

INSTRUCTION No.27/1999/CT-TTg OF SEPTEMBER 23, 1999 ON A NUMBER OF MEASURES TO STEP UP THE IMPLEMENTATION OF THE SUGARCANE AND SUGAR PROGRAM

After four years implementing the sugarcane and sugar program, the sugarcane and sugar service in the whole country has achieved some initial successes: building or expanding 44 sugar mills, investing in expansion of a number of sugarcane material areas with high-productivity and good-quality sugarcane. So far, 41 mills have been built and put into operation,

creating many jobs and contributing to the eradication of hunger and alleviation of poverty in many rural regions of our country.

However, sugarcane and sugar production is meeting with difficulties in consumption of products and high production cost; many mills are feared unable to repay the foreign loans used to import equipment on delayed payment and domestic loans for investment in building. This is chiefly due to the shortage of raw materials that led to the undercapacity operation of the mills, the too high buying price and transportation cost of sugarcane to the mills in many localities and the

failure to fully develop the capacity of integrated business of post-sugar products, etc. To promptly overcome these difficulties, the Prime Minister instructs the People's Committees of the related provinces, ministries and branches to organize the good implementation of the following:

1. On expansion of the raw material areas:

The Ministry of Agriculture and Rural Development and the People's Committees of the provinces shall direct the revision of the planning of the sugarcane material areas of the mills and adopt plans and concrete measures to expand the material areas along the following concrete directions:

They must plant all the areas of sugarcane planned in the Decision to invest in the raw material areas already approved by the competent authorities. The sugarcane material areas must be concentrated and the transport distance must be near the mills; they are allowed to apply scientific and technical advances and new technology with highly intensive cultivation and using high-productivity and good-quality strains; where possible it is necessary to irrigate the sugarcane fields.

2. On investment and credit capital:

The building of sugar mills requires quite big investment made up of various sources of borrowing: from foreign countries to import equipment on delayed payment, credit loans of foreign countries from the Asian Development Bank (ADB) and the Official Development Assistance (ODA), investment credit under the State Plan. Now a number of mills have begun operation and have reached the term of debt repayment. The Ministry of Agriculture and Rural Development and the People's Committees of the provinces shall have to direct the mills under their management to map out measures of debt repayment, with first priority to paying foreign debts used to import equipment on delayed payment. On the basis of the expansion of raw material areas, these mills must develop to the maximum their design capacity, maintain a reasonable purchasing price for the raw materials, conduct integrated business, rapidly lower the production cost of products and carry out profitable business in order to create their own source of revenues for debt repayment.

The Prime Minister has issued Decision No. 194/1999/QĐ-TTg of September 23, 1999 on the financial settlement for a number of sugar mills which are meeting difficulties in order to create conditions for them to expand production, reduce production cost, market their products and enable them to repay the debts and conduct effective business. For the remaining mills under the sugarcane and sugar program, there will be specific policies and stipulations.

At present, because the production cost of the sugar produced by our mills remains high, the stock of unsold

sugar remains high and their consumption is slow while it is impossible to export sugar. Accordingly, we shall not continue building new sugar mills and expanding the existing ones. Where the peasants are growing enough sugarcane to supply the existing mills, we shall not further expand the acreage and maybe some sugarcane areas shall have to change to other crops. The People's Committees of these localities must help the local population to select the appropriate crops in order to ensure normal income for the farmers.

On the basis of the projects of raw material areas already approved by the competent authorities, apart from the credit investment capital accorded by the State under the plan of sugarcane growing, the People's Committees of the provinces shall integrate various programs in their localities to create more capital to assist the sugarcane growers.

3. On development of the infrastructure:

Regarding the roads for the transportation of sugarcane, the localities shall use the State budget to invest in the main arteries outside the area of the sugar mills. The roads of transport within the raw material area shall be built with capital contributed by the population and the support capital of the mills.

With regard to the areas susceptible to the building of irrigation works for watering sugar fields, on the basis of the approved projects, the State budget shall invest in the main irrigation works such as reservoirs or main canals, the sugarcane growers and the mills shall have to put funds into small water conservancy works in the sugarcane areas.

Besides the use of 10% of the sugarcane price in the production cost to invest in developing the raw material area, the mills are also allowed to use their capital to invest in water conservancy and transport projects in service of the raw material areas of the mills.

4. On consumption of products.

The Ministry of Agriculture and Rural Development and the People's Committees of the provinces shall direct the sugar mills under the ministries and the provinces to assume themselves the responsibility to seek measures to consume all the sugar that has been produced and is lying in stock by, for instance, stepping up promotion campaigns, reducing the selling price of sugar, creating conditions for the early formation of the Sugarcane and Sugar Association in order to coordinate with the sugar mills in regulating the sugarcane and sugar prices in the country and for export (if any) with a view to marketing all the products without incurring losses.

The sugar mills must put an end to the unsound competition in purchasing material sugarcane which pushes sugarcane price and consequently sugar price too high and makes it difficult to sell, or inversely to

downgrade and force down the sugarcane price too low to the detriment of sugarcane growers. From the sugarcane crop of 1999-2000 onward, the purchasing price of sugarcane must be publicized right at the start of the sugarcane crop in order to ensure for the sugarcane growers a revenue from sugarcane per unit of acreage higher than other crops and to ensure a rational composition of the production cost of sugar.

To revise the expenditures in production, to reduce to the minimum the management and indirect cost, and to early work out planning and plans to invest in the development of the industries beside sugar and after sugar, to conduct integrated business to use and make the fullest use of the byproducts of sugar to produce micro bio-organic products, compressed bagass planks, animal feeds, methylated alcohol, electricity..., contributing to increasing revenues, reducing the production cost of sugar, hence also lowering the selling price and increasing the capacity of consumption of sugar, thus step by step enhancing the competitiveness of our country on the sugar market.

The State encourages the enterprises, first of all the sugar mills, to expand the production of products using sugar in order to quickly increase the volume of sugar consumption through these products.

The Steering Commission for the fight against smuggling and trade fraud (Central Commission 853), the Presidents of the People's Committees of the provinces and centrally-run cities shall adopt a plan and concrete measures to check the smuggling of sugar across the border and bordergates in the guiding spirit of Instruction No. 853/1997/CT-TTg on October 11, 1997 of the Prime Minister on the fight against smuggling in the new situation.

The enterprises themselves, the Ministry of Agriculture and Rural Development and the Ministry of Trade have the responsibility to find markets in order to organize effectively the exportation of sugar when necessary.

5. On equitization:

To conduct equitization of sugar mills aimed at mobilizing more capital for investment, associate the responsibility of the mills and sugarcane growers, the mills and workers, the mills and the owners of private mills. In the immediate future, to select sugar mills which are operating effectively as pilot cases for equitization with the participation of shareholders among the workers of the mills, sugarcane growers and private sugar mills in the region in order to draw experiences for expansion.

6. The ministers, the heads of the ministerial-level agencies, the heads of the agencies attached to the Government, the presidents of the People's Committees

of the provinces having sugar mills shall have to popularize and carry out this Instruction down to each sugar mill and each sugarcane grower for effective implementation.

For the Prime Minister
Deputy Prime Minister
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