The year 2005/2006 was marked by the untiring commitment of sugar industry stakeholders faced with adversity. With the confirmation of the 36 per cent drop in EU sugar prices staged over a period of four years as from 2006, the industry reacted with renewed determination and clairvoyance. An even bolder reform strategy emerged, improving on the Roadmap of September 2005 and now standing in the form of the Multi-Annual Adaptation Strategy (Action Plan) 2006 - 2015.

This new Action Plan aims at maintaining Mauritius as a competitive supplier of sugar to the EU market while at the same time, transforming the sector into an integrated sugar cane industry that will optimise the production of higher value added sugars, electricity generation from bagasse and ethanol production in the new context of biofuels. Moreover, the Plan builds on our strong experience of on-going reform and fields key strategic actions that are based on real opportunities emerging from the sugar cane plant.

It needs to be pointed out that the Action Plan, to which the Chamber actively contributed in its role of safeguarding institution, is a significant response to Mauritius’s new open economic policy and integrates the disruptive impact of eroding preferences with a strong gearing towards market competitiveness.

Indeed, the EU Council of Ministers adopted on 20 February 2006 the new EU Sugar Regime regulation. The new regime, which will be effective as from July 2006, contains two fundamental changes that will impact on ACP Sugar Protocol suppliers, namely the price decrease and the change of the guaranteed intervention price into a reference price.

The confirmed price decrease will, during the lifetime of the new EU Sugar Regime from 2006/2007 to 2015, lead to ACP Sugar Protocol quota holders losing around €1.8 billion overall. Moreover, since the ACP sugar price is expressed as a CIF price, their situation is even worse in view of the increasing cost of both inland transport and overseas freight. Mauritius, as the largest quota holder under the Sugar Protocol, is expected to lose up to €895 million over the nine years of implementation of the new Sugar Regime.

Additionally, the change in terminology from the intervention price to a reference price is accompanied by a fundamental change in the nature of the pricing mechanism for sugar. The new reference price will only give an indication of the level of prices where commercial transactions can take place. The EU sugar market has in actual fact moved from a seller’s market to a buyer’s market, whereby price will be determined by mainly two factors, tariffs liberalisation in the context of WTO liberalisation and the quantities of sugar available on the EU market. One major concern is the dramatic effect that a large influx of sugar on the EU market would have on sugar prices, thus further eroding the competitiveness of ACP countries as far as sugar production is concerned.

Much was expected from the EU in respect of the accompanying measures designed to mitigate the effects of the new EU Sugar Regime and assist in the development of alternative strategies. Only €40 million were granted to ACP Sugar Protocol countries for the year 2006/2007 and the share for Mauritius amounted to a low €6.5 million. However, an additional €4.5 million have successfully been mobilised from unused funds under the 9th European...
Development Fund (EDF). The total amount to be made available for the year 2006/2007 when matched against the investment requirements for the same year, estimated at €95 million, hints at the scope of complementary financing that industry stakeholders, namely private operators, will need to secure from other sources.

As regards the years 2007/2008 to 2013/2014, the EU Commission has indicated its intention to provide a maximum of €1.3 billion, starting with €165 million in 2007/2008. However, at the time of writing, there is no such certainty as EU Member States still need to agree on their financial perspectives for the period 2007 to 2013. The other issue of concern for ACP countries, and mainly Mauritius as the largest Sugar Protocol supplier, is the EU’s intention to cap the amount of accompanying measures to be made available to each ACP Sugar Protocol supplier to a maximum of 15 per cent of the overall budget available. Lobbying efforts to remove this capping are actively being pursued.

As far as the Economic Partnership Agreement negotiations are concerned, Mauritius, together with the other fifteen countries forming the Eastern and Southern Africa (ESA) region, has repeatedly examined the issue of treatment of the Sugar Protocol, an agreement that cuts across all the three ACP regions and some of the ESA countries, as well as other EPAs. Our mandate here is to preserve, in any outcome envisaged, the benefits derived from the Sugar Protocol and its special legal status as provided in article 36-4 of the Cotonou Agreement.

In December 2005, the WTO held its 6th Ministerial Meeting in Hong Kong and the Chamber participated actively in its deliberations. Expectations with regard to potential progress on agriculture, NAMA and services were low as, in the run up to the meeting, the 149 members of the WTO could not agree on a way forward. In actual fact, the EU, the US and the G20 could not agree on the modalities on agriculture and NAMA and, at the same time, their proposals on services drew resistance from both developing countries and Least Developed Countries (LDCs). At the end of the event, negotiators agreed on general principles which may be used to guide the development of the modalities on agriculture and NAMA by April 2006 and the proposal of full modalities by July 2006. The position of Mauritius was to strongly defend the multifunctional
The role of agriculture and the preservation of longstanding preferences, i.e. the Sugar Protocol.

By the April 2006 deadline, WTO members did not reach any agreement. A new deadline of July 2006 was notified and supported by WTO Director General, Pascal Lamy, to no avail as the positions of the big players remained largely divergent. There is today the risk that the Doha Development Agenda collapses.

The 2005/2006 harvest produced a total of 519,816 tonnes of sugar, representing a 9.1 per cent drop from the previous year. Cane production amounted to 4,980,713 tonnes, representing a 5.6 per cent decrease when compared to the 5,280,370 tonnes harvested in 2004. From 69,698 hectares previously, the area harvested has fallen by 1,317 hectares, to 68,381 hectares in 2005. This drop, corresponding to a decrease of 1.8 per cent within a single year, was one of the highest registered over the past decade. Unfavourable climatic conditions additionally compromised this year’s crop performance, with the result that both cane yield and extraction rate went down in significant proportions.

As regards the non-sugar sector, it is to be noted that national food crop production (excluding banana and pineapple) amounted to 80,317 tonnes only in 2005, compared to the previous year’s production of 95,143 tonnes. The harvested acreage also recorded a significant drop, from 6,888 to 6,246 hectares over the same period. At the same time, the volume of imported agricultural commodities (excluding fish and fish products, soft and alcoholic beverages, sugar, cigarettes and cigars) amounted to 350,558 tonnes, thus confirming the increasing dependency of the country on the importation of food commodities.

Our weakened local currency, increased freight rates, price fluctuations due to adverse climatic conditions in our traditional exporting countries, coupled with market forces, have all contributed to a severe increase in the food import bill. It needs to be highlighted that net food-importing countries like Mauritius will find it increasingly difficult to secure their future food requirements on competitive and acceptable terms.

The year under review also witnessed another major change at the level of the Mauritius office. Mr Jean Li Yuen Fong, who was appointed General Secretary of the Chamber on 1st July 2005 in replacement of Mr Jean Noël Humbert, resigned in January 2006 to take up his new post as Director of the Mauritius Sugar Producers’ Association. Mr Jocelyn Kwok is now the new General Secretary of the Chamber.

I wish to extend in the name of the Chamber my warmest congratulations to Mr Tyack and place on record his exceptional contribution to furthering the interests of the Mauritian sugar industry.

I also need to mention the MMPA which will, as from July 2006, operate as a fully autonomous body with the Chamber continuing to provide to the association its full support in the promotion of the local livestock sector. This action is in line with the required streamlining of resources at the level of the Chamber, as it will be recalled that the post of Secretary of the MMPA was entrusted to the Officer in Charge of the Diversification Department at the Chamber since the creation of the Association, back in 1975.

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 past General Secretary, Mr Jean Li Yuen Fong, to the newly appointed General Secretary, Mr Jocelyn Kwok and the Chamber’s staff in Mauritius, to Messrs Jean-Claude Tyack and Mrinal Roy and the London Office staff, and to Mr Géo Govinden at the Brussels Office, for their warmth, loyalty and commitment.

Christian Foo Kune
PRESIDENT