to industrial users and "melt houses" producing liquid sugar for industrial applications. US refineries consequently faced a shortage of raw sugar feedstock.

On the other hand, the US market witnessed an emerging consumer trend adverse to genetically modified sugars. Given that beets grown in the US are currently GMO, immune to Roundup, this trend resulted in a downward pressure on white beet sugar prices while shortage of cane sugar feedstock for refining was putting upward pressure on raw sugar prices.

In response, the International Sugar Trade Coalition (ISTC), of which Mauritius is a member, joined the US domestic industry in urging USDA and the USTR to promptly reallocate the TRQ shortfall. A reallocation was thus announced on 8 March 2016 for 86,533 mt, of which 1,084 mt were earmarked for Mauritius, and on 27 May 2016, a further 127,006 mt were assigned to those quota holders that were able to supply additional sugar, resulting in an additional TRQ of 1,719 mt for Mauritius. The total allocation to Mauritius for 2015-16 thus rose to 15,439 mt.

While the TRQ shortfall reallocation and TRQ increase seem to have addressed the raw sugar shortage for the year, the underlying problem of Mexico's failure to supply raw sugar for refining remained unresolved. In an effort to find a long-term solution, the American Sugar Alliance (ASA) petitioned the DOC to review whether Mexico has been complying with the SA. If Mexico is found not to be in compliance, the DOC could terminate the SA and impose AD/CVD duties in excess of 60%, which would restrict sugar imports from Mexico. This review is putting pressure on Mexico which has initiated discussions to renegotiate the terms of the SA.

Renewal of the Africa Growth Opportunity Act (AGOA)

In June 2015, the US Congress renewed the AGOA with the view to promote imports from Sub Saharan Africa. During negotiations, efforts were made to introduce Duty Free Quota Free (DFQF) treatment for sugar, but the ISTC led the resistance against these efforts, arguing that the US sugar program is already stressed as a result of imports from Mexico and it would be further weakened with another source of DFQF sugar. As a consequence, DFQF treatment for sugar was finally not included in the AGOA.

World market

World market prices remained depressed at the start of the crop year, when the Syndicate was negotiating sales for its sugars. The New York #11 raw sugar futures price in fact reached a low of US 10.13 cts/lb by end August 2015, and accordingly influenced price levels obtainable for sales of sugar to non-EU destinations. Since the end of the ACP/EU Sugar Protocol, the Syndicate has increased its effort in promoting sales of its special sugars to non-EU destinations, endeavouring to reach greenfield markets. Hence new markets were tapped during the year, bringing to 30 the total number of export destinations beyond EU and US. Special Sugar sales for the year under review attained 20,093 mt, despite growing competition from ordinary raw sugars supplied at lower prices, namely from larger sugar producers such as Thailand and India.

Regional Sugar Trade Policies

With the erosion of its trade preferences in its traditional markets, the obvious alternatives for Mauritius sugars, especially for white sugar is the Eastern and Southern African region, because of its proximity and most importantly its deficit in sugar. It is interesting to note that Sub-Saharan Africa has an estimated annual shortage of 2.6 M mt while the whole continent requires over 7.5 M mt of sugar imports annually. Mauritius has the added privilege of being a member of two important regional trade blocs fostering integration and cooperation among their member states. Hence, sugar is traded under preferences provided under the COMESA (Common Market for Eastern and Southern Africa) trade treaty and SADC (Southern African Development Community) Sugar Agreement. While trade within COMESA is duty-free and quota free provided the final product has a minimum local value addition of 35%, SADC is more restrictive firstly with respect to the rules of origin, whereby sugar should be wholly produced, and secondly through derogation for the SACU market where total access for non-SACU SADC suppliers is limited to 40,000 mt. The quota is allocated using a net surplus-based formula, with net surplus being defined as production less domestic consumption and preferential exports: under the defunct Sugar Protocol, the allocation for Mauritius has therefore not been meaningful, and had it not been for a minimum quota allocation agreed in 2007, no duty-free access would have been granted. Given the annual market growth in SACU, the Mauritius allocation attained a mere 2,343 mt in 2015/16 and was increased to 2,576 mt for the following year.



The forthcoming changes in the EU Sugar Regime, impacting on exports from most SADC sugar producers, call for a review of the provision for the quota allocation into SACU. On the other hand, although non-SACU sugar producers had liberalised their market under the SADC Sugar Agreement, they have meanwhile introduced tariff and non-tariff barriers with the view to protect their sugar industry. As a result, sugar trade within SADC is becoming more restrictive so much so that SADC Sugar Industries, whose representatives meet regularly under the SADC Sugar Producers Consultative Forum alongside the Technical Committee on Sugar (TCS), found that there was an urgent need to review the Sugar Agreement. The Syndicate is part of the Task Team to discuss and recommend options to the larger Forum with the view to facilitate trade within the region while taking into consideration the wider sugar environment.

Likewise Kenya, a sugar deficit market, has renewed its request to COMESA for a derogation to limit market access for sugar from the trade bloc on the ground that their sugar industry is still at an 'infant' stage and therefore requires protection from cheaper imports. On the basis of a formula considering each country's surplus production but also intra-regional trade performance, Mauritius was allocated a quota of 31,211 mt for 2016-17. The margin of preference for white sugar is further reduced in Kenya as industrial users are provided 90% duty restitution for imports from outside the region.

The Syndicate works in close collaboration with the Ministry of Foreign Affairs, International Trade and Regional Cooperation, to ensure that its commercial interest in the region is safeguarded. The ambition of other producers in Sub Saharan Africa which, like Mauritius, are having to deviate their sugars from the traditional EU market to closer destinations should not be undermined. The plan is to foster regional sugar trade under the Tripartite Free Trade Agreement (TFTA), comprising COMESA, SADC and Eastern African Community, which was launched in June 2015, and ultimately under a Continental Africa FTA. However, in their quest to protect their domestic industries, a managed market access seems to be the preferred option for most countries. In fact sugar is considered as a sensitive product for most producers and would not be liberalised upfront in an enhanced FTA: a special dispensation is being sought in this respect by most countries for treatment of sugar trade.

The Syndicate has pursued its effort in consolidating exports to the regional market. It took advantage of the preferential trade regimes within Eastern and Southern Africa and its proximity to these countries to find niche market opportunities for its range of sugars. During the year under review, it hence supplied some 20,376 tons white and direct consumption raw sugars to Kenya and another 5,050 tons to neighbouring Madagascar and Comoros. Mauritian sugars even found their way to more remote destinations like Benin and Ghana.

Local Market

With the firming up of world sugar prices as from start 2016, sales of direct consumption sugars from imports have become less competitive and the Syndicate's own sales performance on the local market consequently improved. 17,741 mt of sugar were thus sold locally in 2015-16, compared with 12,520 tons in the previous period. As deliveries to bottlers also resumed, sales in the industrial segment increased to 11,581 mt white refined sugar, compared with 5,001 mt one year ago, while supply of raw sugar attained 1,144 mt. The remaining 5,016 mt, including 242 mt special sugars, were sold to wholesalers and packers for subsequent distribution to retail outlets.

Pursuant to the numerous requests submitted by the Syndicate, Government introduced in July 2016 an import duty of 15% on all direct consumption sugars. With the view to safeguard the interest of local producers, import of raw sugar feedstock meant for refining purposes, would however be exempted. This decision has been welcomed by the industry as it would allow the Syndicate to compete locally on a level playing field, bearing in mind that a number of its competitors have been sourcing subsidised sugars, which are therefore delivered below production costs. In parallel, with the view to avoid unfair competition against lower quality sugars imported at lower costs, the Mauritius Standards Bureau (MSB) introduced, at the behest of the Syndicate, quality standards for sugars sold locally. It should be highlighted that the white sugar supplied by the Syndicate is of the same quality as that exported to its most discerning customers worldwide and this has been the benchmark used by MSB.

With the surge in world market prices during the second quarter of 2016 and the consequential increase in the cost of import of raw sugar feedstock, the Syndicate had no other option than to increase its domestic prices in June 2016. This review represented an increase of 28% over a period of 1 year, while the world sugar market price had meanwhile risen by over 50%.




MPA



SUPPLY & DELIVERY ARRANGEMENTS

Service Agreements with Refineries

White refined sugar, which represents some three quarters of the country's annual exports, is produced by two refineries, namely Alteo Refinery Ltd and Omnicane Milling Operations Ltd (OMOL). The bulk of production is of EEC Grade II quality, equivalent to those produced by beet sugar processors in Europe, and the sugar has been supplied to the most discerning customers requiring full traceability, food safety and quality standards, and also that they meet the sustainability benchmarking. Both refineries are BRC (British Retail Consortium) certified and have already been referenced by the most renowned industrial sugar users. They are furthermore increasing their flexibility as regards the quality of the white sugar, extending to Bottlers' grade and EEC Grade I qualities, and also the modes of delivery, from bulk liner containers to smaller formats.

During the year under review, the refineries jointly produced 320,017 mt white sugar, comprising 9,000 mt of EEC Grade I quality and 22,675 mt of bottlers' grade; the remaining deliveries were of EEC Grade II quality, of which 216,475 mt were delivered in bulk and the balance in bags.

It should be recalled that with the termination of the ACP/EU Sugar Protocol in September 2009, decision had been taken by the sugar industry to refine locally the raw sugar, which had previously been exported to EU refineries, with the view to firstly increase value-addition for producers in Mauritius and secondly provide greater flexibility to the Syndicate in directly supplying different market segments thereby reaching the highest possible prices. In this context, Alteo (then FUEL) and OMOL (then SUDS) invested in the required refining facilities, and Sugar Refining Service Agreements (SRSA) were consequently negotiated and finalised with the Syndicate. A Refining Service Fee (RSF) has been paid under these SRSAs to the refiners for each ton of white sugar delivered by them. They comprised two components: (i) a fixed part with respect to a return on their investment costs and comprising their fixed operational expenses and (ii) a variable one to cover their cost of energy and chemicals, the main consumables in refining operations.

With the expiry of the SRSAs on 30 September 2015, and as per provision regarding their renewal, the Syndicate and the refiners initiated discussions one year earlier for a new agreement to be in place as from October 2015. Unfortunately the positions



were not sufficiently close. In order to reach a settlement, and given the significance of the RSF in the Syndicate's operational expenses, the Syndicate and the two refineries agreed to jointly appoint an independent consultant to undertake an in-depth evaluation of the cost of refining since start of operations in 2009 and accordingly recommend the reviewed RSF payable, given new market conditions, as from 1 October 2015. Following extensive discussions with both the refiners and the Syndicate, the appointed consultant, PricewaterhouseCoopers (PwC) was to submit their recommendations in September 2016 for a uniform RSF to be paid to each of them as from 1 October 2015. The new SRSAs are scheduled to expire in 2019, back-to-back with the long term supply agreements signed by the Syndicate with British Sugar and CristalCo.

Framework Agreement for Supply of Special Sugars

Production of special sugars is subcontracted by the Syndicate to Terra Milling Ltd and Alteo Milling Ltd under a framework agreement established since 2009. Although the combined production capabilities of the two mills exceed 120,000 mt per harvest, actual production for the 2015 crop amounted to 97,763 mt, compared with 101,185 mt in 2014, especially owing to the large carry over stock from the previous campaign, which is itself the result of lower sales volumes triggered by enhanced competition. Sales of special sugars fortunately increased to some 112,418 mt during the year under review and the stock carried over to the next crop year would reach a mere 9,894 mt.

In order to maintain the positioning of special sugars from Mauritius as high-end products, local producers have to adhere to strict quality and food safety standards and meet the regulatory requirements of importing countries and buyers' ethical standards. To comply with such stringent requirements, the mills have to consistently upgrade their processes, facilities and infrastructure. In this context, during the 2015 crop year, they invested in the replacement of mild steel equipments and pipes by stainless ones, also in conditioning processes and enhanced process controls. They, moreover, implemented measures to meet relevant environmental and social standards.

The Syndicate consistently interacts with the mills to keep them abreast of new market requirements and client exigencies. Through regular visits and audits, it ensures that products offered for sale by the mills meet buyers' standards and legislation in target markets. There are also regular exchanges on product development and supply chain integrity in view of consolidating existing markets and diversifying the export base.

As has been the case in past years, all sugars produced by the mills are sent to the MCIA (Mauritius Cane Industry Authority) warehouses with a product release certificate. Once cleared by the Syndicate's Central Quality Department (CQD), these sugars are available for export. A surveillance program managed by the CQD ensures that these sugars are maintained in a suitable condition for their intended use.

Import and supply of raw sugar feedstock

The Syndicate has been importing raw sugar for refining since 2011, thus taking advantage of the value tolerance rule provided under the Economic Partnership Agreement for exports to the EU duty free. This measure has allowed an optimisation of the refining capacities at Alteo Refinery Ltd and Omnicane Milling Operations Ltd while increasing the total volume of sugar available for export thereby increasing producers' revenue. In a normal crop, in light of these capacities to-date, some 80,000 mt imported raw sugar feedstock would be required annually to maximise the Syndicate's sales.

During the year under review, the Syndicate imported a consignment of 42,451 mt raw sugar feedstock from Brazil which was delivered in Port Louis in November 2015 and stored in Shed 1 of the Bulk Sugar Terminal of the MCIA. This sugar was subsequently transferred to the refineries and was fully utilised by end June 2016. For the 2016-17 crop year, the Syndicate has so far ordered from Brazil a consignment of 38,787 mt raw sugar for refining which was unloaded in Port Louis by end July 2016.

Storage Facilities and Shipping Arrangements

Storage and shipment of sugar are key stages in the global supply chain. It is important to ensure that from the time sugar is released by the mills and refineries, until it is delivered to customers, all measures are taken to maintain its integrity. The Syndicate has devised a well-established procedure for the selection and preparation of containers for export, to ensure that they are of food grade standard. White refined sugar is filled either in bulk or in bags inside the containers which are then delivered to the Cargo Handling Corporation container terminal and to the Mauritius Freeport Development depot in Port Louis. In order to ensure regular deliveries to its buyers, the Syndicate ensures buffer stocks are maintained while managing a First In First Out handling to reduce risk of product deterioration.



For the year under review, sugar consignments have been shipped with 3 shipping lines, namely MSC, Maersk and CMA CGM, to 37 ports in the EU, 5 ports in the US and 30 ports in other destinations. Given the large number of containers shipped throughout the year, a clear communication line has been established between the Syndicate, its customers, shipping lines and related service providers, to ensure a smooth process. In this context, a working protocol has been set up with all parties concerned and regular meetings are held to review performance, assess progress and propose improvements. Moreover, the Syndicate has devised a customised tracking system to monitor container movements from the moment they leave the depot till they are loaded on vessels, and these include arrival at the refineries and return loaded to the port terminal. A second tracking system is triggered once vessels sail from Port Louis to follow these containers till they reach their final destination.

For the period under review, 11,800 containers of white refined sugar would be delivered to European destinations and 840 containers to the regional market. 9,886 containers would represent bulk deliveries and the rest would be for bagged sugar. It must be noted that sugar delivered to the regional market is supplied essentially in 50 kgs bags which are mostly loaded directly in containers at the refineries.

As regards special sugars, consignments were delivered to customers in 20 ft containers on a Cost Insurance Freight (CIF) basis. They were exported mainly in polypropelene bags of 1,050 kgs, 50 kgs or 25 kgs, but also in retail packs after packing by independent service providers upon buyers' request. After production, the special sugars were stored at the HACCP-certified warehouses of the MCIA. For the year under review, 97,763 mt of special sugars were delivered to the BSSD, compared with 103,221 mt for the 2014 crop. As at end August 2016, 99,600 mt of special sugars had been shipped while another 11,187 mt were awaiting to be shipped before the end of the marketing year in September 2016.

Moreover, the consignment of raw sugar feedstock imported by the Syndicate for refining was stored at the Bulk Sugar Terminal of the MCIA before being transferred to the refineries for processing. Likewise, sugar for the local market representing 11,581 mt refined sugar and 1,144 mt raw sugar for direct consumption, were delivered and stored within the premises of the MCIA.

Quality & Food Safety

The Syndicate's capacity to meet regulatory requirements of importing countries as well as buyers' quality & food safety needs is a sine qua none for its sugar exports. During the year under review, the Syndicate's Central Quality Department (CQD) worked in close collaboration with sugar producers, the MCIA, suppliers of packaging materials and containers, as well as sugar buyers, to ensure conformance to such requirements throughout the supply chain.

The CQD personnel collaborated with the mills and the refineries to ensure that the sugars were produced according to the best international quality benchmarks. As for each crop, producers were provided with guidance regarding the Syndicate's requirements in terms of traceability, product specification, loaded weight as well as buyers' recommendations on any remedial action needed at the factory, to satisfy their growing demand. Through regular visits to the mills and consistent communication, the CQD was kept informed of improvements in existing processes, and the implementation of preventive and corrective measures.

Concurrently, the CQD provided guidance as regards receipt, storage and delivery of bagged sugars, and its supervisors posted at the warehouses ensured that appropriate measures were taken accordingly. As part of its customer care activities, the CQD provided technical information and other support to buyers, while ensuring that their requirements are effectively met. In the same vein, the quality of imported sugar feedstock was supervised by the CQD during loading & discharge operations as well as upon delivery to the refineries. Regular contact with suppliers ensured strict compliance to market requirements.

With the globalisation of the food supply chain and emerging new food safety risks, there is increasing emphasis on prevention of contamination, hence the introduction of rules requiring supplier approval and verification program at each stage of the supply chain. The year under review has been critical for the Syndicate's US buyers having to meet new food safety regulations in order to maintain market presence. In fact, in January 2013, the US Food and Drug Administration (FDA) had proposed regulations to implement the Food Safety Modernization Act (FSMA) of 2011 which amends the Bio-Terrorism Act to expand food safety requirements applicable to imported food products and foreign food producers. Mr. Paul Ryberg, the US Trade Counsel of the Syndicate, has kept the industry updated on developments affecting the regulations and provided legal advice concerning compliance

with FSMA regulations. The FDA issued on 2 November 2015 its final Foreign Supplier Verification regulations, which imposed new requirements on US food importers to confirm that their overseas suppliers comply with FSMA. In this respect US buyers have been working in close collaboration with the MSS CQD to accomplish the mutual goal of meeting FSMA's requirements on or before 16 September 2016 which is the due date for HARPC implementation.

Quality and food safety aspects are also dependent on the use of appropriate packaging materials. Through the setting up of rigorous criteria for their procurement, the industry has been supplied with quality food-grade packaging materials that meet all applicable EU regulations as well as their designed function with regards to permeability, mechanical properties and stacking. All quality and food safety information relating to packaging materials, including their traceability, were forwarded to factories and refineries as part of their BRC requirements. Likewise, the setting up of appropriate procedures for the selection, cleaning and release of containers used for sugar transport, and their verification through regular audits conducted at the depot by the CQD, guaranteed the supply of fit for purpose containers to the industry.

The CQD also diligently performed its standing obligation towards sugar producers by analysing daily Plantation White sugar and Special sugar samples sent by the mills for polarisation and moisture content. The results of such analysis are averaged and communicated to the Control & Arbitration Department of the MCIA at the end of the crop. These data are used to determine the tonnage of sugar accruing to millers and planters.

On the other hand, the CQD participated in the elaboration of a quality standard benchmark for white sugar delivered on the domestic market in collaboration with representatives of the Mauritius Sugarcane Industry Research Institute, the Mauritius Standards Bureau, the Ministry of Health & Quality of Life, the Consumer advocacy platform and the two refineries. The standard is meant to harmonise the quality of sugar sold on the local market as well as protecting consumers against the risks associated with inferior grade sugars.

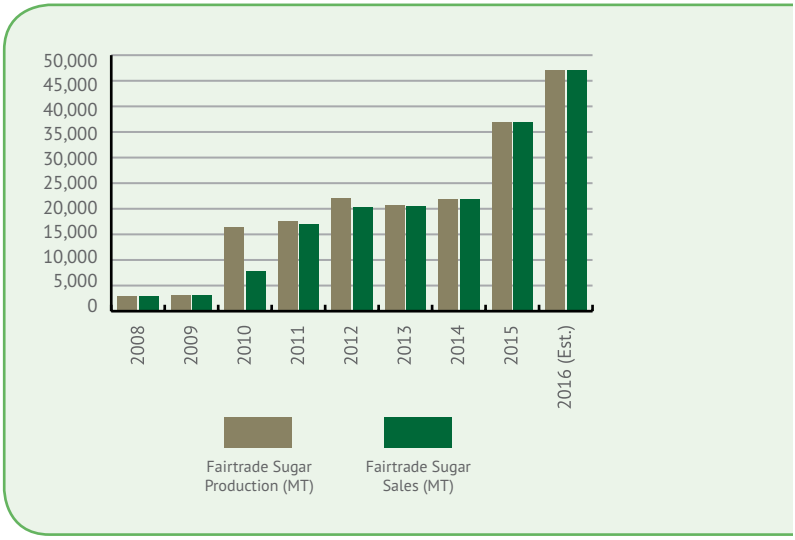
In June 2016, the Syndicate's Chief Quality Assurance Officer attended the 30th ICUMSA conference in Warsaw in Poland. In his capacity as Chairman of the Mauritius National Committee and Associate Referee for Raw, White and Special sugars, he had the opportunity to participate in discussions relating to sugar methods as well as ensuring that the specificities of Mauritius sugars are considered in the elaboration of new analytical methods. He took the opportunity to share and discuss the CQD's in-house methods with the relevant subject referees in view of seeking international recognition for these methods.

Fairtrade labelled sugars

In spite of a globally depressed Fairtrade sugar market, the Syndicate managed to increase its Fairtrade sales from 21,925 mt in 2014-15 to 36,723 mt during the year under review. This significant growth was largely down to the reliability of Mauritius as a Fairtrade sugar supplier, the efforts of its commercial partners and the outcome of the three-pronged strategy adopted by the Syndicate to prepare further co-operatives for certification, encourage free planters to join certified co-operatives and integrate large planters into the system. The chart below illustrates the increase in production and sales of Fairtrade certified sugars since the industry embarked onto this project.

CHART IV

Evolution of FT production v/s sales (including 2016/17 Estimate)



At the end of the third certification phase launched in the last quarter of 2014, 13 new co-operative societies, after preparing for certification under the guidance of the Syndicate, in collaboration with the Mauritius Fairtrade Co-operative Federation, successfully obtained their Fairtrade accreditation in the first half of 2016 subsequent to a stringent on-site evaluation by FLOCERT. With 38 certified co-operatives, Mauritius remains by far the country with the largest number of certified organisations in Fairtrade sugar.

The awareness-raising and information campaign initiated before the start of the 2016 harvest will extend throughout the crop season to target enough planters embarking on the



project so that total Fairtrade sugar availability could reach about 50,000 mt for the 2016-17 period. Sales of such tonnage would consequently bring accredited co-operatives about MUR 100 M over and above the normal sugar proceeds from the Syndicate.

Close collaboration with Fairtrade International also saw the Syndicate actively contribute in 2015 to the review of the Fairtrade Standard for cane sugar, including in particular the introduction of sugar specific Production Indicators. The aim of these indicators is to monitor farmers' production data to promote practices that stimulate sustainable production. The Syndicate was also instrumental in the development of the manual for these Fairtrade sugar specific production indicators, which was subsequently disseminated in all Fairtrade sugar producing countries.

Sustainable Sugar Production

The United Nations Food and Agricultural Organization (FAO) defines a sustainable agricultural value chain as one which is "profitable throughout, has broad-based benefits for society, and does not permanently deplete natural resources." Sugar is one of the most highly regulated agricultural commodities in the world and a higher level of environment, social and financial performance, is now expected in sugar production.

Even if demand for sustainably produced sugar is still nascent, the Syndicate initiated discussions with its members to plan for the timely alignment of all sectors of its value chain with those sustainability targets which are rapidly emerging as key market differentiators. There is a clear business case for sustainability in the sugar sector, with multi-stakeholder dialogue still ongoing as to the choice of the global standard and benchmark best suited to its needs and objectives.

In the same effort towards finding sustainable solutions for the industry, the Syndicate concluded an innovative Partnership Agreement with Ctm Altromercato, Italy's largest alternative trading organisation, for the development and implementation of a five-year programme aimed at fostering fair and sustainable development through economic and technical co-operation with vulnerable small sugar cane farmers' co-operatives in Mauritius. For the 2015 crop, about 4,000 mt white sugar have thus been shipped through Ctm Altromercato to Ferrero, the third largest chocolate manufacturer in the world, bringing an additional incentive of some EUR 160,000 to the concerned producers. This premium, funded from the Ferrero Corporate Social Responsibility (CSR) kitty, is over and above the ex-Syndicate sugar price and will be used to finance various sustainability plans for the 25 small farmer groups engaged in the project. It is forecasted that total funds of about EUR 700,000 will be made available under this scheme by 2019.

Direct Support for Planters

For the 5th consecutive year, the Syndicate supported Alteo Planters Services Ltd (APSL), a subsidiary of Alteo Milling Ltd, through free-of-charge at-source harvest cost recouping services to planters of the Alteo enlarged factory area. A total of 55,782 tons of cane were thus harvested in 2015 over an area of around 880 hectares belonging to 570 planters. Omnicane Milling Operations Ltd embarked onto a similar project during the 2016 crop and already identified some 70 planters cultivating over 148 hectares of land, to whom such support would be provided.

With an additional 564 ha of land belonging to 677 small and medium planters joining the Field Operations and Irrigation Project (FORIP) in 2015, the cumulative extent regrouped, derocked and planted under this programme reached 10,253 ha, compared with the overall target of 12,000 ha. Aggregate funds of some MUR 3.2 billion have been disbursed under FORIP to date to the benefit of 10,619 planters.

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

- Payment by the Sugar Insurance Fund to sugar producers for the 2015 crop of a financial assistance of MUR 2,000 per ton sugar inclusive of any weather related compensation;
- Waiver of the SIFB General Insurance premium for all categories of planters for the 2015 crop, and financing of same from the Consolidated Fund for the smaller growers for the 2016 crop;
- Distribution to planters of additional proceeds for bagasse from the Sugar Cane Sustainability Fund, at the rate of MUR 1,100 per ton sugar for the first 60 tons and MUR 300 per ton thereafter;
- Increase from MUR 20 to MUR 40 per litre of absolute alcohol of the Distillers/Bottlers Contribution.


8x
6x
-2 SD
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
0%
ROE (RHS)
40%
30%
20%
10%
0%
-10%
-20%
Feb-09
Jun-10
MARKETING
STRATEGY
ACTION
CHANGE
PROMOTION
GROWTH
+2 SD
+1 SD


4,050.50
1,196.48
1,996.65
0.020 %
-0.000 %
0.180 %
0.060 %
6.670
0.990
-0.040
2.110
1.220
GEOX
INTESA SANPAOLO
LOTTOMATICA
MEDIOBANCA
MONDADORI
PIRELLI & C
B P MILANO
FTSE Italia - All share





2016 CROP & MARKET PROSPECTS

With above average rainfall until April 2016 and drier weather conditions for the subsequent maturation of the cane, the 2016 crop has overall benefited from a favourable climate. Cane height at end July 2016 was within normal expectations at an average island-wide 222.2 cms, which was 2.2% higher than that at the same time in the previous year. Cane richesse as at end August 2016 was also encouraging at 11.05%, compared with 10.17% at the same time in 2015.

The Crop Estimate Coordinating Committee chaired by the Mauritius Chamber of Agriculture estimated in its initial forecast of May 2016 that sugar outturn would reach 400,000 metric tons (mt), to be produced from 4,055,740 tons cane at an average extraction rate of 9.97%. Average sucrose extraction rate had already attained 9.16 % at end July 2016, compared with 8.28% at the same time in the previous year, and by end August 2016, it reached 9.49%. The crop estimate of 400,000 mt sugar remained valid at time of writing.

The 2016 crop production will be supplemented with 9,894 mt bagged special sugars carried forward from the previous crop and a consignment of 38,787 mt raw sugar feedstock imported by the Syndicate during the second half of July 2016. Moreover, the Syndicate availed itself of 10,000 mt white sugar for the local market from Omnicane further to refining of the raw sugar consignment which they had imported in March 2016, and another 13,000 mt raw sugar for export to the region after mixing and refining with local Plantation White sugar to meet the Rules of Origin requirements at destination. Total availability of sugar for the 2016-17 marketing year would consequently attain 476,681 mt, compared with 471,346 mt for the previous year. The 2016 crop estimates are detailed in Table II on page 32.

2016 Crop Estimated Sales

The two refineries, Alteo Refinery Ltd and Omnicane Milling Operations Limited, are expected to produce during the year some 330,000 of white sugar, of which 230,000 mt would be exported to CristalCo and British Sugar under the long term supply agreements signed with the Syndicate. An additional 100,000 mt white sugar will be exported to both the EU and non-EU market destinations wherever the highest remuneration level is obtainable. The sugar will be delivered mostly in bulk liner containers but also in big bags and 50 kg bags as per market requirements. The bagging capacity for white sugar is expected to increase following upgrade of the facilities at Omnicane and the construction of a new bagging unit at Alteo.

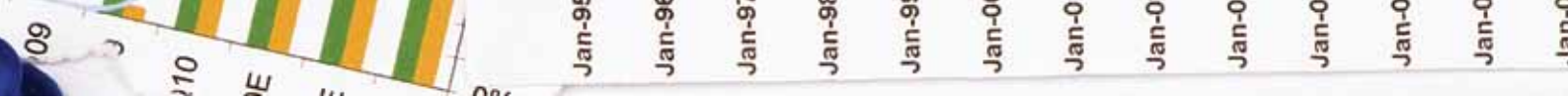
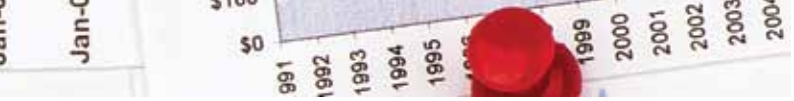


Table II

2016 Crop Estimated Sales (metric tons)	MT	
2016 Crop Outturn	400,000	
Add carry-over stocks from 2015 crop:		
Bagged special sugars	9,894	
Add imported raw sugar feedstock	38,787	
Add sugar purchased from Omnicane Sugar Trading	23,000	
TOTAL DISPOSABLE SUGAR		471,681
EXPORT SALES ESTIMATES 2016-2017		
European Union (EU)		
White refined sugar	310,000	
Special sugars	70,000	
TOTAL EU EXPORTS		380,000
United States		
Special sugars		12,000
World Market		
Special sugars		28,000
Regional Market		
White refined sugar		10,000
LOCAL SALES		
White refined sugar and direct consumption raw sugar		28,000
TOTAL SALES		458,000
Less processing and storage losses		13,164
ESTIMATED SURPLUS		
Bagged special sugars		517

European Union Market

Duty free access for Mauritius sugar into the EU market will be sustained during the year under the Interim Economic Partnership Agreement (IEPA) signed between the EU and 4 countries within Eastern and Southern Africa (ESA), namely Madagascar, Seychelles, Zimbabwe and Mauritius. The Syndicate will be in the second year of implementation of its long term supply agreements with British Sugar and CristalCo. As the reform of the EU Common Agricultural Policy becomes effective on 1 October 2017, resulting in production quota abolition for beet sugar and isoglucose, it will nevertheless require more flexibility in its market targets, having to weigh prices obtainable between the EU and other market destinations. With the likely exit of Great Britain from the EU trade bloc and after the 2 years' moratorium provided under Clause 50 of the EU treaty, IEPA might also no longer be the trading platform for Mauritius sugar to its traditional export destination in the longer term. The Syndicate will have to closely follow trade negotiations thereby ensuring its preferential access is preserved. It should be noted that the UK is a sugar deficit market, with local beet sugar production, estimated at some 1.1 M tons, accounting for only half of its annual consumption.



Prices in the EU market have been supported during the course of the 2015-16 marketing year in light of reduced supplies, firstly from its own crop outturn in 2015, when production was some 23% lower than for the previous campaign, but also from a declining import from preferential suppliers. With a reduced closing stock estimate, spot prices have already been increasing and they are expected to be maintained over the new marketing campaign, though the post-October 2017 environment remains uncertain: with an increase in the surface area under beet cultivation coupled with higher sugar yields, the EU market is expected to reach self-sufficiency but producers will then also have the opportunity to export their sugars freely.

Sales of white sugar to the EU would attain some 310,000 tons. These will be produced throughout the year, except during the refineries' maintenance shutdowns, for regular shipment in either liner containers or in bags, to different customers across the continent. While the bulk of exports will be of EEC Grade 2 quality, the Syndicate will also avail itself of sugars of bottlers' grade and EEC Grade 1 quality to meet specific market requirements.

Regarding special sugars, the Syndicate aims at exporting some 70,000 mt. Given the competitive edge of Mauritius in the production of these high quality raw sugar for direct consumption, the Syndicate will pursue its venture to enlarge its *clientèle* and grow sales in different market segments. Competition is nevertheless growing as other ACP producers undercut their prices to secure market share in the post-2017 environment while countries having finalised Free Trade Agreements with the EU, namely from Central America, increasingly target the same segments. The new FTAs being envisaged by the Commission namely in Asia and Latin America, would be fostering these threats.

United States Market

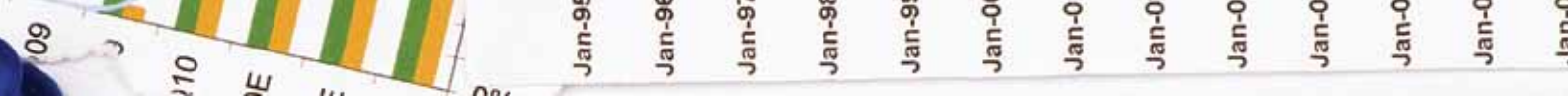
In October 2015, the United States concluded negotiations on the Trans-Pacific Partnership (TPP) with trade partners from Latin America, Asia and the Pacific, including Australia, which sought access for up to 700,000 mt sugar. Although the International Sugar Trade Coalition (ISTC) repeatedly urged the US Trade Representative (USTR) to exclude sugar from the TPP, Australia was eventually granted a quota of 65,000 mt which adds to the allocation of 89,087 mt under its historical raw sugar TRQ. This quota and any increase based on future WTO-based TRQ increases would be deducted from Mexico's access under the AD/CVD Suspension Agreements and would not affect TRQ imports from traditional suppliers. However, increased imports from Australia would reduce any possibility of increase in the US TRQ as it would be above the WTO-bound level only if Mexico is not able to fill any increased demand or decreased supply from other sources. Implementation of the TPP, which was officially signed in February 2016, is awaiting approval by the US Congress.

The US is also progressing in its negotiations for a Trans-Atlantic Trade and Investment Partnership (TTIP) with the EU. Although sugar access is included in the TTIP negotiations, it would seem that neither the US nor the EU is seriously interested in granting trade concessions for sugar.

Regarding the review of diplomatic relations between the US and Cuba, announced by President Obama in 2014, attention will be drawn on the potential impact on US sugar policy and on TRQ holders as the two nations resume trade relations. The current initiative is limited to diplomatic relations but although normalised trade ties may follow, the Congress, which is the only entity enabled to lift the embargo on imports from Cuba, appears to be divided on this issue.

Although the current sugar program was renewed for five years in the 2014 Farm Bill, it remains under attack as the Sweetener Users Association (SUA) joined forces with Corn Refiners and conservative political activists in a high profile anti-sugar campaign. This alliance indicated its plans for an ongoing campaign of repeated challenges to the sugar program. A challenge via the appropriations process in July 2015 failed as ISTC wrote to members of the Appropriations Committees on 14 July 2015 to oppose the effort to bar funding for the sugar program. The anti-sugar program effort received a boost in the Republican presidential primaries, when Jeb Bush and Senator Ted Cruz opposed the sugar program. However, the position of Donald Trump, who eventually won the primaries, on the sugar program is unclear. Supporters of the sugar program will aim at keeping the program locked into the Farm Bill cycle, where they can enter alliances with other agricultural groups.

On the other hand, in November 2015, the FDA instituted an investigation and solicited public comments as to whether the term "natural" should be allowed on food labelling and to determine the sorts of food products which should be described as "natural," and whether they should be limited only to raw agricultural products. If adopted, such a definition would preclude the use of the term "natural" in connection with unrefined direct consumption special sugars, with respect to which the term is currently used.



Against these noteworthy development in the US sugar market environment, the Syndicate would maintain the required flexibility to meet its customers' requirements, thereby aiming at fulfilling the TRQ allocated to Mauritius with the supply of its special sugars. The allocation indicated by USTR on 6 May 2016 for Financial Year 2017 amounted to 12,636 mt raw value, which has been Mauritius' historical share of the minimum WTO-bound allocation.

World Market

The world market price trend, after 5 years of continuous decline, was reversed as from the last quarter of 2015. This was supported by the new global deficit cycle as from the 2015-16 campaign, coupled with the appreciation of the Real of the world's largest sugar exporter, which together enticed speculation in sugar funds. Chart V below shows the evolution of the New York # 11 raw sugar futures prices.

With the erosion of its trade preferences in its traditional markets, namely the abolition of production quotas in the EU and increased competition arising from the EU's new free trade agreements, as well as the uncertainty over Britain's exit from the EU, the Syndicate is compelled to pursue its market diversification initiatives. With the set objective of maximizing export revenue, it will have in future to weigh prices obtainable, and accordingly direct more sugar to the most remunerative market destinations. While diversification of export for white sugar is on the right track, the regional market being the obvious alternative, the Syndicate has to face for its special sugars competition from ordinary raw sugars for direct consumption offered by new suppliers at lower prices. Its objective is, however, to maintain a minimum sales level so as to be able to optimise local production capacities. Product differentiation and the attributes of its special sugars will be put forward to help secure new opportunities. The Syndicate will also seek support from government to tap new markets through preferential access trade negotiations especially with emerging economies.

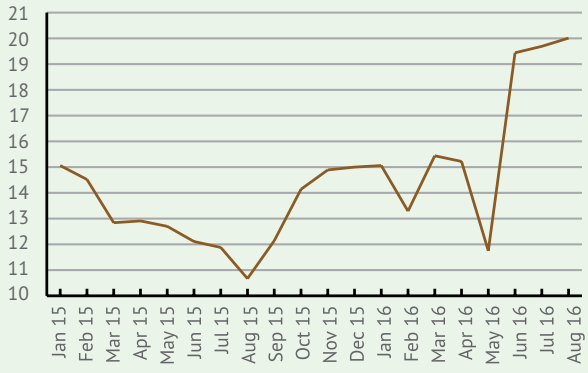
It must be noted that the Eastern African region represents good market opportunities for Mauritian sugars. Although these markets have been mainly serviced by Middle East refineries and lower cost producers from Asia, efforts undertaken by the Syndicate in these markets have had promising outcomes with annual exports exceeding 20,000 tons sugar in the previous years. Preliminary signs for the 2016 crop have been encouraging both in terms of market potential and price targets. It must be pointed out that the Syndicate will, however, have to face increasing non-tariff barriers or restrictive derogations to limit market access being introduced by certain countries in order to protect their domestic industries. It will seek Government's collaboration to ensure that its interests in the region are safeguarded.

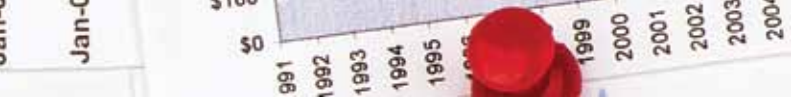
Local Market

With the introduction on 31 July 2016 of a duty of 15% on imports of direct consumption sugars, the Syndicate shall be protected from subsidised foreign sugar supplies. It should, moreover, compete on a level playing field as new standards are introduced on the quality of sugars that can be supplied on the local market. With both measures in force for the 2016 crop, the Syndicate should resume its role as the major supplier of sugar on the domestic market, where annual sales are expected to have attained around 35,000 mt.

CHART V

Evolution of world market price for raw sugar (US cts/lb)




Jan-0
$0
991
1992
1993
1994
1995
1999
2000
2001
2002
2003
2004











CROP FINANCING & PAYMENTS

Advance Payment to Producers

The Syndicate ensures a regular inflow of revenues arising from the sale of its special and refined sugars in order to meet its financial obligations, including advances to producers, payment of operating expenses and remittances to the Mauritius Cane Industry Authority (MCIA). Advance payments to producers are triggerred upon receipt of sugar produced from the canes they have delivered to sugar mills. While since the 2010 crop, the Bank of Mauritius has been putting at the disposal of commercial banks, for on-lending to the Syndicate, a special line of credit for payment of an enhanced advance of 80% of the estimated ex-Syndicate price to growers cultivating up to 100 hectares (ha) of land, Government requested the Syndicate to organise for the required funds directly from local commercial banks for the 2015 crop. This decision was prompted due to the excess liquidity on the local market. Funds to the tune of MUR 1 billion thus made available were used to undertake weekly payments to sugar producers during the harvest and they were levelled out to monthly remittances as from January 2016. An initial enhanced advance of MUR 10,500 per metric ton (mt) sugar was thus paid to those small planters benefitting from 80% initial advance, whereas other producers were paid a first advance of MUR 7,500 per mt. These advances were progressively increased to reach the uniform ex-Syndicate price of MUR 13,166 per mt sugar finalised on 8 July 2016. In line with instructions received from sugar producers, 7,114 of them received their proceeds directly from the Syndicate while 11 were paid through their appointed brokers. The remaining 7,446 planters were paid through the accounts of their respective cooperative societies.

Upon Government request, the enhanced advance payment organised by the Syndicate would be renewed for the 2016 crop.

Borrowings

In order to meet its financial commitments, the Syndicate availed itself of short and medium term loans, export financing facilities and overdrafts, from commercial banks and relevant organisations within the sugar sector. Such funds were sought at all times during the year with inflows and outflows judiciously monitored. The interest rates payable by the Syndicate were negotiated on a case to case basis and ranged from 2.90% to 3.75%, compared with the 3.20% - 4.50% range during the preceding year. With regards to loan and overdraft facilities in euros, the interest rates applicable were at EURIBOR (one month)

plus 25-50 basis points, whereas for those in US dollars, it was at LIBOR (one month) plus 25-50 basis points. Total interest disbursements during the crop year attained MUR 78.2 M compared with MUR 98.1 M in the previous period.

The Syndicate's funding requirements were supplemented with loans from the Sugar Insurance Fund Board (SIFB) and the MCIA. While loans contracted with the SIFB were repaid in full during the crop year, a sum of MUR 181 M was still due to the MCIA at 30 June 2016. Additionally, in order to alleviate the financial hardships of planters, the SIFB extended to the Syndicate in February 2016 an interest-free loan of MUR 366 M for payment of an enhanced advance of MUR 1,000 per mt. This sum was subsequently supplemented for payment of the one-off financial assistance of MUR 2,000 per ton sugar to producers further to Government's decision and SIFB's approval of this measure in June 2016.

Contribution by Distillers/Bottlers for Absolute Alcohol

In light of the recommendation of the study on "The Economic, Social and Environmental Impact on Mauritius of Abolition of Internal Quotas in EU Market" carried out by LMC International, the Minister of Agro Industry & Food Security announced in December 2015 that the contribution by distillers/bottlers to planters be reviewed to MUR 40 per litre of absolute alcohol sold for domestic consumption. However, pending the enactment of this recommendation, distillers/bottlers continued to contribute monthly during the year MUR 20 per litre alcohol. A sum of MUR 92.5 M was thus received by the Syndicate with a first tranche of MUR 44 M distributed to cane growers in December 2015 and the balance paid out on 16 July 2016. Thus, in addition to the ex-Syndicate price, cane growers obtained through this contribution an additional sum of MUR 320 per ton sugar accruing to them for the crop.

Sugar Cane Sustainability Fund

In the same vein, based on the recommendation of the study, Government created a Sugar Cane Sustainability Fund, operated and managed by the MCIA, providing added remuneration to growers for their bagasse utilised for production of electricity. It was also agreed that in settlement of its debt, the Central Electricity Board (CEB) would inject in the newly created fund three tranches of MUR 137 M each, starting as from the 2015 crop. Due to the exceptionally low revenue received by planters for the 2015 crop, the MCIA already transferred on 25 February 2016 a sum of MUR 137 M to the Syndicate for onward distribution, based on the following formula:

(i) MUR 1,100 per mt to every planter for the first 60 mt of sugar accruing, and
(ii) MUR 300 per mt for sugar production in excess of 60 mt.

Payment of Bagasse Proceeds

Revenue generated through the utilisation of bagasse and paid by the CEB amounted to MUR. 66.6 M for the year under review, compared with MUR 65.3 M in 2014-15. Disbursements were effected on 5 July 2016 to different categories of producers in accordance with Section 13 of the Sugar Industry Efficiency Act 2001. Details pertaining to payment made in this context are provided at page 67 of the report.

Payment of Molasses Proceeds

Pursuant to Section 39 (4) of the MCIA Act 2011, the Control & Arbitration Department (CAD) of the MCIA is responsible for the determination of the price of molasses payable to producers. The Syndicate has been entrusted with the responsibility of invoicing the relevant stakeholders with the prices determined and distribution of such receipts to planters.

For the 2015 crop, a final price of MUR 2,074.58 per mt molasses was derived following claims made to Alcohol & Molasses Company Ltd (AMCO) for the account of local breeders and for export, while Omnicane was invoiced for the quantity utilised in the production of ethanol. While molasses earmarked for export attracted a Free on Board (FOB) price of MUR 1,754.16 per mt, producers of potable alcohol paid MUR 3,500 for mt, and local breeders disbursed MUR 3,000 per mt.

In order to make regular advances for their molasses, the Syndicate, with the approval of the MCIA, made provisional claims to the relevant institutions throughout the year. As at 30 June 2016, a provisional sum of MUR 1,500 per mt of molasses was received and paid out accordingly. Subsequent to finalisation of the price by MCIA in July 2016, the balance of MUR 574.58 per mt was finally remitted to all planters on 29 July 2016.

Foreign Exchange Receipts and Hedging Performance

Receipts from sales of refined and special sugars during the period under review amounted to MUR 8,132 billion, out of which MUR 7,726 billion related to export proceeds while a

sum of MUR 406 M was received from the sale of sugar on the local market. 85% of the Syndicate's total export proceeds were denominated in Euros and the balance in US dollars. In order to mitigate currency-related risks resulting from exchange of the foreign currencies into Rupees, the Syndicate, as per normal practice, resorted to risk management policies and procedures as defined by its Forex Committee and approved by its Executive & Selling Committee (ESC). The Forex Committee, which comprises the President, the Vice-President, a member representing each of the corporate sector and planters, as well as the management team of the Syndicate, met regularly during the year with the following objectives:

(i) to define different currency management risk exposures, including those pertaining to interests and exchange rates;
(ii) to develop and implement risk management strategies within the parameters set by the Syndicate's ESC;
(iii) to regularly monitor hedging performances and recommend best practices while ensuring that the hedging instruments adopted are appropriate and fit for purpose;
(iv) to closely monitor financial and economic developments on international markets and analyse their incidence on the Syndicate's hedging practices.

As in the previous years, the support of an independent expert in forex management, Stewardship Consulting Pte. Ltd, was sought to ensure that the above responsibilities were discharged diligently and that policies and procedures were applied as prescribed. Instruments such as normal forwards, leveraged forwards, chooser forwards, swaps and options, were utilised to safeguard the target exchange rates set by the Syndicate, thereby securing the ex-Syndicate price payable to producers for the crop. Reports were regularly submitted to the Syndicate's Forex Committee and the ESC.

Developments on both the local and international scenes impacted heavily on the exchange rates evolution and consequently on the sales of the foreign currencies. The mild economic growth in the Euro zone led to an exchange rate pounding in the range of US $ 1.0578-1.1569 during the period under review. The unstable euro-dollar exchange rate, matched with an unpredictable MUR-euro exchange rate, led the Syndicate to adopt, as one of its currency management strategies, the initial conversion of its Euro proceeds into US dollars before re-conversion into Rupee at a weighted average exchange rate of MUR 36 to the US dollar. It is noteworthy that the buying rate of MUR-euro has ranged between MUR 35.91 and MUR 40.23, whereas the MUR-US dollar rate has remained within MUR 31.37-35.92 between January 2015 and June 2016. The evolution of both major currencies against the Mauritian Rupee is depicted in Chart VI.

CHART VI
Evolution of Euro-US Dollar rate



As per established practice, the Syndicate started hedging its anticipated revenue for the 2015 crop as from January 2015 and by the start of the harvest in June, some 40% of the estimated proceeds were already contracted for sale with local commercial banks. The foreign currency sales continued throughout the crop year and through the use of different tools, the Syndicate managed to achieve a weighted average exchange rate of MUR 41.96 for its euro proceeds, thus generating an additional revenue of MUR 497 M paid to producers through the ex-Syndicate price during the year under review.

Table III below illustrates the hedging performance of the Syndicate over the last five years.

Table III

Crop	WEIGHTED AVERAGE RATE ACHIEVED	AVERAGE MARKET SPOT RATE	HEDGING SURPLUS
	MUR/EUR	*MUR/EUR*	*MUR (M)*
2011	41.35	37.69	304.30
2012	40.62	38.85	360.66
2013	42.31	40.44	304.16
2014	42.15	38.64	748.65
2015	41.96	39.07	496.68

The Syndicate's treasury continued to diligently manage its transaction and interest rate risks, thereby decreasing further its finance cost to MUR 78 M during the period under review, compared with MUR 98 M in the previous year and MUR 166 M in 2013-14. This resulted in payment of an additional MUR 55 per mt sugar paid to producers through the ex-Syndicate price.



Audit and Risk Management

Further to the review of the process within the Accounts & Finance department in the previous year, various recommendations made by the consultants of Ernst & Young were duly implemented during the 2015-16 crop year. These were validated by the same team in their report submitted in June 2016. As per its terms of engagement and scope of work, Ernst & Young was moreover mandated to evaluate controls within key business processes of the Syndicate and make appropriate recommendations. Following completion of this exercise and subsequent approval by the Audit & Risk Management Committee, an Implementation Action Plan was set up to address critical risk areas and ensure that all recommendations would be implemented in a timely manner. Additionally, policies and procedures in place were re-assessed and re-formulated to meet exigencies of the work environment.

The Audit and Risk Management Committee which met during the year undertook a review of the risk profiles of the Syndicate and played a key role in ensuring the setting up of an effective risk management within the organisation. The main functions of the Audit & Risk Management Committee as established by the Syndicate are described as follows:

- review the Syndicate's financial statements and management accounts, including yearly budgets prior to submission for approval by the Syndicate's Committee;
- ensure that the Syndicate has an effective ongoing process to identify risks, to measure its potential impacts and to effectively manage such risks;
- review management and Auditors' reports while ensuring that processes, procedures and internal control systems recommended are duly implemented.

Implementation of an Enterprise Resource Planning (ERP)

In their report submitted in June 2016, the consultants of Ernst & Young recommended that the Syndicate reviews its IT infrastructure to adapt to its business processes. Following a gap analysis and an in-depth review of its processes, including the existing policies and procedures, the current information systems were overhauled and upgraded so as to adapt to the changing business environment.

A Project Manager was appointed to provide coaching and guidance in the project planning, monitoring, risk management and reporting of the proposed ERP system. The Project Manager would also offer quality control services throughout the project and ensure that the new ERP system is successfully implemented. Ernst & Young, already conversant with the Syndicate's operations and processes, has been selected for the exercise, which is expected to be completed before the end of the 2016-17 financial year.

Statement of Account

2015-2016



Independent Auditors' Report to the Members

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 The Mauritius Sugar Syndicate on pages 43 to 64 which comprise the statement of financial position at 30 June 2016, 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 Responsibility for the Financial Statements

The Management 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 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 43 to 64 give a true and fair view of the financial position of the Syndicate as at 30 June 2016, 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: 29 September 2016

	Notes	2016	2015
		Rs'000	Rs'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	14,953	18,347
CURRENT ASSETS			
Inventories	6	67,645	430,564
Trade and other receivables	7	3,032,206	3,328,903
Cash and cash equivalents	8	106,311	70,278
Derivative financial instruments	9	173,144	195,426
		3,379,306	4,025,171
TOTAL ASSETS		3,394,259	4,043,518
LIABILITIES			
NON-CURRENT LIABILITY			
Retirement benefit obligations	10	45,961	35,213
CURRENT LIABILITIES			
Bank overdrafts	8	315,458	1,543,922
Borrowings	11	2,431,348	1,493,378
Trade and other payables	12	601,492	971,005
		3,348,298	4,008,305
TOTAL LIABILITIES		3,394,259	4,043,518

The notes on pages 47 to 64 form an integral part of these financial statements.
Independent Auditors' report on page 42.

These financial statements have been approved by the Committee for issue on 29 September 2016.

Devesh Dukhira
Chief Executive Officer

Jyoty Soomarooah
Chief Finance and Administrative Officer

	Notes	2015-2016 Crop			2014-2015 Crop		
		Rs'000	Rs per MT	%	Rs'000	Rs per MT	%
REVENUE							
Sales proceeds	13	8,132,135	22,034	100.00	7,474,228	18,519	100.00
Other income	14	1,914	5	-	267	-	-
		8,134,049	22,039	100.00	7,474,495	18,519	100.00
EXPENDITURE							
Direct operating costs	15	(3,197,179)	(8,663)	(39.31)	(2,534,370)	(6,279)	(33.91)
Storage charges	16	(154,384)	(418)	(1.90)	(128,604)	(319)	(1.72)
Administrative and other charges	17	(77,283)	(209)	(0.95)	(81,612)	(202)	(1.09)
Service Providing Institution	18	(264,134)	(716)	(3.25)	(257,203)	(637)	(3.44)
Sugar Industry Reserve Fund		(369)	(1)	(0.00)	(403)	(1)	(0.01)
TOTAL EXPENDITURE		(3,693,349)	(10,007)	(45.41)	(3,002,192)	(7,438)	(40.17)
		4,440,700	12,032	54.59	4,472,303	11,081	59.83
FINANCE INCOME - NET							
Finance income - net	19	418,636	1,134	5.15	650,829	1,612	8.71
NET REVENUE							
Distributed to all producers as ex-Syndicate price before contributions and deductions		4,859,336	13,166	59.74	5,123,132	12,693	68.54
Bagasse Transfer Price Fund	20	66,643			65,302		
Sugar Cane Sustainability Fund	21	137,000			-		
Molasses Remittance	22	271,670			197,905		
Contribution by distillers/bottlers	23	92,496			87,652		
Sugar Insurance Fund Board Premium	24	(7)			(192,367)		
NET AMOUNT DISTRIBUTED TO PRODUCERS		5,427,138			5,281,624		

The notes on pages 47 to 64 form an integral part of these financial statements.
Independent Auditors' report on page 42.

	Note	2016	2015
		Rs'000	Rs'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net revenue distributed to producers		5,427,138	5,281,624
Adjustments for:			
Loss on disposal of property, plant and equipment		-	626
Interest paid		78,197	98,104
Interest income		(155)	(280)
Depreciation		4,152	4,043
Exchange gains		3,774	(4,292)
Retirement benefit obligations		10,748	11,608
Operating profit before working capital changes		5,523,854	5,391,433
Decrease/(increase) in inventories		362,919	(220,823)
Decrease in trade and other receivables		288,530	1,157,166
Decrease in trade and other payables		(369,513)	(87,540)
Decrease/(increase) in derivative financial instruments		22,282	(133,765)
		304,218	715,038
Cash generated from operations		5,828,072	6,106,471
Payment made to producers		(5,427,138)	(5,281,624)
Interest paid		(78,197)	(98,104)
Net cash from operating activities		322,737	726,743
Investing activities			
Purchase of plant and equipment		(758)	(5,481)
Proceeds from disposal of plant and equipment		-	1,035
Interest received		155	280
Cash used in investing activities		(603)	(4,166)
Financing activities			
Loans received		4,885,119	5,395,247
Loans repaid		(3,947,149)	(6,482,714)
Cash from/(used in) financing activities		937,970	(1,087,467)
Net increase/(decrease) in cash and cash equivalents		1,260,104	(364,890)
Cash and cash equivalents at beginning of year		(1,473,644)	(1,084,089)
Net Increase/(decrease) in cash and cash equivalents		1,260,104	(364,890)
Effects of foreign exchange on cash and cash equivalents		4,393	(24,665)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	8	(209,147)	(1,473,644)

The notes on pages 47 to 64 form an integral part of these financial statements.
Independent Auditors' report on page 42.



1. General Information

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

The Syndicate is the sole sugar marketing organisation in Mauritius and its objective is the sale of all locally produced sugars for the account of its members, comprising corporate and independent growers, as well as millers and the subsequent distribution of the proceeds of such sale.

Sugar producers are members of the Syndicate. The Syndicate's registered office and principal place of business is Level 7, Medine Mews, Chaussée, 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 The Mauritius Sugar Syndicate have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with changes 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 where otherwise stated.

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

There are no standards, amendments to published standards and interpretations effective for the first time in the reporting period.

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 January 1, 2016 or later periods, but which the Syndicate has not early adopted.

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

IFRS 9 Financial Instruments
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 Contract with Customers
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Annual Improvements to IFRSs 2012-2014 Cycle
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

2. Significant Accounting Policies (cont'd)

Disclosure Initiative (Amendments to IAS 1)
IFRS 16 Leases
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Amendments to IAS 7 Statement of Cash Flows
Clarifications to IFRS 15 Revenue from Contracts with Customers
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

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 are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to their acquisition.

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.

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

	%
Computer equipment	25
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 and loss.

(c) Derivative financial instruments and hedging activities

(a) Derivatives 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. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss within 'other gains/(losses) - net'.

(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 sale 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 assets. 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 the 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.

(e) Borrowings

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

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

(f) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks (cash at bank) and bank overdrafts. Bank overdrafts are shown as a separate line within current liabilities in 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 liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not. they are presented as non-current liabilities. Included in trade and other payables are direct operating costs accrued at year end with respect to the unshipped portion of sugars that relate to the current crop year.

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

(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 their present location and condition, but exclude borrowing costs. Cost of inventories of white sugar for sale on the local market is determined as being the net realisable value as the latter represents the cost to the Syndicate of sugars produced locally. Cost of inventories of white sugar is valued at cost incurred in bringing such stock 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.

2. Significant Accounting Policies (cont'd)

(i) Retirement benefits

Defined Contribution plan

The Syndicate has both defined benefit and defined contribution plans. The Syndicate and all its employees also contribute to the appropriate National Pension Scheme, which are defined contribution schemes. 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 their services 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 services that entitle them to such 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 is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in 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 change in the net defined liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense/(income) is recognised in profit or loss.

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

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 presentational 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 unsold stock 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 and 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 shipped.

- 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 unsold 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 contracts with buyers.

- 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, Audit & 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.

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	
	2016	2015	2016	2015
	Rs'000	*Rs'000*	*Rs'000*	*Rs'000*
Mauritian Rupees	1,588,995	2,419,159	3,035,299	2,346,402
US Dollar	120,148	154,799	308,487	376,345
Euro	1,429,205	825,027	3,976	1,281,634
GBP	169	196	536	3,924
	3,138,517	3,399,181	3,348,298	4,008,305

Sensitivity analysis

At the end of the reporting period, if the rupee has 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 is shown in the table, below:

	NET REVENUE BEFORE DISTRIBUTION TO PRODUCERS	
	2016	2015
	Rs'000	*Rs'000*
	+/-	+/-
US Dollar	9,417	11,077
Euro	(71,261)	22,830
GBP	18	186
	(61,826)	34,093

(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 Management by negotiating the best interest rate available with commercial banks and institutions of the sugar industry.

At 30 June 2016, if interest rate on rupee-demominated borrowings has been 50 basis points higher or lower with all other variables held constant, the net amount distributed to producers would have been Rs.2,645,070 (2015: Rs.2,640,812) 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 in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or other financial assets.

A liquidity risk arises on advances to planters made on a weekly basis during the crop season and monthly in the intercrop season. 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 overdraft 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.

Management 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 transfers. Similarly proceeds from exports are received through transfers to the Syndicate's bank accounts held with reputable local commercial banks.

For banks and financial institutions, credit risk can be assessed by the historical information about the financial strengths of the financial institutions with which the Syndicate is dealing. 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 assessed 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 of the value of any collateral obtained. The Syndicate 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 to 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 change 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 recognises 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 sugar, the Syndicate determines the sale as being the unshipped quantity of sugar at the period end referenced to the latest contracted price adjusted for logistic and other 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 them.

(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 obtain from disposal of the asset, if the asset was already of the age and in the 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 2014	5,402	13,770	14,747	33,919
Additions	517	371	4,593	5,481
Disposal	-	-	(6,295)	(6,295)
At 30 June 2015	5,919	14,141	13,045	33,105
At 1 July 2015	5,919	14,141	13,045	33,105
Additions	498	226	34	758
At 30 June 2016	6,417	14,367	13,079	33,863
DEPRECIATION				
At 1 July 2014	4,763	4,091	6,495	15,349
Charge for the year	352	1,126	2,565	4,043
Disposals adjustments	-	-	(4,634)	(4,634)
At 30 June 2015	5,115	5,217	4,426	14,758
At 1 July 2015	5,115	5,217	4,426	14,758
Charge for the year	381	1,196	2,575	4,152
At 30 June 2016	5,496	6,413	7,001	18,910
NET BOOK VALUES				
At 30 June 2015	804	8,924	8,619	18,347
At 30 June 2016	921	7,954	6,078	14,953

(b) Depreciation expense of Rs 4,152,000 (2015: Rs 4,043,000) has been charged to administrative and other charges.

6. Inventories

	2016	2015
	Rs'000	*Rs'000*
At Cost		
Bags, steel bars and liners	67,645	81,241
At Net Realisable Value		
Raw and white refined sugar	-	349,323
	67,645	430,564

7. Trade and Other Receivables

	2016	2015
	Rs'000	*Rs'000*
Trade Receivables		
Export proceeds	1,607,441	1,049,065
Export proceeds-Unshipped sugars	1,311,214	2,102,869
	2,918,655	3,151,934
Staff loans	2,526	2,700
Other Receivables	111,025	174,269
	3,032,206	3,328,903

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

As of 30 June 2016, trade receivables of Rs.90,707,000 (2015: Rs.25,712,000) were past due but not impaired.

	2016	2015
	Rs'000	*Rs'000*
3 to 6 months	80,738	5,301
Over 6 months	9,969	20,411
	90,707	25,712

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

	2016	2015
	Rs'000	*Rs'000*
Mauritian Rupee	1,517,414	2,358,063
US Dollar	1,430,066	149,043
Euro	84,726	821,797
	3,032,206	3,328,903

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Syndicate does not hold any collateral as security.

8. Cash and Cash Equivalents

	Note	2016	2015
		Rs'000	*Rs'000*
Cash at bank		106,311	70,278
Bank overdrafts	8(i), (ii)	(315,458)	(1,543,922)
		(209,147)	(1,473,644)

(i) Bank overdrafts are secured by the preferential lien over all sugars as conferred by Mauritius Sugar Syndicate Act No.87 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 3.4% to 7.0% on Rupees accounts (2015: 3.3% to 7.00%) and Libor 1 month + 1.5% on Euros, GBP and USD accounts respectively (2015: Libor 1 Month + 1.5%).

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

	2016	2015
	Rs'000	*Rs'000*
Cash at bank		
Mauritian Rupee	99,332	61,096
US Dollar	2,206	5,756
Euro	4,604	3,230
GBP	169	196
	106,311	70,278
Bank overdrafts		
Mauritian Rupee	(2,459)	(216,976)
US Dollar	(308,487)	(376,345)
Euro	(3,976)	(946,677)
GBP	(536)	(3,924)
	(315,458)	(1,543,922)
Cash and cash equivalents	(209,147)	(1,473,644)

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 2016, the surplus on foreign exchange forward contracts, foreign exchange leverage contracts, swaps and options undertaken for 2015 crop was Rs 173,144,000 compared to a surplus of Rs 195,426,000 for 2014 crop.

	NOTIONAL AMOUNT	FAIR VALUE	SURPLUS
	Rs'000	*Rs'000*	*Rs'000*
At 30 June 2016			
Normal Forward	-	-	-
Derivative Instruments	3,931,205	3,758,061	173,144
	3,931,205	3,758,061	173,144
At 30 June 2015			
Normal Forward	72,450	69,460	2,990
Derivative Instruments	3,365,522	3,173,086	192,436
	3,437,972	3,242,546	195,426

10. Retirement Benefit Obligations

	Notes	2016	2015
		Rs'000	*Rs'000*
Amounts recognised in the statement of financial position:			
Defined pension benefits	10 (i)	45,961	35,213
Analysed as follows:			
Non-current liabilities		45,961	35,213
Amount charged to profit or loss:			
Defined pension benefits	10 (v)	10,748	11,608

(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 up 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 2016 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.

	2016	2015
	Rs'000	*Rs'000*
(ii) The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	149,779	89,857
Fair value of plan assets	(103,818)	(54,644)
	45,961	35,213
Unrecognised actuarial loss	-	-
Liabilities recognised in the statement of financial position	45,961	35,213

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

	2016	2015
	Rs'000	*Rs'000*
At 1 July,	35,213	23,605
Recognised in the statement of profit or loss	14,790	16,776
Contributions paid	(4,042)	(5,168)
At 30 June,	45,961	35,213

	2016	2015
	Rs'000	*Rs'000*
(iii) The movement in the defined benefit obligations over the year is as follows:		
At 1 July,	136,707	68,587
Current service cost	5,166	5,090
Employee Contributions	547	737
Interest cost	9,403	9,450
Benefit paid	(4,842)	(3,480)
Liability loss	2,798	9,473
At 30 June,	149,779	89,857

	2016	2015
	Rs'000	*Rs'000*
(iv) The movement in fair value of plan assets of the year is as follows:		
At 1 July,	101,494	44,982
Interest income	7,095	6,946
Employer contribution	4,042	5,168
Employee contributions	547	737
Benefit paid	(4,842)	(3,480)
Return on plan assets excluding interest income	(4,518)	291
At 30 June,	103,818	54,644

	2016	2015
	Rs'000	*Rs'000*
(v) Amounts recognised in the statement of profit or loss		
Current service cost	5,166	5,090
Net interest on net defined benefit liability	(2,308)	(2,664)
Movement in OCI	7,316	-
Employee contribution	574	-
Effect of restatement to 2013 figures	-	9,182
Total included in employee benefit expense	10,748	11,608

	2016	2015
	Rs'000	*Rs'000*
Total included in employee benefit expense can be analysed as follows:		
Included in:		
Administrative and other charges	10,748	11,608
Actual return on plan assets	2,577	7,237

10. Retirement Benefit Obligations (cont'd)

	2016	2015
	%	%
(vi) The principal actuarial assumptions used for accounting purposes were:		
Discount rate	7.50	7.00
Future salary increases	5.50	5.00
Future pension increases	0.50	-

	2016	2015
	Rs'000	*Rs'000*
(vii) Sensitivity analysis on defned benefit obligations at end of the reporting date:		
Increase due to 1% decrease in discount rate	10,231	10,713
Decrease due to 1% increase in discount rate	8,745	9,097

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

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

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

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

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

(ix) The Syndicate expects to pay Rs 4.2m in contribution to its post-employment benefit plans for the year ending June 30, 2016.

(x) The weighted average duration of the defined benefit obligation is 10 years at the end of the reporting period.

11. Borrowings

	2016	2015
	Rs'000	*Rs'000*
Unsecured loans	2,431,348	1,493,378

(a) The loans bear interest at the rate of 2.90% to 3.75% per annum (2015: 3.20% to 4.50%).

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

	2016	2015
	Rs'000	*Rs'000*
Mauritian Rupee	2,431,348	1,158,421
Euro	-	334,957
	2,431,348	1,493,378

12. Trade and Other Payables

	2016	2015
	Rs'000	*Rs'000*
Payable to producers under the Bagasse Transfer Price Fund	66,643	65,142
Manufacturing premium - white refined & special sugars	-	222,311
Refiner service fee	202,749	133,560
Freight	136,687	142,540
Other accruals	195,413	407,452
	601,492	971,005

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

(b) The Bagasse Transfer Price Fund was paid to the beneficiaries on 08 July 2016.

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

13. Sales Proceeds

	2016	2015
	Rs'000	*Rs'000*
Sales proceeds were arrived as follows:		
Gross Export Proceeds - Shipped	6,413,884	4,513,635
Gross Export Proceeds - Unshipped	1,312,037	2,675,318
	7,725,921	7,188,953
Proceeds from local sales	406,214	285,275
Total sales proceeds	8,132,135	7,474,228

14. Other Income

	2016	2015
	Rs'000	*Rs'000*
Sundry income	1,914	267

15. Direct Operating Costs

	2016	2015
	Rs'000	Rs'000
Manufacturing premium - white refined & special sugar	1,177,757	1,259,795
Export fee	130,022	85,532
Freight charges	694,919	490,742
Bags and other related charges	119,874	55,966
Liners, steel bars and other related costs for white refined sugar	66,544	71,543
Costs of imports for local market and re-export	860,784	515,517
Other costs	147,279	55,275
	3,197,179	2,534,370

(i) Costs of imports

Costs of imports for local market and re-export are calculated on raw sugar feedstock of 69,404 MT utilised during the year (2015 : 39,092 MT).

16. Storage Charges

	2016	2015
	Rs'000	Rs'000
MCIA (Ex-BSSD) - Recurrent expenditure	92,400	84,530
MCIA (Ex-MSTC) rental, repair and maintenance cost of shed	6,341	5,082
CHC and MFD storage charges	55,643	38,992
	154,384	128,604

17. Administrative and Other Charges

	Note	2016	2015
		Rs'000	Rs'000
These are arrived at after charging:			
Depreciation on plant and equipment		4,152	4,043
Rental of office		2,710	2,710
Brussels representation		-	3,926
Employees cost	17 (a)	46,109	47,334
(a) Employees cost			
Wages and salaries, including termination benefits		33,367	34,085
Social Security costs		1,274	1,641
Pensions costs		11,468	11,608
		46,109	47,334

18. Service Providing Institution

	2016	2015
	Rs'000	Rs'000
Payment to MCIA comprises the followings:		
Global Cess	194,368	204,926
Levy on Local Sales	69,766	52,277
	264,134	257,203

19. Finance Income - Net

	2016	2015
	Rs'000	*Rs'000*
Finance Income		
Interest income	155	280
Gain on forward exchange contracts (unrealised)	173,144	195,426
Exchange gain - net	323,534	553,227
	496,833	748,933
Finance costs		
Interest payable:		
Foreign currency accounts	6,181	20,560
Mauritian balances	72,016	77,543
	78,197	98,104
Finance Income - Net	418,636	650,829

20. Bagasse Transfer Price Fund

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

21. Sugar Cane Sustainability Fund

Government created in the financial year a Sugar Cane Sustainability Fund operated and managed by the Mauritius Cane Industry Authority (MCIA), for providing added remuneration to growers for their bagasse utilised for the production of electricity. The Central Electricity Board injected during the year a sum of Rs 137 M which was transferred to the Syndicate for onward remitance to planters as per the agreed formula- (i) Rs 1,100 per mt to every planter for the first 60 mt of sugar accruing, and (ii) Rs 300 per mt to all planters with prodcution in excess of 60 mt.

22. Molasses Remittance

A total sum of Rs 194 M was received from Alcohol & Molasses Co. Ltd (AMCO), while Omnicane remitted a sum of Rs 78 M to the Syndicate during the year. Subsequent to the determination of the final price of Rs 2,074.58 per mt of molasses by the MCIA, a final remittance of Rs 574.58 per mt of molasses was made on 29 July 2016. As AMCO shareholders were also paid for the first time through the Syndicate payment system, total remittances made to planters attained Rs 272 M (Rs 197.9 M-2014 crop).

23. Contribution by Distillers/Bottlers

Contribution from Distillers/Bottlers during the Crop year has been paid in 2 tranches: on 30 December 2015 and 17 July 2016. A total sum of Rs 92.5 M (Rs 87.6 M- 2014 crop) was received during the year and a final remittance was made on 16 July 2016.

24. Sugar Insurance Fund Board Premium

The fire insurance premium payment of Rs 7.4 M has been deducted from sugar proceeds of producers and remitted to the Sugar Insurance Fund Board on their behalf as per Section 24 of the Sugar Insurance Fund Act 1974. For the 2014 crop, a sum of Rs 192.4 M was deducted from Producers' accounts on 30 June 2015 and a sum of Rs.185.2 M was re-imbursed to them on 21 August 2015.

25. Related Party Transactions

	2016	2015
	Rs'000	*Rs'000*
Renumeration to key mananagement personnel	11,367	12,481

26. Contingent Liabilities

(a) Contingent liability

The Syndicate has no contracted bank guarantee in favour of the Mauritius Revenue Authority (2015: Rs.20,000).

(b) Court case

Medine Sugar Milling Company Ltd (Medine) has entered a court case against the Syndicate arguing that it is undergoing a first stage in the refining process to produce a high polarization raw sugar, which is subsequently used as feedstock by the refineries. It consequently seeks a compensation equivalent to what has been paid since 2009 under a supply agreement between themselves and Omnicane refinery, which terminated on 30 September 2015. According to international sugar trade rules, sugar of higher polarization for refining purposes can attract a polarization premium, but is far less than the amount claimed. In the event the Syndicate is compelled to pay to Medine the sum sought, an additional amount of Rs 15 M will have to be remitted. The court case is still ongoing and the outcome is unknown.

	2015-2016 Crop					2014-2015 Crop				
	Plantation White Sugar	Non-Originating Sugar	White Sugar	Special Sugars	TOTAL	Plantation White Sugar	Non-Originating Sugar	White Sugar	Special Sugars	TOTAL
	MT	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*	*MT*
Net landed weight	-	-	265,439	59,987	325,426	-	-	267,196	44,836	312,032
Stock of sugar	-	-	23,575	35,215	58,790	24,139	22,349	15,963	53,485	115,936
Total sugar for export	-	-	289,014	95,202	384,216	24,139	22,349	283,159	98,321	427,968
Local market sales	-	-	8,769	2,408	11,177	-	-	9,210	2,944	12,154
Total	-	-	297,783	97,610	395,393	24,139	22,349	292,369	101,265	440,122
Processing & storage loss					13,128					14,815
Production MTTQ					408,521					454,937
Less non-originating sugar for re-export and local sales					42,451					54,764
Total Production of Sugar MTTQ					366,070					400,173
Adjustment at 98.5° Polarisation by MCIA (Control & Arbitration Department)					369,072					403,603

Sales Proceeds (FOBS BASIS)

	2015-2016 Crop	2014-2015 Crop
	Rs 000's	*Rs 000's*
White refined sugar	4,622,123	4,262,682
Special sugar		
European Union	1,754,056	1,939,924
United States of America (USA)	215,530	104,908
World Market	403,282	361,305
Total	6,994,990	6,668,819
Local sales	406,213	285,274
Total Receipts	7,401,204	6,954,093

Average Price (FOBS) Per Metric Ton

	2015-2016 Crop	2014-2015 Crop
	Rs/MT	*Rs/MT*
White refined sugar	14,653	13,642
Special sugar		
European Union	26,373	24,986
United States of America (USA)	22,114	20,743
World	24,353	22,633
Average Export Price	17,128	16,221

Average Local Market Price Per Metric Ton

	2015-2016 Crop	2014-2015 Crop
	Rs/MT	*Rs/MT*
Local Market	22,225	22,122

Statement of Distribution of Bagasse Proceeds

	2015-2016 Crop	2014-2015 Crop
	Rs'000	*Rs'000*
Bagasse Transfer Price Fund	66,643	65,302
Paid out to:		
Planters of the first group	7,997	7,836
Planters of the second group	25,324	24,815
Millers or producers of electricity	33,321	32,651

Amount Per Metric Ton of Sugar Accruing	2015-2016 Crop	2014-2015 Crop
	Rs	*Rs*
Planters of the first group	60.34	67.67
Planters of the second group	162.29	124.17

Amount Per kWh of Firm or Continuous Electricity	2015-2016 Crop	2014-2015 Crop
	Rs	*Rs*
Millers or producers of electricity	0.09	0.09

The Bagasse Transfer Price Fund for 2015-2016 crop was distributed as from 5 July 2016 in accordance with Section 13 of SIE Act 2001.

Statement of Distillers/Bottlers Contribution

	2015-2016 Crop	2014-2015 Crop
	Rs 000's	*Rs 000's*
Contribution received from Distillers/Bottlers	92,496	87,652

	2015-2016 Crop	2014-2015 Crop
	Rs	*Rs*
Amount paid to planters per metric ton of sugar accruing	320.54	277.69

Ex-Syndicate Price Per Metric Ton

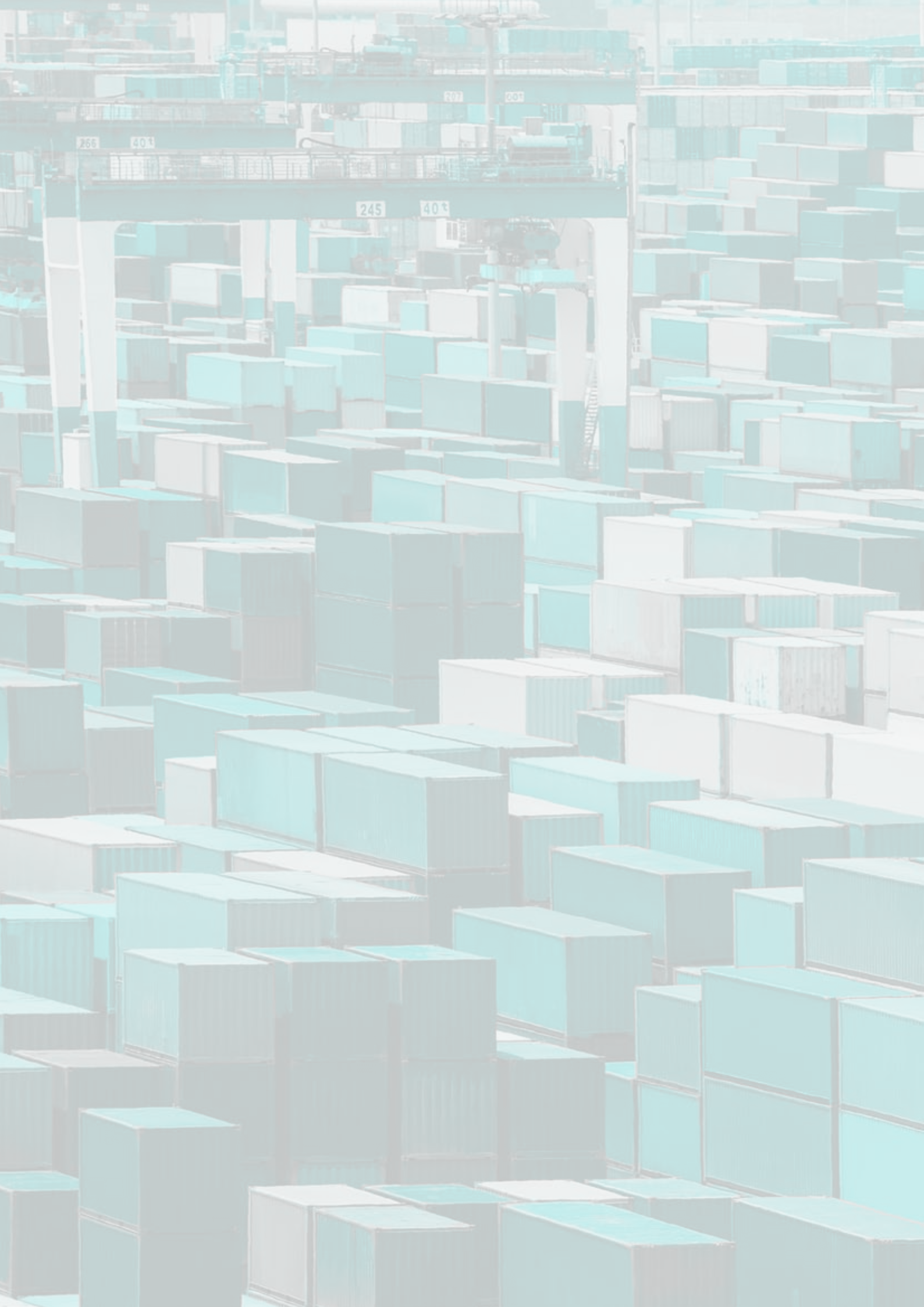
Basis 98.5° polarisation per category of producer before deduction of SUGAR INSURANCE FUND BOARD PREMIUM

		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
2014 - 15 *	12,693.50
2015 - 16 *	13,166.37

* *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).*

Crops 1989-1990 to 2015-2016	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
2014 - 2015	6,668,819	285,274	6,954,093
2015 - 2016	6,994,990	406,213	7,401,204


245
40 t



Conception: Streak Designs Ltd
Photography: ©Studio J - ©Olivier Lalouette - ©Shutterstock: (pg 10, 12, 14, 24, 30, 36, 41, 70)
Printing: Précigraph Ltd