



## **MINISTRY OF AGRICULTURE AND FISHERIES**

### **STATEMENT BY THE HON. MINISTER OF AGRICULTURE AND FISHERIES TO PARLIAMENT ON THE SUGAR DIVESTMENT PROCESS**

Mr. Speaker, this Honourable House will recall that in December 2005 the then Government presented to this Honourable House Jamaica's Sugar Adaptation Strategy, outlining a series of reform in the sector intended to position the industry for viability, after the new EU Sugar Regime, which projected 36% reduction in sugar prices between 2006 and 2009. The three (3) pillars of this reform were:-

- (i) private sector led sugar cane industry based on multiple products;
- (ii) mitigation of the social, economic and environmental fall out resulting from the privatization; and
- (iii) maintaining progress towards the Government of Jamaica's macro economic goals.

Mr. Speaker, consistent with this strategy, an Enterprise Team was established, chaired by Mr. Aubyn Hill, and mandated to oversee the divestment of the Government's sugar assets. Mr. Speaker, this Honourable House will recall that after the short-listing of eight (8) pre-qualified bidders, on February 18, 2008, only one (1) firm, Infinity Bio Energy of Brazil, submitted a bid.

Mr. Speaker, it would have been more desirable for the Government if there were more than one (1) proposals on the table. Our reality however, was that the Government had only one offer to deal with. Infinity Bio Energy presented a bid on all that was on offer. This company is essentially an ethanol company. During the course of the negotiations, Petrojam Ethanol Limited was added to the mix, as it was felt that this could enhance the viability of the proposed operation. Mr. Speaker, these negotiations culminated in the signing of a Heads of Agreement with Infinity Bio Energy on June 27, 2008, with the expectation that the assets would have been handed over by the end of September.

Mr. Speaker, this Honourable House will recall that the global financial crisis which started to manifest itself around this time, impacted Infinity's effort to raise capital to finance this venture. Consequently, the handing over date was

extended twice. At the end of the last extension – January 2009, it became clear that Infinity was not in a position to consummate the deal, and therefore the Government terminated the arrangement.

At the same time Mr. Speaker, the Government made it clear that it would not continue to operate in the industry as a producer and paid on December 19, 2008, notice payment to just over 7,000 SCJ employees.

Mr. Speaker, this House will recall that the Government reopened the divestment process and consequent on Cabinet's approval, the reappointed Sugar Negotiating Team (SNT) was mandated to request proposals from interested parties on February 13, 2009 for submission of proposals by March 13, 2009. At the expiration of this deadline some 14 proposals were submitted and the Cabinet approved the short listing of four (4) proposals based on the recommendation of the SNT. These entities were Energen Development Limited, Everglades Farms, a consortium between Fred M. Jones Estate Limited and Seprod Limited, and Eridania Suisse of Italy.

Mr. Speaker, the SNT has been pursuing rigorous negotiations with these four (4) entities, and based on their recommendations, this morning the Cabinet approved for divestment the St. Thomas Sugar Company to a consortium between Fred M. Jones Estate Limited and Seprod, and Trelawny Sugar Company to Everglades.

In both instances the sugar factories and the attendant facilities are being sold and the sugar cane lands are being leased for a period of fifty (50) years, renewable for another twenty five (25) years. The proposed purchase price for the Trelawny Sugar Company factory lands comprising 33.8 hectares with factory and other buildings is US\$1.5M, and the lease payment for the approximately 7,100 hectares of cane land is US\$40 per hectare per annum for the first ten (10) years subject to review. For the St. Thomas Sugar Company the purchase price for the factory and surrounding lands (10.5 hectares) is US\$500,000, and the lease price for the approximately 1,127 hectares of cane lands is US\$53 per hectare per annum.

Mr. Speaker, both entities will commit to undertake critical capital expenditure to modernize and expand/improve the factory facilities consistent with the development plans they submit. In the case of Trelawny, the commitment is for a US\$6.2M expansion and modernization programme over the next five (5) years. For St. Thomas the entity proposes to invest US\$2.74M over the next two (2) years. Both entities will have to commit to maintain at least sixty percent

(60%) of the leased lands suitable for sugar cane cultivation, in the production of sugar cane or sugar related products for at least fifteen (15) years. The two entities will be entitled to a number of tax incentives commensurate with investments of this magnitude.

Mr. Speaker, negotiations with the other short listed entities in respect to the Frome, Monymusk and Bernard Lodge packages are continuing, and I expect to seek Cabinet approval and report back to this Honourable House in less than two (2) weeks.

In the meanwhile, Mr. Speaker, I am pleased to advise this Honourable House that the Government has fully discharged its responsibility with respect to redundancy payments, with some \$1.83 Billion paid out to some 5,573 employees of SCJ on Tuesday, June 16, 2009. I am further reporting that this exercise went smoothly and a mechanism has been established involving SCJ, the Unions and the Ministry of Labour and Social Security to resolve any dispute related to the redundancy.

Mr. Speaker, the Government remains committed to a sustainable private sector led and multi product based sugar cane industry. The divestment process, though protracted, is absolutely critical. There is no way that the Government can continue to shoulder a SCJ debt burden which exceeds \$16 Billion, growing by approximately \$2 Billion per annum, and still find capital to invest in improving factories that have been in place for over fifty (50) years.

The local market which consumes sixty thousand tones of raw sugar and seventy thousand tones of refined sugar, can sustain a viable sugar industry. This is in addition to the regional market for refined sugar and raw sugar, as well as, the prospects for continued export to EU, where the pricing scenario is rapidly changing in favour of local sugar exports.

At the end of the divestment process we expect a robust industry with exciting prospects not only for private sector players but for cane farmers, sugar workers and their communities.

I would like to take this opportunity to thank the SNT, Trade Unions, Cane farmers, the SCJ management and workers for their patience and understanding and support for this process.

Mr. Speaker, this Government is committed to completing this process.