

AMENDMENTS TO THE SUGAR INDUSTRY EFFICIENCY ACT

20 December 2016

Madam Speaker,

The Bill presented today by the Honourable Minister of Agro-industry and Food Security stems from the challenging conditions which our sugar industry is being confronted with. Sugarcane fields have been a predominant feature of the Mauritian landscape for over three centuries now and the industry has had to take up several challenges for years, notably with the abolition of the 35-year old Sugar Protocol, entailing the end of guaranteed prices and markets. The industry is also in anguish over another “*échéance*”, that is the liberalisation of the EU sugar production quotas as from 2017, which would lead to enhanced competition for white sugar in the EU market.

Madam Speaker,

Sugar production has decreased from 521,541 tonnes in 2005 to 401,146 tonnes in 2014. The extent of land harvested has decreased from 67,404 hectares to 49,791 hectares during the same period and the profit margin has decreased for all stakeholders, particularly the small planters.

A dramatic change is to be expected for the Mauritian cane sector which is already in hardship. There has been a negative impact on the international competitiveness of our sugar industry, which will now have to find its place in a completely open market and to fair with the ensuing fall in sugar price. As

per the European Commission's prospects for EU Agricultural Markets and Income for the 2014 to 2024 period, it is expected that prices will remain below €500-550 per tonne until 2017, to then return to current levels of close to €400 per tonne thereupon.

Madam Speaker,

In his PNQ addressed to the my colleague the Minister of Agro-Industry on 8th April 2015, the Honourable Leader of the Opposition rightly expressed his concerns thereto and inquired about the measures that Government is proposing to take to support the sugar industry to ensure its sustainability and survival. Traditionally, the Mauritian Government has always attached great importance to the sugarcane industry and has all the time taken appropriate actions to enable the sector to meet the different challenges that have arisen over the years. The House can be reassured about the fact that the same commitment applies to this Government, which is determined to spare no effort for the successful restructuring and consolidation of this highly significant sector.

Madam Speaker,

This is indeed why the Ministry of Agro Industry and Food Security promptly commissioned a study undertaken by Landel Mills Consulting (LMC) on the multi-sectorial impact on Mauritius following the abolition of internal quotas of sugar on the EU market. The proposed amendments to the Sugar Industry Efficiency Act stem from the report of LMC and will facilitate the

implementation of the measures prescribed by this study - measures that will be instrumental in the sector's capacity to face the upcoming challenges.

Madam Speaker,

Sugar is the history of Mauritius. The lineage of 80% of the population is linked to people who came here because of sugar cane. We all live in a landscape that is harmoniously shaped by the sugar cane fields. Above all, this sector has contributed greatly to the economic and social development of the country. At the level of my Ministry, we are aware of the number of secondary employment created by SMEs who indirectly service the industry. There are also some successful SMEs engaged in producing for instance sugar cubes and spice-scented sugars involving persons not necessarily coming from a planter background.

In addition, the sector will always have an important role to play not only in producing sugar but also in relation to energy, ethanol, preservation of the environment and prevention against soil erosion. It is important to see the multi-faceted aspect of sugar cane so as to grasp the relevance of the SIE (Amendment) Bill.

Indeed, few people are aware of this plant's vital role for the maintenance of the sanctity of the pristine lagoons of the country which are so vital for the tourism industry - this is particularly due to the cane plant's very deep and broad radicular system that protects soil against erosion. Likewise, the sugar

cane plant is of all cultivated plants, the one that has the highest efficiency in the capture and use of solar energy and in so doing is a major carbon dioxide sink. Also, the sugar sector provides some 15% of the electricity production of the country through the use of bagasse, thereby avoiding the import of some 200,000 tonnes of coal or some 80,000 tonnes of high sulphur heavy fuel oil.

In fact, we always say that Mauritius is at a disadvantage on the world scene as it has no natural resources but bearing in mind its highly multi-functional aspect, it is fair to affirm that sugar cane is our prime natural resource, an 'atout' that is fully mastered by Mauritians. After all, it is not a matter of coincidence that the Mauritian know-how in sugar-cane technology is world renowned. The Mauritian factory model, is often portrayed as a best-in-class case study in international forums, notably as since as far as 1957, the Mauritian sugar cane industry has pioneered the industrial best practice of generating electricity from sugarcane's by-product bagasse for sale to the national grid.

Madam Speaker,

« On ne peut donc pas se permettre de ne plus avoir d'industrie sucrière ».

Mauritius cannot, for a host of reasons, afford a demise of the sugar industry. Sugar, which is a public good, has a prominence which goes far beyond its assessment for purposes of the GDP. If we think about it, sugar cane could have been the national symbol of Mauritius. It after all holds a prominent place on the coat of arms and thus contributes to the 'Star and Key of the

Indian Ocean' status of our country. The green of our national flag represents the agriculture of Mauritius, which is mainly composed of cane cultivation. Mauritians are emotionally attached to this industry and we have the duty of taking the most adequate measures to ensure its sustainability and survival. This has to be done as part of a patriotic impetus.

The sustainability aspect of the industry, which is at the core of the proposed amendments, is becoming an increasingly important differentiator in sugar marketing and this is precisely what is today at stake. Its viability also is endangered as with European beetroot growers now in a strong position, Mauritius will yield less from exports proceeds to this market.

Through the amendments of the SIE Act, this Government has the very challenging task of engineering a bold reform for the sugar sector. We are conscious that we urgently have to adopt a different approach to address the challenges ahead, without which we can expect to see a further significant contraction of the sector, the consequences of which will be far-reaching, directly affecting livelihoods, the environment, the economy and the energy matrix.

Madam Speaker,

The severity of the challenge facing the industry calls for a major rethinking and thus a departure from the business-as-usual approach. On top of that, a complete change in the mindset of the producers is vital. We need to spur the emergence of a new sugar industry, which means new ways of doing things, new paradigms and the shedding of past privileges.

The SIE (Amendment) Bill clearly makes provision for the obvious fact that with the new context, sugar on its own will not be able to ensure the long term viability of the industry. There is indeed no other option but to exploit all the co-products of the industry to the maximum, produce value added products and bring along the much needed additional revenue which the industry needs at this very challenging time. We must now think in terms of competition in a globalized world and the response to change has to start now and not in 2017, when it will be too late. The amendments to be effected to the Sugar Industry Efficiency Act today are precisely meant to ensure that the sugar industry operates with the maximum efficiency in the new commercial set up and that timely measures are taken to prepare it to bear the shock of 2017.

Madam Speaker,

I would like to emphasize on two aspects of the proposed amendments, namely the establishment of the **Ethanol and Biomass frameworks**, as they are clear indications that despite the gravity of the situation, this Government has the stature to initiate actions that can transform threats into opportunities. We could have settled for the strict minimum, by simply taking remedial action that ensure that the industry could “garder la tête en dehors de l’eau” and thus stay in a mere survival mode. But we want to achieve more and we want the industry to achieve more.

If we take the case of the development of an **Ethanol Framework** as per new Section 15B, which caters for the mandatory blending of mogas and ethanol for use in the transport sector by 2017, Government is creating an enabling environment for the industry to maximize on a segment that holds major promises in the third decade of the 21st century. This will signify a major advancement for the transport sector as it will allow the country to move to an E10 mode. Oil economics and availability and additional carbon dioxide emission limitations will most certainly, as from the next decade, require a major shift in the transport sector from fossil to biofuels and the revamping of the sugar industry through, inter alia, the Ethanol Framework, will enable Mauritius to be in the forefront when it comes to the new era that is lurking in the transport sector. Moreover, it is projected that using E10 as a biofuel in the Mauritian transport sector will save about 80,755 tonnes of gasoline by year 2017.

It must also be noted that through the Ethanol Framework, Mauritius will be sending a strong signal with regards to its COP 21 pledge to adopt strategies to substantially cut transport emissions.

The establishment of this mandatory framework derives from a precise assessment of the wide-ranging potential of sugar cane with regard to environmental preservation and aligns in the direction of greening the economy, which are on top of the agenda in today's modern world.

Madam Speaker,

Our sugar may not be among the most valuable commodity today but we should not underestimate the growing concerns about the impacts of climate change and the dependence on fossil fuels that are slowly but surely intensifying interest in bioenergy from sugar cane. This sets the tone for the amendment proposed in Section 13B, which advocates the development of a **Sugar Cane Industry-based Biomass Framework**. Far from being a crop of the past, sugar cane affords a formidable opportunity for the country to attain its goals of 35% renewable energy in electricity production in 2025. This would reduce the contribution of coal, with consequent benefits on foreign exchange, the revenue of the sugar industry, the mitigation of the enhanced greenhouse effect and the reduction of the volume of coal ash.

The cane biomass industry has very often been viewed with the blinkered perspective of a long history and there has been a great reluctance to date to foster this activity. But bearing in mind the effective use that our industry makes of bagasse, which generates around 15% of the electricity consumed on the island, and the untapped potential of other cane biomass like sugarcane top, green leaves and trash, we sense that this is the time for the optimal and effective development of a proper biomass industry, thus urging the amendment proposed in Section 13B.

The country, and the Energy component of the Sugar Industry, indeed cannot miss the opportunity of optimising the use of sugarcane bagasse while at the same time endeavour to favour the setting up of a suitable mechanism for the use of biomass other than bagasse. As the Honourable Minister of Agro-Industry and Food Security stated, we have moved from the sugar industry to a cane industry; probably, we will move again to a biomass industry now and the **Biomass Framework** as stipulated in the proposed amendments of the SIE Act is the most appropriate foundation to this burgeoning segment.

Madam Speaker,

The Landel Mills report which constitutes the basis for the proposed amendments to the SIE Act draws attention on the problem of **abandoned cane land**. Indeed, some 11 595 planters have moved out from sugar cultivation from 2005 to 2015. A survey conducted in 2010 by the Sugar Insurance Fund Board has shed light on the reasons of cane abandonment,

namely that planters are ageing, the new generations are not willing to take over and that investment in cane is not remunerative vis-à-vis other activities. I hereby wish to add that at the level of my Ministry, and more specifically at the Cooperatives division, we are working on ways of addressing this problem and we will carry out further survey early January 2017 to obtain relevant information and data on land abandoned by sugar cane planters in cooperative societies in view of initiating appropriate actions.

Madam Speaker,

Given the multi-functional characteristic of cane, abandonment presents sustainability challenges in the short term from an economic, social and environmental perspective. These result, inter alia, in the loss of raw materials for ethanol and electricity production, potentially accelerated soil erosion and a negative impact on our CO₂ footprint. Above all, these will further impact on the viability and feasibility of the Mauritian sugar industry, which is a “scénario catastrophe” that we are determined to avoid through the revision of the relevant regulatory framework.

As stated by the Minister of Agro-Industry, the production for the year 2014 roams around 400,000 tonnes of sugar with a surface area covered of about nearly 50,000 hectares for the future. If we are to keep on with that industry, we believe that we have to stabilise the production around that figure of 400,000 tonnes and it is thus implicit that for us to be able to produce that amount of sugar, we need to have that level of land under cane cultivation.

So, through the amendments of the SIE Act, one of the aims of the Government is to ensure that the number of people moving out of cane cultivation should be curbed so that we could continue with that level of land under cane cultivation to be able to produce the stipulated amount of sugar.

We should namely commend the remuneration mechanisms proposed in Sections 13A and 15D mainly as we should not forget that one of our major concerns in this revamping of the sugar industry is also the well-being of all partners, particularly the most vulnerable, that is small planters and workers. By ensuring a source of revenue for planters, such a measure intends to act as an incentive for them to stay in business. The setting up of a **Sugar Cane Sustainability Fund** as per new Section 13A fits into this perspective. Under this Fund, a planter producing up to 60 tonnes of sugar is eligible for compensation of Rs 1 100 per tonne of sugar. The compensation payable to planters producing more than 60 tonnes of sugar is Rs 300 per tonne. Such a measure will certainly contribute to mitigate losses of producers. The Government has also already increased the price of bagasse and the distillers' contribution. The amendments to the SIE Act go further by advocating in Section 15D the establishment of a remuneration mechanism for producers of biomass through the **Joint Molasses Allocation Committee** - this will ensure a source of revenue for planters not only from sugar but also from value-added products, which is a major shift in the sense that they were getting paid for only sugar before.

Madam Speaker,

With regards to my Ministry, I am adamant on creating the enabling conditions for the cooperatives sector to be at the service of the proposed reengineering of the sugar industry. It is worthwhile to note that the Cooperative Cane Sector in Mauritius comprises 143 Cooperative Credit Societies and a federation - the Mauritius Cooperative Agricultural Federation Ltd. It is estimated that over 50% of the small cane producers are grouped into cooperatives and the contribution of the sector accounts to some 10% of the national production of sugar. For instance, we have been working relentlessly to vulgarise the **Fairtrade** concept among cane sector cooperatives so as to maintain the industry by providing planters with an opportunity to have additional revenue from their activity.

Indeed, we believe that the small cane producers of Mauritius have an opportunity to take a unique place in the global market place by producing Fairtrade special cane sugars to extremely high social and environmental standards. We believe they could set the benchmark for other sugar industry players. The structure of the industry in Mauritius favours the type of small farmer that is eligible for Fairtrade status which may not be the case in other sugar producing nations that are increasingly moving towards having predominantly large mechanized corporate producers who are not eligible for Fairtrade accreditation.

This is a real opportunity for Mauritius to capitalise on its strengths of high social and environmental standards and a system that looks after the livelihoods and futures of its small planters. My ministry has taken note of the objective of the Mauritius Sugar Syndicate to increase fairtrade certified sugar from 22,000 to 40,000 tons and the Cooperatives division has embarked on an endeavor to prioritise the re-grouping of small farmers and of small cooperative societies for them to benefit from the Fair Trade certification regime and thus gain additional revenue.

Madam Speaker,

Section 15 of the SIE Act is being repealed and replaced so as to, inter alia, provide for the sugar sold on the local market to comply with **quality norms** established by the Mauritius Standards Bureau as it has been established that imported refined sugar is not always of the desired quality. From my point of view, this provision is a bold and topical measure aimed at protecting our local industry from the excesses of trade liberalization. This process resulting from globalization calls for immediate action and I hope that such a provision will set a precedent when it comes to other locally manufactured sectors that are increasingly suffering from the surge in imports. As the House is aware, Mauritius has a negative trade balance and the local industry, which is mainly composed of SMEs, deplores several unfair factors that lead to a market in which their products are not on the same level-playing field as those that are imported. This is particularly true when it comes to the issue of norms, which are not necessarily followed by imported products that nevertheless freely invade the market, much to the detriment of the local industry and of local

consumers. Sugar is no exception to this differentiation that makes no sense and I am glad that the Minister of Agro-industry has had the courage to come up with a measure that will enforce the introduction of quality standards that will apply to refined sugar both imported and locally produced, thus ensuring the same level-playing field between both categories of sugar.

The Bill presented today is also in line with the spirit of Budget 2016-2017 when it comes to **public sector reform** for more efficiency. Indeed, The Mauritius Cane Industry Authority (MCIA) Act is the subject of consequential amendments so as to provide for the setting up of a reduced Board for more effectiveness and for the establishment of an Advisory Council composed of stakeholders of the sugarcane industry to support the Board in the discharge of its functions. The current board of the MCIA being interest based, it would be totally inappropriate in its actual form to implement the major measures needed to enable the sugar industry to withstand the daunting threats ahead. This institution has been introvert in its approach and is no longer active in domains outside sugar. Once again, we should underscore the clear-sightedness of the Government to take remedial action and to revitalize the MCIA through a different board structure and a different *modus operandi*, the ultimate objective being its reengineering into a lean, efficient, up to date, producer-funded and research-led center. In a context where the focus will henceforth be on the optimal development of cane biomass, this new formula will be an asset for the producers and the country and through the proposed amendments to the SIE Act, the MCIA will be more empowered to focus on its mission to steer the sugar industry in times of very rough seas to safe shores.

Madam Speaker,

Change is the only constant in the world in which we live and we have no choice but to change with it. Regulatory frameworks, among others, also need to change to adapt to prevailing threats and opportunities. By definition, the SIE Act is an Act aimed at providing an efficient and viable sugar industry and efficiency and viability being characteristics depending on external factors, it is obvious that change is inherent to the Act about which we are today debating.

Minimising contraction and abandonment of cane lands, maximising small planter participation in the sector, limiting reliance on fossil fuels for electricity generation and maintaining the greatest possible contribution of the sector to Mauritian society and environment - Madam Speaker, this is, in a nutshell, what is being targeted by the Sugar Industry Efficiency (Amendment) Bill.

This is not the first time that legislation is being enacted to establish the most appropriate framework for the sugar industry. In 1988, the Sugar Industry Efficiency Act in the form of an omnibus piece of legislation came into being and it was subsequently amended to follow up developments in the sugar industry. This legislation has on three occasions amended various pieces of legislation and the same approach is hereby being prescribed in 2016 for the forthcoming overhaul of the sugar industry. It thus goes without saying that the SIE Act has been constantly updated, needs to be updated today and will

certainly know other updates in the future to reflect the changes in the industry landscape.

Mauritius is a resilient country and throughout its history, the sugar sector has always suffered aftershocks and had to face great difficulties. But we have always been able to respond positively and put the sector back on track. The sugar cane crop itself is quite revealing - sometimes the stalks stand up straight, and at other times, they slant ; they bend but they don't break - a built in resistance for survival on a windswept island. **The resilience of the plant is itself somewhat reflective of the country at large and of the sugar industry.**

Today, the political will to ensure the long-term viability of the sector through the adoption of a coherent and well-focused approach with the SIE (Amendment) Bill is unequivocal. We have the imperative of leaving a legacy to the future generations - many would argue that the future lies in technology but I believe a lot in the blending of tradition and modernity as guardian of the most sustainable legacy that we can leave, such a blend being more loyal to the identity of the country as well as of the industry.

With the Sugar Industry Efficiency (Amendment) Bill, I am confident that we will be leaving a legacy which emphasizes the flexible and adaptive nature of the industry which is today being geared to serve the purpose of solving the concerns of the modern world with regards to Co2 emission, the greenhouse

effect and the need for renewable energy for example. The future generations will be left with the image of a traditional crop that has the ability to bring modern solutions thanks to the savoir-faire of fellow Mauritians and I hope that this will encourage them to strive to preserve the industry and to continually innovate to unlock the full potential of cane.

There is no doubt that the SIE (Amendment) Bill, when adopted, will be a landmark in the history of the sugar industry as with the proposed amendments, the narrative of a long-expected death will again prove ill-founded. The Mauritian sugar sector was said to be heading towards economic disaster after the European Union scrapped its Sugar Protocol in 2007 and sugar prices subsequently fell. The decisive blow is expected to come with the dismantlement of the system of sugar quotas in 2017. But this scenario will not take form because we are promptly implementing reforms and a strategic repositioning of the sector by transforming it to a sugarcane processing, value-addition and bio-mass industry. I am confident that the Sugar Industry Efficiency (Amendment) Bill is a crucial milestone in the reinvention of the Mauritius Sugar Industry and that it will serenely pave the way for a **sweet renaissance** of the sector.

Thank you for your attention.