Mauritius Chamber of Agriculture

annual report 2007-2008

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Figures on the Mauritian economy and on the agricultural sector at large are presented in the Chamber's Annual Statistical Bulletin. Issues of the Bulletin and updates, as well as other relevant infomation, are available on the website of the Chamber, at the following address: **http://www.mchagric.org**

contents

Foreword • **4**

Agriculture in the National Economy • **7**

Sugar Industry • **19**

Other Agricultural Industries and Crops • **33**

Environment and Natural Resources • **47**

Trade, Development and Cooperation • **57**

Research and Scientific Progress • **65**

Human Resources • **75**

General • **81**

Foreword

The year under review has recorded some key milestones regarding the future of our sugar industry, both on the international scene and at the level of the local industry. This same year has also been subjected to the uncertainties of the world food crisis and rising energy prices, the latter having more particularly a direct bearing on the cost of agricultural inputs.

The Sugar Protocol has been unilaterally denounced by the EU in September 2007. This means the demise after two years' legal notice of the Protocol as from October 2009, on which date the EU sugar price will undergo its full 36 per cent cut following the review of the EU Sugar regime in 2006. The Interim Economic Partnership Agreement initialled by Mauritius and several Eastern and Southern Africa (ESA) countries with the EU on 4 December 2007 henceforth provides, pending the signature of the full EPA agreement, the relevant sugar trading background framework for these countries. This Interim Agreement has also opened an additional quota of 75 000 tonnes of sugar for the signatory ESA countries in marketing year 2008-09 and engages these countries into a post 2009 regional overall supply quantity to be negotiated and determined across the whole of ACP. This entailed a joint and consolidated initiative by sugar producing countries within the ESA group to reinforce their common stance vis-à-vis other groups and harmonise their individual supply potential and targets in such a way that no single country is worse off compared to the previous Sugar Protocol situation.

Consultations on sugar within the ESA group were actively pursued, both at industry and political levels, and at the time of writing, progress achieved has been quite significant. Members will recall that the initialling of the Interim Agreement was first and foremost a fundamental condition to avoid any trade disruption between Mauritius and the EU as from January 2008. For non LDC ACP sugar suppliers, the double trigger safeguard of 3.5 million tonnes for the whole ACP group and from 1.38 to 1.6 million tonnes for the non LDC ACP which will apply as from October 2009 until September 2015, is of particular importance.

Government and the Mauritius Sugar Producers' Association (MSPA) reached on 5 December 2007 an agreement regarding the industry reform process. This agreement has successfully triggered the implementation of key reform measures of the sugar industry and such implementation within the year 2007 has enabled the disbursement of scheduled EU accompanying measures for Mauritius. On that account, we have to place on record the extraordinary achievements of all those involved, namely the relevant Ministries, the Mauritius Sugar Authority, the MSPA, the Regional Training Centre, and also all the sugar estates and their employees.

In June 2008, the Mauritius Sugar Syndicate signed a Long-Term Partnership Agreement (LTPA) with the German group Südzucker, whereby as from July 2009 and up to 2015, the Syndicate will supply the bulk of the sugars produced in Mauritius to Südzucker as white sugars for direct consumption. The LTPA represents a major breakthrough for the local sugar industry as it will enable its further consolidation with the advent of flexi-factories, producing white and speciality sugars, but also electricity from bagasse and ethanol from molasses, as provided for in the Action Plan 2006-15. Furthermore, the LTPA will provide new market access opportunities in respect of value added direct consumption sugars and strengthen the competitiveness of Mauritius with the end of the Sugar Protocol in 2009. It can further be noted that the new refineries at Fuel and Savannah are being installed at a cost of Rs 2 billion.

In July 2008, in order to reflect the cost of imports, Government decided to adjust the price of sugar sold to industrial users with immediate effect, whereas that for the retail market would be staged over five years, as from July 2008. This price adjustment, which will be carried out biannually, will indeed bring relief to the whole sugar producing community in Mauritius at a time when its revenue is under strong pressure.

However, the proposed reform of the global cess has still not been implemented. Cess remains a significant burden to the whole industry; it represented a levy of some Rs 575 million for the industry in 2007-08 and will most probably reach around Rs 670 million for this current financial year. New initiatives by Government on the global cess are now expected following the presentation in December 2008 of Government's Additional Stimulus Package 2009-10.

The 2007 sugar campaign ended on 15 December 2007 after nearly 26 full weeks of harvesting and milling operations. Sugar production amounted to 435,972 tonnes tel quel, obtained from 4,230,629 tonnes of canes at an extraction rate of 10.31 per cent, the lowest rate recorded since 1960 (except for drought-year 1999). With the centralisation of the milling activities of Mon Trésor Mon Désert and of Riche en Eau to Savannah and following the fire breakout at Mon Loisir factory in September 2007, only seven mills concluded the 2007 campaign. In the context of the sugar industry's reform, Mon Désert Alma factory closed down in March 2008.

Mauritius therefore registered a shortfall of 72,563.9 tonnes wse on its 2007-08 supply obligations and had to submit for the second consecutive year a formal Force Majeure claim to the EU Commission under Article 7 of the Sugar Protocol. It is also worth mentioning the decrease in 2007 of 1,473 hectares in the total cane area harvested, a drop which is higher than the average yearly drop of 1,293 hectares recorded since 2002.

At the level of WTO, minimal progress has been recorded. During the year extending from July 2007 to June 2008, members continued to consult in a bid to reach some compromise. To that effect the Director General acting as facilitator, with the respective chairs of negotiations, is expected to submit modalities papers for further consideration by members. The interests of Mauritius in the negotiations lie in the protection of its margin of preference in the EU market more particularly in the wake of the denunciation of the Sugar Protocol in September 2007. Indeed, we have to remain vigilant with regard to the decrease of tariffs in the EU on sugar which could be as high as 66 per cent.

During the year under review, the ESA region continued intensive negotiations among themselves and with the EU. However progress was very slow due to a number of contentious issues. Indeed, the main bone of contention within the ESA region and vis-à-vis the EU was the question of what is the minimum acceptable for an EPA which would at the same time be acceptable to both parties and be WTO compatible too. Using the initialled interim agreement, negotiations will continue with a view to finalise the full Economic Partnership Agreement, tentatively, by end 2008. In the same regional context, the potential to develop a common project for the harmonisation of SADC, COMESA, EAC, IOC and IGAD mandates has emerged. To that effect, COMESA, SADC and EAC have agreed to hold a tripartite summit early in October 2008 to discuss the possibility of a common Free Trade Area in future.

The second semester of 2007 was also marked by unprecedented rising food prices and shortages of certain commodities. In this context, the Deputy Prime Minister and Minister of Finance and Economic Development has, in his Budget Speech 2008-09, announced measures to foster local food production so as to mitigate the high risk dependency of the country on imports. Hence, Government has provided Rs 1 billion for a Food Security Fund, a first time ever effort towards a sector which, over the years, has not been able to keep pace with the increasing national consumption, imports today representing more than 70 per cent of our food needs.

Over and above, cane lands already provided by sugar estates to small planters for the cultivation of potatoes and other food crops, some 1,000 arpents will additionally be freed and devoted to food crops under the 5 December 2007 agreement. These additional lands will be put at the disposal of regrouped planters in large plots and investment in the relevant land preparation works and post harvest infrastructure will also be facilitated by Government. Conditions will be created in order to render food production strategically more efficient and economically viable through adequate market information systems and more remunerative distribution channels and mechanisms.

These are some of the highlights of this year's report which, I hope, you will find informative.

I would like in closing to express my heartfelt thanks to my colleagues of the Bureau, to the past Presidents and to all those who regularly devote time and effort to the Chamber for their kind collaboration and support throughout the year. As the outgoing President, I also wish to express my deepest appreciation to the General Secretary Mr Jocelyn Kwok and the Chamber's staff in Mauritius, to Mr Mrinal Roy and the London Office staff and to Mr Géo Govinden, at the Brussels Office, for their ongoing commitment. I would also have a special vote of thanks for Mrs Marie Hart de Keating, Treasurer, who retired from the Chamber in July 2008 after 19 years of dedication and loyalty.

Jean Ribet
PRESIDENT

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