

Sugar Sector Reform: a critical response from the trade union and social movement

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Sugar Sector Reform:

This presentation argues that the MAAS, which was tailor-made and imposed, to suit the interest of the Mauritian sugar oligarchy, has been a missed opportunity, for the Mauritian society and its people. It has been a missed opportunity in term of creating alternative policies to generate decent jobs, food and energy sovereignty. The reform, now in its final stage, ending in 2015, is proving to be one, which is yielding huge benefits to a tiny few oligarchs to the detriment of labour, work conditions and the small planters.

Sugar Sector Reform: from neo-colonialism to global capitalism

The change in the nature of capitalism, from neo-colonial pattern to a more global 'liberalised' capitalism had its imprint on the sugar sector industry in Mauritius. The Sugar Sector Reform in Mauritius , known as Multi-Annual Adaptation Strategy, implemented as the 1st July 2006, is the response of the political and economic ruling class of Mauritius to this fundamental change in the global economy.

Sugar Sector Reform:

The MAAS: new version of
previous reform plans
implemented in Mauritius

Sugar Sector Reform:

Sugar Companies and the political economy

In each of the critical historical moment of the country they have toughly bargained to preserve their economic interest.

Sugar Sector Reform:

the undemocratic MAAS process

No union got a draft copy of the Multi-Annual Plan. Unions were only invited on the eve of the day of a Power Point presentation on the 15th April 2006, when some elements of the Plan were to be presented. This was just 72 hours before the finalisation of the MAASSAP, which the Minister officially endorsed on 18th April 2006. The Minister then met representatives of the Sugar Industry unions on the 20th April 2006, 48 hours after the finalisation of the document!

The document was finally published on the Internet on November 2006 and unions officially received a printed copy on the 9th of January 2007! This is the “intensive consultations with all stakeholders of the Industry... (MAASSAP, Page 28, Section E (73)).

Sugar Sector Reform:

The squandering of the EU

Accompanying Measures (1)

“The Sugar Industry Efficiency Act 2001 already provided a series of massive tax concessions at the expense of public funds to sugar companies to enable them to *“restore and maintain the efficiency and viability of the Sugar Industry”*.

Huge concessions on land related taxes, electricity purchase agreements and preferential rate bank loans were made to enable them to cater for the payment of workforce reduction.

The MAAS, while still maintaining all existing concessions, provides for the payment of 2/3 of the expenses related to work force reduction from the EU Accompanying measures”.

Sugar Sector Reform:

The squandering of the EU

Accompanying Measures (2)

“When we put together the combined effects of SSSP 2001 and present SIEAB this amounts to 20,352 job destructions and an overall 85% reduction of permanent labour force!”.

“These amendments will enable bosses to hire seasonal labour equivalent to 50% of the labour force of the year 2001 before the introduction of the VRS and Factory closures. The labour force in permanent employment was around 21,000 workers in 2001. This means that the SIEAB, as it stands, will enable sugar bosses to potentially recruit up to 10,500 seasonal workeres in the sugar industry.”

Sugar Sector Reform:

The squandering of the EU

Accompanying Measures (3)

“Even worse is the fact that the MAAS provided for government will be financing from the EU Accompanying measures and ACP/EU Energy Fund direct capital and assets accumulation to sugar companies involved in energy production. This is beside the fact that the State is guaranteeing the purchase of electricity from these companies at very lucrative prices which are kept secret from the public.”

Sugar Sector Reform:

The squandering of the EU Accompanying Measures (4)

81

Table 19: Funding the projects of the Action Plan (Source MSA)

Component	Amount required M€	Accompanying Measures	ACP/EU Energy Fund	Other ACP/EU Funds	Private Sector/Producer Funding	Bilateral Sources
Field Operations Derocking	35	Yes	-	-	Yes	-
Field Operations Irrigation	35	Yes	-	Yes	Yes	Yes
Field Operations Mechanisation	24	-	-	-	Yes	-
VRS	97	Yes	-	-	Yes	-
Restructuring of cess	24	Yes	-	-	Yes	-
Centralisation Capital Expenditure	43	-	-	-	Yes	Yes
Blue Print	35	Yes	-	-	Yes	-
Power Plant	278	Yes	Yes	-	Yes	Yes
Ethanol	16	Yes	Yes	-	Yes	Yes
Debt Servicing	41	-	-	-	-	-
Difficult areas	11	Yes	Yes	Yes	-	-
Research	14	Yes	Yes	Yes	-	-
Social safety nets and contribution to Empowerment Fund	22	Yes	-	Yes	-	Yes
Total	675					

Source: MAAS

Sugar Sector Reform: The reshaping of MAAS

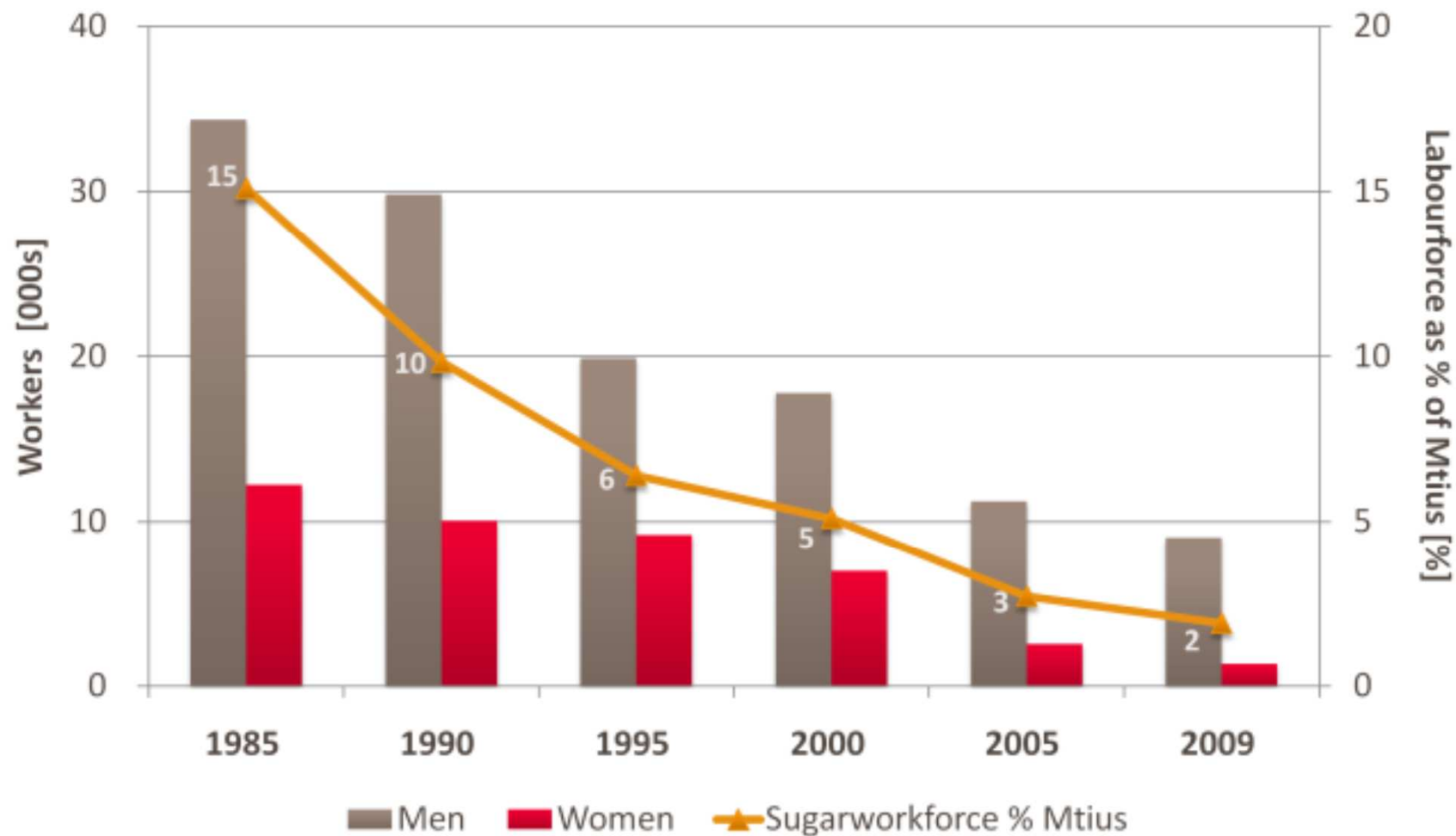
2007:

- the amendments of the SIEA amendment Bill
- renegotiation of the MAAS New Deal
- Hunton and Williams

2010-2012: 2008-2012 - sugar workers struggles
Dealt in separate booklet

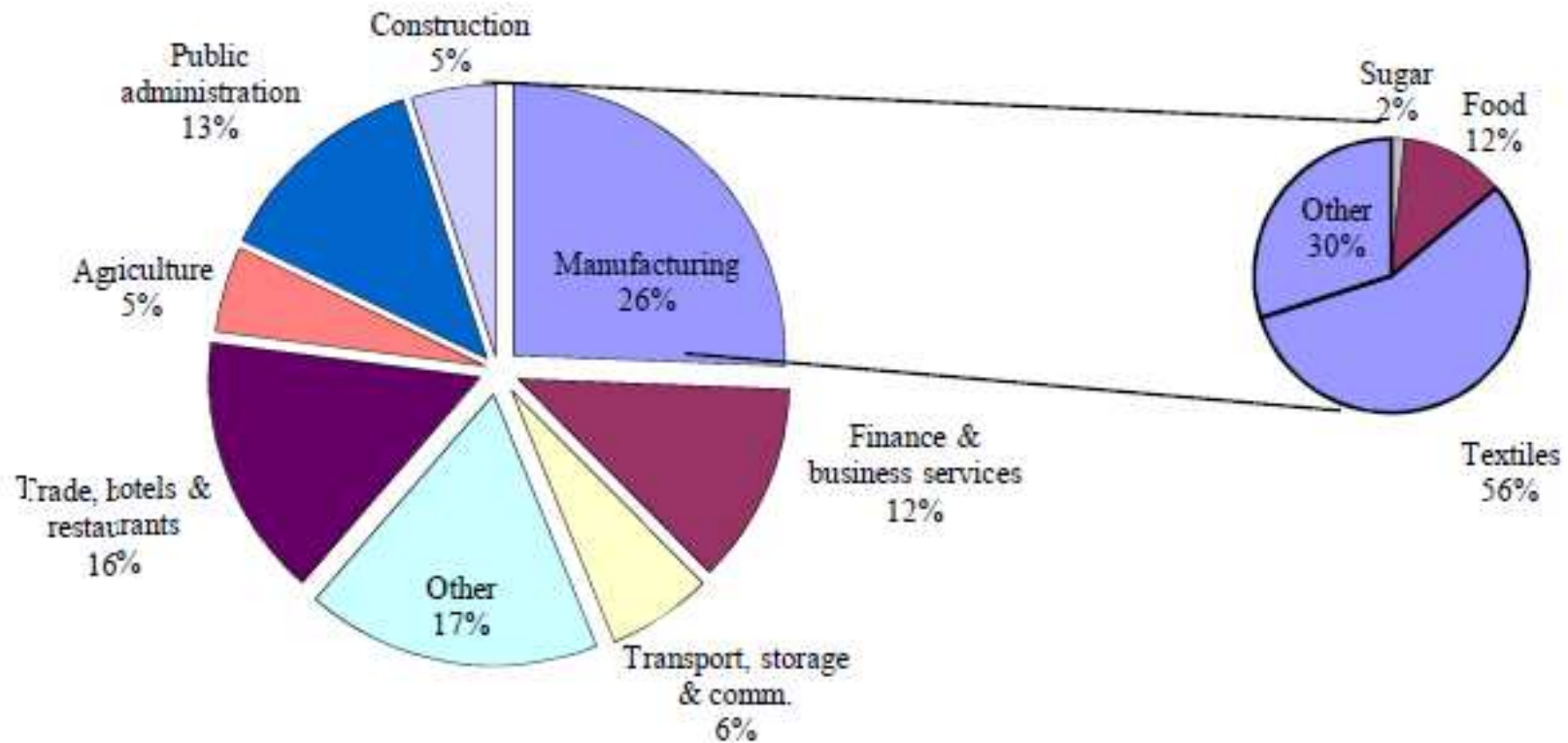
The impact of MAAS: Labour (1)

Sugar Labourforce evolution



The impact of MAAS: Labour (2)

Fig. 2.2 - Employment by industrial group, March 2011



The impact of MAAS: Labour (3)

Year	No. of Workers	Sugar Tones	Tonnes per Worker	Revenue (Rs)	Revenue generated per worker (Rs)
2000	28,144	569289	20	7,500,700,000	266,511.51
2006/07	15,805	504900	32	10,496,000,000	664,093.64
2007/08	15,993	436000	27	9,393,000,000	587,319.45
2008/09	11,227	452100	40	9,000,000,000	801,638.91
2009/10	11,019	467200	42	8,504,000,000	771,757.87
2010/11	10499	452000	43	8,137,000,000	775,026.19
2011/12 (e)	9000	435000	48	9,476,000,000	1,052,888.89

The impact of MAAS: Labour (4)

Figure 3a: Income before VRS

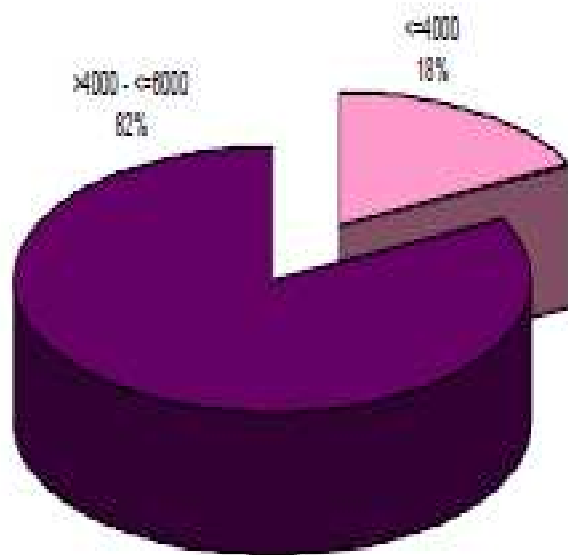
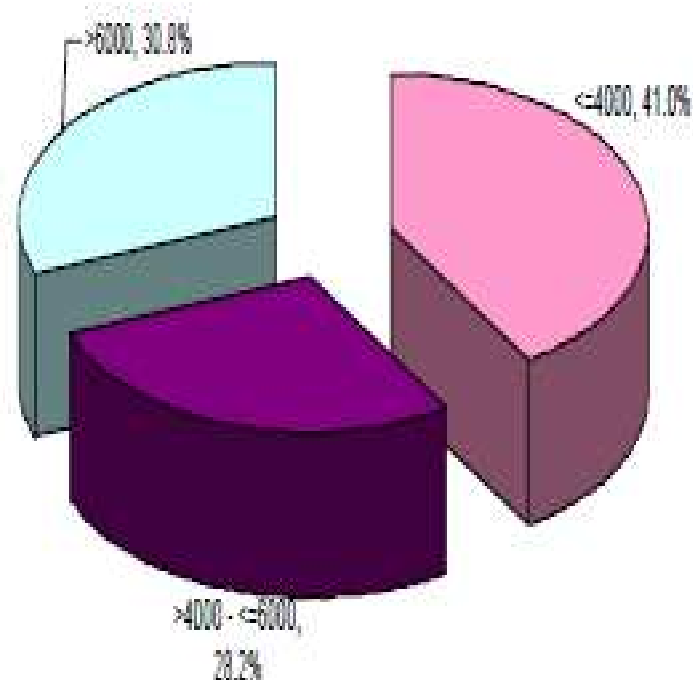


Figure 3b: Income after VRS (Women)



Overall, our results reveal that a large percentage of the beneficiaries have moved to lower, income brackets after the reform process .

The impact of MAAS: Labour (5)

Our survey reveals that with the reform, around 39 percent of the respondents are unemployed. 32.2 percent of the VRS beneficiaries are still labourers and are often employed as casual workers in the same sugar estate. 12.1 percent are self-employed that is they work on their own fields and earn an income from the cultivation of vegetables and other crops. As far as women are concerned, 39 percent of them are unemployed and the rest work as casual workers on the sugar estates.

Verena Tandrayen-Ragoobur, *Department of Economics and Statistics, University of Mauritius, Reduit, Mauritius* European Journal of Economics, Finance and Administrative Sciences - Issue 46 (2012)

MAAS: Pattern of Revenue & Profit generation of Sugar Companies

- o Refined & special sugar
- o Electricity generation
- o Estate Business/IRS
- o Export of capital

MAAS: Pattern of Revenue & Profit generation of Sugar Companies (1)

	OMNI	HFL	ENLL	FUEL	DRBC	MEDL	UNSE	CSE
Grow.	✓	✓	✓	✓	✓	✓	✓	✓
Mill.	✓	✓	✗	✓	✓	✓	✗	✗
Engy.	✓	✓	✗	✓	✓	✗	✗	✗
Prop.	✗	✓	✓	✗	✓	✓	✗	✗
IRS	✗	✗	✓	✗	✓	✓	✗	✗
Hosp.	✗	✓	✓	✗	✓	✓	✓	✗
Alc.	✓	✓	✗	✗	✗	✓	✗	✗

Source: AXYS Stockbroking Ltd September 2011

MAAS: Pattern of Revenue & Profit generation of Sugar Companies (2):

Sugar Revenue recovered

“ Indeed, producer price, after collapsing to a decade low of MUR 13,535 per metric ton in the 2010-2011 crop year from an unprecedented MUR 18,620 in the 2007-2008 crop year, has experienced an appreciable increase to reach MUR 16,020 in the year under review.”

MAAS: Pattern of Revenue & Profit generation of Sugar Companies (3):

Sugar Revenue recovered

“Crop Year (CY) 2011-2012 is a landmark in the modern history of our sugar sector. It will stay in memories as the first year in which 100 percent of the sugar produced in Mauritius was exported as value-added products. Indeed, out of a total production of 435,310 metric tons of sugar from the 2011 crop, 312,314 metric tons have been exported as white refined sugar under the Long Term Partnership Agreement (LTPA) with the German group Suedzucker AG while 119,769 metric tons were sold as unrefined special sugars to a wide portfolio of customers worldwide.”

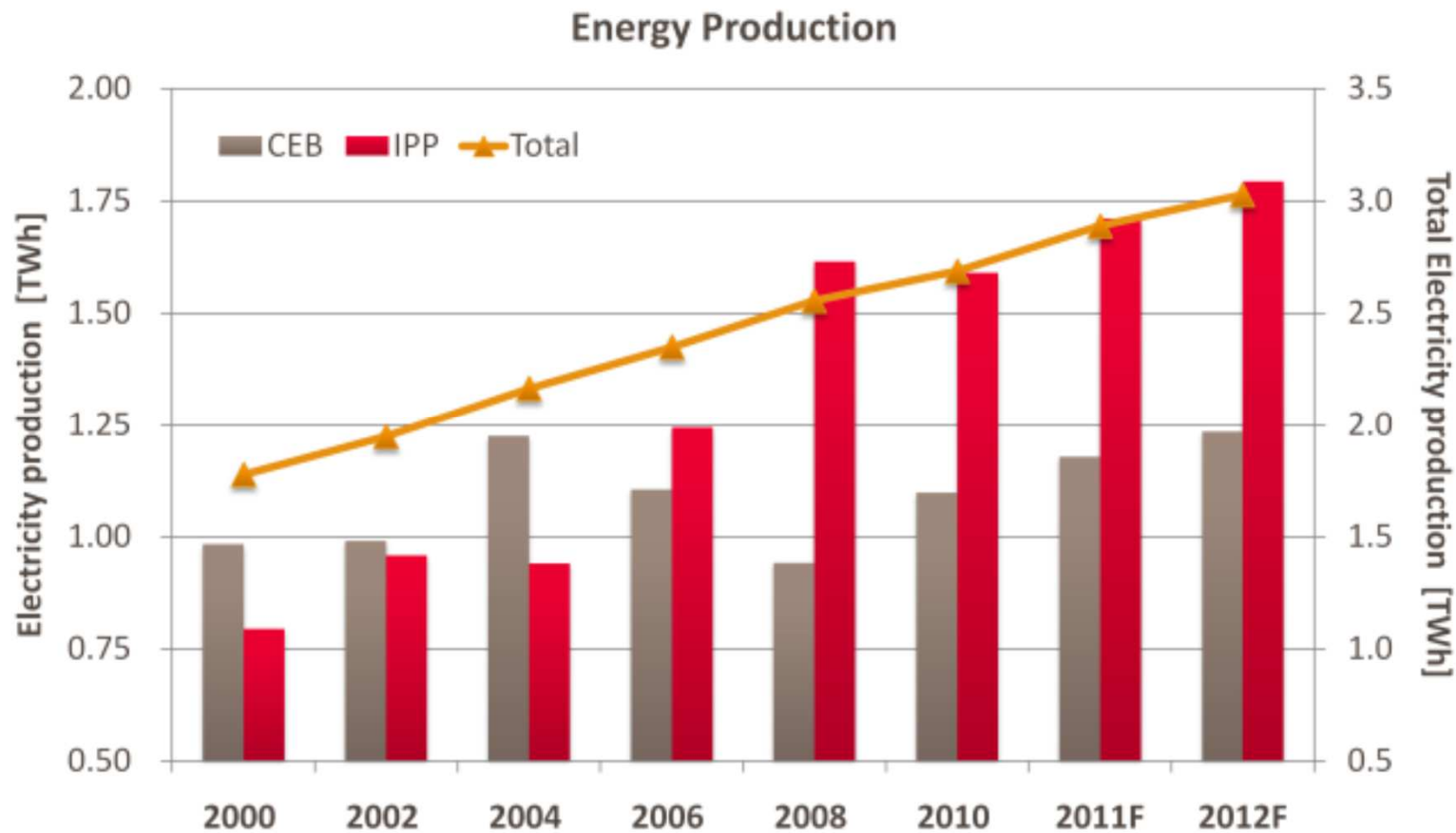
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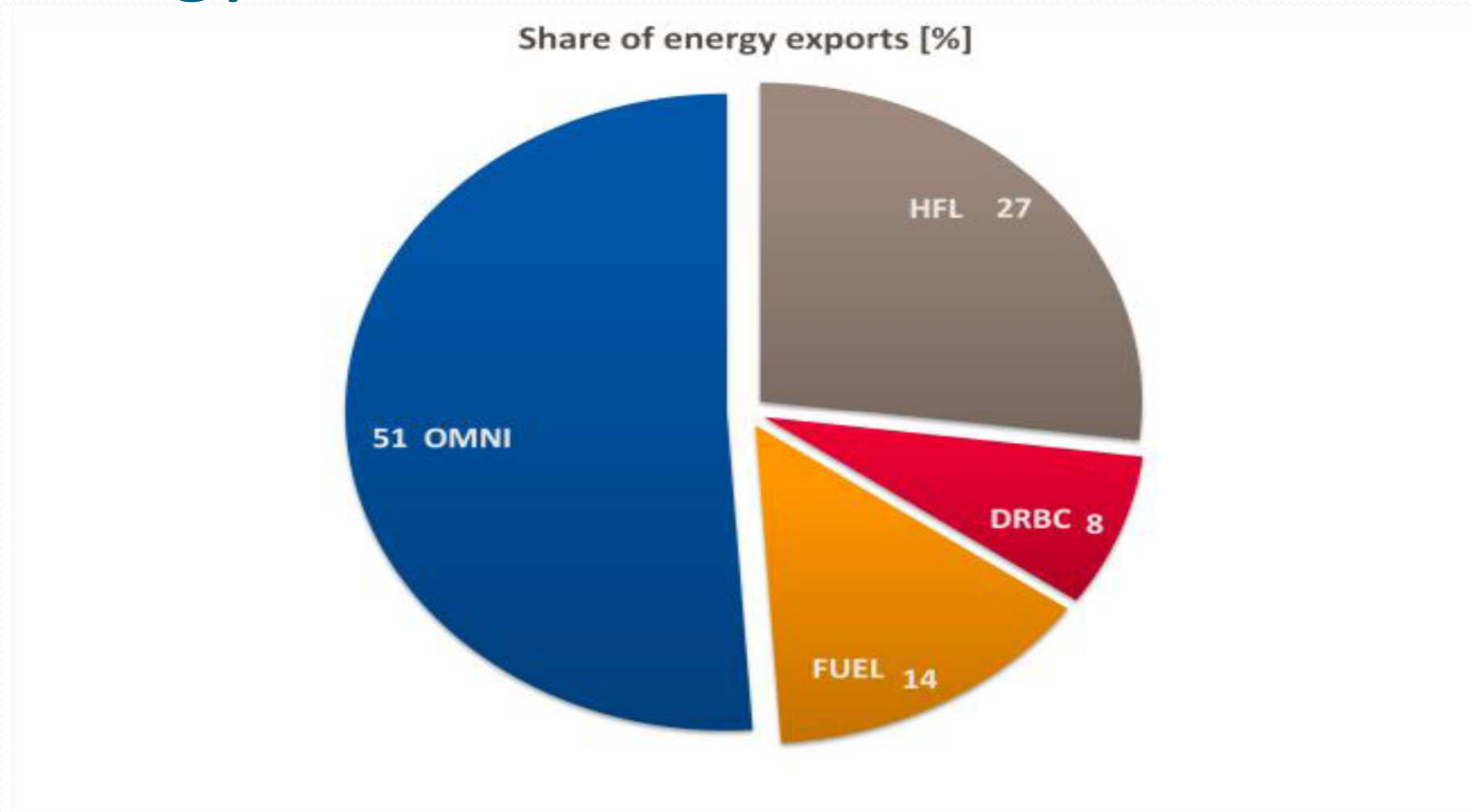
MAAS: Pattern of Revenue & Profit generation of Sugar Companies (3):

Energy Revenue Generator



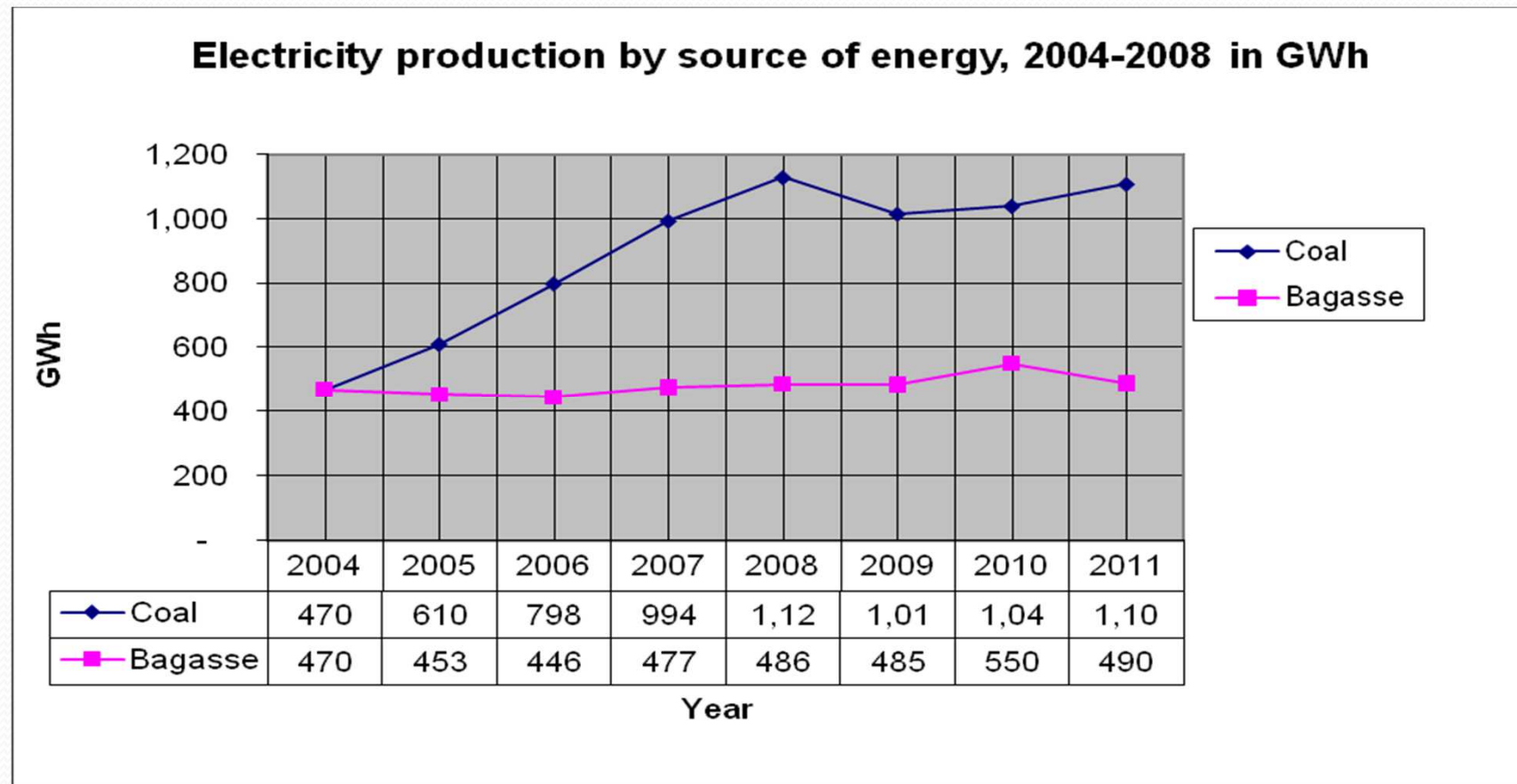
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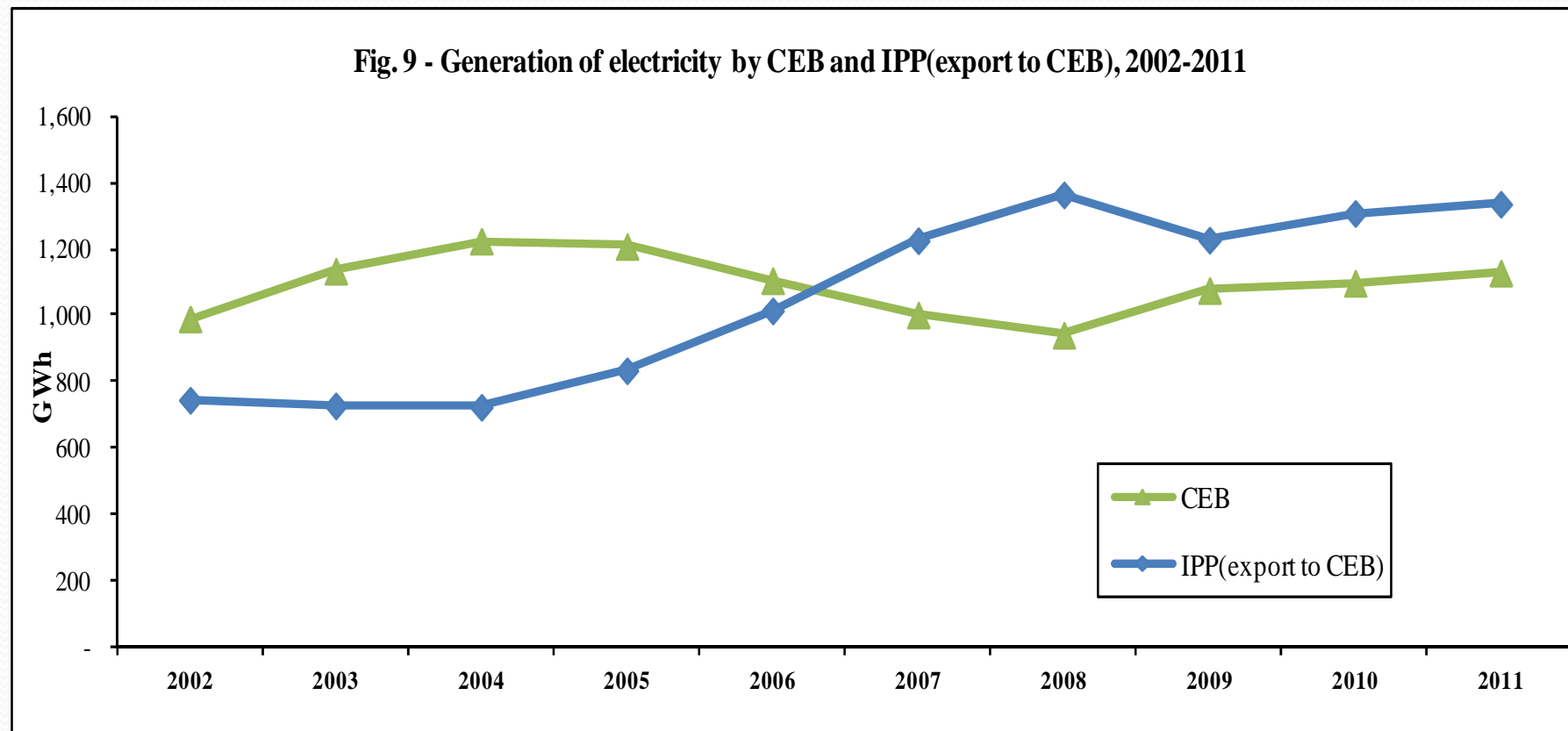


MAAS: Pattern of Revenue & Profit generation of Sugar Companies (3):

Renewable Energy Scam – Coal!



MAAS: Pattern of Revenue & Profit generation of Sugar Companies (3): Renewable Energy or Private oligopolies?



MAAS: New regional segment for profit generation



Entry of Mauritian sugar millers to shake up industry

(The EastAfrican, 5 Jan 2013)

MAAS: New regional segment for profit generation

Mauritius sugar miller Alteo Ltd is seeking strategic partners in East Africa to increase its sugar output as it also plans a major foray into the region's renewable market.

Alteo, formed after the July 2012 merger of two Mauritius sugar producers — Deep River Beau Champ Ltd and Flacq United Estates Ltd — said it was in talks with several potential investors to run several sugar projects in the EA region.

Chairman Thierry Lagesse said the investment will help the company increase production to over 400,000 tonnes annually in the near future, an almost five-fold increase from the current 91,000 tonnes.

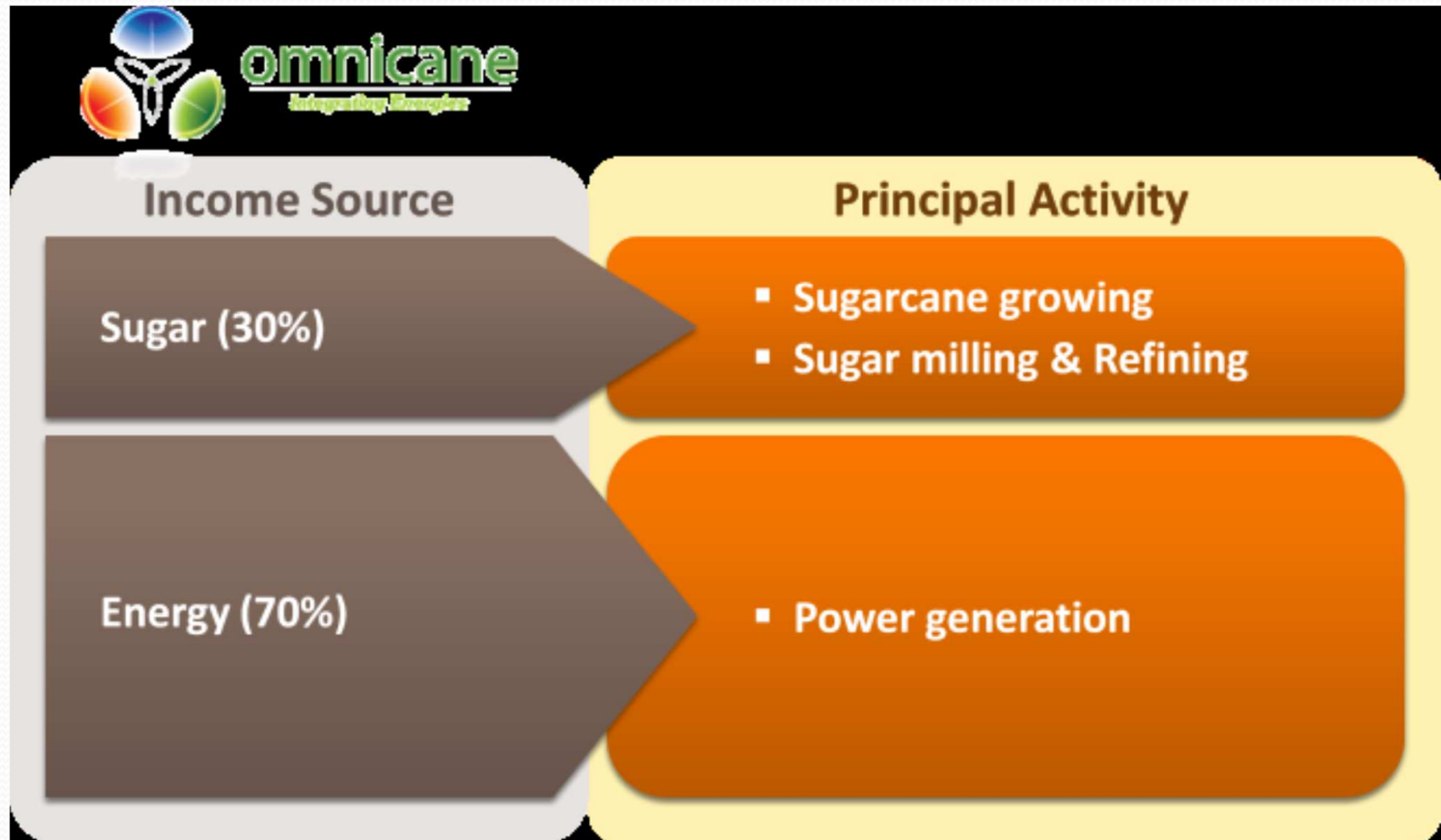
Alteo joins a list of Mauritius-based sugar firms setting base in East Africa.

Mauritian sugar giant Omnicane said last month it will establish a Ksh16.5 billion (\$194 million) plant in Kenya's coastal county of Kwale.

The company will form a joint venture with local investors in the Kwale

International Sugar Company Ltd (Kiscol) — giving it access to 17,000 acres of sugarcane.

Sugar companies: Omnicane



Omnicane Ltd: Highlights

Highlights	2008	2009	2010	2011E	2012F
Revenue (Rs bn)	0.45	3.19	3.49	3.90	4.30
Profit after Tax (Rs bn)	0.32	0.32	0.32	0.34	0.46
Earning/Share (Rs)	4.24	3.86	3.71	4.06	5.36
Div./Share (Rs)	2.00	2.00	2.50	2.50	3.00
NAV per Share (Rs)	87.90	86.88	83.13	84.32	85.88
Land per share (Ha/Rs)	0.69	0.71	0.73	0.59	0.59
Elec. per share (Wh/Rs)	176.4	152.2	175.1	154.2	162.9

ENL: Highlights



Income Source

Agriculture (60%)

Real Estate Dev. (30%)

Poultry & Livestock (9%)

Principal Activity

- Sugarcane
- Molasses & Bagasse
- Diversified crops & plants

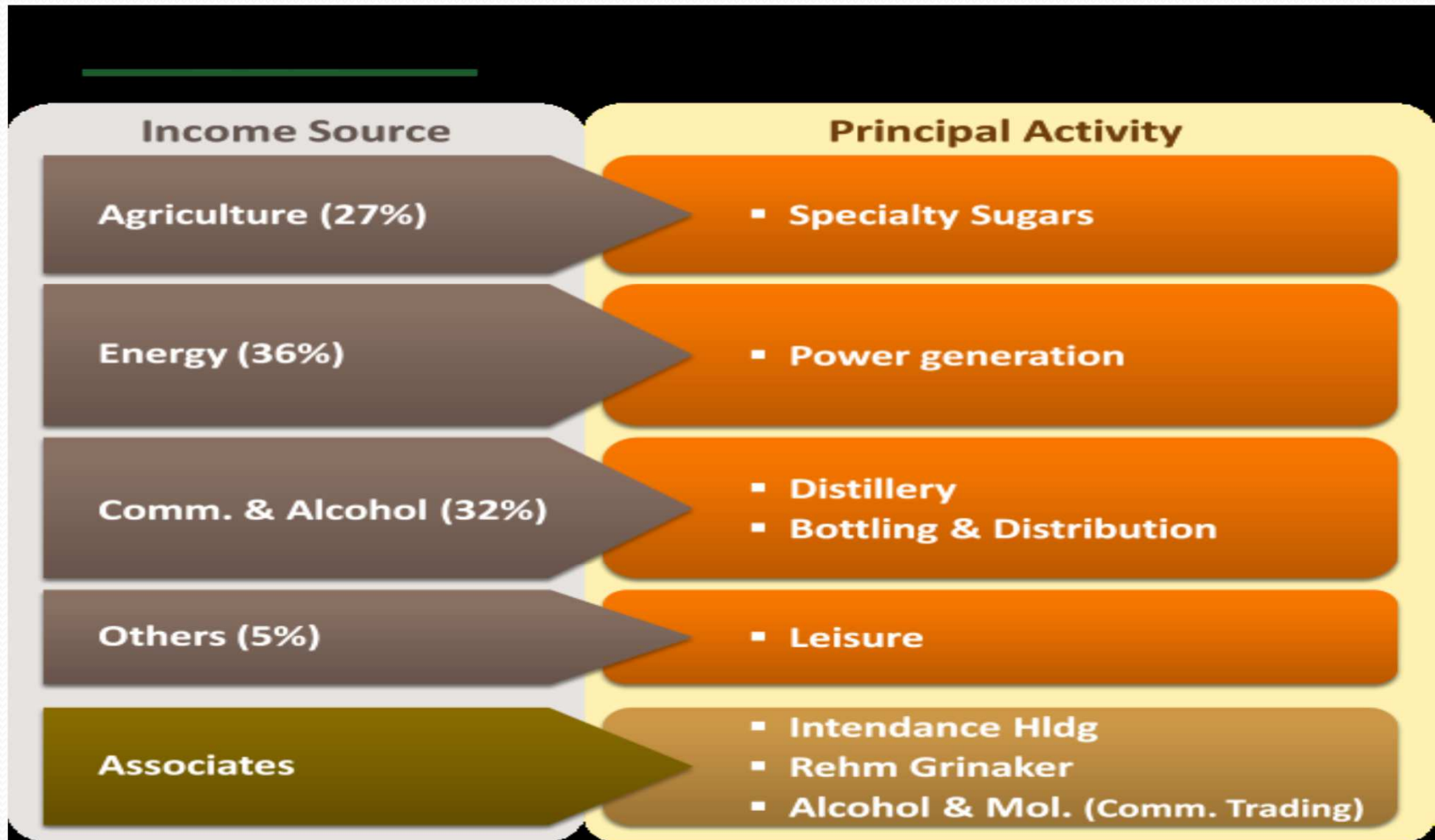
- IRS (Villas Valriche)
- Residential (Helvetia, Bagatelle)
- Commercial (Bagatelle)

- Poultry (Chantecler)
- Cattle

ENL: Highlights

Highlights	2008	2009	2010	2011E	2012F
Revenue (Rs bn)	0.40	0.38	0.49	0.75	1.04
Profit after Tax (Rs bn)	-0.07	0.02	-0.05	1.85	0.55
Earning/Share (Rs)	-0.35	0.22	-0.19	8.67	2.49
Div./Share (Rs)	0.00	0.24	0.48	0.62	0.68
NAV per Share (Rs)	9.16	17.03	41.74	54.51	57.23
Land per share (Ha/Rs)	2.64	2.09	0.99	0.54	0.56

Harel Freres :: Highlights



Harel Freres :: Highlights

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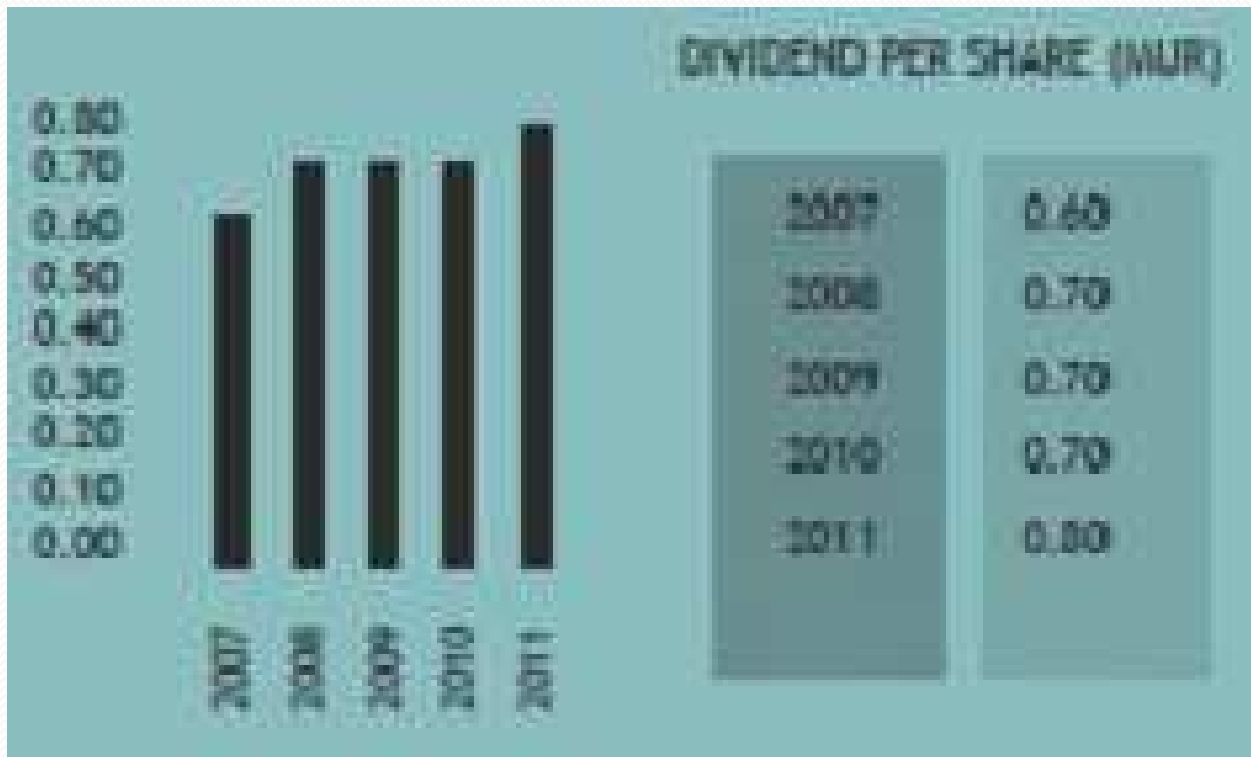
Terra : highlights (1)



Terra : highlights (2)



Terra : highlights (3)



Alteo: highlights

46. Three Year Financial Summary

	2012	2011	2010
	Rs'000	Rs'000	Rs'000
THE GROUP			
(a) Results			
Turnover	3,673,435	3,263,127	4,608,838
Share of results of joint ventures	(12,806)	(79,743)	92,977
Share of results of associates	15,220	6,557	2,495
Profit before taxation	1,188,761	998,751	793,427
Income tax expense	(488,400)	(335,106)	(189,518)
→ Profit for the year	700,361	663,645	603,909
Other comprehensive income for the year, net of tax	920,754	(1,046,230)	(237,453)
Total comprehensive income for the year	1,621,115	(382,585)	366,456
Profit attributable to:			
- Owners of the parent	168,535	309,684	321,114
- Non-Controlling interests	531,826	353,961	282,795
	700,361	663,645	603,909
Total comprehensive income attributable to:			
- Owners of the parent	972,855	(529,164)	211,283
- Non-Controlling interests	648,260	146,579	155,173
	1,621,115	(382,585)	366,456
Earnings per share (Rs.)	0.89	34.57	35.96
Adjusted earnings per share (Rs.)*		1.64	1.70

*Adjusted for bonus issue of 177,637,365 shares issued during the year.

Alteo: highlights

31. Turnover

	THE GROUP		THE COMPANY	
	2012 Rs'000	2011 Rs'000	2012 Rs'000	2011 Rs'000
Sugar	2,708,969	2,270,516	355,736	303,722
Special sugars premium	81,494	55,196	-	-
Molasses	58,473	56,269	15,346	20,855
Distillers contribution	5,505	-	5,475	-
Bagasse	1,394	1,497	1,380	1,490
	2,855,835	2,383,478	377,937	326,067
Electricity generation	352,524	233,710	-	-
Proceeds from sale of real estates (recognised on completion)	317,538	508,033	-	-
Golf revenue	90,211	80,671	-	-
Flower production and export	57,327	57,235	-	-
	3,673,435	3,263,127	377,937	326,067