Sugarcane farmers on strike over zoning, prices

By Faridah Kulabako

Sugarcane growers across the country have stopped supplying cane to millers, opposing low sugarcane prices and zoning, which they say creates exploitative monopoly.

The move has stalled sugar milling and it is feared that this will cause shortages, which in turn may lead to high sugar prices.

Speaking to journalists yesterday, Michael Mugabira, the Uganda Sugarcane Growers Associations co-ordinator, said the industrial action started in Busoga region on Monday where farmers agreed not to supply cane to factories until an agreement was reached.

He added that the Lugazi cane growers are selling cane that had been cut, in preparation for industrial action to commence on Saturday, while the Masindi cane growers will meet on Saturday to agree on way forward.

The chairperson of Mukono Outgrowers Co-operative Society, Paddy Mubiru, said farmers would stop supplying cane tomorrow, adding that the cane price had declined from sh160,000 to sh126,000 per tonne. He said Masindi has the lowest prices at sh141,000 per tonne delivered, yet Kinyara Sugar plans to cut down the price further to sh100,000, which he said is too low compared to the cost of production.

"The price should at least be sh140,000 per tonne. When they were selling us cane seed, it was priced basing on sh160,000, but they want to pay us less," he said.

Michael Mugabira

Zoning

Mugabira said zoning was another contentious issue being proposed in the Sugar Bill, 2016.

Zoning is the process of mapping sugarcane territories within which each miller is expected to develop their raw materials and work with farmers without encroachment on another operator.

It is provided for under the Bill, which is currently before Parliament and seeks to create sugar zones and dictate an acceptable distance of about 50km between millers.

Although big millers said zoning will assure reliability of raw materials to a particular miller, Mugabira said it should only be accepted if it is aligned with the local content Bill, where 40% of zone production potential is reserved for Ugandans.

He said the industrialisation model reveals that a 25km radius has production potential of 10,000 tonnes of cane per day and yet in Uganda no sugar factory has the capacity to crush that.

"We propose that the main factory takes 60% of production (6,000 tonnes per 15km radius) and the remaining 40% (4,000 tonnes per 10km radius) set aside for Ugandans' small mills," he said.

He added that this kind of investment will bring equitable shared growth as opposed to a single investor lopsided wealth accumulation by the sugar barons.

The Masindi Outgrowers Association chairperson, Cosmas Byaruhanga, recently said zoning will create monopolistic tendencies and cheat farmers as it will restrict them to sell to specific millers.

USMA

Jim Kabeho, the chairperson of Uganda Sugar Manufacturers Association (USMA), confirmed the industrial action, and said it has been caused by delayed passing of the Sugar Bill.

"We met the farmers yesterday, but they are stubborn. They cut off supply and this has affected millers and distorted the sugar industry. Outgrowers think that the cane price is like salary because if sugar prices drop from sh4,500 to sh3,000, and cane is the main input, you cannot pay high prices. Millers reduced the cane price for that reason, but farmers are not used to price cuts so they went on strike," Kabeho said.

Kakira Sugar Works deputy general manager, Kenneth Barungi, said the factory crushes about 30% daily since the mill gets 60-70% of cane from outgrowers.

He said this is temporary and would be solved soon. He, however, said sugar prices are not likely to increase since there was a lot of smuggled sugar on the market.

Small-scale sugar producers also recently appealed to the Government not to enforce the zoning policy saying this would cause a crisis for the industry.

The Mayuge district chairperson, Omar Bongo Muwaya, said applying the law retrospectively means that some sugarcane millers will have to be relocated, a move which he said will have adverse economic consequences on especially the people in the greater Busoga region.

He said: "Let it be applied on prospecting investors and the Government agencies charged with issuing licences should advise investors before issuing them."