MINISTRY PAPER 31/15

ANNUAL REPORT OF THE SUGAR INDUSTRY AUTHORITY FOR THE CROP YEAR 2011/2012

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, 2012 in accordance with the provisions of Section 16 (2) of the Third Schedule of the Sugar Industry Control Act.

1 PRODUCTION

Selected Production Statistics for the 2010/2011 and 2011/2012 Crops

	2010/2011	2011/2012
Cane Milled ('000 tonnes)	1.518	1,475
Farmers	613	585
Estates	905	890
96^0 Sugar production ('000 tonnes)	139.59	131.59
Hectares Reaped ('000)	28.00	28.00
Tonnes cane/hectare	54.44	52.56
Tonnes cane/tonne sugar	10.88	11.21
Tonne sugar/hectare	5.01	4.69

Sugar production for the 2011/2012 crop was 131.589 tonnes of 96° sugar, 5.7 per cent below the comparative figure of 139.597 produced in the previous year. The volume of cane crushed, excluding cane to distilleries, showed a 2.8 per cent decrease below the previous year to total 1,518,339 tonnes.

The decline in sugar production was attributed to poor weather conditions and a decline in factory efficiency. The Tonnes Cane per Tonne Sugar (TC/TS) ratio deteriorated from 10.88 in 2010/2011 to 11.21 in 2011/2012 .

Tonnes 96° Sugar Produced: 2005-2010

FACTORIES	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Frome	53.729	49.828	37.847	40.830	41,686	34,278
Monymusk	16.957	15.421	19.342	17.004	28,668	26,329
Bernard Lodge	16.114	15.017	-	-	-	-
Long Pond/Everglades	9.884	6.399	3.833	1.457	-	3,984
St. Thomas/Golden Grove	14.151	12.886	11.486	12.587	16,123	15,524
Appleton	31.332	22.310	31.625	29.025	31,033	29,794
Worthy Park	22.220	19.011	21.685	20.903	22,083	21,680
TOTAL	**164,387**	**140,872**	**125,818**	**121,806**	**139,593**	**131,589**

2 CANE QUALITY

The performances as measured by the Factory Recovery Index (FRI) and the Jamaica Recoverable Cane Sugar (JRCS) both decreased when compared to the previous year. Average FRI moved from 88.2 in 2010/2011 to 88.15 in 2011/2012, while average JRCS declined from 10.70 to 10.39.

3 PRICES

The industry received its highest price of $75.594 per tonne sugar paid to growers and manufacturers during the crop season. This price was apportioned between growers ($46,868) and manufacturers ($28.726) at a ratio of 62:38 respectively.

		2010/2011 JAS	2011/2012 JAS
Cane Growers	(62%)	29,713	46.868
Manufacturers	(38%)	18,212	28.726
		$47,925	$75,594

The 58% increase over the previous year's figure was as a result of the reform of the EU Common Agricultural Policy and subsequent termination of the Sugar Protocol (preferential trade).

4 MARKETING

The total value of sugar exports in 2011/2012 was US$95,382.000 and this represented a 48.25% increase over the previous year's value of US$64,339,442. Total exports during 2011/2012 were 103.154 tonnes. The major export market was the European Union (EU) with an intake of 103.118 tonnes and a smaller quantity of 36 tonnes, representing the balance, went to the Cayman Islands.

The price per tonne received for sugar exported increased from US$581 in 2010/2011 to US$924 in 2011/2012.

Pan Caribbean Sugar Company (PCSC) has been designated a marketing agent of the Sugar Industry Authority and will market its own sugar as negotiated with the Government of Jamaica (GOJ) during the 2010 divestment process. As a result of this arrangement, Jamaica Cane Product Sales (JCPS) will no longer be the sole marketer for Jamaican-produced sugar.

Local Sales of Sugar

The amount of locally produced raw sugar sold on the domestic market during 2011/2012 was 23,001 tonnes. This represents a 561 tonnes (2.4%) decrease below the prior year. Conversely, there was a growth (10.2%; 3,096 tonnes) in the sale of imported brown sugar locally.

5 SUGAR INDUSTRY RESEARCH INSTITUTE (SIRI)

The Institute functions as the research and technical arm of the SIA. 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.

The recent divestment of Government owned estates has presented challenges to the Agricultural Services Department (ASD) experimental programme. Several estates, who previously participated in trials through establishment of demonstration plots on the property, have been highly reticent, resulting in serious dislocation of the programme. However, ASD was able to establish approximately 40,000 seedlings of the BJ2014 series from fuzz obtained from the West Indies Central Sugar Cane Breeding Station.

Most varieties of the sugar cane crop were proving susceptible to the Orange Rust disease and it was calculated that chemicals would be the most economic option to stem yield loss. An evaluation of chemical control approaches followed in Florida, in particular, led to the decision to attempt control by timely application of systemic fungicide.

Weed management demonstration plots were established across the industry in all ecological zones. It was found that the herbicide hexazinone was ineffective in managing pangola grass (*Dichanthiumannulatum*) and Seymour grass (*Andropogonpertussus*). These and other findings from the trials were shared with growers at workshops.

The main focus of the insect pest management programme remained the biological control of the sugar cane stalk borer. Field establishment of imported parasite Cotesiaflavipes, however, was found to be satisfactory across the industry.

During the 2011/2012 sugar crop season, the Factory Services Division responded to all requests made by factories for support services. Out-of-crop maintenance was carried out on core samplers, hydraulic presses and laboratories. A total of 116,587 samples was analysed at core laboratories. Preventative maintenance (laser alignment, dynamic balancing, and vibration measurements) was also undertaken for steam turbines, boiler feed pumps, boiler fans and centrifugal baskets.

6 FINANCES

The Authority ended the 2011/2012 fiscal year with a deficit of $54.39 million. This represents a 1013% decline from the $5.96 million surplus achieved in the prior year. The deficit occurred as a result of the $112.8 million increase in expenditure which vastly exceeded the increases in income gained from cess and other sources. Fund balances however were positive, totalling $310 million.

7 AUDITOR'S REPORT

The accounts of the Sugar Industry Authority were audited by PricewaterhouseCoopers and they have stated that in their opinion, the financial statements gave a true and fair view of the financial position of the Authority standing alone as of October 31. 2012 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 Jamaican Companies Act.

The Auditors, however. issued a qualified opinion stating that they were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of administrative expenses totalling $19.480,730 allocated to the Ministry of Agriculture and Fisheries Cane Expansion Fund.

8 SALARIES AND EMOLUMENTS

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

9 The Annual Report of the Sugar Industry Authority 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 & Fisheries and Social Security
February 6 . 2015

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Appendix I

DIRECTORS' COMPENSATION 2012

Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assigned Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Director 1	31,838.34	-	-	-	31,838.34
Director 2	27,167.67	-	-	-	27,167.67
Director 3	7,500.00	-	-	-	7,500.00
Director 4	7,500.00	-	-	-	7,500.00
Total	**74,006.01**	-	-	-	**74,006.01**

Notes

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

Appendix II

SENIOR EXECUTIVES' COMPENSATION 2012

Position of Senior Executive	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of Assigned Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances ($)	Non-Cash Benefits ($)	Total ($)
Executive Chairman	6,029,448.00	1,507,362.00	140,000.00	-	-		7,676,810.00
Director, Finance & Administration	4,800,000.00	1,200,000.00	98,000.00	-	69,160.00	-	6,167,160.00
Director, Research	4,700,000.00	1,175,000.00	140,000.00	-	69,160.00	-	6,084,160.00
Real Estate Manager	4,000,000.00	1,000,000.00	140,000.00	-	69,160.00	-	5,209,160.00
Agriculture Services Manager	4,609,199.00	-	140,000.00	239,434.00	70,456.00	-	5,059,089.00
Head, Extension Services	3,752,850.00	-	98,000.00	360,410.00	88,800.00	-	4,300,060.00
Manager, Information & Planning	3,789,204.72	-	140,000.00	189,460.20	69,160.00	-	4,187,824.92
Total	**31,680,701.72**	**4,882,362.00**	**896,000.00**	**789,304.20**	**435,896.00**	-	**38,684,263.92**