

Box 1 A Road-Map for the Mauritius Sugarcane Industry for the 21st Century

The annual sugar production in Mauritius is estimated at 575,000 tonnes. Sugar has been traded under the Commonwealth Sugar Agreement since 1951 and under the Sugar Protocol since 1975. Under the provisions of the Sugar Protocol, signed between the EU and the ACP sugar supplying countries, Mauritius has an annual quota of 507,000 tonnes of raw sugar at a guaranteed price. The quota allocated to Mauritius is the largest among the ACP countries, representing about 35 per cent of the total allocation. The current guaranteed price is Euro 523.70 per tonne.

Since its inception in 1968, the EU Sugar Regime has undergone various changes. Its basic structure, however, which deals with production quotas, guaranteed beet and sugar prices, export refunds, etc, has remained largely unchanged. Given that the prices that they obtain are aligned on EU prices, ACP sugar supplying countries would be affected should there be any reform of the EU Sugar Regime.

In 2003, Australia, Brazil and Thailand challenged the legality of the EU Sugar Regime under WTO rules. The three countries argued that the high intervention price guaranteed to domestic producers allowed the EU to export sugar, including the 1.6 million tonnes currently imported from ACP countries and India under the Sugar Protocol. A WTO Panel upheld the complaints made by the three countries and the ruling was confirmed by the WTO Appellate Body in April 2005. Accordingly, the EU would need to reduce its imports tariffs which would result in the phasing out of the export of some 5.1 million tonnes of sugar.

In another development, the import of sugar by the EU is expected to increase substantially following the signature in 2001 of the Everything but Arms initiative, in terms of which 48 least developed countries will be

allowed duty-free access to the EU market as from 2009 for their domestically produced sugar. In addition, following negotiations between the EU and 77 ACP countries on the Economic Partnership Agreements to replace the Cotonou Agreement, duty-free access for sugar exports could be extended to all ACP countries.

As a result of all these developments, the EU came up with a radical reform of the sugar sector in November 2005. They decided that sugar prices would be reduced by 36 per cent between 2006-07 and 2009-10. The raw sugar price would be reduced from Euro523.70 a tonne to Euro497.52 a tonne in 2006-07, to Euro442.00 a tonne in 2008-09 and to Euro335.17 a tonne in 2009-10.

Given that our export prices are aligned on EU prices, Mauritius will face a catastrophic situation unless the costs of production are brought down and other avenues explored through rapid diversification within the sugar cane cluster. Annual sugar export proceeds, on average, amount to Rs10 billion. Accordingly, the Government has worked out the Road Map for the Mauritius Sugarcane Industry for the 21st Century, which sets out its strategy to cope with the proposed drastic reduction in sugar prices.

The main objectives of the Road-Map are to modernize and diversify the sugar sector so that the sugar industry becomes an efficient industry geared towards the production of sugar, high value added sugar, by-products and energy. Milling activities will be centralized and the number of factories will be reduced from 11 to 6 by 2008. Production costs will be reduced in ways that are socially acceptable. Optimal use will be made of bagasse and molasses and the production of special sugars will be increased. Every effort will be made to ensure the survival of small planters. They will participate in sugar milling and energy production to make it easier

for them to purchase and sell agricultural lands. A Land Swapping System will be set up to facilitate the financing of the modernization of the sector as well as the regrouping of small planters. The financing mechanism of the sugar cess will also be reviewed.

One very important aspect of the Road-Map is the need to diversify. It is estimated that by 2015, independent power plants located in sugar factory sites will be exporting some 1,700 GWh of electricity. Some 30 million litres of ethanol may be obtained for use as blended gasoline/ethanol. The production of Rhum Agricole as a high value product will be encouraged. The production of environment friendly sources of energy, electricity from bagasse and ethanol from molasses will be optimized.

The above measures will ensure that our foreign exchange earnings from the sugar sector are preserved and consolidated to cater for our food import needs and that the value-added of sugar and its by-products are optimized.

On the social front, the livelihood of small planters and employees and their families who depend directly on the sugarcane sector and the secondary employment created by those who indirectly service the industry will be preserved, thus ensuring that the social cohesion, which is the foundation of peaceful and stable democracy, is maintained.

Sources:

A Road-Map for the Mauritius Sugarcane Industry for the 21st Century- Government of Mauritius

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