

## **Ministry Paper /2015**

### **Report On the Achievements of the Sugar Transformation Unit (STU)**

#### **1.0 Purpose**

The matter for tabling is a report on the achievements of the Sugar Transformation Unit (STU) of the Ministry of Agriculture and Fisheries for Financial Year 2014/15.

#### **2.0 Background**

2.1 In 2003, Brazil, Thailand and Australia submitted a complaint to the World Trade Organization (WTO) that challenged the legality of subsidies applied to European Community sugar. Arising from the WTO's ruling in favor of the three countries, the European Union (EU) agreed to a programme of reforms to its sugar regime which resulted in a reduction of 36% in the guaranteed price paid for sugar exported by ACP countries to the EU.

2.2 Following a number of studies and a wide stakeholder consultation process in 2005, the Government of Jamaica (GOJ) developed "The Jamaica Country Strategy for the Adaptation of the Sugar Industry: 2006-2015" in order to deal with the impact of the reform. The strategic objectives were to:

- Develop a Sustainable Private Sector-Led Sugar Cane Industry;
- Strengthen the Economic Diversification, Social Resilience and Environmental Sustainability of Sugar-Dependent Areas; and
- Maintain Progress toward Macro-Economic Goals.

2.3 In support of the implementation of the GOJ's Sugar Adaptation Strategy, the EU allocated 146,578,514.63 Euro to Jamaica over the period 2006 to 2013 under the Accompanying Measures for Sugar Protocol (AMSP). Having regard to the high standard of public sector financial management in Jamaica, the EU agreed to use the Budget Support modality to deliver assistance to the implementation of the GOJ's Sugar Adaptation Strategy.

2.4 In July 2007, the Sugar Transformation Unit (STU) was established within the Ministry of Agriculture and Fisheries (MOAF) to oversee the effective implementation of the GOJ's Sugar Adaptation Strategy.

2.5 In 2009, in response to the global financial crisis and the delays encountered in completing the privatization of the five (5) public-sector sugar estates, the GOJ revised its Sugar Adaptation Strategy, extending the timeframe for implementation from 2015 to 2020.

### **3.0 The STU's Achievements for FY 2014/15**

Consistent with its Revised Sugar Adaptation Strategy and the Sugar Area Development Programme, the Sugar Transformation Unit's achievements for FY 2014/15 were as follows:

#### **3.1 The Cane Expansion Fund (CEF)**

The Cane Expansion Fund (CEF) established at the Sugar Industry Authority (SIA) and funded by the Ministry of Agriculture and Fisheries supports improvements in productivity and efficiency in the sugar cane sector through the provision of concessionary loans and grants. To date the MOAF has injected a total of J\$1.82 B into the Cane Expansion Fund.

Since inception in 2008, the CEF has approved some loans for the planting/replanting of 11,826 hectares of cane; loans to purchase 14 tractors, 5 ploughs, 2 boom sprayers and 5 cane loaders have been disbursed. Please refer to Table 1 below.

**Table (1) Cane Expansion Fund: Performance from 2008 to 2014**

#	Year	Number of loans applications approved	Hectares approved	Hectares planted (actual)
1	2008	295	n/a	1047
2	2009	195	1060	831
3	2010	233	1267	667
4	2011	307	2253	1621
5	2012	842	4685	1917
6	2013	404	2561	2025
7	2014	n/a	n/a	n/a
<b>8</b>	<b>TOTAL</b>	<b>2240</b>	<b>11,826</b>	<b>8,108</b>

Nb. n/a = not available

Effective December 1, 2014, a new CEF Administrative Unit within the Sugar Industry Authority became operational. To date the Unit is fully staffed with a Project Manager, Loan's Officer, 2 Accounting staff, an Administrative Assistant and 4 Credit Officers.

By September 30, 2015, 1300 hectares of sugar cane is to be replanted by farmers with farm sizes of 30 hectares or less and 300 hectares of farm lands to be outfitted with drip/centre pivot irrigation with funding from the CEF.

### **3.2 Regional Drainage Project**

A total of 16.9 km of drains were cleared in the sugar cane producing areas of St. Thomas. This drain cleaning exercise assisted in reducing the lands which are affected by flooding as the cleaning meant water could flow freely thereby reducing the erosion of banks and loss of cane land and in some instances established canes.

### **3.3 Support to Review of the Institutional and Regulatory Arrangements in the Sugar Sector**

#### **3.3.1 Sugar Industry Commission of Enquiry**

As part of the process of creating an enabling environment for the sugar cane industry, the GOJ announced in February 2010 the establishment of a Sugar Industry Commission of Enquiry to review the current regulatory, institutional, cane pricing and sugar marketing arrangements in the local sugar industry.

The Commission submitted its report to the Governor General on 28th September 2010 and Cabinet, approved the Recommendations of the Wint Commission for implementation. In respect of the those Recommendations related to the Regulatory framework of the sugar cane sector, the Sugar Transformation Unit of the Ministry of Agriculture and Fisheries has been charged to oversee implementation. Accordingly, a contract in the amount of J\$8.0M was signed with PriceWaterhouseCoopers to conduct an operational audit of the Sugar Industry Authority (SIA) and the Sugar Industry Research Institute (SIRI), as well as to review the Sugar Industry Control Act.

PWC's Final Report was submitted on 22<sup>nd</sup> February 2013. After a series of discussions with key stakeholders, the Hon. Minister of Agriculture and Fisheries directed that the approval of Cabinet is obtained to facilitate implementation of the recommendations of PriceWaterhouseCoopers during crop year 2013/2014.

On March 24, 2014 Cabinet approved the recommendations of PriceWaterHouseCoopers (PWC) to restructure the SIA/SIRI. Implementation actions have commenced with the appointment of a Chief Executive Officer (CEO) of SIA with effect from January 2, 2015. Instructions have been issued by the MOAF to the SIA to enter into an agreement for transfer of the core extension functions of SIRI to the AIJCFA. Extension Officers were engaged to the AIJCFA as of March 1, 2015.

Attention is now focused on the verification and fine tuning of a final organizational

structure of SIA/SIRI which is expected to be put to the SIA Board of Directors, and subsequently to the Ministry of Finance for approval of posts and salaries. This process is expected to be completed by July 2015.

## **Objective 2 : Sugar Dependent Area Development**

### 3.4 Sugar Estate Barracks Relocation Project

**The Sugar Estate Barracks Relocation Project** entails the resettlement of some 876 residents of Sugar Barracks in 397 units at 7 Relocation sites by September 30, 2014 at an estimated cost of J\$2.4 billion. However, as at September 2014, only 84 of the 397 housing solutions were provided and is detailed in Table (3) below.

**Table (3) Sugar Barracks Relocation Project – Westmoreland and Trelawny**

#	Relocation Sites	No. of residents to be relocated	No. of housing solutions	Status of Implementation at September 2014
1	Masemure, Westmoreland	32	22	22 houses completed and handed over to beneficiaries. Contract sum: \$71.6M
2	Shrewsberry, Westmoreland	33	17	17 houses completed and handed over to beneficiaries. Contract sum: \$50.1M
3	Barham, Westmoreland	19	6	6 houses completed and handed over to beneficiaries. Contract sum: \$20.0M
4	Spicy Hill, Trelawny	97	39	39 houses completed and handed over to beneficiaries. Contract sum: \$156.0M
	<b>TOTAL</b>	<b>181</b>	<b>84</b>	

There were delays in the completion of the remaining 313 houses at the Springfield, Clarendon Hampton Court and Stokes Hall, St. Thomas as a direct result of:

- a) the revocation of the National Contracts Commission (NCC) registration of Cenitech Engineering Solutions Limited as a Works Grades 1-4 contractor with effect from December 13, 2013, which delayed award of contract by about four (4) months;
- b) the lost time occasioned by (a) above, which has pushed the construction of 72% of the housing units, located in St. Thomas, squarely into the 2014 hurricane season.

**3.4.1 The Status of the remaining 313 houses as at March 31, 2015 is as follows:**

**Table (3) Sugar Barracks Relocation Project – Clarendon and St. Thomas**

#	Relocation Sites	No. of residents to be relocated	No. of housing solutions	Status of Implementation as at March 31, 2015
1	Springfield Clarendon	209	88	88 units substantially completed, fixture to be installed and handed over.
2	Hampton Court, St. Thomas	184	80	77 of 80 units have been substantially completed, fixtures to be installed and handed over. The construction of the remaining 3 units is to commence shortly
3	Stokes Hall, St. Thomas	302	145	139 of 145 units are substantially completed with the remaining 6 at various stages of completion between (between foundation and roof).
	<b>TOTAL</b>	<b>695</b>	<b>313</b>	

#### 4.0 Financial Support to the Establishment of Agro-Parks in Sugar Dependent Areas

The STU provided financial support in the amount of \$285.0M to Agro-Investment Corporation Limited (AIC) to establish three (3) Agro-Parks, namely Plantain Garden River (PGR), Amity Hall and Ebony Park. The AIC has legal possession of 1,400 acres of land at Ebony Park in Clarendon, on which the Ebony Park Ago-Park has been established, as well as 2,100 acres of land at Amity Hall in St. Catherine upon which the Amity Hall Agro-Park has been established, as well as 290 acres of lands at PGR, in St. Thomas upon which the PGR Agro Park has been established.

#### 5.0 Development of Social and Economic Infrastructure in Sugar Dependent Areas

To date the MOAF has approved grants of over J\$1.4B to support some 111 projects, mainly schools, sporting facilities and clinics in SDAs. The distribution of approved projects is outlined in Table below.

**Table 4: Approved Social, Economic and Infrastructure Projects for Sugar Dependent Communities:**

SDA	No. of Social Projects	No. of Projects completed as at March 2015	Projects \$	Sport \$
Appleton	16	14	\$164,571,552.00	\$17,500,000.00
Bernard Lodge	6	3	39,253,22.000	64,500,000.00
Frome	27	21	267,648,463.86	48,000,000.00
Long Pond	14	12	155,286,926.00	21,200,000.00
Monymusk	22	14	311,558,452.34	24,500,000.00
St. Thomas	10	5	130,359,060.00	30,500,000.00
Worthy Park	7	3	60,353,075.00	36,810,000.00
Others	9	7	145,134.933.00	
<b>Total</b>	<b>111</b>	<b>79</b>	<b>\$1,276,949,689.20</b>	<b>\$243,010,000.00</b>

## **6.0 Training**

By way of a Memorandum of Understanding (MOU) and Project Charter, there is an Agreement between the STU and Heart Trust NTA currently for the provision of vocational training and certification for a minimum of 600 residents of SDAs by September 30, 2015.

As at September 30, 2014, 667 residents of SDAs were trained and certified in vocational skills to include House Keeping, Food Preparation, Tractor Maintenance and Operation, Apiculture, Welding. Training was delivered in partnership with the Jamaica 4-H Clubs and Heart Trust NTA.

## **7.0 Establishment of Small Enterprises**

At least 40 persons previously certified under the STU Training Programme are to benefit from grants to establish small business enterprises in SDAs; this is to contribute to the development of SDAs given reduced employment opportunities from Sugar Estates and to assist in the reduction of urban migration.

## **8.0 Green Cane Harvest Project**

A demonstration plot of 10 hectares is to be harvested using the Green Cane Harvesting methodology and at least 3 trash management options are to be established by September 2015. The plot will be in the Bernard Lodge SDA.

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