



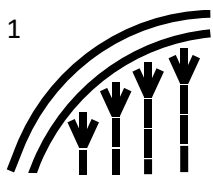
ADDRESS BY THE PRESIDENT OF THE MAURITIUS SUGAR SYNDICATE

AT ITS AGM ON THURSDAY 30TH SEPTEMBER 2021

Good morning. Thank you all for your esteemed presence to this annual gathering of the Mauritius Sugar Syndicate which is being held under special sanitary restrictions. We are in fact having a hybrid meeting with guests also joining us online, whom I also welcome.

Our chief guest, the Minister of Agro-Industry and Food Security, has unfortunately been retained by an urgent meeting and conveys his apologies for being unable to be present. Mr Medha Gunpath, the SCE of his Ministry, will address the audience on his behalf after the President's speech. Without much ado, I invite the President of the Syndicate for his intervention.

I would like to start my speech by thanking the Minister of Agro-Industry and Food Security for his support in reviewing the value of cane co-products, especially the noteworthy increase in the price of bagasse. Government's decision to set up a new National Biomass Framework, including the bagasse remuneration equivalent to MUR 3,300 per ton sugar, has given a new impetus within the industry. Growers will henceforth be remunerated with the actual value for their bagasse, which will, at last, be comparable with alternate energy sources, while millers will receive their share, as for sugar proceeds. Together with the latest improvements in the price for molasses, these 2 co-products should account for at least 25% of total planters' cane revenue, hence mitigating the volatility of global sugar prices. We should, however, ensure, Mr Gunpath, that these prices are not eroded in future, but be indexed so that they remain an important contribution to producers' overall revenue.

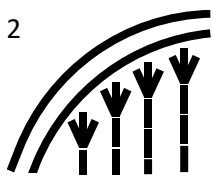


We also welcome the other shorter-term measures for planters producing less than 60 tons sugar, namely (i) the waiver of the SIFB Premium, (ii) 50% refund on their fertilizers, (iii) support through the Cane Replantation Scheme, and above all (iv) the guaranteed price of Rs 25,000 per ton sugar. As a small grower myself, I can tell you that these measures have provided much relief to the community. Though I should also add that the onus is henceforth on us, producers, to ensure these financial supports are wisely invested to reverse the declining production trend experienced since the end of the Sugar Protocol. I would like to make an appeal to the Minister, to address other practical challenges we regularly face, namely cane fires, illegal dumping and even bad road conditions in the fields.

Sugar production for the 2020 crop was alarming: the 270,000 tons level is the lowest we have seen in the post-independence era, even lower than the drought-stricken harvest of 1999. Though adverse weather conditions have contributed largely to this poor outturn, we have also seen persistent land abandonment and a deterioration of cultural practices, namely due to ageing of canes and poor fertilisation, most probably resulting from the unviable revenue levels over the years. Area under cane has attained a mere 43,700 hectares, a 25% decrease over the last 10 years, while we NEED a critical mass to remain viable, but also to allow a diversified market presence to mitigate market risks.

We should not underestimate the importance of sugar cane to Mauritius, not only on the socio-economic front – its contribution to the country's GDP, considering the new revenue from bagasse and molasses, henceforth nearing 2% - but also with regard to the environment. It bestows the lush green landscape while preserving our translucent blue lagoons through stoppage of rainwater runoff and mitigation of soil erosion.

We would like to reiterate our full support to the Minister, in his endeavour to stop and reverse this declining production trend. Now that the other revenue streams have been addressed, we should encourage a return to the best cultural practices and



recovery of abandoned lands. With the dire impact of weather conditions over the last 2 harvests, it is time to assess the influence of climate change on our cane cultivation, and accordingly find solutions to minimise such negative impacts.

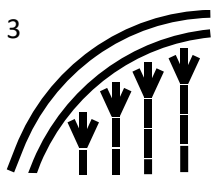
As for our sugar proceeds, which is the core focus of the Syndicate, I am pleased to report, ladies & gentlemen, a new increase in the ex-Syndicate price, for the second consecutive year. In fact, from Rs 8,700 per ton sugar in 2018, it rose to Rs 11,383 in 2019, and has now attained Rs 14,062. This represents a 24% year-over-year growth and is a real relief to producers, especially those not benefiting from the Government price guarantee of Rs 25,000 per ton sugar.

I shall now invite the CEO to explain the rationale behind this price improvement.

While the price improvement in 2019 was essentially market-driven, the 2020 crop sales performance benefited significantly from the weakening of the Rupee, which in fact accelerated as from beginning 2021. The depreciation factor represents 35 % out of the 62% ex-Syndicate price increase over these last 2 years. The average exchange rates achieved by the Syndicate for the 2020 crop, for both the Euro and USD, were some 11% higher than those in the preceding year.

The price rise has otherwise been supported by an increase in sales of white sugar to the region as the Syndicate managed to take advantage of momentaneous sugar futures price increases during the marketing year. Hence, whilst EU prices hardly recovered in 2020, 28% of our white sugar exports, including from imported raw sugar feedstock, were directed to Kenya, compared with only 10% in the preceding year, against a 13% price improvement in USD terms.

Likewise, there was an 8% increase in sales of special sugars in the EU, in line with the Syndicate's strategy to increase sales of these high value sugars, which are more remunerative than refined sugar. For the 2020 crop, after an average 5% price increase over the previous year, these special sugars generated proceeds on a per ton basis, which were some 37% higher than those obtained from our white sugar exports.

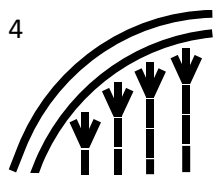


The third reason behind the improvement in the 2020 crop ex Syndicate price is the reduction in the industry's operational expenses which, I should emphasize, is continuously monitored by the Syndicate's Committee. Hence there has been a significant drop in the cost of value-addition processes, after review of the contractual arrangements with the millers and refiners last year, but also in sea freight, port and demurrage charges, and last but not least in finance charges. In this respect, the Syndicate recently had recourse to Money Market Instruments, equivalent to traditional bonds, but under the purview of the Bank of Mauritius, to finance advances regularly paid to producers. These instruments are less costly than loans or overdraft facilities from commercial banks. While the initial target was to raise fund for Rs 1.5 bn, there was an oversubscription to the tune of Rs 6 bn. Besides, the Syndicate has successfully completed a Credit Rating certification and was awarded a *Single A One Plus*, which is a top rating for short term instruments.

Distinguished guests, had there not been COVID-19, market prices should have improved further. Let me remind you of the drastic fall in global sugar prices when the pandemic struck in early 2020: the sugar futures declined by 40% from February to April, and this fall was supported by the slash in crude oil prices, again on account of consumption cutback.

Fortunately, there has subsequently been a strong rally in sugar futures prices, in fact for most agricultural and energy commodities, firstly as movement restrictions in different parts of the world gradually lessened, and secondly with the flight of capital towards such investments, following the weakening of the US dollar. The rally on sugar funds was more pronounced, especially as from end 2020, with the strengthening of the Brazilian Real and rising ethanol prices in Brazil, and subsequently their reduced 2021 crop forecast, impacted by dry weather conditions. The NY#11 sporadically exceeded the US 20 cts/lb mark last month.

It should be emphasized that Brazil now accounts for almost a quarter of world sugar production and almost half of overall exports, and consequently has a strong influence

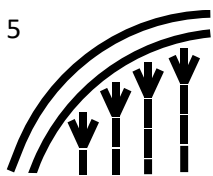


on global prices. With the reduced Brazilian crop and likely recovery in consumption as travel restrictions soften, market analysts now anticipate a tightening of global sugar supply/demand over the next 1-2 years, and consequently firm prices. Regrettably, these price escalations had not been attained when the bulk of the 2020 Mauritius crop sugars were sold, but would support our 2021 crop sales.

Likewise, in the EU market, despite the improvement foreseen with the reduction in its 2020 beet crop, which had been affected by dry weather conditions and the yellow aphid virus, prices remained subdued when sales were being finalised. In fact, the consumption decline associated with the confinements through the continent, estimated at over 1 M tons over the last 2 years, resulted in high stocks, with therefore no haste among distributors and users to finalise new purchases.

Unfortunately, despite the alleviation of lockdowns in most countries, the persisting propagation of COVID-19, coupled with the development of new variants, maintain qualms on economic recovery, and this has a direct impact on consumption. A higher ending stock at buyers' premises, despite decline in supplies, suffices to hinder price escalations, which has been the case in the EU market prior to the new 2021 crop. In fact, notwithstanding the continuous increase in global prices, which are presently over USD 100 higher than at the same time in 2020, EU prices have not followed. It is only early this month, after 80% of contracts have been finalised, that spot prices start to rise. Consequently, MSS would be selling a larger portion of its white sugar from the 2021 crop to non-EU destinations.

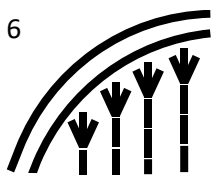
Negotiation of the Syndicate's sales contracts for the special sugars have, however, been under pressure with the reduction in consumption, especially in the foodservice and catering sector, resulting in buyers seeking an extension in their deliveries or limiting price increases for the following contracts as they sit on high stocks. Sales discussions have also been hampered by irregular deliveries triggered by slow movements of containers, including the erratic vessels sailings.



Sales development for special sugars nevertheless remain high on the Syndicate's agenda, given its core objective towards maximising the value of locally produced sugars. We are obviously exposed, in this context, to growing competition, especially from new cane sugar suppliers in Central America, but even coloured European produced beet sugars, which are often sold very cheaply, thereby pulling down prices of the Mauritius Special Sugars. This has prompted the Syndicate to reassess the positioning of its sugars and, after thorough consultations with its buyers, it consequently reaffirmed the intrinsic values of its sugars, set over 6 core pillars, namely Wholesomeness, Taste, Healthy Benefits, Traceability, Sustainability and Easy & Convenient sourcing, the latter relating to the one-stop-shop service offered by the Syndicate to its range of buyers located in 55 countries worldwide. The new Mauritius Sugar Label was launched in June 2021 and will henceforth assure a coherence in the marketing of Mauritius sugars worldwide. The Syndicate's logo and website were accordingly reviewed.

A series of events targeted at local consumers was also held, in collaboration with distributors to the retail segment, and also with Labourdonnais Hotel – the *Quinzaine de Sucre* - with the view firstly to enticing consumers to prioritise locally produced sugars and secondly promote the local consumption of special sugars. We are nevertheless still exposed to competition from COMESA and SADC suppliers. Despite the regression in imports since early 2021 because of increasing import costs, they still represent a threat to local produce when global prices recede. We wish to renew our appeal to Government, Mr Gunpath, to protect the domestic market from such preferential imports. Let me highlight here that, had sugar not been produced locally, domestic prices would have risen by at least 40% after increases in global prices, freight cost and the depreciation of the Rupee.

In pursuit of market expansion for Mauritius sugars, the new bilateral Free Trade Agreements which Mauritius has signed with China and India, and which came into force in January and April 2021 respectively, have been opportune. Both countries

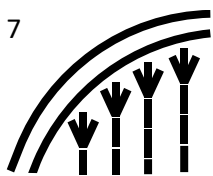


have a growing consumer base with increasing purchasing power, complemented with changing consumer trend towards wholesome foods. The Syndicate is leaving no stone unturned to stimulate demand for its special sugars in these new destinations, which, in light of the tariff preferences, should in future represent a significant share in the overall sugar exports from Mauritius. Already for the 2021 crop, 10,000 tons special sugars have been sold in China and this will complement the 5,000 tons white sugar being delivered to fulfil the 2021 TRQ allocated to Mauritius.

There is increasing need, on the other hand, that the industry is recognised as being sustainable. In this context, after having embarked on production and sales of Fairtrade labelled sugars since 2009, and following compliance with the VIVE Sustainable Supply Programme in 2019, the Syndicate has been certified to the Bonsucro Chain of Custody Standard end last year. With Omnicane already certified and Alteo preparing for certification, the Syndicate has initiated promising discussions to henceforth market Bonsucro certified sugars on favourable terms. We would like to thank Government for being sensitive to this *démarche* towards sustainability, and for having accepted to finance 50% of certification costs.

In the same vein, ladies and gentlemen, considering the demand growth for Fairtrade labelled sugars, while a few Cooperatives have been unable to renew their certification since the peak production of 36,000 tons in 2015, the Syndicate decided to embark onto this programme as a Cooperative, targeting small free cane growers, so their production, once attested, can complement those from the certified Coops in order to maximise availability of Fairtrade sugars from Mauritius. Hence the MSS Multi-Purpose Society was registered in February 2021 and at time of writing, 250 planters with a potential of some 35,000 tons cane, have been recruited. It will soon apply for Fairtrade certification of its sugars.

On this note, distinguished guests, I wish to invite the President for his concluding remarks.



With the new remuneration for bagasse and molasses, and the strong sugar prices prevailing, we foresee further improvement in producers' revenue for the 2021 crop, and very likely for the 2022 crop as well. Let us, however, not forget that the global market has cyclical surpluses, and sugar prices are likely to decline again in subsequent years, despite our attempt to mitigate such price falls through higher mix of special sugars. We should therefore not rest on our laurels, but continuously review our costs to stay competitive.

I wish to inform you that, in this spirit, the Syndicate underwent a restructuring exercise last year when 25% of its staff opted for voluntary retirement, resulting in a significant decrease in its administrative expenses. Producers are constantly reviewing their operational costs on their side, but we also need to look beyond, namely along the supply chain. We thank Government in this respect for the investment being undertaken in a sugar warehouse in Jin Fei which should significantly reduce the storage costs presently borne by producers. We look forward to working closely with the MCIA to ensure the most modern set up which will minimise handling costs.

Distinguished guests, with these remarks, I would like to express my sincere thanks to all those who contribute in one way or another to the smooth running of the Syndicate's operations. I won't list names to avoid missing a few but would like to have a special word of thanks to the Minister and SCE of the Ministry of Agro-Industry, their staff, the CEO of the MCIA and his team; to the Hon Minister of Foreign Affairs and the SFA and their staff. I must, moreover, express my gratitude to my Vice President and other members of the Syndicate's Committee for their support during the year, and finally to the CEO and his staff for their dedication and hard work in meeting the objectives of the Syndicate.

As the saying goes *"Opportunities don't happen. You create them."* (quote by Chris Grosser)

Thank you for your attention.

