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National Development Strategy

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The strategy for the sugar sector

It should not be surprising to note that the authors of the NDS carefully studied GUYSUCO's plan which was described two weeks ago in this column, and held discussions with representatives of the corporation's Board of Directors and management. They fully appreciated, of course the important role which the sugar industry plays in Guyana's development and therefore resolved that a strategy should be devised which would ensure that as far as possible the sector continued to contribute to the country's well-being. However, because many of the factors which might influence the level of its contribution to the economy are beyond the country's control, the authors of the NDS decided to proceed in a measured manner and not to over-commit scarce financial resources to a programme that might be based on insecure assumptions and premises. They therefore focused their attention on the probable future world price of sugar, the future share of the CARICOM market for Guyana's outputs of sugar and sugar products, the future status of the country's traditional preferential markets and, most important, on Guyana's ability to compete in the future in a globalised world.

The authors of the NDS soon agreed that it would be a somewhat futile exercise to engage in calculations that were meant to indicate what the future world price for sugar would be after the current preferential conditions were removed. They considered that this would be an exercise in futility for three basic reasons.

First, it is inherently difficult to forecast the price of a commodity such as sugar over too long a time horizon, simply because technologies tend to change, there may be unanticipatable structural changes in the political economy of the industry, and also because it takes only two or three years to bring idle sugar land back into cultivation. Second, the authors were convinced that there is really no "world price" for sugar, because much of the world's sugar is either sold in preferential or in home markets in which prices differ considerably, are often subsidised, and are definitely not market prices.

Third, the "residual sugar price" or the non-preferential sugar price" has fluctuated wildly over the last decade or two. Accordingly, there is no reliable trend on which to assess future prices, and even if there had been such a trend, so the authors of the NDS argued, it would have little validity in a non-preferential world, because the residual market is only a portion of world consumption.

They therefore concluded that it would not be entirely convincing to base the future of what is certainly one of the most important industries in Guyana on shaky forecasts of future prices. Instead they formed the opinion that what should be done, in undertaking the hazardous task of assessing the country's future competitiveness in this area, was to examine the price structure of GUYSUCO and other producers, in order to determine which producer, or which country, would have the competitive edge.

They came to the conclusion that GUYSUCO would indeed be in a position to compete effectively, provided that (i) radical changes were made in its field production methods, including the mechanisation of a significant proportion of its operations; (ii) improvements were realised in its sugar cane procurement practices; (iii) the quality of the management and administration of some of its sugar estates was tightened; (iv) its factories were modernised; and (v) its transportation costs were reduced.

This positive conclusion in regard to GUYSUCO's future viability was based on several factors.

First, the evidence suggested that if controlled drainage and irrigation regimes were applied to the West Demerara estates, where sucrose yields are generally low, the water content of the soils could be significantly reduced at specific periods in the growing cycle, thus leading to an increase of the sucrose content of the cane. In addition, it became clear to them, from their investigations, that the utilisation of certain "ripening" techniques might also enhance the cane's sugar content. Indeed, there appeared to be a close correlation between the application of these agronomic and chemical methods and the profitability of the West Demerara estates.

Second, it was demonstrated to the authors that it was possible to reduce the unit costs of the cane purchased from private cane farmers by intensifying extension assistance, and by helping them through the provision of relevant inputs to increase their productivity.

Third, preliminary studies undertaken by the NDS revealed that there was a dearth of administrative, managerial, and technical skills on some of the estates. The authors of the NDS therefore held the view that if steps were urgently taken to train the required personnel in these areas, GUYSUCO's competitive position would be much improved.

(To be continued).