

- (i) reluctance to extend operating hours;
- (ii) unable to become BRC certified;
- (iii) unreliable stock control;
- (iv) long stuffing time for containers;
- (v) significant sugar loss during storage due to mishandling and improper stacking of bags;
- (vi) frequent late submission and misreporting of stuffing reports resulting in late processing of shipping documents for export consignments,;
- (vii) pest contamination; and
- (viii) lack of stock rotation impacting on the sugar quality but also resulting in an ineffective pest control.

10.5 In addition, the operational costs at the BSSD, entirely financed by the industry through MSS, have been rising continuously, attaining Rs 105.8 M for the 2016 crop, while productivity has experienced no improvement. The recent subcontracting of sugar storage and handling operations to a private service provider (finalized in August 2017) has shown that such costs could be reduced by up to 40%.

10.6 In light of the above, the transfer of the BSSD operations to MSS is fully justified as, in addition to resolving the above-mentioned constraints and reducing costs, it will enable the industry to exert better control on such operations in future. This measure will result in the MSS to increase its operational efficiency for the storage and handling of sugar will contribute to increasing the producers' revenue by some **Rs 150 / t sugar**.

10.7 The Board of the MCIA and MSS have already been apprised of this proposal. A due diligence report will be worked out by an independent body and the *modus operandi* to be discussed between both parties with a time line. Subsequently, the final decision of Cabinet will be sought after completion of the due diligence exercise.

11.0 Loan Replantation Scheme

11.1 With the decline of area under cane and the drop of sugar prices, planters have experienced more and more difficulties in maintaining the recommended replantation program of ratoons every seven to eight years. Over the years, the extent of area under 8th year ratoon and older has grown from an estimated 6,232ha in 2009 to 10,957ha in 2016 representing respectively 9% and 20% of the area under cane as presented in the table below.