

**SUGAR INDUSTRY AUTHORITY ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED OCTOBER 31, 2011**

The matter for tabling in the Houses of Parliament is the Annual Report and Audited Financial Statements of the Sugar Industry Authority for the year ended October 31, 2011, in accordance with the provisions of Section 16 (2) of the Third Schedule of the Sugar Industry Control Act.

**2. PRODUCTION**

The 2010/2011 crop year saw a total of 139,594 tonnes of 96<sup>0</sup> sugar being produced. This figure represents an increase of 14.6% from the previous year's production of 121,806 tonnes. The increase in sugar production can be attributed to a number of factors, however, the primary factor was an improvement in agronomic practices.

The volume of cane crushed, excluding cane to distilleries, was 1,518,339 tonnes. This was 128,255 tonnes (9.2%) more than the 1,390,084 tonnes produced in the previous year.

**Selected Production Statistics for the 2009/10 and 2010/11 Crops**

	2009/10	2010/11
Cane Milled ('000 tonnes)	1,390	1,518
Farmers	572	613
Estates	818	905
96 <sup>0</sup> Sugar production ('000 tonnes)	121.80	139.59
Hectares Reaped ('000)	28.00	28.00
Tonnes cane/hectare	49.69	54.44
Tonnes cane/tonne sugar	11.41	10.88
Tonne sugar/hectare	4.35	5.01

The tonnes cane per tonne sugar (TC/TS) ratio of 10.88 showed an improvement when compared with the previous year's ratio of 11.41.

**CANE QUALITY**

The performances as measured by the Factory Recovery Index (FRI) and the Jamaica Recoverable Cane Sugar (JRCS) both increased when compared to the previous year. Average FRI moved from 88.15 in 2009/10 to 89.50 in 2010/11, while average JRCS increased from 10.28 to 10.70 during the same period.

It should be noted that cane payments are now based on a standard FRI of 91%. Factories below 91% are required to make-up for their inefficiency while those above gain benefits. Only three factories, namely: Worthy Park, Appleton and Monymusk, surpassed the standard FRI of 91.00 units.

All factories, which were in operation during the review period, with the exception of Worthy Park, which experienced a decline, achieved an increase in their JRCS. However, Worthy Park, was still able to record the largest JRCS figure of 11.35.

### 3. PRICES

There was a 15% increase in the price of sugar paid to growers and manufacturers. This was possible as the country was able to secure a higher price for sugar on the international market when compared to the previous year. The industry also benefited from a profit sharing arrangement which gave the industry an additional \$42 per tonne sugar.

The division of the payment between growers and manufacturers according to the split of 62% to growers and 38% to manufacturers was as follows:

		<u>2009/10</u>	<u>2010/11</u>
		<u>J\$/tonne</u>	<u>J\$/tonne</u>
Cane Growers	(62%)	25,757	29,713
Sugar Manufacturers	(38%)	<u>15,786</u>	<u>18,212</u>
		<u>41,543</u>	<u>47,925</u>

### 4. MARKETING

The total (gross) value of sugar exports in 2010/11 was US\$64,339,422 which represented a 40% increase when compared to the previous year's figure of US\$45,842,592. The volume of sugar exported was 110,755 tonnes of which 94,441 tonnes went to the European Union (EU) under a special arrangement with Tate & Lyle; 16,283 tonnes valued at US\$13,187,121 went to the United States of America (USA); and 27 tonnes valued at US\$29,025 to the Cayman Islands. The country was able to secure a higher price for its sugar following the end of the Sugar Protocol in 2010. The EU renounced the Sugar Protocol and a transitional period of six years was instituted. After 2015 the exports of sugar to the EU should be quota free, duty free and there will be no guaranteed price under the CARIFORUM-EU Economic Partnership Agreement (EPA).

The price per tonne received for sugar exported, increased from US\$493 in 2009/10 to US\$581 in 2010/11.

## **Local Sales of Sugar**

The amount of locally produced raw sugar sold on the domestic market during the 2010/11 crop year was 23,562 tonnes compared with 23,895 tonnes for the 2009/10 crop year. When the sale of imported brown sugar was added to the above, the comparative locally sold figures reflected 51,391 tonnes and 56,346 tonnes respectively.

## **SUGAR INDUSTRY RESEARCH INSTITUTE (SIRI)**

The Sugar Industry Research Institute is the technical and advisory arm of the Sugar Industry Authority. It has as its primary focus, the delivery of technical support and research services to the cane farming and sugar manufacturing sections of the industry and provides these through its Agricultural, Factory and Central Services Departments. Selected highlights of activities from these various departments included:

### **Agricultural Services Division**

**Sugar Cane Pathology** – Two of the primary diseases to affect the industry over the review period were the orange rust and the smut diseases. The impact of the orange rust on the varieties available to the Jamaican grower remained an issue of concern in 2011. When the disease was first recognized at Worthy Park in 2008 only two varieties appeared to be highly susceptible. However, by 2011, almost all of the more than one dozen varieties showed some degree of susceptibility. Fortunately, although orange rust has been detected elsewhere, the intensity of the disease has been far less severe.

A resurgence of smut disease in the industry, though largely contained, was also of concern. The concern stemmed mainly from the failure of many growers to grow varieties in discrete stands to minimize the impact of the disease.

**Variety Development** – With orange rust only appearing in this hemisphere recently, the Institute has reported that it would have been almost impossible to breed for resistance to this disease. They have further stated that the urgent need of the Breeding Station now, is to identify within its breeding stock those parents which could pass on a gene for resistance to its progeny.

**Extension** – With the release of four new varieties to the industry, the Extension Department of SIRI had as its priority, the rapid reproduction and distribution of these varieties to growers across the industry. Special emphasis will also be placed on the establishment of nurseries.

### **Factory Services Division**

**Environmental Monitoring & Management** – With the divestment of the Government-owned sugar factories and estates and the low level of compliance of the industry with environmental regulatory standards, the Natural Resources Conservation Authority (NRCA) recommended the establishment of a Sugar Cane Industry Regulatory

Committee. This committee is led by the National Environment and Planning Agency and is a multi-agency committee instituted to monitor and regulate environmental activities of sugar factories in Jamaica.

**Development of an Environmental Education and Awareness Programme** – As part of the requirement of the Sugar Transformation Unit of the Ministry of Agriculture and Fisheries, an Environmental Education and Awareness Programme was developed and submitted. This programme was proposed to be delivered through workshops, seminars and printed and electronic media. The areas of focus for the programme include:

- Water use and conservation
- Air quality
- Management of agrochemicals
- Waste management
- Green cane harvesting

#### **Central Services**

**Cane Expansion Fund** – The Cane Expansion Fund is geared towards the expansion of the industry's cane supply and has been providing low cost financing for replanting, drip irrigation and farm equipment. Since its inception in 2008, SIRI has been providing administrative and technical support to the programme. The Fund is a government initiative administered through the Sugar Transformation Unit of the Ministry of Agriculture and Fisheries and the Sugar Industry Authority.

## **5. AUDITOR'S REPORT**

The accounts were audited by PricewaterhouseCoopers Chartered Accountants. They have provided the following statements in relation to the financial statements.

#### **Basis for Qualified Opinion**

The Auditors have stated that they were unable to obtain sufficient appropriate evidence about the completeness and accuracy of administrative expenses totalling \$13,790,370 allocated to the Ministry of Agriculture and Fisheries Cane Expansion Fund. The audit opinion on the financial statements for the year ended October 31, 2010 was qualified as they were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of administrative expenses totalling \$9,810,262 allocated to the Ministry of Agriculture and Fisheries Cane Expansion Fund.

#### **Qualified Opinion**

The auditors have stated that in their opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion above, the financial statements give a

true and fair view of the financial position of the Sugar Industry Authority as at October 31, 2011 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaica Companies Act.

#### 6. SALARIES AND EMOLUMENTS

The compensation of the directors and senior executives are set out at appendices I and II respectively.

7. The Annual Report of the Sugar Industry Authority for the year ended October 31, 2011 is hereby submitted for tabling in the Houses of Parliament in accordance with the provisions of Section 16 (2) of the Third Schedule of the Sugar Industry Control Act.



Derrick Kellier, C.D.

Minister of Agriculture, Labour & Social Security

February 6, 2015

**SUGAR INDUSTRY AUTHORITY**  
**DIRECTORS COMPENSATION (2010/11)**

<b>Position of Director</b>	<b>Fees (\$)</b>	<b>Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle (\$)</b>	<b>Honoraria (\$)</b>	<b>All Other Compensation including Non-Cash Benefits as applicable (\$)</b>	<b>Total (\$)</b>
Director 1	82,336.36	-	-	-	82,336
Director 2	56,169.68	-	-	-	56,170
Director 3	37,500.00	-	-	-	37,500
Director 4	37,500.00	-	-	-	37,500
Director 5	45,000.00	-	-	-	45,000
Director 6	37,500.00	-	-	-	37,500
Total	296,006	-	-	-	296,006

*Notes*

1. The Executive Chairman is not compensated for attending board meetings.

**SUGAR INDUSTRY AUTHORITY**  
**SENIOR EXECUTIVE COMPENSATION**

Position of Senior Executive	Year	Salary (\$)	Gratuity (\$)	Traveling Allowance or Value of Assigned Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$) 5%	Other Allowances (\$) (Lunch Allowance)	Non-Cash Benefits (\$)	Total (\$)
Executive Chairman	2010/11	6,029,448	1,507,362	140,000	-	-	-	7,676,810
Dir. of Finance & Administration	2010/11	3,334,293	833,573	98,000	-	69,160	-	4,335,026
Dir. of Research	2010/11	3,266,496	816,624	140,000	-	69,160	-	4,292,280
Real Estate Manager	2010/11	3,485,000	871,250	140,000	-	69,160	-	4,565,410
Agricultural Services Manager	2010/11	4,609,199	-	140,000	230,460	69,160	-	5,048,819
Mgr., Information & Planning	2010/11	3,706,430	-	98,000	185,322	69,160	-	4,058,912
Head, Extension Services	2010/11	3,752,850	-	98,000	187,642	69,160	-	4,107,652
Total		28,183,716	4,028,809	854,000	603,424	414,960	-	34,084,909

*Notes*

1. Where contractual obligations and allowances are stated in a foreign currency, the sum in that stated currency must be clearly provided and not the Jamaican equivalent.
2. Other Allowances (including laundry, entertainment, housing, utility, etc.)
3. Where a non-cash benefit is received (e.g. government housing), the value of that benefit shall be quantified and stated in the appropriate column above.