



SUGAR INSURANCE FUND BOARD

INFORMATION PAPER (BD2013/04/4)

FOR BOARD MEETING TO BE HELD ON THURSDAY 25th APRIL 2013 AT 13:30 HRS

CROP 2012 SYNOPSIS

CROP 2012 OVERVIEW

1.0 General Insurance

1.1 Implementation of Actuarial Review

The Board, in October 2011, adopted the recommendations of the Consulting Actuary which were enforced by Act No. 1 of 2012 in May 2012. The new insurance arrangement, effective Crop 2012, is a catastrophic type of cover leading to a 50% reduction in general premium rates payable by all insureds. Under the new Insurance arrangement, the Board would declare an Event year for any crop year on account of the occurrence of cyclone, drought or excessive rainfall, subject to an islandwide crop reduction being 25% or more.

The new insurance arrangement entails no change in the methods of determining ranking, value of insurable sugar and general compensation rates. Furthermore, the actual (recorded) ranking of any insured can no longer be below 5.0.

However, the Board in its own deliberate judgment has provided some flexibility, through subsection 25(2) in the legislation, to declare an Event year should the island-wide crop reduction be between 20% to 25% subject to an advice of the Actuary.

1.2 Registration of Factories and Plantations

The deadline for normal registration for Crop 2012 was extended from 31st May 2012 to 15th June 2012. Given the exceptional circumstance, the Board decided to waive all late registration fees for Crop 2012.

Planters of Deep River Beau Champ and Constance La Gaieté factory areas were invited to call at Bon Accueil Farmers Service Centre as our Camp de Masque sub-office is no longer operational effective Crop 2012.

The foundation for the staggered registration over five year interval of plantations of small planters was laid during Crop 2012 registration by issuing registration cards valid for five years to the first 20% who registered; four years to the next 20%, three years to the next 20%, two years to the next 20% and one year to the last 20%.

Mon Loisir factory stopped milling operations from Crop 2012 onwards.

1.3 Sugar Production

Total caneweight sent to mills for sugar production was 3.95 million tonnes resulting in a total sugar production of 412,876 tonnes at an islandwide average extraction rate of 10.46% against a Total Insurable Sugar of 462,114 tonnes, i.e. a sugar production percentage of 89.3%.

The islandwide crop reduction being 10.7%, (below the threshold of 25%), no Event year has been declared by the Board and that in line with the new insurance arrangement. Therefore, no general compensation is payable.

1.4 Sugar Price for Insurance

The sugar price for Crop 2012 was, in December 2012, determined at the rate of Rs 17,133 per metric tonne of sugar for planters, inclusive of the added value of molasses.

The sugar price payable for insurance purposes for milling side was fixed at Rs 16,500 per metric tonne of sugar.

1.5 Fire Insurance

Following the October 2011 Actuarial Review, the Fifth Schedule of the SIF Act was amended to give effect to the Actuary's recommendation to reduce the fire compensation rate by 20% from Rs625 to Rs500 per tonne of cane short produced, with no change in fire premium rate.

1.6 Milling Operations

There were 5 milling factories in operation for crop 2012, namely Terra (Belle Vue) Milling Co. Ltd in the North sector, Deep River Beau Champ and F.U.E.L in the East sector, Medine in the West sector and Omnicane in the south Sector.

Milling activities started in the factory of Deep River Beau Champ on the 23rd June 2012 and ended in Omnicane on the 26th December 2012. The longest milling season was over a period of 146 days at Omnicane.

1.7 Statistics

1.7.1 Number of Accounts of Planters Supplying Canes

The total number of accounts of planters supplying canes for crop 2012 was 17,541 compared with 18,810 accounts for crop 2011.

1.7.2 Harvest Extent and Cane Yield Distribution

The area harvested for crop 2012 was 53,428 hectares against 55,777 hectares for crop 2011.

The total tonnage of canes milled islandwide in 2012 was 3,947,285 tonnes against 4,230,173 tonnes in 2011, implying a reduction of 282,888 tonnage of canes produced due mainly to a reduction in area under cane harvested for the production of sugar.

Table 1 below shows the harvest extent, cane weight and cane yield by each enlarged factory area.

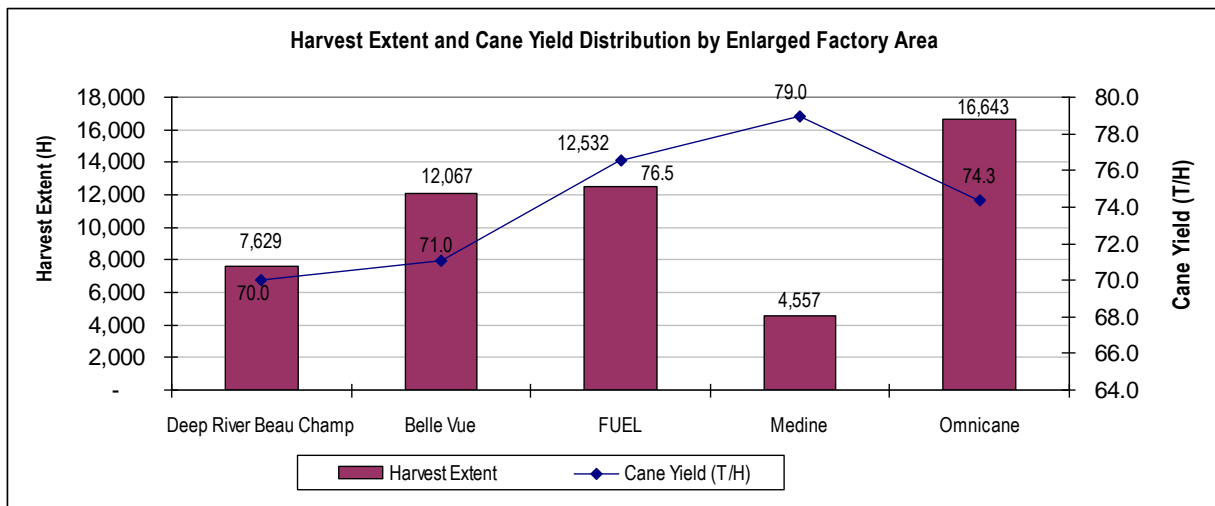
Table 1

Enlarged Factory Area	Harvest Extent (H)	Cane Weight (T)	Cane Yield (T/H)
Deep River Beau Champ	7,629	534,021	70.0
Terra (Belle Vue)	12,067	857,235	71.0
F.U.E.L	12,532	959,167	76.5
Medine	4,557	359,782	79.0
Omnicanne	16,643	1,237,080	74.3
Total	53,428	3,947,285	73.9

The highest harvest extent and the highest tonnage of canes milled were in Omnicanne with 16,643 hectares and 1,237,080 tonnes of canes respectively while Medine factory area recorded the highest cane yield per hectare (79.0 T/H).

Chart 1 below depicts the harvest extent and cane yield distribution by enlarged factory area for Crop 2012.

Chart 1



1.7.3 Category of Planters

Table 2 and charts 2(a) and 2(b) (page 4) show the number of accounts by enlarged factory area and by category of planters (small and large).

A small planter is defined as having an aggregate harvest extent of up to 10 hectares and a large planter as having an aggregate harvest extent exceeding 10 hectares.

Table 2

Number of Accounts					
Enlarged Factory Area	Small Planters (Up to 10 H)	% of Total Accounts Island-wide	Large Planters (more than 10 H)	% of Total Accounts Island-wide	Total Accounts
Deep River Beau Champ	2,285	13.03%	16	0.09%	2,301
Terra (Belle Vue)	4,312	24.58%	24	0.14%	4,336
F.U.E.L	5,385	30.70%	25	0.14%	5,410
Medine	381	2.17%	18	0.10%	399
Omnicanne	5,051	28.80%	44	0.25%	5,095
Total	17,414	99.28%	127	0.72%	17,541

Over a total number of 17,541 planters, there were 17,414 planters cultivating up to 10 hectares and 127 planters cultivating more than 10 hectares of land.

The highest number of planters for crop 2012 recorded by enlarged factory area was in F.U.E.L (5,410 planters) and the lowest was in Medine (399 planters).

Chart 2 (a)

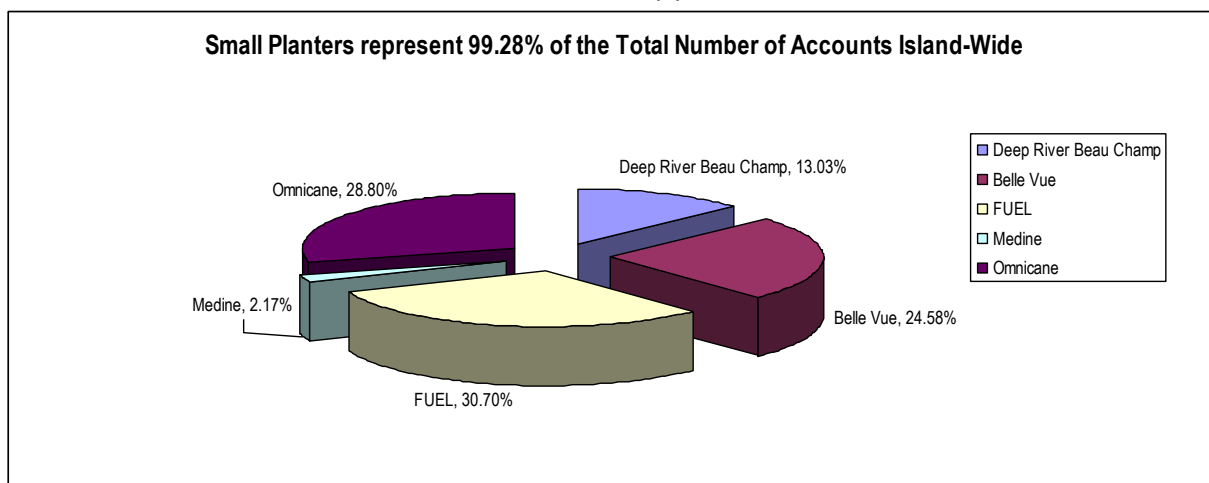


Chart 2(b)

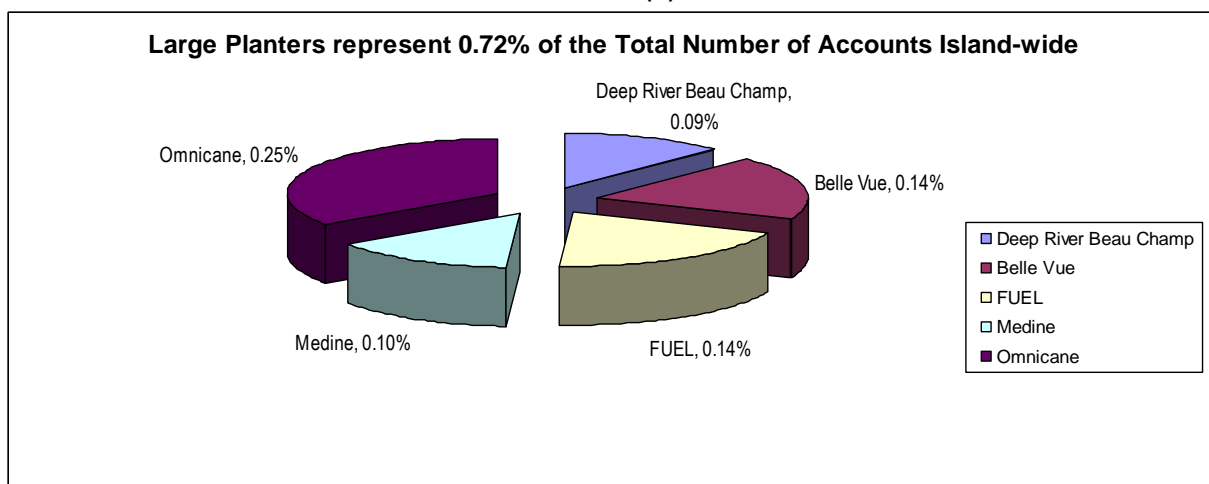
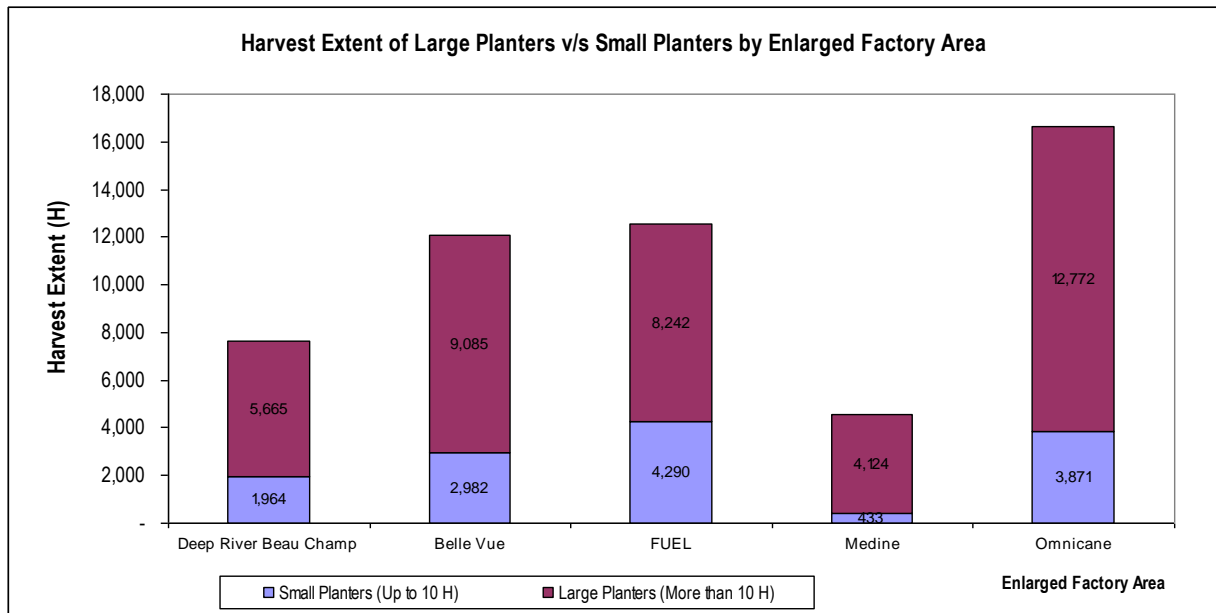


Table 3 below shows the breakdown of Harvest Extent between small and large planters by enlarged factory area which is also depicted at **Chart 3**.

Table 3

Enlarged Factory Area	Harvest Extent (H)				
	Small Planters (Up to 10 H)	% of Total Island-wide Harvest Extent	Large Planters (more than 10 H)	% of Total Island-wide Harvest Extent	Total Harvest Extent
Deep River Beau Champ	1,964	3.7%	5,665	10.6%	7,629
Terra (Belle Vue)	2,982	5.6%	9,085	17.0%	12,067
F.U.E.L	4,290	8.0%	8,242	15.4%	12,532
Medine	433	0.8%	4,124	7.7%	4,557
Omnicanne	3,871	7.2%	12,772	23.9%	16,643
Total	13,540	25.3%	39,888	74.7%	53,428

Chart 3



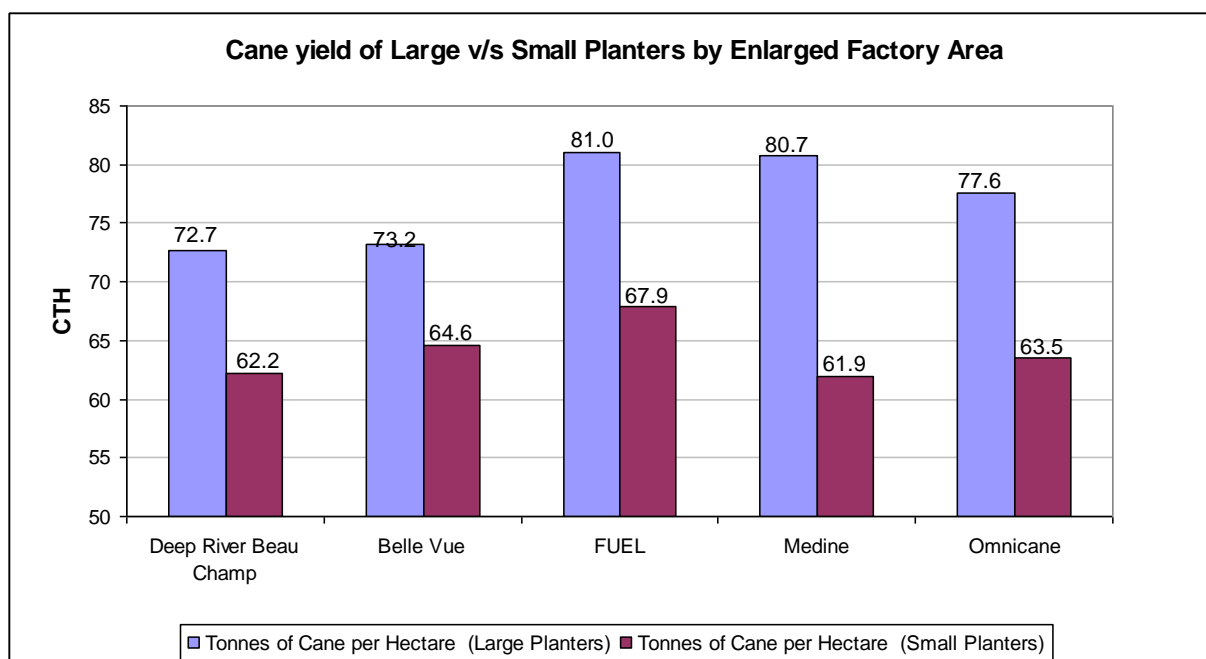
1.7.4 The weighted average cane yield per hectare of large planters exceeded those of small planters in all of the respective enlarged factory areas for Crop 2012 (**Table 4**).

Table 4

Enlarged Factory Area	Size	Harvest Extent (H)	Cane Weight (T)	Tonnes of Cane Per Hectare (CTH)
Deep River Beau Champ	Large	5,665	411,841	72.7
	Small	1,964	122,180	62.2
Terra (Belle Vue)	Large	9,085	664,744	73.2
	Small	2,982	192,491	64.6
F.U.E.L	Large	8,242	667,941	81.0
	Small	4,290	291,226	67.9
Medine	Large	4,124	332,984	80.7
	Small	433	26,798	61.9
Omnicanne	Large	12,772	991,352	77.6
	Small	3,871	245,728	63.5
Total		53,428	3,947,285	73.9

Chart 4 below shows the cane yield of small planters compared to large planters for Crop 2012 for each enlarged factory area.

Chart 4



The highest weighted average cane yield per hectare of both small planters (67.9T/H) and large planters (81T/H) was in the enlarged factory area of F.U.E.L.

1.7.5 Sugar Yield

The average sugar yield (at planter's share) of large planters exceeded those of small planters in all enlarged factory areas. **Table 5** below shows sugar yield per hectare for small planters and large planters by enlarged factory area.

The highest weighted average sugar yield (at planters' share) was with respect to Medine large planters (6.887 T/H) and the lowest average sugar yield (at planter's share) was with respect to Deep River Beau Champ small planters (4.939 T/H).

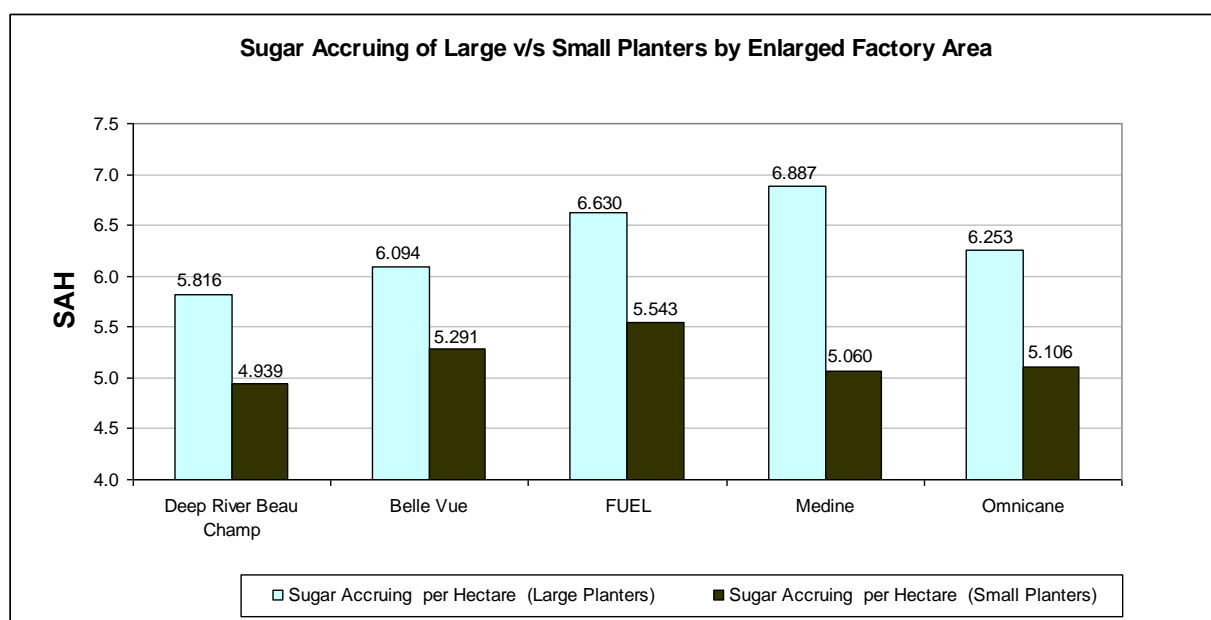
The maximum differential between large and small planters was 1.827 T/H, recorded in the enlarged factory area of Medine.

Table 5

Enlarged Factory Area	Size	Harvest Extent (H)	Sugar Accruing (SA) @ Planter's Share (T)	Sugar Accruing per Hectare (SAH) @ Planter's Share
Deep River Beau Champ	Large	5,665	32,949	5.816
	Small	1,964	9,700	4.939
Terra (Belle Vue)	Large	9,085	55,368	6.094
	Small	2,982	15,777	5.291
F.U.E.L	Large	8,242	54,648	6.630
	Small	4,290	23,779	5.543
Medine	Large	4,124	28,404	6.887
	Small	433	2,191	5.060
Omnicanne	Large	12,772	79,866	6.253
	Small	3,871	19,767	5.106
Total		53,428	322,449	6.035

Chart 5 below shows the sugar yield by enlarged factory area for small and large planters.

Chart 5



1.7.6 Comparison of Total Sugar Accruing by Enlarged Factory Area

Table 6 below shows the Total Sugar Accruing (TSA) of insureds in each enlarged factory area with their Total Insurable Sugar (TIS) and their respective sugar production percentage.

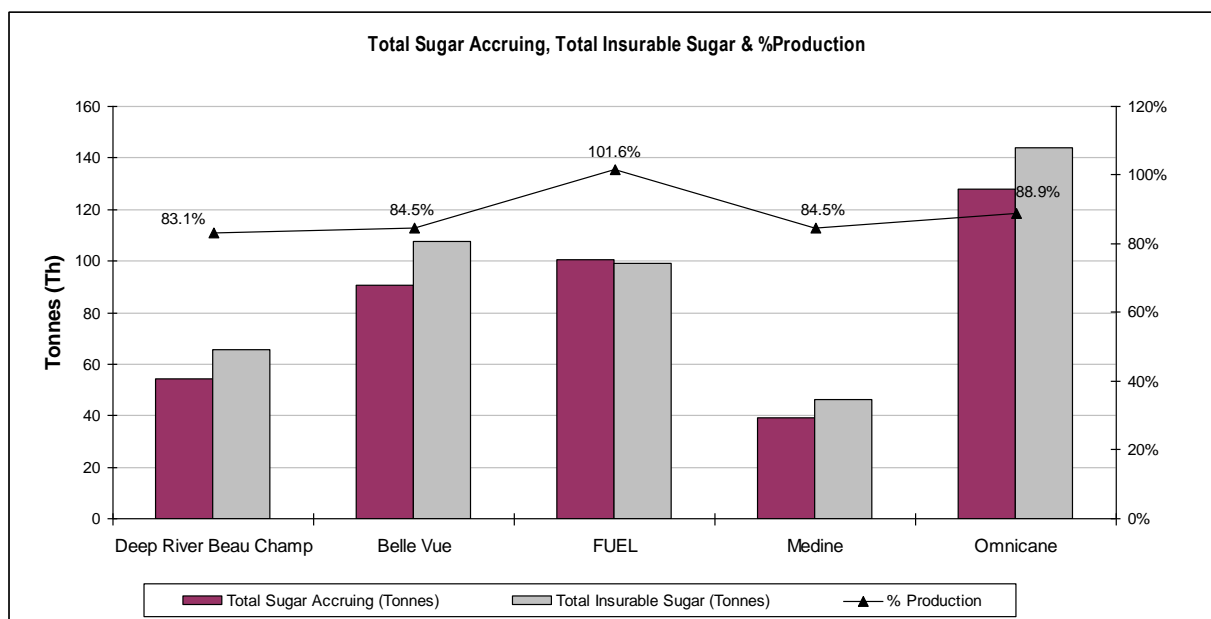
Table 6

Enlarged Factory Area	Total Sugar Accruing (Tonnes)	Total Insurable Sugar (Tonnes)	% Production
Deep River Beau Champ	54,403	65,435	83.1
Terra (Belle Vue)	90,855	107,459	84.5
F.U.E.L	100,711	99,162	101.6
Medine	39,095	46,255	84.5
Omnicanne	127,812	143,803	88.9
Total	412,876	462,114	89.3

Chart 6 below depicts the TIS against the TSA of insureds in each enlarged factory area.

The highest sugar production percentage was F.U.E.L enlarged factory area (101.6%) where the TSA exceeded the TIS, and the lowest sugar production percentage was that of Deep River Beau-Champ (83.1%).

Chart 6



1.8 Premium

The gross General Premium Income (GPI) receivable for the year was Rs 288.6 M.

Table 7 below shows the Total General Premium Receivable for each enlarged factory area.

Table 7

Enlarged Factory Area	General Premium Receivable (Rs)
Deep River Beau Champ	45,138,179.
Terra (Belle Vue)	72,093,210
F.U.E.L	60,200,606
Medine	25,981,002
Omnicanne	85,181,517
Total	288,594,514

2.0 FIRE INSURANCE

2.1 Inter-Crop Fire 2012

The total number of compensated intercrop fire cases recorded for crop 2012 is 154 compared with 132 cases for crop 2011. A total extent of 171 hectares of canes was destroyed island-wide compared to 137.6 hectares for Crop 2011.

The number of fire cases was more prominent in the North sector of the island (67 cases) followed by the East sector (with 37 cases). The highest extent damaged by fire was noted in the South sector of the island (55.899 hectares).

Among the enlarged factory areas, Omnicanne recorded the highest extent (55.9 hectares) of compensable fire cases.

Fire compensation paid to insureds amounted to Rs 7.6 M for Crop 2012, against Rs 7.2 M for Crop 2011.

2.2 Transport Allowance

Rates of transport allowance determined by the Board were as follows:

- (1) Rs 8.63 per tonne of canes per kilometer in excess of 6 kilometers with respect to planters supplying up to 100 tonnes of canes.
- (2) Rs 7.84 per tonne of canes per kilometer in excess of 6 kilometers with respect to planters supplying more than 100 tonnes.

A total amount of Rs 326,085 was disbursed to 16 eligible planters as transport allowance for milling of burnt canes outside their respective factory areas.

Table 8 below shows the amount disbursed as transport allowance and the number of cases by enlarged factory area for crop 2012.

Enlarged Factory Area	Transport Allowance (Rs)	Number of Accounts
Terra (Belle Vue)	209,400	14
Medine	116,685	2
Total	326,085	16

2.3 Fire Insurance Loss Ratio

The loss ratio under the Fire insurance Account for crop 2012 was 137%, representing an island-wide compensation of Rs 7.963 M (inclusive of transport allowance) against an island-wide premium of Rs 5.795 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	
20,621	5,774,903	5,795,524	7,637,100	326,085	7,963,185	137%

2.4 Fire Insurance Account Status

The Fire Insurance Account showed a deficit of Rs 1.9 M for crop 2012, as at 31st December 2012.

This has brought down the accumulated Fire Fund from Rs 2.1 M to Rs 0.13 M for the year ended 2012.

3 SUMMARY

3.1 GENERAL INSURANCE ACCOUNT

CROP YEAR	CROP 2012	CROP 2011
Total Number of Accounts	17,546	18,816
Total Harvestable Extent (H)	53,428	55,777
Cane weight (T)	3,947,285	4,230,173
Total Sugar Accrued (T)	412,876	439,406
Total Insurable Sugar (T)	462,114	481,003
Sugar Production %	89.3%	91.4%
Crop Reduction %	10.7%	8.6%
General Premium Claimable (Rs)	288,594,514	170,321,324
General Compensation Payable (Rs)	-	191,283,336

3.2 FIRE INSURANCE ACCOUNT

3.2.1 Inter-Crop Fire

Number of compensated Accounts: 154

Harvest Extent Burnt island-wide for compensated Cases: 171 hectares

3.2.2 Fire Insurance Loss Ratio: 137%

Sugar Insurance Fund Board

18th April 2013