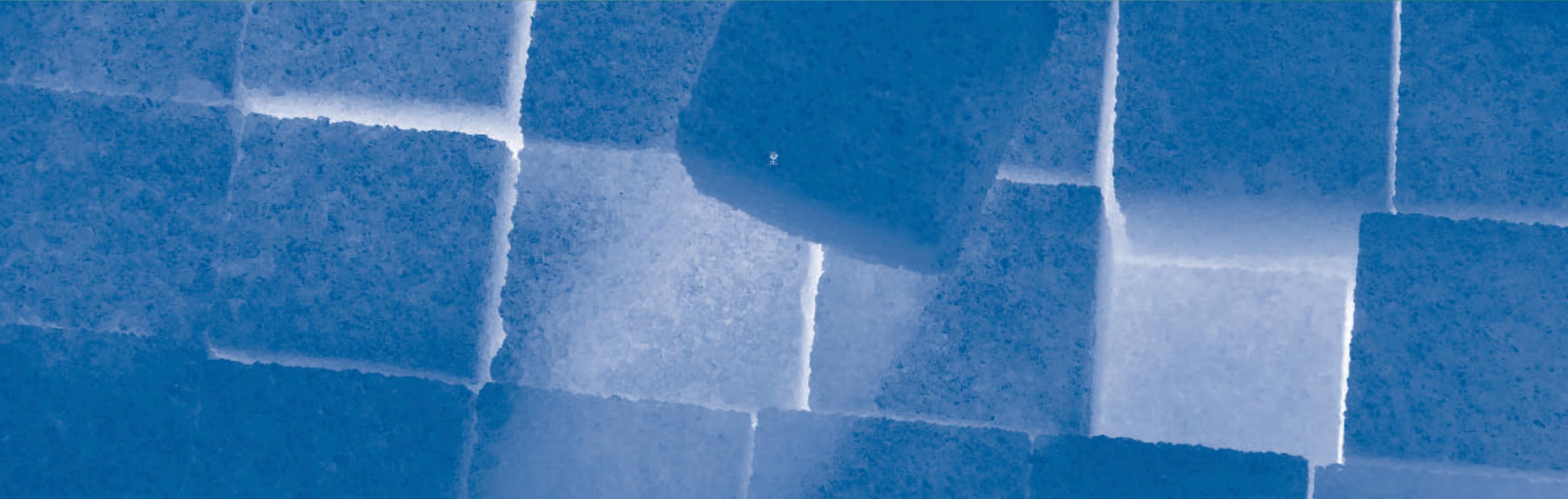




## chapter two

## Sugar Industry





## Sugar

## Industry



### The 2007 Sugar Campaign

The 2007 sugar campaign ended on 15 December 2007 after nearly 26 full weeks of harvesting and milling operations. Sugar production finally 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).

Major events occurred during this campaign, namely the delaying of the campaign over more than two weeks and the centralisation of the milling activities of Mon Trésor Mon Désert and of Riche en Eau to Savannah. Mention should also be made of the fire that broke out at Mon Loisir factory on 6 September 2007 and the required reorientation of the canes towards FUEL and Belle Vue.

The vegetative period of sugar cane beginning in November 2006 up to May 2007 was marked by a lack of rainfall, except in January and towards end February/early March when heavy downpours associated with tropical cyclone Gamede had a positive fallout on the filling rate of the reservoirs of the island. However, although damage was not extensive, the stormy winds had a negative impact on cane growth, together with the water logging conditions experienced in most of the fields and the lack of solar radiation.

As the weather prevailing after Gamede was not conducive to a rapid recovery of the sugar cane plant, namely a rainfall deficit during the second fortnight of March and in April in low altitude zones and the northern region, lower cane quality and extraction rates were recorded, as is usually the case in cyclonic years. In June, the Crop Estimate Coordinating Committee, chaired by the Chamber, set the first estimate of the 2007 crop production at 465,000 tonnes, which already represented a fall of 12.4 per cent compared to the 2002-06 average yearly sugar production.

Thereafter, the inclement weather conditions prevailing at the start of the cane maturing period did not favour sucrose accumulation while an above normal rainfall in October and in November was also not conducive to cane ripening. Maximum temperatures were above normal during this period while minimum temperatures were in general above normal, with ensuing above normal temperature amplitude.

The above factors had a direct bearing on cane and sugar productivity. Cane crushed amounted to 4,230,629 tonnes, which is 15.6 per cent below the mean cane production of the past five years (5,014,282 tonnes). The average cane yield per hectare was 64.91 tonnes, which is below the preceding year's yield of 71.17 tonnes per hectare and equally below the average of the past five years (72.10 tonnes).

On a regional basis, the lowest cane yield was recorded in the North with 57.95 tonnes per hectare while the highest yield was in the West with 79.52 tonnes per hectare, that is, nearly 14.60 tonnes above the average for the island.

Sugar yield per hectare reached a low 6.68 tonnes, which is significantly below the mean for the past five years (7.63 tonnes per hectare). The North had the lowest yield with 5.14 tonnes per hectare while the best yield was obtained in the West with 8.70 tonnes per hectare.

Sugar recovered reached 10.31 per cent. The highest rate was achieved in the West with 10.83 per cent and the lowest in the South with 10.03 per cent.

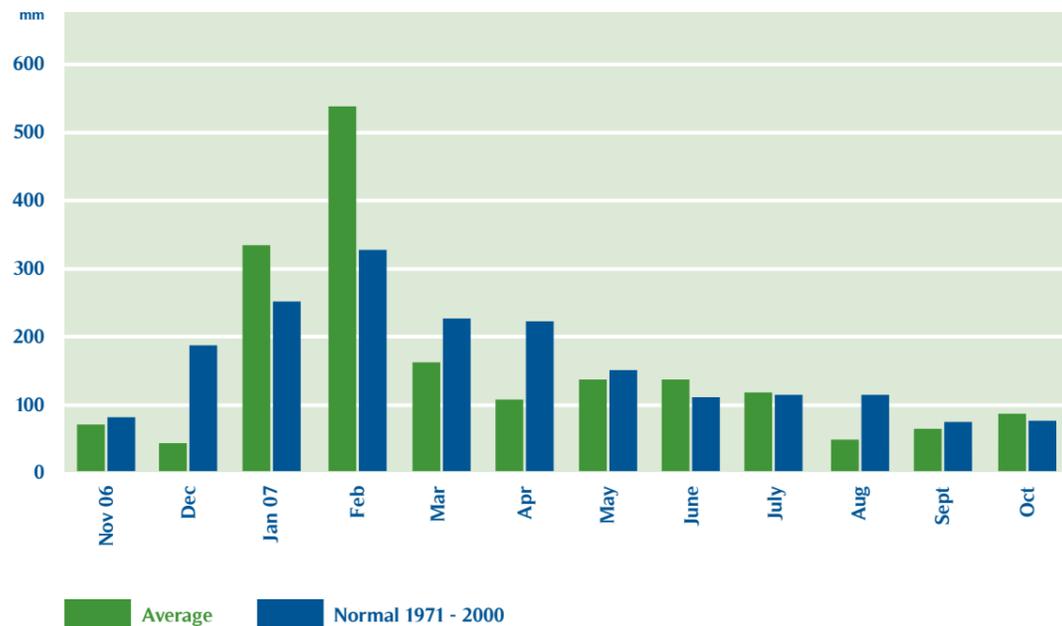
It is worth mentioning the decrease of 1,473 hectares in the total area harvested, a drop which is higher than the average yearly drop of 1,293 hectares since 2002 and also the second highest yearly fall over the past five years. The South registered the greatest fall (909 hectares) while an additional 559 hectares had been harvested in the North compared to 2006.

**Table 5: Crop Data, 2003 - 2007**

	2003	2004	2005	2006	2007
Area under cultivation (ha)	74,114	72,955	71,583	70,801	68,523
Area harvested (ha)	70,998	69,698	68,351	66,732	65,259
Difference from previous year (ha)	(1,269)	(1,300)	(1,317)	(1,619)	(1,473)
Cane yield per hectare (tonnes)	73.23	75.76	72.89	71.17	64.91
Cane production (tonnes)	5,197,210	5,277,137	4,980,713	4,746,299	4,230,629
Sucrose content (% cane)	11.80	12.24	11.83	12.04	11.83
Sugar recovered (% cane)	10.34	10.85	10.44	10.64	10.31
Tonnes of cane per tonne of sugar	9.68	9.22	9.58	9.41	9.70
Sugar yield per hectare (tonnes)	7.57	8.22	7.6	7.57	6.68
Sugar production (tonnes tel quel)	537,155	572,316	519,816	504,857	435,972

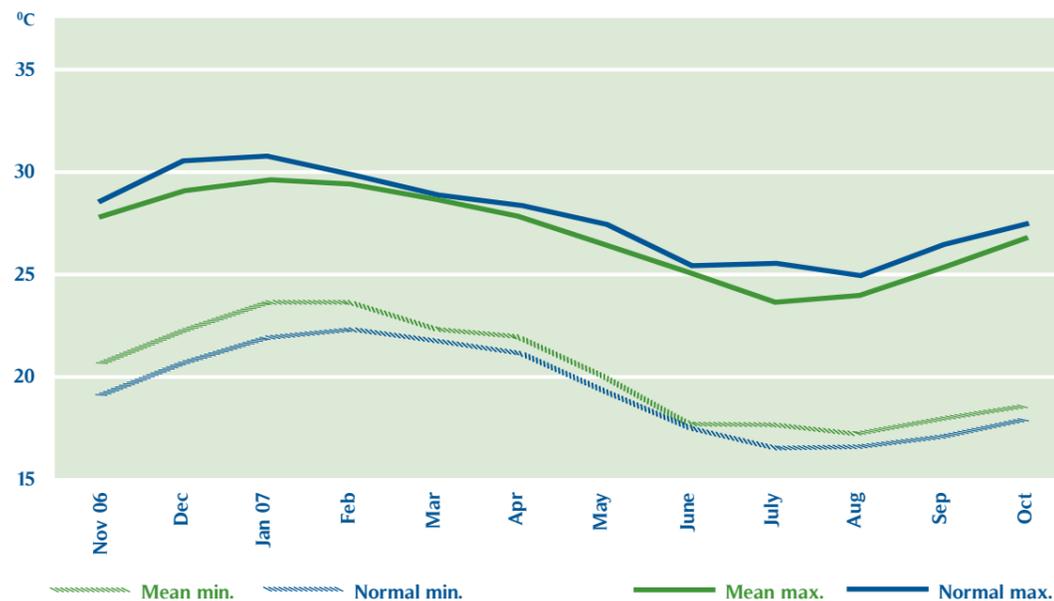
## Sugar Industry

Figure 3: Rainfall – Crop 2007



(Source: Mauritius Meteorological Services)

Figure 4: Temperature – Crop 2007



(Source: Mauritius Meteorological Services)

## The 2008 Sugar Crop

The 2008 sugar crop started under very dry weather conditions, namely during the month of December 2007 when rainfall represented only 33 per cent of the long-term mean. Such conditions did not favour cane growth. As at end December 2007, cane height showed a setback of 12.5 per cent compared to the normal. Thereafter, better climatic conditions during the first three months of 2008 had a positive fallout on cane height which was then 8 per cent lower than the normal at the end of March.

However, extreme weather conditions till the end of the vegetative period had a negative impact on cane development, namely a rainfall deficit during April (24 per cent of the long term mean), heavy downpours in May (200 per cent of the long term mean) and a lack of solar radiation during the same month.

At its first meeting held on 13 June 2008, the Crop Estimate Coordinating Committee, chaired by the Chamber of Agriculture, estimated that the 2008 sugar crop would vary between 450,000 and 460,000 tonnes, based on a cane output of some 4.4 million tonnes.

## Sugar Sales and Sugar Prices

### Exports to the European Union

The annual commitment of Mauritius under the Sugar Protocol for the 1 July – 30 June delivery period amounts to 491,030 tonnes white sugar equivalent (wse), that is, some 506,000 tonnes tel quel. The major part of this quota, comprising mainly bulk raw sugar and some Demerara and Special Raw Sugars for direct consumption, is due for delivery to Tate & Lyle under the terms of a five-year rolling contract starting 1 July 2006. In addition, a minimum volume of 18,000 tonnes tel quel of bulk raw sugar is destined to Tate & Lyle Açucares in Portugal.

After adjustment with preceding delivery periods, the delivery obligation of Mauritius under the Sugar Protocol for the period July 2007 to June 2008 amounted to 476,789.7 tonnes wse. However, only 404,225.8 tonnes wse (416,549 tonnes tel quel) were delivered to Tate and Lyle, together with 20,000 tonnes tel quel of bulk raw sugar from the 2007 crop to compensate for the 2006-07 quota shortfall.

Hence, Mauritius 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. Mauritius requested therefore an extended delivery period to make good the shortfall of its 2007-08 commitments.

### ACP Sugar Price

#### 2007-08 Delivery Period

It will be recalled that as per the provisions of the new EU Sugar Regime effective as from 1 July 2006, ACP sugar delivered to the EU under the Sugar Protocol for the 2006-07 delivery period was subjected to a first 5.1 per cent cut and stood at €496.8 per tonne CIF basis, which is equivalent to the EU reference price for raw sugar. For the 2007-08 delivery period, the price remained the same.

All exports were paid in Euros except for special sugars exported to the United Kingdom, for which payments were effected in pound sterling.

## Sugar Industry

### Exports to the United States and to World Free Market

Given the Sugar Protocol quota shortfall, small quantities of special sugars were delivered on the US market and world free market destinations, amounting to 1,840 tonnes tel quel, as compared to some 15,000 tonnes last year. The breakdown of these deliveries during the period July 2007 to June 2008 is detailed as follows:

Country	Tonnes Tel Quel
Bosnia	168
Canada	41
Egypt	84
Hong Kong	189
Israel	127
Kuwait	21
Macedonia	21
Russia	1,008
Saudi Arabia	21
Sultanate of Oman	96
Switzerland	42
United Arab Emirates	21
<b>Total</b>	<b>1,840</b>

### Long-term Partnership Agreement Mauritius Sugar Syndicate-Sudzucker

On 2 June 2008, the Mauritius Sugar Syndicate signed a Long-Term Partnership Agreement (LTPA) with the German group Südzucker, whereby as from July 2009 up to 2015, the Syndicate will supply the bulk of the sugars produced in Mauritius to Südzucker as white sugars for direct consumption (about 400,000 tonnes).

The LTPA represents a major breakthrough for the local sugar industry as it will enable it to further consolidate its development with the advent of flexi-factories, producing white and speciality sugars, but also electricity from bagasse and ethanol, as provided for in the Action Plan 2006-15. Furthermore, the LTPA will provide a new market access opportunity to Mauritius with the sale of value added direct consumption sugars. This is particularly important as, with the denunciation of the Sugar Protocol which will be effective as from September 2009, Mauritius will enter into a new sugar arrangement under the Economic Partnership Agreement with the EU where trade in sugar will be managed on a regional basis.

### Domestic Sales

Local market requirements of raw and refined sugar for the 2007-08 delivery period were met by imports. These totalled 41,480 tonnes, comprising 37,995 tonnes of white refined sugar and 3,485 tonnes of raw sugar for direct consumption.

Sales for domestic consumption amounted to 40,390 tonnes. Of that tonnage, 15,884 tonnes, consisting of 14,352 tonnes of refined sugar and 1,532 tonnes of raw sugar were supplied to industrial users, and the remaining quantities, i.e. 24,506 tonnes, to wholesalers and packers for domestic household consumption.

### Summary of Sugar Exports and Domestic Sales

Table 6 summarises sugar exports and domestic sales during the past two calendar years.

**Table 6: Sugar Sales, 2006 and 2007 (Tonnes tel quel)**

Exports	Calendar Years	
	2006	2007
EU quota (Sugar Protocol)	512,282	431,318
EU (Complementary Quantity*)	13,653	-
World free market	10,784	7,857
United States market	5,397	3,000
<b>Total exports</b>	<b>542,116</b>	<b>442,175</b>
Domestic market	39,458	39,560
<b>Total offtake</b>	<b>581,574</b>	<b>481,735</b>

(Source: Mauritius Sugar Syndicate)

\* the Complementary Quantity (CQ) succeeded to the Special Preferential Sugar (SPS) Agreement as from 1 July 2006 for the supply of EU refiners' raw sugar requirement and will apply till the 2008-09 marketing year.

**Table 7: Sugar Proceeds, 2006 and 2007 Crops**

	2006-07 Crop		2007-08 Crop	
	Rs million	%	Rs million	%
EU quota (Sugar Protocol and CQ)	10,153.6	94.65	9,386.50	97.57
World free market	267.3	2.49	4.96	0.05
United States market	74.6	0.70	1.52	0.02
<b>Total exports (fob)</b>	<b>10,495.5</b>	<b>97.84</b>	<b>9,392.98</b>	<b>97.64</b>
Domestic market	231.7	3.16	227.25	2.36
<b>Total</b>	<b>10,727.2</b>	<b>100.00</b>	<b>9,620.23</b>	<b>100.00</b>

(Source: Mauritius Sugar Syndicate)

**Table 8: Ex-Syndicate Prices received by Producers, 2006 and 2007 Crops**

(Rupees per tonne, 98,5<sup>0</sup> Pol., before deduction of SIFB premium)

	2006 Crop	2007 Crop
On total production	17,891.24	18,620.15

(Source: Mauritius Sugar Syndicate)

## Sugar Industry

**Table 9: Average Ex-Syndicate Price and Average Net Price received by Producers, 2006 and 2007 Crops** (Rupees per tonne)

	2006 Crop	2007 Crop
<b>Average receipt per tonne (local and exports) after costs of imports</b>	<b>19,848</b>	<b>20,899</b>
Expenses:		
Statutory	1,161	1,315
Direct and Financial	636	660
Administrative	160	304
<b>Total expenses (export and domestic)</b>	<b>1,957</b>	<b>2,279</b>
<b>Net average price before Sugar Insurance Fund Premium</b>	<b>17,891</b>	<b>18,620</b>
Bagasse proceeds	125	150
<b>Average ex-Syndicate price</b>	<b>18,016</b>	<b>18,770</b>
Sugar Industry Fund Premium	(1,678)	(1,915)
<b>Average net price received by producers</b>	<b>16,338</b>	<b>16,855</b>

(Source: Mauritius Sugar Syndicate)

## Multi-Annual Adaptation Strategy (MAAS) 2006–15

The year under review was marked by the long-awaited launch of the sugar industry's reform, which had not known any significant progress since the approval of the Multi Annual Adaptation Strategy (MAAS) by Cabinet in April 2006. Indeed on 5 December 2007, after months of intense negotiations, Government and the Mauritius Sugar Producers' Association (MSPA) finally arrived at a consensus regarding the critical issues of land disposal, industry participation in national electricity production, financing of the social costs of the reform, price of sugar on the local market, and equity participation of planter and worker stakeholders in the new ventures proposed by the reform strategy, namely power plants and refineries.

The Government/MSPA agreement paved the way for the timely implementation of five reform measures of the sugar industry, which were also required for the conditional disbursement of EU accompanying measures. These concerned (i) the closure of three factories, namely Mon Trésor Mon Désert, Riche en Eau and St Félix; (ii) the departure of 3,500 workers under the Voluntary Retirement Scheme (VRS); (iii) the enrolment of 1,500 workers leaving the sector in training/reskilling programmes; (iv) the derocking of 750 hectares of land belonging to small planters; and (v) the redeployment of 500 workers leaving the industry under the VRS, Early Retirement Scheme (ERS) or Blue Print to other sectors of the economy.

It is worth noting that in the context of the sugar industry's reform, Mon Désert Alma factory closed down in March 2008. The closure of Mon Loisir, which had ceased its milling activities due to the fire that broke out during the 2007 campaign, will become effective once the issue of the reorientation of its canes is resolved. Hence, only six sugar factories were operating on the island during the 2008 crop.

Between December 2007 and June 2008, about 7,200 workers had left the industry, including 6,442 under the VRS II, 209 under the ERS and 469 under the Blue Print. Among these workers, 1,865 had enrolled in a training scheme while some 400 employees had been redeployed and 100 others had become self-employed. Cash compensation paid amounted to Rs 3.34 billion.

It is worth noting that a mid-term review of the MAAS is scheduled in 2009.

## Price of Sugar on the Local Market

The adjustment of the price of sugar on the local market is one of the main decisions agreed upon during the Government/MSPA negotiations. For many years, the Mauritius Sugar Syndicate and the Chamber had been making representations in order to achieve this demand from the sugar sector.

In July 2008, in order to reflect the cost of imports, Government finally decided to adjust the price of sugar sold to industrial users with immediate effect, whereas that for the domestic market would be staged over five years, as from July 2008.

It should be noted that since 1995, the price of sugar for industrial users had remained unchanged, as well as that for retail consumption since 1992. With the cost of imported sugar getting higher, sugar producers had thus been taking the brunt of the price differential, which amounted to Rs 250.4 million for the 2007-08 crop.

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 price adjustment for the retail market will still represent a subsidy burden over the next five years and the immediate elimination of such subsidy is being strongly sought.

## The International Scene

### WTO Negotiations

In the wake of the denunciation of the Sugar Protocol in September 2007, Mauritius in the context of WTO negotiations aims at protecting its margin of preference in the EU market. Indeed, the potential decrease of tariffs in the EU on sugar, which could be as high as a 66 per cent cut, represents a major threat to our exports to the EU. Mauritius therefore considers that the issue of longstanding preferences should remain at the forefront. In so doing, it is implied that there should be no tariff cut or, in the event that there would be some, that these are kept very low and are extended over a longer implementation period than the normal time frame, notwithstanding the maintaining of the special safeguard clause over that same period.

During the year extending from July 2007 to June 2008, WTO members continued consultations in view of reaching a compromise. Little progress was achieved as divergent positions persisted on market access in agriculture and NAMA (non agricultural market access) and domestic subsidies.

## Sugar Industry

### The Sugar Protocol Denunciation

On 4 April 2007, the EU Commission made a proposal on trade in sugar between the ACP and the EU. It will be recalled that when the proposal was made, the Chamber drew attention to the fact that the proposal was tantamount to a denunciation of the Sugar Protocol as an international agreement. In a last ditch effort to save the Sugar Protocol and to recall the EU to its international obligations, the ACP countries held a special sugar ministerial conference in Brussels from 12-14 September 2007. The ministers concluded as follows:

- (i) It is the right of each ACP individual State to challenge the EU position.
- (ii) The Ministers received information on a presentation on behalf of the LDC Commercial Group which emphasised the LDC position that their access should not be at the expense of the non-LDC ACP Sugar Group.
- (iii) It was agreed that the response to the 4 April 2007 offer should follow a twin track approach. Certain core issues should be discussed at an all-ACP level and should guide specific issues to be negotiated at the regional level.
- (iv) The Ministers underscored the need to take into account the sensitive nature of sugar and the multifunctional role that the sugar sector plays in the economy of ACP sugar producing countries; they also reached consensus on market access which should build on the acquis of the Sugar Protocol and agreed that no ACP country should be worse off than at present.
- (v) The minimum price should not be less than the reference prices fixed under the current EU sugar regime, and must apply for the entire life of the EU sugar regime till 2015. To this end, it is essential that the EU gives firm written assurances that it will take specific measures and maintain the market balance between supply and demand so as to stabilise market prices at a minimum of the reference prices currently fixed until 2015.
- (vi) There should be minimum access quantities which build on the acquis and individual market access should be improved.
- (vii) There should be no safeguard measures applicable to market access quantities.
- (viii) The final agreement on the specific issues of (i) prices, (ii) minimum access quantities, including additional market access provisions, and (iii) safeguard measures, should be annexed to the Economic Partnership Agreements (EPAs) of the Sugar Protocol States, signifying the transposing of the core Sugar Protocol benefits to the EPAs.

On 28 September 2007, the EU through a Note Verbale denounced the Sugar Protocol, giving the ACP the two years' notice as required by the agreement. The denunciation of the Sugar Protocol marks the end of an era which saw the sugar industry emerge as one of the pillars of the Mauritian economy. Indeed, export earnings from sugar have consistently irrigated the economy and have enabled its successful diversification over the years.

As from September 2009, trade in sugar between the ACP and EU will be done through Economic Partnership Agreements. The new relation will be marked by the end of individual country allocation in favour of regional allocations, whereby each EPA will obtain a regional ceiling - which is yet to be agreed upon. The EU has agreed to grant a minimum market access of 1,380,000 tonnes of sugar for

2009-10, of 1,450,000 tonnes for 2010-11 and of 1,600,000 tonnes for the years 2011-12 to 2014-15 for non-LDC ACP countries provided that total ACP exports do not exceed 3,500,000 tonnes. As for LDCs, they will not be constrained by any quota as from September 2009 as provided under the 'Everything but Arms' initiative.

### Sugar and ESA

Within the ESA region, the European Commission initialled an interim trade agreement with the Seychelles and Zimbabwe on 28 November 2007, with Mauritius on 4 December 2007 and with Comoros and Madagascar on 11 December 2007. The deal includes a WTO-compatible market access schedule, provisions on development cooperation, fisheries and other issues. The agreement is a framework towards the completion of a comprehensive Economic Partnership Agreement by the end of December 2008; however the interim ESA-EU EPA agreement contains an article which provides that the interim EPA shall continue until the entry into force of the full EPA. This will ensure that there is no disruption of trade.

Annex 1 of the interim agreement provides for the market access conditions of all goods, including sugar. Besides the minimum market access mentioned earlier, over the 2009-10 to 2014-15 period, it is to be noted that as a gesture of goodwill, the EU has granted an additional access of 75,000 tonnes of sugar for all ESA eligible countries for year 2008-09. Furthermore, in the context of EPA, there will be no individual country allocation but only a regional allocation. In the ESA region, the two non-LDC countries, Mauritius and Zimbabwe, will be expected to come to an arrangement with regard to the management of their respective exports to the EU. There is additionally a tacit agreement among all ACP sugar producers that no country should be worse off as compared to the situation under the Sugar Protocol.

Taking note of the new situation concerning trade in sugar in the context of EPAs, the Mauritian sugar institutions, i.e. the Mauritius Chamber of Agriculture and Mauritius Sugar Syndicate, decided to meet with the regional industry stakeholders. The objective was to arrive at an overall agreement which would benefit all ESA member countries of the region.

A first meeting took place in Durban and the representatives of the various stakeholders were able to reach agreement on the key principles with regard to the tonnages that the ESA region would request in the context of the EPA and the sharing of the interim agreement quota of 75,000 tonnes. The stakeholders present also agreed to collaborate to maximise opportunities for the benefit of its members. The intention of the participants was to facilitate the process and to report back to their respective capitals where the final decision would be taken.

### United States Sugar Market

For the 2007-08 delivery period, Mauritius was allocated a quota of 12,636 mtrv (12,076 mttq) on the basis of its 1.2 per cent share of the US import quota for raw sugar, set at the minimum GATT bound level of 1,231,497 short tons raw value (1,117,195 mtrv). As a result of the poor 2007 sugar crop, no sale of sugar was effected to the US market.

## Sugar Industry

### Final World Sugar Production 2006

During the year 2006, world sugar production grew by 10.8 million tonnes to 152.2 million tonnes as compared to 2005. The rise in production is mainly due to better crops in India, Brazil, and Thailand, in spite of a sharp decrease in production in the EU after the reform of its sugar regime. As regards consumption, world per capita consumption grew from 23 kg to 23.1 kg.

On the trade front, the market witnessed a continued growth from 47.9 million tonnes traded in 2005 to 49.6 million tonnes in 2006. The growth is expected to continue in 2007. The year 2006 also saw an amelioration in world prices; indeed the annual average price stood at 14.77 cents as compared to 9.89 cents in 2005.

### By-Products of the Sugar Industry

#### Molasses

The production of molasses measured at 86° Brix reached 130,917 tonnes in 2007, which is 6.2 per cent lower compared to the 139,621 tonnes produced in 2006. It is worth noting that since 2003, the production of molasses has been decreasing, passing from 160,141 tonnes to its current figure, i.e. a 14.7 per cent decrease. The producer price of molasses stood at Rs 1,361.69 per tonne against Rs 1,898.18 per tonne in 2006.

Exports of molasses in 2007 reached 41,002 tonnes against 61,497 tonnes in the previous year, representing a 33 per cent decrease and the lowest tonnage exported over the past ten years. This is mainly explained by the higher tonnage of molasses which had been geared towards the domestic production of ethanol.

#### Alcohol and Alcohol Products

Alcohol and alcohol products derived from molasses and cane juice include rectified, refined and denatured spirits, rum, alcohol for export and vinegar. In 2007, production of alcohol and alcohol products by local distilleries totalled 8,765,866 litres (basis 100° GL), which is 3.1 per cent higher than last year's 8,497,751 litres. Rectified spirits (3,447,969 litres) and alcohol destined for exports (3,078,137 litres) represented respectively 39.3 per cent and 35.1 per cent of total production. Production of alcohol destined for export had increased nearly two-fold compared to 1,554,633 litres previously.

#### Electricity

In 2007, five firm producers and four continuous producers, i.e. those producing electricity with bagasse only during the crop season, produced a total of 1,461.5 GWh, of which 467.9 GWh (32 per cent) were generated from bagasse, representing 19 per cent of total electricity produced in Mauritius.

84 per cent (1,226.7 GWh) of total energy produced by IPPs was supplied to the Central Electricity Board (CEB). These 1,226.7 GWh represented an increase of 20.7 per cent compared to the 1,015.7 GWh supplied in 2006, and as much as 55.8 per cent of the total of 2,198.9 GWh generated for sales in Mauritius. Table 10 shows the sales proceeds received from the CEB from 2003 to 2007.

During the year, firm and continuous producers sold respectively 1,182.7 GWh and 44.0 GWh of electricity. Sales by continuous producers decreased by 61.3 per cent compared to last year's 113.6 GWh following further centralisation in line with the sugar reform process. Total electricity from bagasse sold by both firm and continuous producers however amounted to 346.8 GWh representing 15.8 per cent of total energy supplied to the national grid. In 2006, that same production amounted to 296.2 GWh only, that is, 14.2 per cent of electricity generated for sale to the grid.

**Table 10: Sale of Electricity to the Public Grid by Independent Power Producers**

	2003	2004	2005	2006	2007
GWh	729.4	725.1	835.4	1,015.7	1,226.7
Sales proceeds (Rs million)	1,388.5	1,513.6	2,054.2	2,636.4	3,397.3

(Source: Central Electricity Board)

#### Chemical Fertilisers

The various types of chemical fertilisers used in Mauritius were imported or blended from imported raw materials by the Mauritius Chemical and Fertilizer Industry Limited (MCFI) and Island Fertilizers Limited mainly.

Available figures from the CSO show that the tonnage of imported fertilisers had fallen by 18 per cent in 2007, from 55,314 tonnes previously to 45,336 tonnes, for a CIF value of Rs 476,188 million against Rs 471,235 million in 2006.

This downtrend in imports was mainly attributable to the significant increase in the price of the different types of fertilisers on the world market during the year under review. These price hikes have also triggered the increased use of vinasse and concentrated molasses solids (CMS) in liquid fertiliser formats.

However towards the end of 2008, following a general drop in prices of raw materials on the world market, local manufacturers have revised downward their prices with a substantial reduction of 10 to 20 per cent for blended NPK grades.