Kakira to sack 4,000 workers

Competition. The company accuses government of failing to implement the sugar policy which would have stopped sugar producers from operating close to each other.

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KAMPALA. Kakira Sugar Ltd owned by the Madhvani Group, Uganda's biggest sugar manufacturer, plans to sack 4,000 workers after production plummeted by half, this newspaper can reveal.

The factory located outside Jinja Town is currently operating at 50 per cent capacity, according to a senior official, and is starved of raw material due to competition for sugarcane by nearby companies.

In an October 16 letter to Mr Joram Pajobo, the general secretary of the National Union of Plantation and Agricultural Workers (NUPAW), Kakira Sugar Ltd general manager Christian Vincke spoke of "our current plight of failing to break-even financially in our operations and the resulting inevitability to lay off not less than 4,000 employees".

The distress correspondence, also copied to the Prime Minister as well as the ministries of Labour and that of Trade, has prompted a crisis meeting between senior company and NUPAW officials planned for 10am on Thursday at Kakira head office.

Mr Pajobo in an interview last night confirmed receiving the distress letter, and added that similar concerns had also been raised by the Lugazi-based Sugar Corporation of Uganda Limited (SCOUL) of the Mehta Group.

"I am aware that (SCOUL) is also planning to lay off about the same number (4,000) of employees," he said. "This means that if this problem is not solved, about 8,000 Ugandans will soon be on the street jobless."

He added: "All this is happening because the government refused to implement the Sugar policy which would have stopped sugar producers from operating close to each other and fighting for the same raw material."

This newspaper in previous investigations obtained similar complaints and counter-accusations by rival sugar firms, with the government looking the other way as the problem worsens.

Under the Sugar policy that Cabinet approved in 2010, and which has been transformed into a Bill pending consideration by the Parliament, it is provided that sugar mills must at the minimum be 50 kilometres apart.

That, however, is not the case in Busoga region where five sugar factories are crowded. These are Kakira Sugar Ltd, GM Sugar Ltd in Njeru, Kaliro Allied & Sugar Industries, Kamuli Sugar Ltd and Mayuge Sugar Ltd.

Many have no established sugarcane plantation estates and compete to buy sugarcane produced by outgrowers contracted and facilitated by rival firms.

In the October 16 letter, Kakira Sugar noted: "...this serious situation has been allowed to happen because of the rampant licencing of new sugar factories in our area in complete disregard of the sugar zoning policy."

Asked why the government was indifferent to the plight of investors in the sugar industry, Trade ministry Permanent Secretary, Julius Onen said he was not aware that Kakira Sugar Ltd had raised a red flag that the problem had reached a crisis proportion.

"The (Sugar) policy has now been translated into a Bill and it is now in Parliament. We will try to follow it up and ensure so that it can be passed and that problem will be solved," Mr Onen said.

While presenting the Bill before Cabinet last year, Trade Minister Amelia Kyambadde said "if passed into law, the new Bill will solve the outstanding problems that are facing the sugar industry. There has been a lot of bickering between the big manufacturers and the new sugar producers".

Among other things, the policy proposes that only one sugar mill is established in a zone. A zone in this case means an area of a radius of 25 kilometres, something that the government for unexplained reasons has failed to implement.

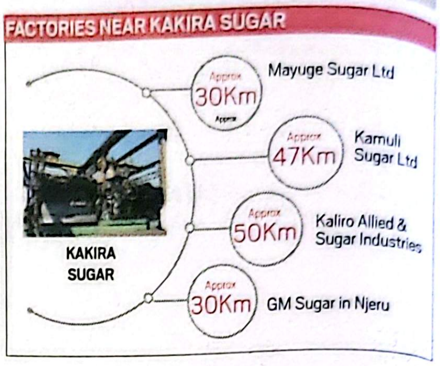
Other new sugar companies include Seven Star Sugar Ltd, Ndiburungi Sugar Works Ltd, Sezibwa Sugar Ltd, Kenlon Sugar Ltd, Bugiri Sugar Uganda Ltd, Busia Sugar & Allied Limited and Kyankwanzi Sugar Works Uganda.

In Thursday's planned meeting in Kakira, Mr Pajobo said he will appeal for calm as he tries to engage the government to come clean on its promise to implement the zoning policy.

Mr Kamalesh Maheshwari, the general manager of Mayuge Sugar Industries Ltd, who doubles as chairperson of Millers Association of Sugarcane, previously told minister Kyambadde that as small millers, they were tired of being "squeezed" by the big players he accused of fighting them.

Jobs on the line: Above, employees of Kakira Sugar Ltd in Jinja District on duty last month.
PHOTO BY DENIS EDEMA

FACTORIES NEAR KAKIRA SUGAR



HIGHLIGHTS OF SUGAR ACT

- Highlights of the Bill (proposed law) drafted by the Ministry of Trade, Industry and Cooperatives spells out conditions for registration and licensing of sugar producers, but with emphasis on quality and high production standards.
- The bill also provided for formation of a sugar board.
- The proposed National Sugar Act 2015 will replace the Sugar Control Act of 1938 which
- The Uganda Sugar Board according to the Bill will monitor, oversee and coordinate all activities relating to, and ensure a fair, efficient and effective administration and operation of the sugar industry.
- The Sugar Board will have representatives from ministries, the sugar millers and out-growers. And the chairperson will be selected from the private sector.
- In licensing sugar mills, the Sugar Board will have to ensure that there is only one mill in a zone. A zone means an area of a radius of twenty five kilometres. Expansion or modification of sugar mills or jaggery will also be done with notification to the Sugar Board.
- The approved Bill provides for a formula to determine the price of cane sugar. With the formula, the grower will be hedged against underpayment.
- The Bill is now currently in Parliament for discussion and enactment into law.

QUICK FACTS

- Kakira Sugar Works Limited's parent organisation is Madhvani Group, headquartered at Kakira in Jinja.
- Founded in 1930
- Employs 7,500 workers
- Besides direct employment, Kakira's activities support local community, including outgrower farmers, cane transporters, ancillary and support industries.
- In addition to dependent families, Kakira also provides means of livelihood to more than 75,000 people in South Busoga region.
- Sugarcane is cultivated on Kakira's estate of more than 9,700 hectares.
- Majority of its cane is supplied from 6,000 outgrower farmers with more than 18,000 hectares under cane
- Kakira produces 150,000 tons of sugar per year, and is Uganda's largest sugar producer.

Source: Kakira sugar