

## CHAIRMAN'S REPORT



*Mr. Vickram Oditt*

In 1997 production was well maintained at 276,000 tonnes compared with 280,000 tonnes in 1996 and 254,000 tonnes in 1995. Given that flooding on some estates in 1996 seriously affected yields in 1997 and that the first effects of the El Nino drought were being felt in the 1997 second crop, the maintenance of sugar production in the year as a whole was a signal achievement and reflects great credit on Guysuco management and workers.

However, revenue declined significantly because prices in the EU market were affected by unfavourable exchange rate movements. Guysuco's earnings are sensitive to such movements over which we have no control. Guysuco's price in ECUs remained the same

in 1997 but because of the weakness of the ECU the amount of US dollars we received declined significantly. At the beginning of 1997 the Sugar Protocol price in the European Union stood at US\$680 per ton. At the end of 1997 the price had declined to US\$580 per ton.

Even so Guysuco achieved an operating profit of \$2.7 billion in 1997 compared with \$5.3 billion in 1996. An operating profit of almost \$3 billion demonstrates the corporation's continuing financial health. However, the strong operating profit achieved by Guysuco is masked by the levy payments which apply in the sugar industry.

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Unlike other companies Guysuco pays not only normal corporate taxes but also a significant levy on all export revenue. In 1997 this levy amounted to \$2 billion. After charging levy retained by government Guysuco's before tax profit in 1997 was \$680 million compared with \$674 million in 1996 and the after tax profit was \$228 million compared with \$224 million in 1996.

The decline in price which took place during 1997 brought into sharper focus than ever the urgent need to improve productivity and reduce costs. What makes this need even more imperative is that underlying both favourable and unfavourable exchange rate movements there is the increasing pressure to reduce the basic prices we receive in our secure and preferential markets in the European Union and United States. This pressure to reduce the basic price is mounting and our response in terms of reducing costs to match threatened price reduction must be far-reaching, decisive and immediate.

## Guysuco's Place in the Nation

As the challenge to preserve Guysuco's viability and strength becomes more intense, the enormous importance of the contribution the sugar industry makes to the economy, to public revenue, to employment opportunities and to society as a whole

few aspects of the essential role sugar plays in Guyana:

- Sugar accounts for approximately 22% of GDP and 37% of agricultural production.
- Guysuco contributes very substantially to public revenue: over the last five years \$18 billion has been contributed to the national exchequer.
- Guysuco provides employment for approximately 25,000 persons, including cane farmers, and an estimated 10,000 are employed in businesses



*The Cheddi Jagan Children's Fund provided reading materials to the L.B.I. Community Development Centre. Foreign Affairs Minister Mr. Clement Rohee presented the books to a Member of the Centre.*

which supply and service the industry and utilise the industry's by-product, molasses.

- Sugar is the largest earner of retained foreign exchange in Guyana: over the last five years sugar has contributed over \$90 billion in export earnings.
- Sugar develops a wide range of agricultural and industrial skills and provides substantial educational and training opportunities for the benefit not only of the industry but also the nation as a whole. As one instance, the sugar industry, in honour of the late President, Dr. Cheddi Jagan, will be helping to establish a Chair in Chemical Engineering at University of Guyana to cater for the development of skills for which there is a crying need in Guyana.
- Sugar is a crop excellently suited to the areas where it is grown in Guyana and is an outstanding example of an industry in which the principles of sustainable development apply.
- The industry actively promotes policies in health,



*The Corporation's emphasis on sport is continuing with seminars on a regular basis. Here Director of Marketing and Administration Dr. Ian McDonald addresses participants of a Social Skills Seminar.*

comes into sharp focus. As we enter a new century we cannot afford to put at risk the wide-ranging contribution that Guysuco makes to the nation.

I need to dwell in more detail on this theme since I consider it more vital than ever to set out how important the sugar industry remains to Guyana. Consider just a



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*Concern for the welfare of the community leads to regular contributions being made to Social organisations. This monetary donation to Legal Aid is only one of these. Head of Legal Aid Justice Desiree Bernard expresses appreciation to the Corporation's Marketing and Administration Director Dr. Ian McDonald while other members of the Management Committee of Legal Aid look on.*

safety and environmental protection incorporating the best modern practices and thus provides an example to public and private enterprises in the country.

- The industry's medical services, including dispensaries and ambulances on every estate, make an important contribution to the provision of health services in the nation.
- The industry also makes a significant contribution to housing the nation and to developments in sport through the provision of Community Centres and playing fields.
- In recent years 8,000 acres of land were transferred to Government for housing and community development. This is in addition to the housing schemes developed on all estates by Guysuco and the Sugar Industry Labour Welfare Fund Committee to house thousands of sugar workers and their families.
- Seven community centres and playing fields have also been rehabilitated and now provide first class facilities. Most of these grounds are now up to international standards.
- Sugar estates serve as important centres of agricultural and industrial developments in rural areas. Communities in these areas benefit in a multitude of ways from sugar estate activities. The migration of population into already overcrowded urban areas, which has such a dislocating effect in most developing countries, is held in check.

We in Guysuco are determined to do all we can to ensure that the sugar industry adds to its potential to

make these vital contributions to the nation.

## Our People Are Our Future

I cannot repeat too often that in our plans to secure the industry and add to its potential, the people who work in the industry are our most important assets. If we are to succeed we must realise the full potential of employees while also improving the wages and benefits they receive and the conditions under which they work and live. In both aspects substantial progress has been made in recent years and has continued in 1997.

I wish to make a fundamental but too often forgotten point. It is the simple fact that the greatest contribution any company or industry can make to the welfare of its workers is to maintain viability and assure profitability. Unless this is achieved improvements in how employees work and how they live cannot continue. Guysuco's decline in the 1980s went hand in hand with a sharp reduction in the sugar workers' standard of life and recovery in the 1990s has coincided with a sharp improvement in how workers in the industry live. I cannot emphasise this fundamental point enough. It is a fact which workers and the unions representing them and the Board and management must equally recognise. Putting the industry into a position of sustainable competitiveness cannot be a subject of contention. There is no "us" and "them" in the common endeavour to reduce hindrances to improved productivity and lasting profitability. If there is one lesson in the world today it is that confrontation between workers and management can play no part in any successful modern industry or company.



*Participants of the L.B.I. Enmore first Peer Counselling session proudly pose with their certificates and share the moment with GUYSUCO Personnel.*

Well qualified, well trained, highly motivated managerial and technical staff are an absolute necessity in operating and developing a modern industry in an international climate in which increased competitiveness is essential. To recruit and keep such

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staff is one of Guysuco's greatest challenges. In the context of a poor country, where there are so many other calls on the industry's earning capacity, finding the money to attract and retain qualified managers is a continuing problem. Yet it is a problem which must be solved. It will serve little purpose if we cannot substantially upgrade staff as we rehabilitate the plant which they operate and supervise.

In an increasingly competitive climate the Corporation must have as one of its key objectives an improvement in productivity. Rationalisation of the labour force and staff establishments both on estates and in head office continue with full consultation among all concerned. In 1997 the total number of employees declined to 19,287 from 20,492 in 1996, a reduction of almost 6%. Productivity improved from 12.34 tons per employee in 1996 to 14.10 tons per



*Establishing drains at Port Mourant United, part of the expansion programme on stream at Albion\Port Mourant Estate.*

employee in 1997.

Despite the continuing improvement in employee productivity it is clear that we have to do better. Workers, who had gained the equivalent of 16.75% increase in wages in 1996, gained a further increase of 14.5% in 1997. To this substantial increase must be added the many other benefits enjoyed by sugar workers by way of incentives, medical benefits, community centre facilities, and the provision of housing lots at highly subsidised prices.

The steady improvement in the lives of sugar workers is an essential part of Guysuco's policy. However, such improvements cannot take place indefinitely without matching increases in efficiency



*Young community development members of the Blairmont Community Development Centre sharpening their serving skills with a Volleyball.*

and labour productivity. In the period 1995 - 1997 there can be no doubt that the increase in employment costs has exceeded what Guysuco can continue to absorb. Such increases in employment costs unmatched by equivalent savings will sooner rather than later bring the industry to the point of crisis.

## Guysuco's Strategy Review

We in Guysuco understand that we have entered a period of crucial reassessment and transition. On every side there is intense debate on the implications of the new World Trade Organisation, of emerging free trading blocks, of post Lome arrangements between the ACP and the EU, and on the need to become more competitive in a world where market forces will dominate. The future of sugar has a special place in this intense debate and we in Guyana are determined that we should respond appropriately and vigorously.

On the one hand we are confident that our preferential trading arrangement in sugar with the EU can be fully maintained. The market stability sugar enjoys in the permanent Sugar Protocol and the



*Workers at Skeldon Estate tend to the TA Set in the power house to ensure adequate supply of power to keep the factory going*



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Working to restore the sugar industry's relics - Windmill.  
at the Uitvlugt/Leonora Estate

additional Special Preferential Sugar agreement contrasts sharply with the serious uncertainties facing other commodities:

On the other hand, we cannot be complacent and we are not. We know that the secure marketing access in Europe which our sugar enjoys gives us a limited grace period which we must use to ensure sugar's long term viability by becoming more competitive. We recognise that in a future of declining prices unless costs per tonne of sugar produced can be sharply reduced sugar faces an uncertain future. To this end we must embark on an ambitious yet attainable goal to reduce our current cost of production by some 30% over the next five years.

We take to heart the words recently addressed to sugar producers in Europe, who face very much the same challenges as we do, by Dr. Cunningham, UK Minister of Agriculture: "I want to see an industry that is successful, competitive and sustainable; that farms in an environmentally benign way and that responds to consumer demands".

We have prepared a strategy review which sets out a

future course for the sugar industry of rehabilitation, expansion, modernisation and technological improvement leading to substantially increased production, significantly improved productivity and a level of cost competitiveness which will sustain the industry well into the next century.

In broad terms, and subject to the necessary detailed feasibility studies, this strategy proposes the following:

- i) Increase production by significantly improving yields in the field and factory recoveries.
- ii) Concentrate investment on expanding production in the lower cost area of Berbice by utilising additional land of proven high productivity. This should serve as an important catalyst for developing home-grown technological skills.
- iii) Develop larger processing facilities which will benefit from economies of scale and up-to-date technology.
- iv) Continue operations in the less favourable areas where, despite cost disadvantages, it can be demonstrated that these are making a net contribution to the economy.
- v) Establish co-generation facilities as part of the new and larger processing facilities in Berbice to supply electricity for the national grid.
- vi) Add value to the basic production of raw sugar by establishing a sugar refinery to supply the local and



Apprentices at the Guysuco Training of Centre/  
Port Mourant utilising their skills in the Workshop.

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The Corporation seeks to provide housing for its workers. Picture shows work in progress to develop the first 50 lots allocated to workers of the Uitvlugt / Leonora Estate.

Caricom markets, a distillery to convert molasses to alcohol, and facilities to produce special Demerara brand sugars.

This strategy envisages production rising to 435,000 tonnes and costs reducing by 30% from current levels. That is the direction in which we must move rapidly. The signs are that we have a window of opportunity of about five years in which to act decisively to begin achieving these results. As Chairman of Guysuco for the last five years I have become more and more confident that we have the will,

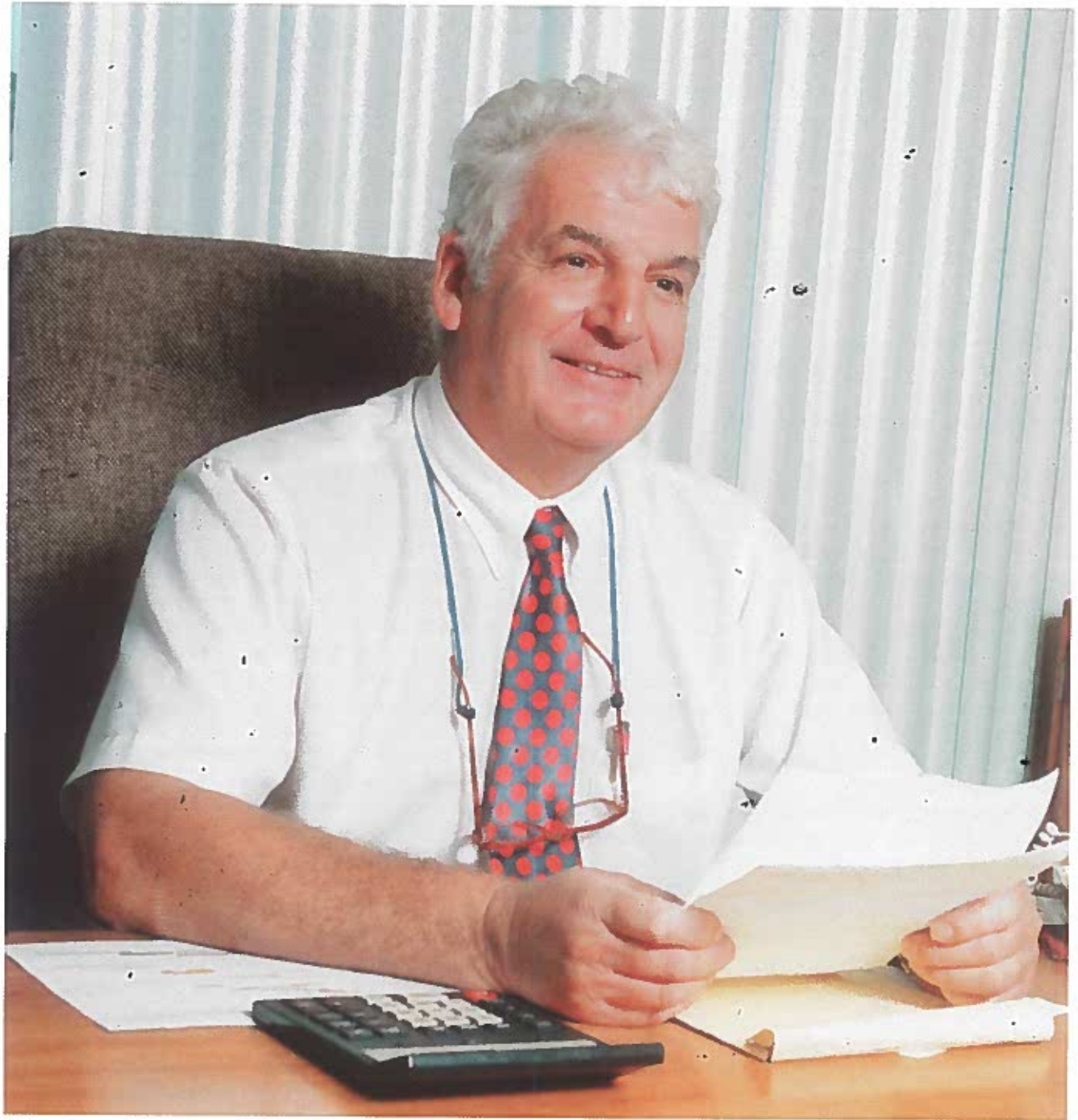
the planning ability, the resources and the people to succeed in whatever we set out to achieve. Our biggest challenge lies ahead. Guysuco will succeed.

I thank my fellow Directors for the unstinting support which I have always received from them. I also thank the workers and management of Guysuco most sincerely for their contribution and achievements in 1997 and over the last few years. I am convinced that together we can overcome the challenges which face us and so remain a vibrant and innovative industry which continues to play a leading role in the nation's progress.





# CHIEF EXECUTIVE'S REPORT



**Mr. Neville Hilary**

## **AGRICULTURE** **Production**

In 1997 GuySuCo estates and private farmers' lands produced 276 392 tonnes sugar, some 3 724 tonnes (1.3 percent) less than the 280 116 tonnes achieved in 1996. GuySuCo estates contributed 253 908 tonnes sugar (91.8 percent of total production). Private farmers contributed 22 484 tonnes which was some 723 tonnes (3.1-percent) less than in 1996 and at 8.2 percent of total production did not differ significantly from the 8.3 percent of total production achieved by farmers in 1996.

Mean cane yield for the year on estate lands at 66.8 tonnes cane per hectare was 6.2 percent lower than that of 1996. The major causes of the cane yield (and thus the cane production) shortfall were the prolonged flooding experienced at Rose Hall, Albion and LBI in mid-1996 which had significant adverse effects on the yields of cane harvested in the 1997 first crop at all of these estates, top borer (*Diatraea* spp.) damage at Rose Hall which had a severe effect on first crop cane and the prolonged drought, extending for the whole second half of the year, associated with the El Nino/Southern Oscillation (ENSO) event which developed in March/April. Rendement at 9.07% was the highest achieved since 1968.

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ESTATE PRODUCTION	Cane and Sugar Production - 1997			1996 Totals/Mean
	1st Crop Actual	2nd Crop Actual	Annual Total	Actual
Hectares reaped for mill	17 389	24 550	41 939	41 080
Tonnes cane milled	1 068 814	1 731 830	2 800 644	2 926 608
Tonnes sugar produced	95 073	158 835	253 908	256 909
Tonnes cane/hectare	61.5	70.5	66.8	71.2
Rendement (%)	8.90	9.17	9.07	8.78
Tonnes Sugar/Hectare	5.47	6.47	6.05	6.25
TONNES SUGAR FROM FARMERS	7 435	15 049	22 484	23 207
INDUSTRY TOTAL TONNES SUGAR	102 508	173 884	276 392	280 116

Of the individual estates Skeldon's production of 34 655 tonnes sugar was the highest ever achieved at that factory while Blairmont at 37 830 tonnes also established an all-time production record.

## Weather

The average rainfall total across the industry in 1997 was 1 390 mm, some 30 percent lower than the 41-year mean annual total and the year was, in fact, the second driest since 1956. Over the first six months of the year the total was very close to the long term mean for the period with January and February being particularly wet. However, rainfall in June was only 46 percent of the long-term mean for the month, a prelude to a very dry second half of the year in which the industry received only 38 percent of the long term mean rainfall total for the period.

The dry weather in the second half of the year was related to the strong El Nino/Southern Oscillation (ENSO) event that developed during the year following a strongly negative trend in the Southern Oscillation Index (SOI) that was established from March onwards. At the end of the year the continuation of the ENSO event suggested that the first half of 1998 could be expected to be particularly dry.

All GuySuCo estates were advised early in July to prepare for a drought and to take steps to conserve and recirculate water. In addition all were asked to plan for the possibility of improved conditions for harvesting and tillage but to expect to have to reduce planting in the second half of the year as irrigation water would become limited because of the need to maintain growth in existing cane. GuySuCo managed field and factory operations well over the first six months of the drought but there is no doubt that the absence of any significant year-end rains will have an adverse effect on production in the first, and probably also the second, crop of 1998.

## Land Preparation, Planting and Variety Extension

The heavy rains at the start of the year interfered with land preparation and with rain falling again in May the total area of land prepared to the end of June was only 1 816 hectares. In the second half of the year conditions

were extremely favourable for land preparation but as the year progressed the need to conserve land in cane, in the face of reduced planting opportunities, meant that operations were progressively directed to bringing either new land or long-term fallow land back into the crop/fallow cycle. This being so it could be considered as extremely satisfactory

that by the end of the year some 7 470 ha of land (86 percent of budget) had been prepared ready for planting.

At the start of the year some 3 550 hectares were prepared, in fallow, ready for planting. The bulk of these were planted in the early months of the year. Thereafter, planting had to await the release of newly prepared land, which was not readily available because of the restrictions on tillage works. In the early part of the second half of the year planting moved ahead fairly rapidly at all estates as land preparation progressed well and there was an adequacy of water to establish the newly planted fields. As the drought continued, however, those estates which were experiencing problems with water supply and water quality were forced to suspend planting and put prepared land into dry fallow for planting at some later date. As a result the total area planted for the year was only 6 305 ha, some 72 percent of the budget target of 8 737 ha.

During the year the results of several years' field trials, linked with observations of developments in Australia, led to the introduction of *high density planting* in which the number of buds per unit of planted row length was increased and the row interspace was reduced with the aim of increasing plant population density to give a more rapid canopy closure (thus reducing supplying and weed control costs) a more efficient use of seed cane buds and a somewhat higher plant cane yield at harvest. In the second half of the year 706 ha of high density plants, mainly at Skeldon and Uitvlugt, were completed and despite the generally adverse conditions for plant cane establishment gave early promise of fulfilling, if not exceeding, expectations.



Fertiliser hands boarding a punt which will take them to the fields.



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	ESTATE LANDS - 1997 (HECTARES)			1996 (Hectares)
	First Crop Actual	Second Crop Actual	Annual Total	Annual Total
Land Preparation	1 816	5 654	7 470	7 474
Planting	2 778	3 527	6 305	6 626

At the end of 1997 the GuySuCo estates had 40 704 ha under cane and 4 712 ha prepared for planting, all of which, except 92 ha, were wet fallow. This compares with 40 986 acres under cane and 3 140 ha of wet fallow at the end of 1996.



*The introduction of high density planting ensures good harvest and increases tons cane per acre.*

Since the beginning of 1991 GuySuCo has planted some 50 916 ha, or 125 percent of the area under cane at the end of 1997. The programme had reduced the proportion of cane lands under 5+ ratoons from the 60+ percent at the end of 1991 to some 14 percent by the end of 1996. However, due to planting shortfalls in 1997 the percentage of land in 5+ ratoon cane had increased to 17 percent by the end of the year. The highest concentration of 5+ ratoons are at LBI (25.9 percent) and Uitvlugt (19.0 percent). The latter by design as ratooning is extended on their extensive areas of less productive soils for longer than elsewhere in the industry.

DB 7869 occupied the largest area of any cultivar (27.5 percent of total cane area) at year-end followed by DB 7160 (8.2 percent and increasing), DB 7047 (7.5 percent) and D 8415 (7.1 percent and rapidly increasing). During the year D 7661 achieved 1.1 percent of total area, a very rapid expansion for this promising cultivar. The industry's position remained highly satisfactory with no over-reliance on any one cultivar and a sufficiently wide gene pool to enable the industry to respond rapidly and positively to any exotic disease or pest intrusion.

## Environmental Management

The AgroChemical Safety Committee maintained its critical appraisal of the Corporation's pesticide policies

and monitored standards of agrochemical management at all locations. Regrettably there were several incidents which suggested that at some locations management were not alert to the standards required

The Committee published a manual, *The Safe Use of Pesticides*. Most of the copies were distributed to sugar estates but following a review in *Spore* magazine 40 copies were distributed to 15 ACP countries, free of charge.

The programme for agrochemical stock reduction and the collection and disposal of obsolete or unwanted chemicals continued and is expected to be completed during 1998. The agrochemical container destruction facility at Coldingen commenced operations during the year.

The Shell (Antilles) Company continued to collect waste oils from field workshops for disposal. A programme to neutralise spent battery acids was introduced and used battery cases were exported for recycling under an arrangement reached with Ainlim during the year.

The Central Laboratory continued to monitor the quality of estate irrigation and drainage waters as part of the programme established in 1994 to monitor the levels of inorganic and organic solubles in waters which enter, traverse and leave the estates' cultivation and industrial environs.

## Engineering Services

The Civil Engineering section completed 30 projects carried over from 1995 and awarded contracts for a further 206 projects of which 183 were completed by year's end leaving 23 projects in progress for completion in 1998. The 206 projects initiated at a total value of G\$379.80M compared well with the 150 projects valued at G\$396.35M initiated in 1996.



*Field workers prepare the fields in preparation for planting the cane eyes.*

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The projects were spread across all locations and were awarded to 30 contractors and construction companies in Berbice and Demerara (compared with 19 in 1996) on the basis of open, competitive bidding against tender documents prepared by the Corporation's civil engineering staff.

Of the 206 projects 54 (26%) were for field structures and buildings, 50 (24%) were for the rehabilitation or construction of estate houses while 8 projects for drainage and irrigation structural works valued at G\$36.11M brought total expenditure in this critical area to G\$299.1M for 51 projects since the start of 1990.

## Fleet Maintenance

During 1997 the agricultural fleet received 189 items of new equipment purchased with self-generated funds while 358 items were withdrawn from service. In consequence the fleet which had stood at 1 754 units of all types of equipment at the start of the year had been reduced to 1 585 units by year-end.

The scrapped equipment was broken-down for spares, donated to worthy causes (including a Nissan Urvan ambulance to Port Mourant hospital and a Wrangler jeep to the Palmyra Community policing group) or sold by public tender.

The average availability of field units throughout 1997 improved to 86 percent, from 83% in 1996 and well above the 72.5% average in 1993 at the start of the fleet review and improvement programme.

## Research Activities

### Varieties

The 1997 Demerara crossing programme was disappointing. The major cause was found to be poor potting media. This has been corrected. Crosses made will be repeated in 1998. Reserve fuzz from the Central Breeding Station was imported to make up the shortfall in new varieties for testing. The status of the variety development programme remains healthy. The promising varieties, D88156, D88172, D89190 and DB89103 have been released for evaluation in Stage V trials. Of varieties currently in Stage V, trials, D89138 recorded consistently high plant cane yields. The quality of this variety is however only average but its responses to chemical ripener application will be evaluated. D8687 and DB83134 demonstrated above average quality. A clone labelled XD 94 from the base broadening programme has aroused much interest. This has been advanced to Stage II evaluation.

Because of concerns over ratoon yield sustainability the decision has been taken to extend the evaluation of

Stage V trials to the 4th ratoon. Plant cane results from the acid soils tolerance trials being conducted with the Soils and Plant Nutrition Section have suggested that of the cultivars DB75159, D8415 and D7661 may have potential for sustaining reasonable yields in very acidic conditions and that 14 of 80 varieties at the Stage IV and V selection stage may also be tolerant.

A project for identifying *Diatrea* resistance to sugar cane was initiated with the Plant Protection Section towards the end of the year.

## Plant Protection

There was no major sugar cane disease outbreak in 1997. The upsurge of smut in DB 7047 which was observed in Blairmont in 1996 was thoroughly investigated. No evidence was found of a new smut race and the incidence of smut on the variety subsided to the industry norm. There was also no unusual activity of rodents although temporary upsurges in population were observed at Albion, Blairmont, Enmore and Uitvlugt.

*Diatraea* and termites attained very high population levels at Rose Hall. Termite populations were reduced to acceptable levels by an integrated management programme involving flooding of young canes, early harvest of seriously infested fields and limited use of insecticide. Ethel was demonstrated to stimulate tillering and development in stools severely damaged by termite infestation.

Merlin and Merlin combinations have emerged as major



Plant Protection



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chemicals for pre-emergent weed control. This chemical was shown well suited to application with low volume sprayers and also for aircraft application. Several broadleaf herbicides have shown promise as potential replacements for 2:4D amine. Roundup and Rodeo (another glyphosate formulation) were shown to be effective in aquatic weed control. The Micronair atomisers fitted to the aircraft effectively increased aerial spray productivity by over 40%. Lancelot low volume spray units fitted with 15L tank operated at output levels close to 2 ha per unit per day.

## Analytical and Environmental Services

The Central Laboratory acquired a new UV/VIS Spectrophotometer with autosampling and scanning wavelength features. The laboratory continued its participation in the collaborative testing programmes of the International Plant Analytical Exchange and the Sugar Association of London. The laboratory maintained a consistently good performance in both schemes. Base levels were established for water quality in estate waterways and factory discharge drains. A methodology was developed for the determination of sucrose in cane juice by High Pressure Liquid Chromatography ( HPLC ) Non-leaded polarization of sugar at Near Infrared ( NIR ) wavelengths continued to be investigated. Values indicated more variability than the standard polarization procedures.

## Plant Physiology and Microbiology:

The investigation of the contribution of Biological Nitrogen fixing bacteria to nitrogen nutrition in sugar cane indicated that while these organisms are present in stems and leaves they do not reduce the dependence of the cane plant on mineral nitrogen sources. Plants developed from meristem tissue culture did not contain significant numbers of nitrogen fixing organisms. Evaluation of four potential biostimulants on sugar cane early growth suggested that stimulating a mixture of plant regulators may have a stimulating effect on tillering and shoot development. Trials with Ethel applied sequentially to cane at 24 weeks, 32 weeks and 40 weeks indicated a positive effect on cane growth.

## Soil and Land Management

University of Guyana final year students worked on the laboratory phase of the soil potassium availability study under supervision of the Department's scientists. One of the projects was adjudged the best project in Agriculture by the University. Laboratory evaluation of the flood fallow mechanism continued. The results provided evidence for improved soil aggregate stability in the top 15 cm. Significant quantities of available

nitrogen were released. Most of the released nitrogen was in the ammonium ion form. The data suggested that the "New nitrogen" was of inorganic origin. Nitrogen uptake studies on all estates highlighted low efficiency of uptake of fertiliser nitrogen.

Results from a tillage evaluation trial on Dutch beds at Skeldon indicated that the paraplow significantly reduces costs (from fuel savings) without compromising tillage depth and land productivity.

## Agriculture Engineering

Tillage effectiveness and field design were the principal areas of Agriculture Engineering research. A 13 ha field at Diamond estate previously in broad bed configuration was divided into English beds 4.5 rods (16m) wide each with distinct camber. Planting was done with a modified Australian "Pioneer" planter and also "semi" mechanically by laying tops from a trailer into a preformed furrow. The planted cane was covered with modified disc ridger with depth control. The final culture was flat. Productivity from the semi-mechanical planting was 0.6 ha per hr from 9 persons. A number of implements were designed for fabrication or modification. Among these were a moulder disc for cover and an applicator for insecticides to combat soil dwelling insect pests.

Trials to determine the effectiveness and longevity of mole drains were initiated. A study was conducted on the drainage effectiveness of Rose Hall estate. It was concluded that a pump or sluice towards the southern end of Rose Hall would improve drainage by reducing the load on the existing drainage pumps.

## General

The 26th West Indian Sugar Technologists Conference was held in Guyana from September 22nd to 26th, 1997. Visitors judged the conference very successful indeed. Attendance was over 200 with each SAC member



*The future of the sugar industry rests with the sugar technologists! A challenge thrown out at the XXVI conference for West Indies Sugar Technologists, hosted by the Corporation.*

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territory well represented. Members of Guysuco presented 18 papers. A paper entitled "Fertiliser nitrogen uptake and use by sugarcane in Guyana" was adjudged the best Agriculture presentation, while the presentation entitled "Strategies for rodent control in the Guyana Sugar Industry" came in for special mention in the poster category.

## Aircraft Operations

Only one Thrush Commander was serviceable throughout the year. The Cessna 185 passenger/crop observation aircraft was withdrawn from service in April because of a defective starboard landing gear support bracket. Up to year end the replacement component was unavailable from the aircraft manufacture or other reputable source.

The Corporation's aircraft achieved a total flying time of 592 hrs 45 mins compared with 982 hrs in 1996. Despite this 42,070 ha were treated with agrochemicals and fertilisers compared with 34,855 ha of agricultural flying in 1996. Contracted aircraft treated on additional 15,038 ha. Total agricultural acreages was 57,108 ha compared with 40,013 ha in 1996.



*A design of the Engineering Services Department; this \$50M hangar was constructed after the decision was made to upgrade the Ogle Airstrip to a Municipal Airport.*

Guysuco changed its engine overhaul company during the year because of unreliable performance. An engine serviced by the new company has already achieved 636 hrs.

Cpt. S. Mahala was issued with the Guyana Commercial Pilots license during the year. He had previously been allowed to fly on a provisional license. Engineers and mechanics attended a line maintenance course for the Ayres Turbo-Thrush aircraft which was jointly sponsored by Guysuco and Kayman Sankar Aviation Limited. Guysuco continued to provide management services to the Ogle Aerodrome at the request of the Civil Aviation Department. The new Guysuco hangar was completed in November 1997.

## Livestock Operations

The Versailles dairy was not privatised during the year



*New hangar under construction at Ogle.*

and it appears likely that the Corporation will maintain dairy operations for at least the first half of 1998 and possibly to the end of the year.

Livestock operations thus continued at both Versailles and Liliendaal. Adults and very young calves were held at Versailles while weaned calves were reared to breeding age at Liliendaal.

At the start of the year the herd numbered 549 head of which breeding cows accounted for only 39 percent. By the end of the year the herd had been reduced to 331 head of which breeding cows accounted for 54 percent. During the year 187 calves were born from a breeding herd averaging 197 animals (95% success) compared with 91% success in 1996 and 70% in 1995. With the retirement of the bulls nearly all breeding was by artificial insemination carried out by staff of the National Dairy Development Programme (NDDP).

The herd continued to develop resistance to both tick infestation and tick-borne disease with no tick fever outbreaks during the year. The entire herd was vaccinated for rabies in August following reports of outbreaks of this disease on other farms in West Demerara.

Shrimp meal was introduced as a high protein feed supplement to the diet of calves while Brewers Yeast was added to the diet of breeding cows along with molasses and trace element supplements. These improvements, coupled with the use of rice straw, either ensiled or fed direct, enabled the herd to survive the stresses of the prolonged drought with very few problems.

The reduction in herd size coupled with the quality of the available pastures and feed was such that there was no further need to transport grass from Liliendaal to Versailles.

At the end of the year the herd was in much better condition than for many years, with the breeding herd lactating at about 8.0 litres milk/day/lactating animal



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compared with 6.6 litres milk/day at the start of the year and 4.6 litres/day at the start of the rehabilitation programme in 1996. Total milk production for the year was 294 703 litres, an 11 percent increase on the 265 209 litres produced in 1996. All milk was sold to consumers in West and East Demerara.

Livestock operations at sugar estates were completely discontinued when the cattle herd at Rose Hall was sold early in the year and the fish pond at Blairmont was re-converted for sugarcane production towards the end of the year.

## FACTORY OPERATIONS

There was a 4.6 % drop in cane supply in 1997 compared to 1996. The deficit occurred mainly in the first crop. The marked improvement in pol % cane of 3.4% compared to 1996 helped to offset the reduced cane supply to end the year with a 1.3% reduction in sugar production compared to 1996. The rendement for all cane, estates and farmers over the two years improved from 8.69 to 8.99.

Several new records were established in 1997. Weekly sugar production records were broken at Skeldon and L.B.I.. Annual production records were broken at Skeldon and Blairmont and the industry as it now is recorded the highest sugar production ever for the second crop.

Extraction improved by 0.4% over the 1996 result. The most notable achievement was the increase in extraction by 2.48% at L.B.I. following the installation of the new cane preparation equipment. Only at Skeldon and Rose Hall was extraction lower than that of 1996.

The boiling house recoveries (BHR) were lower in the Berbice factories in 1997 than 1996 but the opposite was true for the Demerara factories with Uitvlugt completing the year with a creditable 90.11% BHR. The reduced average performance at the Berbice estates was mostly influenced by Albion Factory performance. The lack of capacity in the high grade pans meant that the factory was unable to capitalise on the unprecedented high purity material entering the factory.

	1996	1997	% Change
Cane Crushed ( tonnes )	3,222,294	3,073,905	(4.6)
Sugar Made ( tonnes )	280,116	276,392	(1.3)
Rendement	8.69	8.99	3.3
Pol % Cane	10.73	11.10	3.4
Fibre % Cane	17.27	17.42	(0.9)
Mixed Juice Purity	80.68	81.34	0.8
Overall Recovery	79.62	79.35	(.03)
Factory Time Efficiency	89.3	89.76	0.5



*Rehabilitation of Mills is part of the Out-of-Crop maintenance programme planned for the Estates.*

Additional A Pan capacity will be installed in 1998 to overcome this problem. The lower than expected boiling house recoveries offset the slightly improved industry mill extraction to lower the overall recovery for the industry by 0.3% compared to the 1996 result.

The factory time efficiency improved by 0.5% over 1996. Blairmont factory completed the year with an excellent result of 95.76 % factory time efficiency. The good harvesting conditions in the second crop led to a significant improvement to the overall time efficiency of 5.6%. This indicates a marked improvement in overall productivity for the industry. Disappointingly the time lost due to strikes increased from 1932 hours in 1996 to 2076 hours in 1997.

## Capital Projects

The implementation of capital projects was hampered by a lack of skilled human resources. This situation was relieved late in the year with the appointment of a Projects Director and the recruitment of two additional project engineers. The major projects that were completed include :

- new boiler chimneys were erected at Skeldon and Blairmont
- new cane preparation equipment and modifications to cane conveyors were completed at Uitvlugt and Blairmont
- a high grade centrifugal was installed at Rose Hall and two new low grade centrifugals were installed at Uitvlugt
- a 3000 tonne sugar store and a factory abluion block were erected at Skeldon
- mixed juice and molasses scales were installed at

# CHIEF EXECUTIVE'S REPORT

L.B.I.. Based on the performance of this equipment, identical scales were ordered for all factories

- orders were placed during the year for 136 new pump sets for various duties throughout the factories.

The Equipment Conservation Centre at Ogle was closed and the machine tools distributed to workshops at various locations. The Electrical and Instrument workshop at L.B.I. continued to contribute to development and maintenance of factory plant at all locations.



*Ship in foreground discharges bulk sugar from Berbice Estates while in background larger vessel loads up sugar for the E.U. Market.*

## Energy Production and Fuel Utilization

Steam energy produced 40,317MW hrs, a reduction of 0.54% on 1996. The performance of the turbo alternators have improved across the industry and energy produced from steam during the crop increased from 80.61% to 81.63% in 1997. Blairmont in-crop steam energy production rose to 97% which is an excellent achievement.

Diesel power generation was 16,853 MW hrs a drop of 1.18% compared to 1996. Diesel generation used 4,347,156 litres of fuel which is a 0.35 % reduction from 1996.

Wood consumption was more than halved from 12,094 tonnes in 1996 to 5,444 tonnes in 1997. Stockpiles of baled bagasse were stored at Rose Hall. The good harvesting conditions and improved overall time efficiencies were the main contributors to this saving.

## MARKETING

In contrast to the period 1994 - 1996 when there were windfall gains in revenue from currency movements, exchange rates in the EU monetary system in 1997 moved unfavourably for Guysuco and revenue accordingly declined.

Our price in the EU is denominated in ECUs. In 1997 the price in ECUs did not change. However, because of the weakness of the ECU, the amount of US dollars Guysuco received declined significantly. Guysuco exports approximately 250,000 tonnes of sugar in total. Of this 200,000 tonnes — 80% — are exported to the European Union. Therefore by far the greater part of our sugar exports was affected by this decline in price.

Apart from currency fluctuations, Guysuco's marketing position in 1997 remained stable. The basic price in the European Union remained the same as did the Government controlled price on the local market. Guysuco's preferential marketing outlets should be secure for the foreseeable future but the prices we receive in these markets will tend to decline. That is the fundamental problem which the industry faces. The removal of the revenue windfall element in 1997 simply accentuates the basic long term price problem.

## Local Market

Sales of brown sugar for domestic use were 24,617 tonnes in 1997 compared with 23,604 tonnes in 1996. The producers price for brown sugar sold locally is \$21.91 per lb. (\$48,303 per tonne). This price has remained unchanged since February, 1991, and the real value of sales in this market therefore continues to be eroded.

In 1997 Guysuco sold 1,147 tonnes of imported refined sugar at world price for industrial users who use this grade of sugar in their manufacturing process. This compares with 1,454 tonnes sold in 1996. Banks DIH and DDL, the main users of refined sugar, import their own requirements. Guysuco continues to meet the need of smaller manufacturers.

## EU Market

Guyana met its full commitment of approximately 167,283 tonnes under the Sugar Protocol for the quota period ending 30th June, 1997. Since the period 1988 - 1991 when Guyana experienced shortfalls in meeting Sugar Protocol quota commitments, Guyana has regained its reputation as a reliable supplier and one, indeed, willing and able to supply the shortfalls of others should these arise.

Under the Special Preferential Sugar Agreement between the ACP and EU refiners in 1997 Guysuco shipped 27,249 tonnes of sugar in 1997 compared with 45,325 tonnes shipped in 1996. Guysuco's SPS shipments in 1997 included shortfalls from other ACP countries which could not meet their commitments. The SPS agreement, which runs until 30th June, 2001 with a provision for negotiating renewal after that date, has been a significant additional market for Guyana yielding a price approximately 85% of the Sugar



# CHIEF EXECUTIVE'S REPORT



*The securing of raw sugar for export remains a major concern of the Demerara Sugar Terminals.*

## Protocol price.

The Sugar Protocol price in ECUs agreed annually was again frozen in 1997. There has been no increase since 1986. The unfavourable movement in exchange rates meant that revenue from Sugar Protocol sugar declined from \$93,233 per tonne in 1996 to \$83,570 per tonne in 1997. The revenue from SPS sales declined from \$74,835 per tonne in 1996 to \$67,393 per tonne in 1997.

## US Market

Guyana's basic US quota is 12,000 tonnes. However in the last few years this has been increased through reallocations declared by the US Department of Agriculture. In 1997, 23,272 tonnes of US quota sugar were shipped compared with 21,788 tonnes in 1996. The price received for US quota shipped in 1997 was \$62,772 per tonne compared with \$61,091 per tonne in 1996.

## Caricom Market

The common external tariff of 40% on brown sugar imported from outside the region continues to be applicable in Caricom countries. Guyana sugar exported to Caricom countries is tariff free. In 1997 sales to Caricom were 20,430 tonnes compared with 12,797 tonnes in 1996.

In 1997 sales to Caricom included 5,000 tonnes sold to Trinidad. This is the first time for many years that Guysuco has sold sugar in this market. Trinidad's requirements for imported sugar are substantial and it is hoped that increased sales can be made in this market in future.

Guysuco is committed to supplying good quality brown sugar to Caricom countries at competitive prices. The average price received in 1997 was \$53,028 per tonne compared with \$54,203 per tonne in 1996.

## World Market

In 1997 Guysuco did not sell sugar on the world market. The last time Guysuco sold sugar on the world market was at the beginning of 1995 when 23,620 tonnes were sold to Canada.

The world market is a residual one and prices that often prevail in this residual market are not necessarily an indicator of what an efficient and competitive industry should have to adjust to in order to survive. Given the expected level of production, the secure preferential market in the EU, increased quota allocations in the US and sales planned to expand in Caricom it is unlikely that Guyana will sell sugar on the world market in the period 1998 - 1999.

## Prospects

Sugar's vital market outlet in Europe is under no immediate threat and indeed has recently been substantially increased with the establishment of the SPS Agreement. The security of sugar's access into Europe is built into marketing arrangements which are not dependant on the renegotiation of LOME IV. The trading arrangements founded in the Sugar Protocol and the SPS Agreement were entrenched in the new World Trade Agreement and are therefore secured against a challenge such as banana producers now face.

However, sugar does face a serious threat in its main market. There the basic price which has not increased since 1986, will remain no more than stable for the next few years and is then likely to decline. In such circumstances the need to reduce costs in order to remain profitable has become more imperative than ever.

## HUMAN RESOURCES

### Attendance And Productivity

Employment level in 1997 was 19,287 compared to 20,492 for 1996, a reduction of almost 6%.

The average number of days worked per week in 1997 was 4.76 compared to 4.71 in 1996.

### Training And Staff Development

#### Bursaries

One hundred incremental Secondary Schools Entrance Examination Bursary Awards were given in 1997 at \$6,000 each. In this year, a total of \$600,000 was expended.

There were nineteen approved General Certificate of Education (GCE) and Caribbean Examination Council

# CHIEF EXECUTIVE'S REPORT

## Productivity Statistics

Year	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Production (Tonnes)	157,362	156,776	156,776	151,032	230,538	228,306	237,613	234,582	256,909	276,345
Tons Sugar Per Employee	6.81	6.69	6.69	5.41	8.21	8.20	9.72	9.85	12.54	14.33
Mandays Per Tonne Sugar	26.33	26.38	26.38	33.74	22.73	20.42	18.90	18.01	14.84	13.71

(CXC) Awards.

Reimbursement of examination fees to successful applicants was \$223,374.

### Cadetships

Five cadets, S. Jetoo, P. Thomas, T. Tahal and T. Khan departed for Australian Universities to pursue degree programmes in Chemical and Mechanical Engineering with special emphasis on Sugar Technology.

Cadets N. Duke, R. Etheridge, Y. Persaud, and A. Rajkumar all completed Masters degrees in various agricultural sciences at English Universities and resumed duties towards the end of the year.

Graduate cadets from the University of Guyana were D. McKen - Mechanical Engineering, R. Manichand - Mechanical Engineering, R. Dass and K. Chintan - Agriculture.

### Assistance To Study Scheme

Of \$1.7 million allocated to the scheme in 1997, approved refunds amounted to \$1,773,101. This amount represents claims accruing for 1996 and 1997. There were 17 new applications.

### In-House Training

A Budget Preparation and Monitoring Workshop was conducted by Agriculture Consultant, Mr. B. Chandra, for all human resource practitioners.

The Information Systems Department (ISD) developed and conducted intensive hands-on training courses for Managers and support staff towards improving computer literacy.

Management Training Specialist, Dr. Abdul Baksh, facilitated programmes in Executive and Advanced Managerial Leadership for Executive Directors, Administrative Managers and senior managers.

During the year, 44 senior staff appointees were formally inducted through two orientation seminars.



Participants of the induction programme visit the Aircraft Department to have an overview of its operations.

### Vacation Attachments

At the Information Systems Department, R. Ramlall and S. Holder returned to complete specialist assignments.

### Apprentice Development

Mr. David Banks, Training Specialist, Booker Tate, examined the Technical Training needs of the Corporation by way of visits to Estates and discussions with relevant personnel.

### Professional Training (Overseas/Local)

Messrs. A. Shaw and W. Willabus received training from the Crown Agents in Purchasing and Stock Control and Integrated Purchasing and Materials Management - May 6 - July 24 and September 8 - October 10, respectively.

At the Consultative Association of Guyanese Industry (CAGI) five persons participated in a Management of Maintenance programme (February 3 - 7).

The Senior Training Officer participated in two modules of a Competent Manager Series run by the British American Tobacco Company, and sponsored by CAGI. (April 2 - 4 and May 23 - 24).

The Course on Fundamentals of Human Resource Management, CAGI was attended by Messrs. M. Azeez and G. Sooknanan on April 24 - 25.

### Conferences

The Booker Tate Agricultural Conference, (Australia, July 7 - 17) was attended by Dr. D. Eastwood, Estates



# CHIEF EXECUTIVE'S REPORT

Director, and Field Managers S. Baksh, N. Hansram, and W. Persaud.

## Guest Facilities

Management Training Centre catered for fifty-six training events/seminars. This amounted to 159 days and there were 1,310 participants, of which 420 were external.

## Community Development

Demands by regional, local and private sports and cultural associations for the use of the rehabilitated Community Centres and grounds, increased during the year, with a total of 14 international cricket matches and several athletic and cultural activities being held at various community centre grounds throughout the sugar belt. Guysuco was presented with a shield by the Guyana Cricket Board for its efforts in the restoration of the grounds to such high standards.

## Sports

Players selected to represent Guyana at both the under 15 and under 19 levels were given cash donations by Guysuco to assist in the defraying of their expenses.

Seminars were held during the year for cricketers, coaches and umpires. These seminars were designed to enhance the abilities of the participants.

Guysuco continued to dominate the Agri-sector games Cricket Competition, which it has won since the inception of the games.



Sports Officer Brian Bradshaw is congratulated and receives a trophy from Agriculture Minister Mr. Reepu Darjian Persaud for the exceptional performance of the Corporation at Agri-Sector Games.

## Employee Services

### Medical and Health Services Primary Health Care

The Health Services unit continued to provide quality health care to employees.

Following the launching of the Health Promotion and Disease Prevention Programme, more persons are aware of the benefits of regular exercise. As a consequence, more people were observed participating in activities that would promote healthier lifestyles.

### Disease Trends

Consistent with the trends observed during 1995 and 1996, Hypertension, Diabetes Mellitus and Respiratory Tract Infection continued to be the three most prevalent diseases in 1997. The fact that these diseases are preventable underscores the need for continuing Health Promotional Programmes.



Chairman of the Board of Directors, Mr. Vickram Oditt presents a cheque for \$1M to Ms. Jennifer Britton, Manager of the University of Guyana Computer Centre, in the presence of other executives of the Corporation UG Pro-Chancellor, Dr. Martin Boodhoo and Vice Chancellor, Professor Harold Lutchman.

## Occupational Health, Safety And Environment

The programme pursued saw the following performance indicators of positive results in approaching zero accidents.

- The level of accidents overall continued to fall and the industry received the appreciation award for industry from the Minister of Health at a special ceremony.
- Vehicular accidents fell from 134 in 1993 to 45 by 1997. Uitvlugt estate recorded just two accidents for the year.
- In the general accident category Guysuco's Enmore and Albion joined Jamaica's Monymusk, Bernard Lodge and Head Office with all 12 months accident free in each case for 1997.
- In factory comparisons for accident free months Guysuco's Blairmont and LBI had seven such

# CHIEF EXECUTIVE'S REPORT

months each in 1997. Only Monymusk in Jamaica among Booker Tate managed projects worldwide approached this achievement with 6 months.

- Lost time Man-Hrs/Man-Hr worked (%) fell from 0.916 in 1994 to 0.588 in 1997, agriculture being The main contributor.

These results led to major savings in medical and administrative costs.

Strikes by Causation					
Year	1993	1994	1995	1996	1997
Pricing	338	325	293	159	178
Acceptability of work	86	94	91	138	81
Disciplinary Issues	13	18	16	18	8
Others	8	9	12	5	7
Total	445	446	412	320	274

## Environment

The improvement in all areas of our operations was very evident particularly in the areas of pre-milling and power generation. Problems associated with noise abatement, dust pollution and lighting were greatly alleviated.

Training continued to play a major role to change the level of awareness and norms of behaviour into more positive modes guided by self-discipline.

Comparative Costs of Strikes					
Year	1993	1994	1995	1996	1997
Work Stoppages	445	446	412	320	274
Mandays Lost	126,233	71,984	79,993	99,762	89,224
Wages Lost (GSM)	72	49	69	82	95

## Industrial Relations

### Work Stoppages

Compared to 1996 the number of strikes fell by 14%, but the mandays lost per strike increased by 4% as a result of longer duration and greater participation by workers.

### PRODUCTION INCENTIVES

A total of 184 days tax free pay was awarded as Weekly Production Incentive, 55 in the First Crop and 129 in the Second Crop.

An Annual Production Incentive of almost 21 days' pay was paid to each employee.

### Wages And Salaries Increases

The two years Wages/Salaries Agreement signed in 1996 provided for an 11% across-the-board increase and 3½% increase for merit increment

## FINANCE

### Revenue and Expenditure

In 1997 Guysuco's revenue before sugar levy was \$21 billion compared with \$23.7 billion in 1996. This decrease was due to the lower selling prices in the currencies of the refiners and to lower production. Expenditure was \$18.3 billion compared with \$18.4 billion in 1996. Employment costs amounted to \$9.2 billion, 50% of total expenditure (1996 \$8.8 billion, 48% of expenditure). Cost of production was 21.1 US cents per pound. The rate of inflation during the year was 4.5%.

### Earnings and Contributions to Government

The surplus before tax and sugar levy was \$2.7 billion in 1997 compared with \$5.3 billion in 1996. Profit after tax and sugar levy was \$228 million compared with \$224 million in 1996. Contributions to Government amounted to over \$4.0 billion as follows:-

	\$ million
Taxation and levies	2,486
Customs duties and Consumption tax	304
P.A.Y.E./N.I.S	1,259

### Capital Expenditure

Implementing a co-ordinated capital expenditure programme to replace and renovate assets in field and factory remains a high priority in Guysuco. \$2,250 million was spent in 1997 on capital projects as follows:-

	\$ million
Buildings	288
Agricultural equipment	281
Cane punts	116
Factory equipment	605
Drainage and irrigation	110
Transport	246
Other	604

### Assets and Reserves

Guysuco's net assets and reserves increased to \$13 billion, an increase of 2% over the previous year.

### Subsidies

Guysuco's revenue and profitability continues to suffer because it subsidises the domestic consumer of sugar and cane farmers in the industry to a significant degree.



# CHIEF EXECUTIVE'S REPORT



*Promoting education and community development is another priority of the Corporation. The operations of the Institute of Distance and Continuing Education have been enhanced with the acquisition of a computer, printer, monitor and keyboard made available by the Corporation.*

## Local sales subsidy

The price of brown sugar has remained unchanged since February, 1991. Since then the effect of inflation has substantially reduced the real value of sugar earnings in the domestic market. The local price at \$21.91 per pound is well below the cost of production of \$30.05 per pound. The amount of this subsidy in 1997 was \$406 million compared with \$409 million in 1996.

## Cane farming subsidy

When farmers' cane is processed gross revenue per tonne (before sugar levy) is shared 70% to the farmer (no levy deducted) and 30% to Guysuco (subject to levy). Every tonne of sugar made from farmers cane costs Guysuco \$11,232. The amount of this subsidy in 1997 was \$249 million compared with \$314 million in 1996.

## Inventory Validation

The most significant achievement during the year was the programme undertaken to improve the validation of the level of Guysuco's inventory. This was a major exercise, as the Corporation has over 90,000 inventory line items.

Since 1992, provision had been made against the gross book value of inventory carried in the books of the Corporation. The provision was considered necessary because:

1) in the 1980s and early 1990s the Corporation had to purchase equipment and spares from whatever source possible to take advantage of maximum supplier credit as a direct result of the restriction of funds the Corporation was experiencing. This entailed the purchase of spares at a level set by the supplier to obtain the credit and was not

necessarily based on operational requirements.

2) the rehabilitation of the mills which commenced in 1991 on the appointment of Booker Tate and the replacement of uneconomical equipment.

The provision, which was fully in agreement with International Accounting Standards, stood at \$1,293 million by the end of December 1995.

In 1992 the Board had approved a policy to set up a centralised stores system to improve inventory management. To support this concept and to provide a stronger inventory control system, a new computer system was introduced in 1994. However it was not until the end of 1995 that it was possible to implement the inventory features of the new system.

With a gross book value of inventory at G\$6 billion by the end of 1995, and due to problems encountered in the implementation and administration of the new computer system and concerns expressed at the continuing high level of inventory, the Finance Department carried out a comprehensive review of inventory value during 1997. The review involved the establishment of task forces to determine:

- the physical existence of inventory and the accuracy of item prices.
- the level of obsolescence.
- the accuracy of the inventory database.

The review was completed in January 1998, although work on the descriptions within the database continues.

The variances found during the review arose over many years and were due to many reasons some of which were, in part, due to the earlier shortage of skilled and experienced staff. The review did not highlight any one category of stock as being responsible for the variance. Discrepancies were found to be widespread across all areas. The Board therefore approved the use of the provision to write down the gross value of the inventories, and approved an additional provision to cater for obsolescence due to the introduction of new technology.

Following the review, the Finance Department has developed a strategy to improve inventory management. Key elements of the strategy are:

- 1) restructuring of the materials management function to improve performance, individual accountability and effectiveness.

# CHIEF EXECUTIVE'S REPORT

- 2) training and familiarisation with new techniques for stores and purchasing staff.
- 3) improvements to:
  - physical stocktaking and validation procedures.
  - spares distribution procedures.
  - central store security.
  - the accuracy and completeness of the inventory database information.
  - audit verification procedures.

The review caused a delay in the finalisation of the 1996 statutory accounts, but it was essential in order to:

- 1) provide comfort to the shareholder on the status of inventory management, and
- 2) enable the Corporation to provide a true and fair view of the value of inventory held for 1996 statutory accounts purposes.

## Computerisation

Monthly management accounts were generated totally from within the Corporation's accounting software for the first time during 1997, resulting in an improved delivery time. However, this put increased pressure on the bandwidth available to the Corporation, as the system was sized to work on a two shift basis. The Corporation already has the largest private radio communications network in the Caribbean, but it will be necessary to purchase additional bandwidth as the reliance on computer held and generated data becomes ever greater.

Significant progress has been made in computerising pay of time-rated staff. The Corporation is currently working towards standardization of the vast multiplicity of rates and payment practices for piece-rated staff which have grown up over the years at the different estates. It will not be possible to computerise this area of the Corporation's payroll sensibly until there is some degree of standardization of rates of pay.

## Outsourcing

During the year the Corporation embarked on an outsourcing programme. The Corporation would wish to encourage its employees to set up their own businesses and provide those services to the Corporation as entrepreneurs which they provided as employees. We would wish to work closely with IPED in this respect. This is in line with the National Development Strategy of encouraging individuals to be independent and enhance their earning power.

## Training

The Corporation implemented a successful AAT Training Programme during the year. This programme, under which the trainer is the Estate Finance Manager (previously called Office Manager) has been undertaken to identify candidates for Assistant Finance Managers and hence for Finance Managers. Successful participants are being encouraged to proceed to ACCA qualification. The programme also included formal management training which is conducted in-house, and includes the development of time management and supervisory skills.





# REPORT OF THE AUDITORS

REPORT OF CHARTERED ACCOUNTANTS DELOITTE & TOUCHE

TO THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF GUYANA SUGAR CORPORATION INC.

FOR THE YEAR ENDED 31 DECEMBER 1997

We have audited the financial statements set out on pages 26 to 36 which are in agreement with the books of the Guyana Sugar Corporation Inc. and have obtained all the information and explanations we have required. These financial statements are the responsibility of the management of the Guyana Sugar Corporation Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the Office of the Auditor General's auditing standards and other generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the state of affairs of the Corporation as at 31 December 1997 and its results of operations and cash flows for the year then ended and have been prepared in accordance with the Companies Act 1991.

DELOITTE & TOUCHE  
CHARTERED ACCOUNTANTS

77 Brickdam,  
Stabroek, Georgetown,  
Guyana.

16 June 1998.

*Office of the Auditor General of Guyana*



*Tel No. 592 - 2 - 57592*

*Fax No. 592 - 2 - 67257*

*P.O. Box 1002  
63 High Street  
Kingston, Georgetown,  
Guyana P.A.*


AG:120/98

16 June 1998

**REPORT OF THE AUDITOR GENERAL  
TO THE MEMBERS OF  
GUYANA SUGAR CORPORATION INC.  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1997**

Chartered Accountants, Deloitte and Touche, have audited on my behalf the financial statements of Guyana Sugar Corporation Inc. for the year ended 31 December 1997, as set out on pages 2 to 13. The audit was conducted in accordance with the Financial Administration and Audit (Amendment) Act 1993. The financial statements are the responsibility of the Management of Guyana Sugar Corporation Inc. My responsibility is to express an opinion on these statements based on the audit.

As required by the Financial Administration and Audit (Amendment) Act 1993, I have reviewed the audit plan and procedures, work papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit. I concur with the opinion, as set out on page 1, of Chartered Accountants, Deloitte and Touche.

  
G N DWARKA  
AUDITOR GENERAL (Ag.)

**OFFICE OF THE AUDITOR GENERAL  
63, HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA**



( a ) Directors' remuneration is accounted for on a cash basis. In 1996 3 quarters' fees were paid: in 1997 5 quarters' fees were paid. There was no increase in the rate of remuneration.

The charge for taxation was \$452 million compared with \$450 million in 1996.

The net profit after taxation was \$228 million compared with \$224 million in 1996.

### **RETAINED PROFIT**

The profit carried forward to 1998 was \$1.98 billion as against \$1.75 billion in 1996.

By order of the Board  
A.L. Lancaster - Secretary  
28 June, 1998



# REPORT OF THE DIRECTORS

The Directors submit their report for the year ended 31<sup>st</sup> December, 1997.

## PRINCIPAL ACTIVITIES

The principal activities of the Corporation were the growing of sugar cane and the conversion of its own and farmers' cane to sugar and its by-product, molasses.

## SUGAR PRODUCTION/SALES

The sugar production data for 1997 compared with the previous year were:

	1997	1996	Change
Total hectares harvested	46,349	41,042	-12.9%
Tonnes cane per hectare	66.33	78.53	-16%
Tonnes sugar per acre	5.96	6.83	-13%
Tonnes sugar ( including sugar from farmers' cane )	276,392	280,116	-1.3%

Sugar Sales in 1997 amounted to \$20.4 billion against \$23.1 billion in 1996.

## MOLASSES PRODUCTION /SALES

Molasses Production in 1997 was 123,881 tonnes which was a 6.7% decrease over the 1996 production of 131,472 tonnes. Molasses sales in 1997 amounted to \$453 million as against \$819 million in 1996.

## FINANCIAL RESULTS

The turnover for the year before export sales levy was \$2.1 billion compared with \$23.7 billion in 1996.

The net profit before taxation of \$680.5 million ( \$674.1 million in 1996 ) was arrived at after making provision of \$112.5 million ( \$112.5 million in 1996 )

	1997 \$M	1996 \$M
Directors' Remuneration ( a )	0.45	0.27
Stock Provision	177	380
Depreciation	1,411	1,368
Audit Fees	5	5
Net loss on exchange	9	36
Interest Expense	5	71
Interest Income	( 152 )	( 66 )
Management fees and expenses	312	357



# PROFIT & LOSS ACCOUNT

For the Year ended 31 December, 1997

	Notes	G\$000	1996 G\$000
Sales	3	<u>18,990,658</u>	<u>19,119,516</u>
Net Profit before Taxation	4	680,471	674,130
Taxation	5	452,448	450,183
Retained profit for the year		<u>228,023</u>	<u>223,947</u>

## Statement of Accumulated Earnings

At 1 January		1,751,429	1,527,482
Retained profit for the year		228,023	223,947
At 31 December		<u>1,979,452</u>	<u>1,751,429</u>

“ The accompanying notes form an integral part of these financial statements ”.

# BALANCE SHEET

As at 31 December, 1997

	Notes	G\$000	1996 G\$000
<b>Share Capital</b>			
Authorised Ordinary Shares of \$1 each		<u>500,000</u>	<u>500,000</u>
Issued and fully paid 498,536,775 Ordinary Shares of \$1 each		498,537	498,537
Capital Reserves	6	10,342,881	10,342,881
Accumulated earnings Shareholder's funds		<u>1,979,452</u> <u>12,820,870</u>	<u>1,751,429</u> <u>12,592,847</u>
Debenture	10	143,636	143,636
		<u>12,964,506</u>	<u>12,736,483</u>
<b>Represented by</b>			
Fixed Assets	7	8,461,674	7,790,340
Investments	8	304	304
Net Current Assets	9	4,502,528	4,945,839
		<u>12,964,506</u>	<u>12,736,483</u>
<b>On behalf of the Board</b>			
Vickram H. Oditt Director			E. Heyligar Director

"The accompanying notes form an integral part of these financial statements".



# CASH FLOW STATEMENT

For the year ended 31 December, 1997

1996

	GS000	SG000	GS00	GS000
Net Cash inflow from operating activities ( Note (a) )		2,589,022		1,137,871
Returns on investments and servicing of finance				
Interest received	152,482		65,761	
Interest paid	( 4,800 )		(71,240)	
Net cash outflow from returns on investments and servicing of finance		147,682		(5,479)
Taxation				
Taxes paid		(485,913)		( 243,136 )
Investing activities				
Payments to acquire tangible fixed assets	( 2,249,751 )		( 1,188,491 )	
Receipts from sale of tangible fixed assets	52,394		22,511	
Net cash outflow from investing activities		( 2,197,357 )		( 1,165,980 )
Net cash inflow/(outflow) before financing		53,434		( 276,724 )
Financing				
Repayment of loans	0		( 153,579 )	
Rehabilitation and Development Fund	0		2,831,363	
Net cash inflow from financing		0		2,677,784
Increase in cash and cash equivalents ( Note b )		53,434		2,401,060

“ The accompanying notes form an integral part of these financial statements ”.

## NOTES ON THE CASH FLOW STATEMENT

a) Reconciliation of operating profit to net cash inflow from operating activities:

	G\$000	1996 G\$000
Operating Profit	680,471	674,130
Interest ( received ) / paid net	( 147,682 )	5,479
Depreciation	1,411,312	1,367,860
( Profit ) / loss on disposal of fixed assets	114,711	( 21,299 )
Decrease in inventories	658,269	364,092
( Increase ) / decrease in sugar and molasses	( 294,612 )	69,293
( Increase ) / decrease in debtors and prepayments	994,103	( 875,820 )
Decrease in creditors and accruals and export levy	(827,550 )	( 445,864 )
<b>Net cash inflow from operating activities</b>	<b>2,589,022</b>	<b>1,137,871</b>

b) Analysis of changes in cash and cash equivalents during the year

Balance at 1 January	2,783,559	382,499
Net cash inflow	53,434	2,401,060
<b>Balance at 31 December</b>	<b>2,836,993</b>	<b>2,783,559</b>

c) Analysis of cash and cash equivalents as shown in the balance sheet

	1997 G\$000	1996 G\$000	Change in The year G\$000
Cash on hand and at bank	2,836,993	2,783,559	53,434



# NOTES ON THE ACCOUNTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Accounting convention

The accounts have been prepared under the historical cost convention as modified for the revaluation of certain fixed assets and the accounting policies conform with International Accounting Standards except where specifically stated.

### (b) Fixed assets and depreciation

Fixed assets vested on 26 May 1976 are stated at the book values of the previous owners (which were in excess of compensation price) less provision for depreciation and amortisation computed on those values. All fixed assets acquired after that date are stated at cost less provision for depreciation and amortisation.

The excess of book values over compensation price referred to in the preceding paragraph was set up as the opening balance of the valuation reserve.

No depreciation is provided on freehold land, capital work-in-progress.

State land is written off as and when the titles are relinquished.

Depreciation on other assets is provided on the straight line method calculated to write off each asset over its estimated useful life as follows:-

Buildings	-	Over 50 years
Leasehold properties	-	Over the lives of the leases
Land expansion costs	-	From 5 to 10 years
Plant, machinery and equipment	-	From 5 to 16 years
Motor vehicles	-	Over 4 years
Aircraft	-	Over 3 years

Depreciation is provided from the date of acquisition and a full year's charge is taken in the year of disposal.

### (c) Inventories

Inventories are valued at the lower of cost and net realisable value.

Sugar and molasses are valued at the lower of cost of production and estimated realisable value less deductions for sugar industry special funds contributions, shipping, selling expenses, where applicable. Where markets are identified for sugar and molasses, the net realisable value is used.

### (d) Research and development

Research and development expenditure is charged against revenue in the year in which it is incurred.

### (e) Foreign currency transactions

Foreign currency transactions are recorded in Guyana dollars at the rates of exchange ruling at the date of such transactions. At the balance sheet date, foreign currency assets and liabilities are translated at the rates of exchange ruling at that date and resulting gains and losses are recognised in the profit and loss account.



## NOTES TO THE ACCOUNTS

### (f) Sales

Sales represent the amounts earned from the sale of sugar and molasses produced during the year, net of sugar industry special funds contributions, shipping and selling expenses and export sales levy.

### (g) Pension Scheme

i) The company participates in two contributory pension schemes for its employees - Demerara Sandbach and Guyana Sugar and Trading Enterprises Pension Scheme. The contributions are held in trustee administered funds which are separate from the Company's finances. The last actuarial valuation done at 31 December 1992 for Demerara Sandbach Pension Scheme revealed that the Scheme was in deficit of \$2.8M.

The actuarial valuation done at 31 December 1995 for Guyana Sugar and Trading Enterprises Pension Scheme revealed a past service deficit of \$314.2 M. To meet the deficit of the Scheme the actuaries recommended that the participating companies continue to pay contributions to the Scheme at the current rate of 7% of member's salaries up to \$2,880,000 per annum plus 13% of member's salaries in excess of \$2,880,000 per annum. At this rate of contribution, the deficit is expected to be funded within 51/2 years of the valuation date (i.e. by mid 2001). The Corporation has implemented the actuaries recommendation. During the year the employer's contribution to the Scheme was G\$154,078,900.

ii) Employees who have retired and are not members of the pension schemes are paid ex-gratia pensions which are recoverable from the Sugar Industry Price Stabilisation Fund. Amounts not considered to be recoverable are provided for in the profit and loss account.

### (h) Deferred Taxation

Deferred taxation is not provided for because there is a reasonable probability that a liability will not crystallise in the foreseeable future in view of the Company's expansion programme. At 31 December 1997 the major originating timing differences arose from capital expenditure and the net amount not provided for amounted to \$846M (1996 \$804M).

### 2. Incorporation

Guyana Sugar Corporation Limited was incorporated on the 21 May 1976. On the 28 February 1996 the Corporation's name was changed to Guyana Sugar Corporation Inc.



# NOTES ON THE ACCOUNTS

## 3. SALES AND EXPORT LEVY

	G\$000	1996 G\$000
Sales		
Sugar and molasses	20,990,658	23,760,616
Export Sales Levy		
Amount payable ( provisional )	10,419,926	11,885,145
Remitted by Government	( 8,419,926 )	( 7,214,045 )
	2,000,000	4,641,100
Net Sales	18,990,658	19,119,516

Under Section 6( 1 ) of the Financial Administration and Audit Act, the Government of Guyana has agreed to remit G\$8,419,926 ( 1996 G\$7,214,045 ) of the Sugar Levy payable under the Sugar Levy Act of 1974 ( as amended )

	SG000	1996 G\$000
<b>4. NET PROFIT BEFORE TAXATION</b>	680,471	674,130
(a) After charging -		
Directors' remuneration (Note (b) )	450	270
Stock Provision (See Note 9 (a) )	177,149	380,297
Depreciation	1,411,312	1,367,860
Auditors' remuneration	5,100	4,700
Interest expense	4,800	71,240
Management fees and expenses	312,071	357,328
Net loss on exchange	8,862	35,700
And after crediting -		
Interest Income	( 152,482 )	( 65,761 )
(b) Directors' remuneration		
Chairman	135	81
3 Other directors at \$105,000 each (1995 \$63,000 each)	315	189
	450	270

	G\$000	1996 G\$000
<b>5. TAXATION</b>		
Corporation tax at 35%	269,285	269,797
Property tax	183,163	180,386
	45 ,488	450,183



# NOTES ON THE ACCOUNTS

	G\$000	1996 G\$000
<b>6. CAPITAL RESERVES</b>		
(a) Rehabilitation & Development Fund	9,362,950	9,362,950
(b) Sugar Industry Rehabilitation Fund	24,766	24,766
(c) Valuation	47,435	47,435
(d) Other	907,730	907,730
At 31 December, 1997	<u>10,342,881</u>	<u>10,342,881</u>

- (a) An agreement was reached between the Ministry of Finance and the Corporation to set up a Rehabilitation and Development Fund from levies payable.
- (b) This represents amounts received by the Guyana Sugar Corporation Inc. from the Sugar Industry Special Funds for rehabilitation work done on the Corporation's factories.
- (c) This amount represents the surplus of the net book values over the consideration paid for the acquisition of the Corporation's assets on nationalisation in 1976, less disposals.
- (d) 1) G\$ 15.76M represents monies received from the Guyana Government for the purpose of financing projects in the Corporation's diversification programme.
- 2) G\$ 37.87M represents the value of the net assets of Demerara Sugar Terminals Limited. Demerara Sugar Terminals Limited ceased trading in 1991 but continued as a department of the Corporation.
- 3) G\$ 839.21M represents the value of loans and accrued interest assumed by the Government of Guyana.
- 4) G\$ 1.32M and G\$ 13.57M represent the value of the net assets of Guyana Agricultural Products Corporation and Demerara Sugar Company Limited which were acquired by the Government and the assets transferred to the Guyana Sugar Corporation Limited.

## 7. FIXED ASSETS

	Land & Buildings		State Land and Land Expansion Cost G\$000	Plant Machinery and Equipment G\$000	Livestock G\$000	Work in Progress G\$000	Totals G\$000
	Freehold G\$000	Leasehold G\$000					
Cost or Valuation							
At January 1997	738,785	4,316	135,582	9,773,461	55,921	1,355,574	12,063,639
Additions	90,129		40,595	1,102,639		1,016,388	2,249,751
Disposals	( 52,043 )		( 10,351 )	( 175,253 )	( 55,921 )	( 22,400 )	( 315,968 )
Transfers	98,214			499,538		( 597,752 )	0
At 31 December, 1997	<u>875,085</u>	<u>4,316</u>	<u>165,826</u>	<u>11,200,385</u>	<u>0</u>	<u>1,751,810</u>	<u>13,997,422</u>
Depreciation							
At 1 January, 1997	51,084	3,365	23,055	4,195,795			4,273,299
Charge for the year	15,714	88	14,004	1,381,506			1,411,312
Retired on disposals	( 6,082 )		( 4,140 )	( 138,641 )			( 148,863 )
At 31 December, 1997	<u>60,716</u>	<u>3,453</u>	<u>32,919</u>	<u>5,438,660</u>	<u>0</u>	<u>0</u>	<u>5,535,748</u>
Net book values							
At 31 December, 1997	<u>814,369</u>	<u>863</u>	<u>132,907</u>	<u>5,761,725</u>	<u>0</u>	<u>1,751,810</u>	<u>8,461,674</u>
At 31 December, 1996	<u>687,701</u>	<u>951</u>	<u>112,527</u>	<u>5,577,666</u>	<u>55,921</u>	<u>1,355,574</u>	<u>7,790,340</u>



## NOTES ON THE ACCOUNTS

8. INVESTMENTS	G\$000	G\$000
Lochaber Limited (Note (a))	23	23
Cane Farming Development Corporation Limited	31	31
Livestock Development Company Limited	50	50
National Bank of Industry and Commerce Limited	200	200
	<u>304</u>	<u>304</u>

(a) The Corporation has a 36.8% holding in Lochaber Limited. As at 31 December 1997 the reserves of Lochaber Limited were \$108 million.

9. NET CURRENT ASSETS	G\$000	1996 G\$000
Inventories (Note 9 (a))	3,558,965	4,215,946
Cattle	12,436	13,724
Sugar and molasses	838,445	543,833
Trade debtors	1,315,467	2,298,526
Other debtors and prepayments	276,247	287,291
Cash on hand and at bank	2,836,993	2,783,559
	<u>8,838,553</u>	<u>10,142,879</u>
<b>Current liabilities</b>		
Trade creditors	119,695	551,094
Other creditors and accruals	1,639,648	2,335,799
Export Sales Levy	2,000,000	1,700,000
Taxation	576,682	610,147
	<u>4,336,025</u>	<u>5,197,040</u>
	<u>4,502,528</u>	<u>4,945,839</u>
<b>Inventories</b>		
Gross	4,028,361	4,508,193
Less: Provision for stock obsolescence	469,396	292,247
Net	<u>3,558,965</u>	<u>4,215,946</u>

In accordance with the Corporation's policy for on-going obsolescence due to the development of new equipment and technology, a further provision of \$177 million was made during 1997.

## NOTES ON THE ACCOUNTS

### 10. Debenture

	G\$000	1996 G\$000
2% Government of Guyana debenture redeemable in the year 2000	143,636	143,636

### 11. Capital commitments and contingent liabilities

Expenditure authorised by the Directors but not committed	8,261,000	7,771,000
Letters of credit	-	75,424

### 12. The Company is at present being managed by Booker Tate Limited

### 13. Pending litigations

There were several actions for which the liability of the Corporation, if any, has not been determined.