

## CROP 2009 SYPNOSIS

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### 1.0 INDUSTRIAL REFORMS

- 1.1 Crop 2009 has been marked with a strategic shift of marketing strategies with the introduction of refinery activity, a major investment which has geared the sugar industry. This strategic shift of the sector will thus enable the mitigation to some extent of the loss in revenue due to a cut in sugar prices.
- 1.2 Crop 2009 remains a landmark in the history of this industry which has known the setting up of two refineries namely, FUEL Refinery Limited and Omnicane Ltd, with the bulk of sugar production in the form of refined sugar. The sale of refined sugar, rather than raw sugar, has achieved a higher added-value to sugar prices and the industry in general.
- 1.3 During this transitional phase in this industry, sugar production for Crop 2009 has been commercialised partly as raw, refined and special sugars. It is envisaged that as from the next crop year, sugar production will be exported as refined and special sugars only.
- 1.4 Following requests from major stakeholders of this sector and on further consultations, the Sugar Insurance Fund (SIF) Act has been amended to create the legal space to cater for the possibility of insuring the turnover of refinery activity against losses arising out of inclement weather conditions.

### 2.0 GENERAL INSURANCE

#### 2.1 Special Discount on General Premium

To further mark this transitional period and in view of the financial strength of the Fund, the Board has, in consultation with its Actuary together with the approval of the Honourable Minister of Finance and Economic Empowerment, exceptionally granted a one-off 10% discount on the general insurance premium payable by all insureds for crop 2009. A total amount of Rs 64.5M has been discounted in favour of all insureds.

#### 2.2 Crop 2009 Climatic Conditions

- 2.2.1 The initial phase of the vegetative period of 2009 crop was quite dry in the North, West and East whilst the later phase was affected by excessive rainfall in all sectors except the South.
- 2.2.2 Weather has been unfavourable to ripening in the East, South and Centre as a result of high rainfall. Excessive rainfall prevailing in all sectors apart from the West has been detrimental to ripening.
- 2.2.3 During November 2008, water requirements of all crops in the North and West were not met except for areas provided with sufficient irrigation.

- 2.2.4 The January rainfall exceeded the long term mean in all sectors except in the East and South where rainfall was inferior by 55 mm (21%) and 15mm (5%) respectively. Total cane height at the end of January 2009 lagged the mean of the highest cane yielding years by 3.6 cm (4.1%) in the East.
- 2.2.5 During February 2009 weather conditions were overall rather favourable for growth and development of the crop except for the gust that followed the passage of tropical storm "Gael" in the vicinity of Mauritius and that resulted in some leaf laceration and lodging in the most advanced fields.
- 2.2.6 Sector wise rainfall for the month of July was above the long term mean in the East (204 mm) by 76%, the South (217 mm) by 21% and the Centre (205 mm) by 13%. Weather experienced during the month of July has been unfavourable to ripening in the East, South and Centre as a result of the high rainfall.
- 2.2.7 With regards to extraction rate, the increase during the month of August has been below that recorded during the same month in 2008. In fact the gain in 2009 was 0.23<sup>0</sup> compared to 0.39<sup>0</sup> in 2008. Thus the difference that amounted to 0.29<sup>0</sup> at the end of July shrunk to 0.13<sup>0</sup> by end August. This is attributed mainly to the excessive rainfall recorded in all sectors apart from the West and which have been detrimental to ripening.
- 2.2.8 Rainfall recorded for the month of October 2009 well exceeded the long-term mean in all sectors, which represented 359%, 441%, 277%, 1083% and 290% of the long-term mean in the North, East, South, West and Centre respectively. The rainfall recorded in October over the island was the highest on record for the past fifty years.

### 2.3 Milling Operations

- 2.3.1 Crop 2009 witnessed an exceptional prolongation of milling operations due to extension of harvest, starting in June 2009 with only Belle Vue ceasing its milling activities on 8<sup>th</sup> January 2010. This has subsequently delayed the submission of millers' returns and extraction rates with final figures being obtained in early February 2010. This year also saw tonnages of canes as high as some 162,000 tonnes transferred in between factory areas.
- 2.3.2 Total caneweight harvested and sent to mills reached 4.667 million tonnes resulting in a sugar production of 470,895 tonnes for insurance purposes at an islandwide average extraction rate of 10.90%.
- 2.3.3 Milling activities island-wide took place at 6 factories. Mon Loisir not being operational last year, was again operational during crop 2009.
- 2.3.4 The bulk of raw sugar produced was directed to the newly operational refineries, FUEL Refinery Ltd and Omnicane for the production of refined sugar.
- 2.3.5 The ongoing centralisation of the Sugar Industry also resulted in the transfer of syrup from Union Saint Aubin factory to Omnicane factory for the production of plantation white sugar and refined sugar.

### 2.4 Declaration of Event Year

- 2.4.1 The Board at its meeting of 17<sup>th</sup> December 2009 exercised its powers under Section 25 of the SIF Act to declare an Event Year with respect to Crop 2009 on account of (i) **drought and excessive rainfall** for the factory areas of FUEL and Mon Loisir and (ii) **excessive rainfall** for the factory area of Union Saint Aubin.

- 2.4.2 At that time no declaration could be made with respect to Deep River Beau Champ, Belle Vue, Médine and Savannah factory areas due to the unavailability of detailed information on actual sugar production. Estimated losses in those factory areas in the aggregate did not show a marked crop reduction; thus rendering no possibility of further declarations.
- 2.4.3 Formal requests for declaration of event year were thereafter received from insureds of Belle Vue factory area, Deep River Beau Champ factory area and Savannah factory area. As a result, on 10th February 2010, the Board resolved that additional declaration of an Event Year be made, under section 25 subsection (4)(b) of the Sugar Insurance Fund Act, with respect to Crop 2009 on the following grounds
- (i) on account of drought and excessive rainfall for the factory areas of Belle Vue and Deep River Beau Champ and
  - (ii) on account of excessive rainfall for the factory area of Savannah.
- 2.4.4 Following further representations from insureds of Médine and upon examining the losses incurred, the Board decided on 25<sup>th</sup> March 2010 that Crop 2009 be additionally declared an event year for the factory area of Médine on account of drought and excessive rainfall.

## 2.5 [Sugar Price for Insurance](#)

- 2.5.1 Following the changes in trading preferences within the ACP-EU Sugar Protocol, sugar prices have experienced a gradual drop of up to 36% impacting on the revenue of producers. Following the European Commission's decision to reduce sugar prices by 36%, cut in sugar price culminated to 36% for Crop 2009, following a first cut of 5% in sugar price for Crop 2006.
- 2.5.2 The sugar price for Crop 2009 final assessment of general premium and compensation payable to planters was, on 3<sup>rd</sup> December 2009, determined at the rate of Rs15,627 per metric tonne of sugar, inclusive of the added value of molasses. The sugar price payable for insurance purposes for milling side was fixed at Rs 15,000 per metric tonne of sugar.

## 2.6 [Statistical Analysis](#)

### 2.6.1 Number of Accounts of Planters supplying canes

The total number of accounts of planters who supplied canes for crop 2009 is 21,492.

### 2.6.2 Harvest Extent & Cane Yield Distribution

Crop 2009 witnessed yet another substantial drop in harvest extent with a reduction of some 1,273 hectares from last year. The total harvestable extent island-wide used for assessment is 59,108 hectares for planters who supplied canes exclusively for the production of sugar, with the total caneweight harvested and consigned to mill being 4,666,949 tonnes.

Table 1 shows the harvest extent, caneweight and cane yield distributions for the 2009 Crop for each factory area.

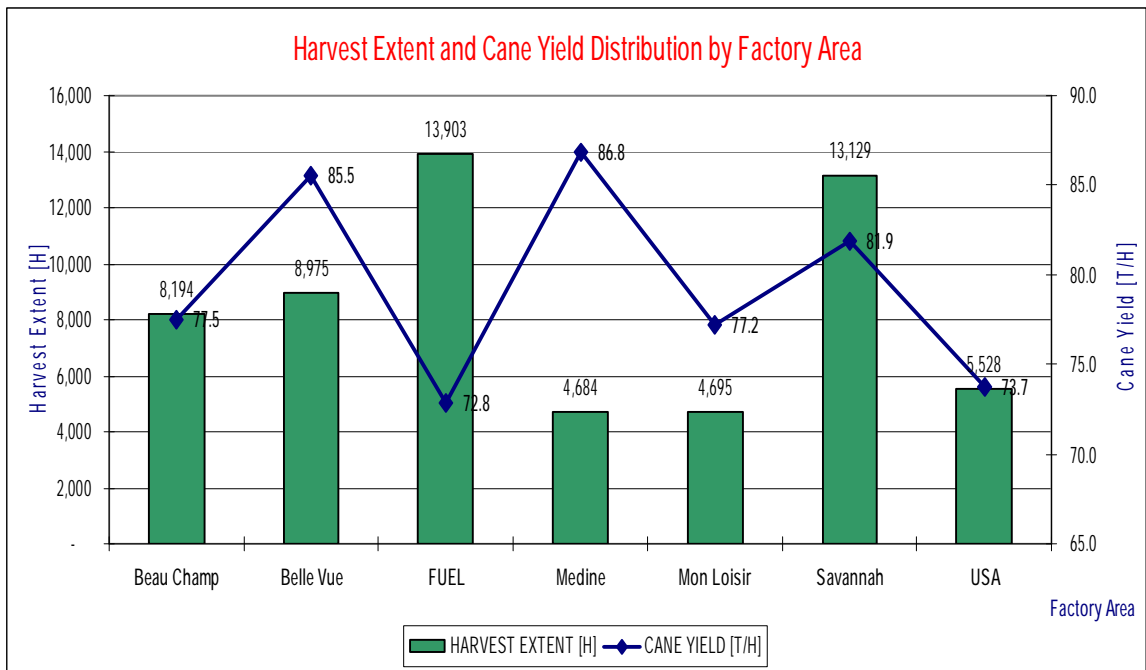
Table 1

| FACTORY AREA | HARVEST EXTENT [H] | CANE WEIGHT [T] | CANE YIELD [T/H] |
|--------------|--------------------|-----------------|------------------|
| Beau Champ   | 8,194              | 635,097         | 77.5             |
| Belle Vue    | 8,975              | 767,749         | 85.5             |
| FUEL         | 13,903             | 1,012,745       | 72.8             |
| Medine       | 4,684              | 406,480         | 86.8             |
| Mon Loisir   | 4,695              | 362,586         | 77.2             |
| Savannah     | 13,129             | 1,074,676       | 81.9             |
| USA          | 5,528              | 407,615         | 73.7             |
| TOTAL        | 59,108             | 4,666,949       | 79.0             |

The highest harvest extent is seen in FUEL factory area with 13,903 hectares under cane harvested whereas Medine factory area had the lowest (4,684 H). On the contrary, Medine had the highest cane yield (86.8 T/H) compared to FUEL with the lowest cane yield of 72.8 TC/H.

Chart 1 below depicts the harvest extent and cane yield distributions for Crop 2009 by factory area.

Chart 1



2.6.3 Category of Planters

Table 2 below classifies the number of accounts by factory area and by the category of planters (small/ large) and is similarly depicted at Charts 2(a) and 2(b) below. A small planter is defined as having harvest extent of up to 10 hectares and a large planter as having harvest extent of at least 10 hectares.

Table 2

| FACTORY AREA | NUMBER OF ACCOUNTS             |                                  |                               |                                  |               |
|--------------|--------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------|
|              | Small Planters (less than 10H) | % of Total # Accounts Islandwide | Large planters (at least 10H) | % of Total # Accounts Islandwide | TOTAL         |
| Beau Champ   | 2,815                          | 13.1%                            | 16                            | 0.1%                             | 2,831         |
| Belle Vue    | 3,298                          | 15.3%                            | 23                            | 0.1%                             | 3,321         |
| FUEL         | 6,371                          | 29.6%                            | 26                            | 0.1%                             | 6,397         |
| Medine       | 514                            | 2.4%                             | 19                            | 0.1%                             | 533           |
| Mon Loisir   | 2,160                          | 10.1%                            | 7                             | 0.0%                             | 2,167         |
| Savannah     | 5,064                          | 23.6%                            | 20                            | 0.1%                             | 5,084         |
| USA          | 1,135                          | 5.3%                             | 24                            | 0.1%                             | 1,159         |
| <b>TOTAL</b> | <b>21,357</b>                  | <b>99.4%</b>                     | <b>135</b>                    | <b>0.6%</b>                      | <b>21,492</b> |

Chart 2(a)

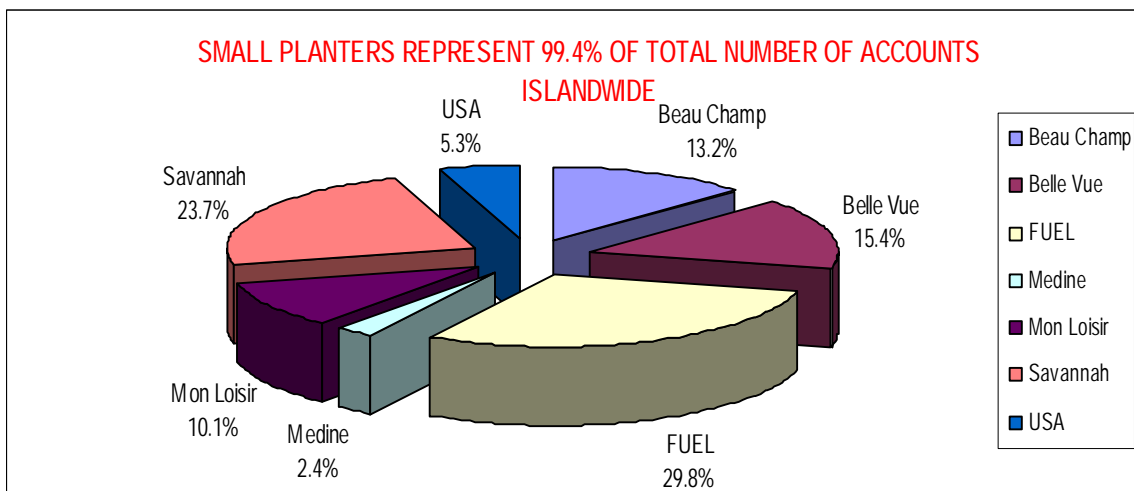
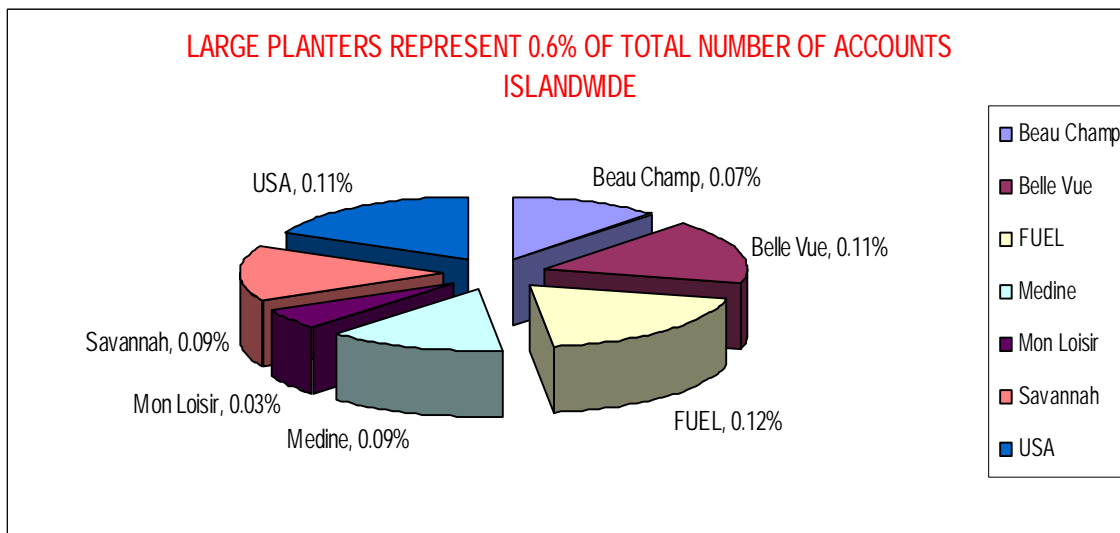


Chart 2(b)

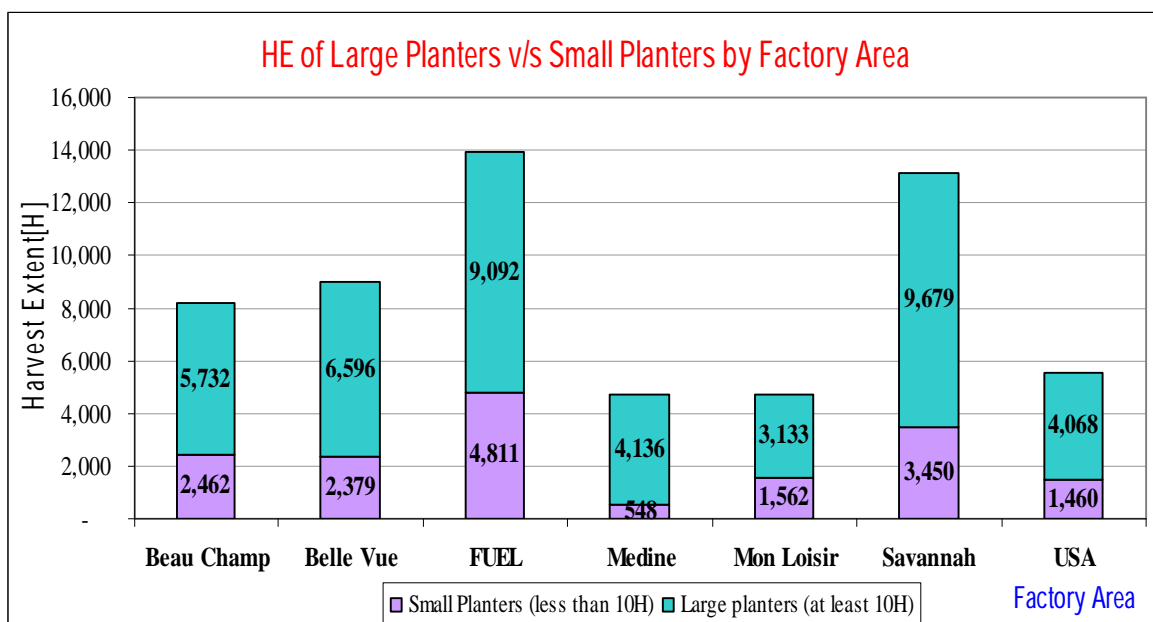


2.6.4 Table 3 and Chart 3 below show the breakdown of Harvest Extent between small and large planters by factory area.

Table 3

| FACTORY AREA | HARVEST EXTENT [H]             |                    |                               |                    | TOTAL [H]     |
|--------------|--------------------------------|--------------------|-------------------------------|--------------------|---------------|
|              | Small Planters (less than 10H) | % of Islandwide HE | Large planters (at least 10H) | % of Islandwide HE |               |
| Beau Champ   | 2,462                          | 4.2%               | 5,732                         | 9.7%               | 8,194         |
| Belle Vue    | 2,379                          | 4.0%               | 6,596                         | 11.2%              | 8,975         |
| FUEL         | 4,811                          | 8.1%               | 9,092                         | 15.4%              | 13,903        |
| Medine       | 548                            | 0.9%               | 4,136                         | 7.0%               | 4,684         |
| Mon Loisir   | 1,562                          | 2.6%               | 3,133                         | 5.3%               | 4,695         |
| Savannah     | 3,450                          | 5.8%               | 9,679                         | 16.4%              | 13,129        |
| USA          | 1,460                          | 2.5%               | 4,068                         | 6.9%               | 5,528         |
| <b>TOTAL</b> | <b>16,671</b>                  | <b>28.2%</b>       | <b>42,437</b>                 | <b>71.8%</b>       | <b>59,108</b> |

Chart 3



It can be observed from Tables 2 and 3 that 99.4% of insureds are small planters with a total area under cane cultivation of 16,671 H, which represent 28.2% of island-wide harvest extent. On the other hand, 0.6% of the large planters have cane plantations of a total extent of 42,437H which represent 71.8% of island-wide harvest extent.

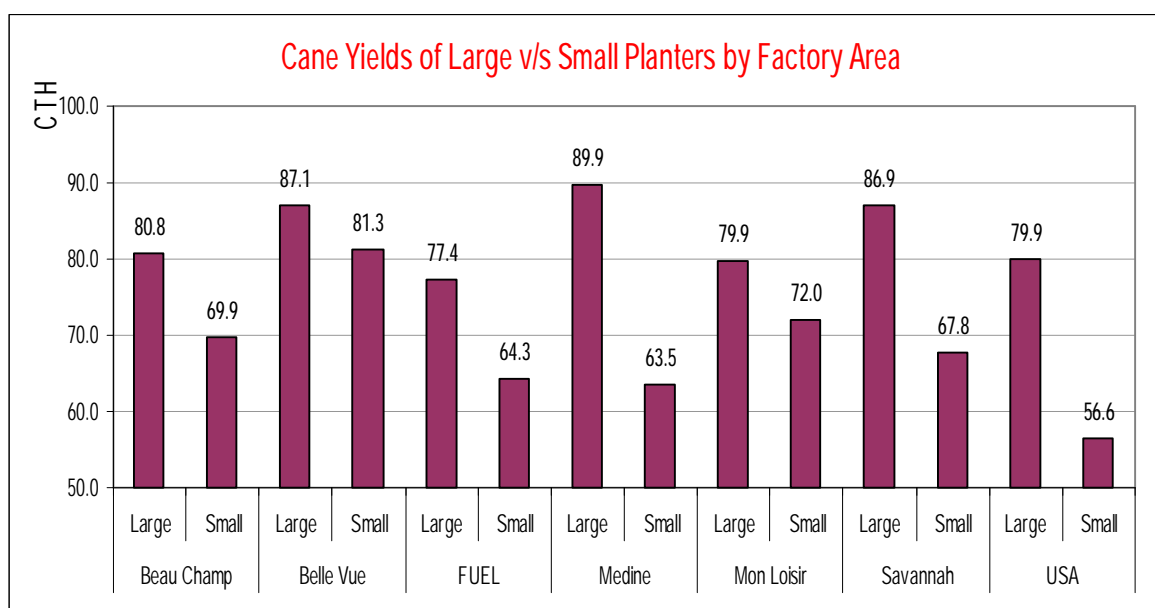
2.6.5 The weighted average cane yields of large planters exceeded those of small planters in all of the respective factory areas (Table 4 and Chart 4 below).

Table 4

| FACTORY AREA | Size  | Harvest Extent [H] | Cane Weight [T] | Tonnes of Cane per Hectare (CTH) |
|--------------|-------|--------------------|-----------------|----------------------------------|
| Beau Champ   | Large | 5,732              | 463,073         | 80.8                             |
|              | Small | 2,462              | 172,024         | 69.9                             |
| Belle Vue    | Large | 6,596              | 574,328         | 87.1                             |
|              | Small | 2,379              | 193,421         | 81.3                             |
| FUEL         | Large | 9,092              | 703,371         | 77.4                             |
|              | Small | 4,811              | 309,374         | 64.3                             |
| Medine       | Large | 4,136              | 371,706         | 89.9                             |
|              | Small | 548                | 34,774          | 63.5                             |
| Mon Loisir   | Large | 3,133              | 250,189         | 79.9                             |
|              | Small | 1,562              | 112,397         | 72.0                             |
| Savannah     | Large | 9,679              | 840,953         | 86.9                             |
|              | Small | 3,450              | 233,723         | 67.8                             |
| USA          | Large | 4,068              | 324,974         | 79.9                             |
|              | Small | 1,460              | 82,641          | 56.6                             |
| TOTAL        |       | 59,108             | 4,666,949       | 79.0                             |

The highest average cane yield is with respect to Médine large planters (89.9 Tonnes of Cane per Hectare (CTH)) and the lowest average cane yield is with respect to Union St Aubin small planters (56.6 CTH).

Chart 4



### 2.6.6 Sugar Yield

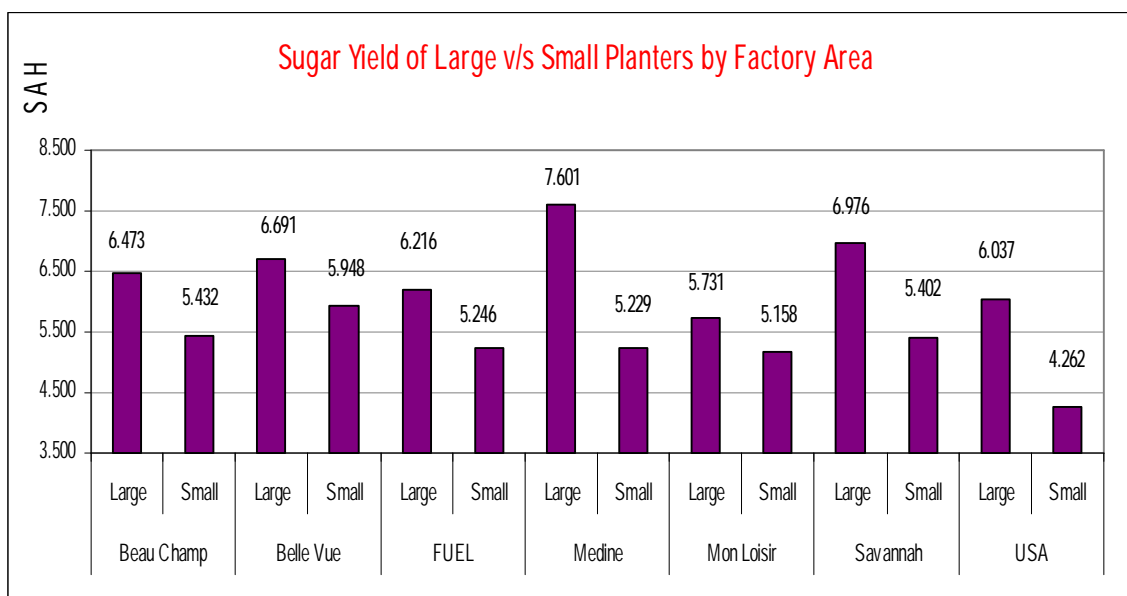
Likewise, as expected, the average sugar yields (at planter's share) of large planters consistently exceeded those of small planters in all of their respective factory areas (Table 5 and Chart 5 below).

Table 5

| FACTORY AREA | Size  | Harvest Extent [H] | Sugar Accruing (SA) @ planter's share [T] | Sugar Accruing per Hectare (SAH) @ planter's share |
|--------------|-------|--------------------|---|--|
| Beau Champ   | Large | 5,732              | 37,105                                    | 6.473  |
|              | Small | 2,462              | 13,376                                    | 5.432  |
| Belle Vue    | Large | 6,596              | 44,138                                    | 6.691  |
|              | Small | 2,379              | 14,149                                    | 5.948  |
| FUEL         | Large | 9,092              | 56,512                                    | 6.216  |
|              | Small | 4,811              | 25,243                                    | 5.246  |
| Medine       | Large | 4,136              | 31,437                                    | 7.601  |
|              | Small | 548                | 2,864                                     | 5.229  |
| Mon Loisir   | Large | 3,133              | 17,955                                    | 5.731  |
|              | Small | 1,562              | 8,055                                     | 5.158  |
| Savannah     | Large | 9,679              | 67,519                                    | 6.976  |
|              | Small | 3,450              | 18,635                                    | 5.402  |
| USA          | Large | 4,068              | 24,557                                    | 6.037  |
|              | Small | 1,460              | 6,221                                     | 4.262  |
| TOTAL        |       | 59,108             | 367,765                                   | 6.222  |

The highest weighted average sugar yield (at planter's share) is with respect to Médine large planters (7T601 /H) and the lowest average sugar yield (at planter's share) is with respect to Union St Aubin small planters (4T262 /H). The maximum differential between large and small planters is 2T372 /H with respect to Medine factory area.

Chart 5



### 2.6.7 Sugar Production

Sugar Production for Crop 2009 reached 470,895 tonnes island-wide, which represent 90% relative to the Total Insurable Sugar for 2009.

Table 6 below shows the Total Sugar Accrued (TSA) of insureds in each factory area together with their Total Insurable Sugar (TIS) and their respective sugar production percentage (defined as the ratio of TSA to TIS).

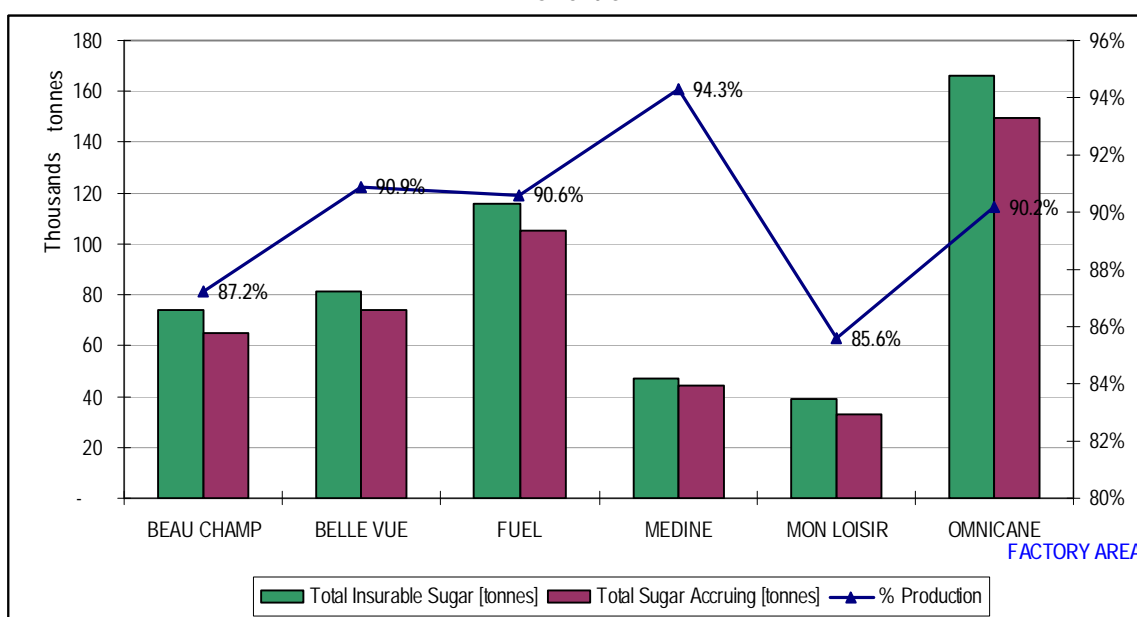


Table 6

| FACTORY AREA | Total Insurable Sugar [tonnes] | Total Sugar Accruing [tonnes] | % Production |
|--------------|--------------------------------|-------------------------------|--------------|
| BEAU CHAMP   | 74,133                         | 64,650                        | 87.2%        |
| BELLE VUE    | 81,249                         | 73,848                        | 90.9%        |
| FUEL         | 116,119                        | 105,158                       | 90.6%        |
| MEDINE       | 46,663                         | 44,013                        | 94.3%        |
| MON LOISIR   | 38,949                         | 33,342                        | 85.6%        |
| OMNICANE     | 166,241                        | 149,885                       | 90.2%        |
| TOTAL        | 523,354                        | 470,895                       | 90.0%        |

Chart 6 below depicts the TIS against the TSA of insureds for each factory area with the respective factory area production percentages being demonstrated as a line chart.

Chart 6



For Crop 2009, Médine was the factory area with the highest sugar production percentage (94.3%); in fact for the past 8 years (2002-2009), Médine factory area ranked at least third in terms of highest sugar production percentage.

## 2.7 Premium, Compensation & Loss Ratios

The gross General Premium Income (GPI) receivable for the year was Rs 644.5 M from all insureds. A one-off 10% special discount was offered to all insureds on general premium resulting in the GPI claimed of Rs 580.1 M. A total amount of Rs 64.5 M was discounted in favour of all insureds for Crop 2009. The total general compensation payable to all insureds amounted to some Rs 178 M. As such, the Fund registered an overall loss ratio of 27.6%. Nonetheless, the General Insurance Account has reported a surplus of Rs 402.1 M (excess of premium over compensation).

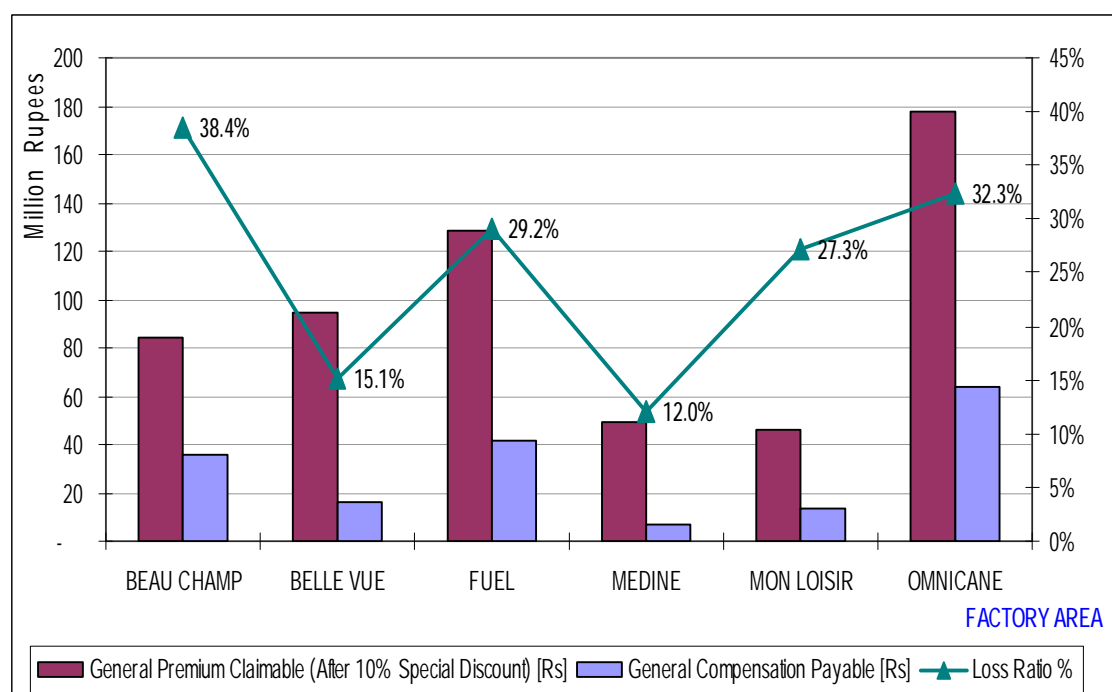
Table 7 below shows the Total General Premium claimable, the Total General Compensation payable and the loss ratio (defined as the ratio of General Compensation to General Premium) for each factory area whilst Chart 7 below illustrates the Total General Premium claimable, the Total General Compensation payable and insureds' loss ratio by factory area.

Table 7

| FACTORY AREA | General Premium Receivable [Rs] | General Premium Claimable (After 10% Special Discount) [Rs] | General Compensation Payable [Rs] | Loss Ratio |
|--------------|---------------------------------|---|-----------------------------------|------------|
| BEAU CHAMP   | 93,475,759                      | 84,128,183  | 35,925,897                        | 38.4%      |
| BELLE VUE    | 105,286,827                     | 94,758,144  | 15,899,334                        | 15.1%      |
| FUEL         | 142,722,310                     | 128,450,079   | 41,659,574                        | 29.2%      |
| MEDINE       | 54,450,342                      | 49,005,308  | 6,544,211                         | 12.0%      |
| MON LOISIR   | 51,242,164                      | 46,117,948  | 13,967,014                        | 27.3%      |
| OMNICANE     | 197,352,076                     | 177,616,868   | 63,720,101                        | 32.3%      |
| TOTAL        | 644,529,478                     | 580,076,530   | 177,716,131                       | 27.6%      |

For Crop 2009, Médine was the factory area with the lowest loss ratio (12.0%); for the past 8 years (2002-2009), Médine FA ranked at least second in terms of lowest loss ratio.

Chart 7



### 3.0 FIRE INSURANCE

#### 3.1 Inter-Crop Fire 2009

3.1.1 For crop 2009, the total number of reported and compensable damages caused by intercrop fire was 156 with a total extent of 183 hectares of canes destroyed island-wide. The number of fire cases was more prominent in the North sector of the island, followed by the South and Centre. The highest extent damaged was noted in the North sector of the island.

3.1.2 The net compensation paid to insureds for loss consequent upon destruction of cane plantations by inter-crop fire amounted to Rs 10.22 M.

3.1.3 Among the factory areas having compensable fire cases, the highest number of compensable hectares destroyed by fire is in the former factory area of Riche-en-Eau (42.219 hectares) and the lowest is in the former factory area of Reufac (0.133 hectare).

### 3.2 Fire during Harvest Season 2009

- 3.2.1 A pronounced increase in reported fire incidences has been observed throughout the harvest season 2009, as compared to previous years. The number of fire occurrences during harvest season was more prominent in the North sector of the island.
- 3.2.2 The road distance rates applied by the Fund for transport allowance for crop 2009 were Rs.7.86 per tonne of canes per kilometre in excess of 6 kilometres in respect of planters supplying up to 100 tonnes of canes and Rs.7.15 per tonne of canes per kilometre in excess of 6 kilometres in respect of planters supplying more than 100 tonnes of canes during the crop.
- 3.2.3 A total amount of Rs 3.0 M has been disbursed to eligible insureds as road transport allowance for milling of burnt canes outside the factory area.

### 3.3 Fire Insurance Loss Ratio

The loss ratio under fire insurance for crop 2009 is 201.5%, representing an island wide compensation of Rs 13.242 M (inclusive of transport allowance) against an island wide premium of Rs 6.572 M.

| PREMIUM [Rs]              |                           |                    | COMPENSATION [Rs]                    |                                   |                         | Loss Ratio |
|---------------------------|---------------------------|--------------------|--------------------------------------|-----------------------------------|-------------------------|------------|
| Fire Premium (Inter-Crop) | Fire Premium (Assessment) | Total Fire Premium | Gross Fire Compensation (Inter-Crop) | Transport Allowance (Crop Season) | Total Fire Compensation |            |
| 21,372                    | 6,550,358                 | 6,571,730          | 10,240,095                           | 3,001,888                         | 13,241,983              | 201.5%     |

### 3.4 Fire Insurance Account Status

Following a year of surplus, the Fire Insurance Account shows a deficit of some Rs 5.8M for crop 2009, as reported in the financial statements ended 31<sup>st</sup> December 2009. This has brought down the accumulated Fire Fund from Rs 23M to Rs 17M for the year ended 2009.

## 4.0 SUMMARY

### 4.1 GENERAL INSURANCE ACCOUNT

Total Number of Accounts with non-zero Cane Weight: 21,492  
Total Harvestable Extent: 59,108 hectares  
Total Sugar Accrued: 470,895 tonnes  
Total Insurable Sugar: 523,354 tonnes  
Sugar Production %: 90.0%  
Crop Reduction %: 10.0%  
Loss Ratio %: 27.6%

### 4.2 FIRE INSURANCE ACCOUNT

#### 4.2.1 Inter-Crop Fire

No. of Reported & Compensable Accounts: 156  
Harvest Extent Burnt island-wide for reported and compensable cases: 183 hectares

#### 4.2.2 Fire during Harvest

No. of Reported & Compensable Accounts: 153

#### 4.2.3 Fire Insurance Loss Ratio: 201.5%