



May 15, 2020

His Excellency Brigadier David Granger  
President of the Cooperative Republic of Guyana  
Ministry of the Presidency  
Shiv Chanderpaul Drive  
Georgetown

Mr. President,

**Re: GuySuCo's Dire Financial Crisis**

At the recent Statutory Meeting of the Board of Directors of GuySuCo, I was mandated to write you to explain the financial crisis presently facing GuySuCo and to request your personal intervention to facilitate any assistance that can be had to alleviate this crisis.

Despite improvements in the productivity of cane, GuySuCo's sugar production for the last two crops has fallen short of expectations and the current Covid-19 pandemic has exacerbated the problems experienced in meeting the 1<sup>st</sup> Crop 2020 production targets (See Attachment "*Estimate of Sugar lost from Covid-19 withdrawal of labour*"). As a result the cash generated from operations cannot meet the outgoings particularly when external funding has been difficult to obtain.

Our Finance Department estimates that the Corporation is expected to be out of cash by the 2<sup>nd</sup> week in June and until then we can only afford to meet labour, fuel and cane farmers' payments and the bare essentials (labour transport, lubricants etc.). Cash will not be available to meet any outgoings for spares and materials for the mid-year Out-of-Crop maintenance of our factories. This inability to purchase spares and materials is likely to result in factory performance in the 2<sup>nd</sup> Crop 2020 being adversely affected with increased factory downtime, reduced sucrose extraction at the milling plant and lower sugar and molasses production.

There is also a backlog of G\$2.1 Billion owing to creditors and it is unlikely that these creditors will continue to grant further credit – indeed, our inability to pay creditors in time has resulted in many of our most experienced contractors being unwilling to tender for GuySuCo projects, and creditors have been demanding large up-front payments before supplying goods. If some of the crucial creditors are paid GuySuCo would be out of cash well before the 2<sup>nd</sup> week of June.

GuySuCo's business plan calls for investments in critical equipment and infrastructure works to secure the future of the Corporation and these cannot be sourced from the cash generated from operations. To date, GuySuCo has expended G\$9.639 Billion from the NICIL/SPU Bond (See Attachment "*NICIL/SPU Funds Utilisation*"). Recent interaction (GuySuCo/NICIL/SPU) indicates that little or no further funds are likely from this source in the near future. A brief background may suffice to explain our present predicament.

## 1. Background.

- 1.1 The condition of our 3 Estates (Albion, Blairmont & Uitvlugt) in 2015 was such that considerable sums of money were required to fix the deteriorated infrastructure in the field (bridges, dams, revetment repairs in particular), and to provide for replacement equipment in both field (tractors, drain-digging equipment etc.) and factory (pumps, motors etc.). Considerable sums were, and still are, required as a result of the neglect to provide the routine capital required for many years prior to 2015. This lack of Capital investment was well documented in the 2015 report of the Commission of Inquiry into the Sugar Industry.
- 1.2 The plan for GuySuCo in 2017, consequent to the laying of the State Paper in Parliament, was premised on the 4650 acres of commercial land being sold and the funds being made available for the rehabilitation of infrastructure and the necessary capital for factory and agriculture equipment.
- 1.3 The creation of the Special Purpose Unit (SPU) of NICIL saw the issue of a Bond (G\$30 Billion to which, to our knowledge, only G\$17 Billion has been raised to date). It must be noted that GuySuCo was not consulted nor agreed to this Bond that was raised by NICIL for the stated purpose *"To fund long-term projects and capital expenditure"*.
- 1.4 Notwithstanding the stated purpose of the Bond, it is acknowledged that proceeds from the sale of commercial lands were not remitted to the Corporation and apart from sales income, the Bond has been the only source of funding the Corporation's priority programmes. GuySuCo has, since January 2019, been urging NICIL/SPU to change the purpose ("caveats") of the Bond to be in line with our requirements. To date, NICIL/SPU has been unwilling or unable to get this done.
- 1.5 The Bondholders, without a change of caveats, have apparently been insisting that no further disbursements be made from the Bond as GuySuCo's requests do not fit the stated purpose on which the Bond was raised.
- 1.6 NICIL/SPU has been selling GuySuCo's assets from the closed Estates – scrap iron, tractors, punts etc. GuySuCo, although having requested to be granted first refusal on the sale of any assets, has not been afforded the opportunity. Furthermore, GuySuCo have not received any accounting of the sale of these assets, although this was requested. NICIL/SPU merely states that these are now their assets and the funds from these sales are being used to repay the Bond. The question has to be asked *"Why should GuySuCo have to fabricate new punts and purchase new tractors when these items of equipment are being sold to others without GuySuCo being given the opportunity of first refusal?"*
- 1.7 No provision was made in the 2019 Budget for a subvention to GuySuCo.
- 1.8 A provision for a subvention is desperately needed from the 2020 Budget. This Budget is obviously months away, whereas GuySuCo needs funds now to be able to survive after the 2<sup>nd</sup> week June 2020.

The financial situation is so dire that the two accountants on our Board, Mr. Ramesh Persaud (Vice-Chairman) and Mr. Paul Cheong felt obliged to resign.

Mr. President, I am appealing to you, on behalf of the Board, to use your good offices to arrange for funding to prevent the impending closure of the Industry.

Yours Sincerely,



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John Dow  
**Chairman**

- Cc.** Hon. Noel Holder, Minister of Agriculture - Ministry of Agriculture  
Hon. Winston Jordan, Minister of Finance - Ministry of Finance  
Dr. Maurice Odle - Chairman - NICIL  
Dr. Harold Davis, Chief Executive Officer, GuySuCo  
Mr. Paul Bhim – Finance and Marketing Director, GuySuCo