

level over the past 20 years, while production costs have been increasing continuously on a yearly basis. One of the major cost components is labour, which accounts for some 60% of the industry's operational costs. Given the unprecedented difficulties being faced by the sector, it is deemed urgent to attend to those unfinished businesses.

2.5 Drop in Sugar Prices: The viability price³ to producers is defined as being one which covers cost of operations, depreciation / amortization of re-plantation cost and provide some return on capital employed. The ex-Syndicate price paid to sugar producers for the 2017 crop has reached an unviable level of Rs 11,000 / t sugar, while operational costs have meanwhile increased continuously. This significant reduction from the previous crop's performance of Rs 15,572 / t sugar has been caused by the sharp decline in market prices, triggered by a new world sugar production surplus trend starting as from the 2017/18 campaign. The low price levels are likely to persist in 2018/19 when prices obtainable for export of Mauritius sugar (from the 2018 crop) would again be under pressure and drop to Rs10,000 / t sugars. Considering the cyclical nature of the world sugar market, prices would most probably pick up again subsequently, followed by another drop, and so on. Table 1 below summarises the evolution of the ex-Syndicate price further to abolition of guaranteed prices under the Sugar Protocol, which confirms the cyclical behaviour of sugar prices on the world market.

Table 1: The evolution of the ex-Syndicate price since abolition of the Sugar Protocol.

Crop year	Ex-Syndicate Price (Rs / t sugar)
2009	14,612
2010	13,536
2011	16,020
2012	17,573
2013	15,830
2014	12,694
2015	13,166
2016	15,572
2017	11,000
2018*	10,000

* Estimated price

Source: MSS

³The updated viability price for the sector for the Crop 2017 is Rs17,000 / t sugar compared with Rs15,000 / t sugar estimated in the Mid Term Review of MAAS and Rs 16,000 / t sugar in the LMC study conducted in 2015.