

Govt to cut sugar prices

Relief. The move comes after a planned tax waiver to sugar importers that will reduce retail and wholesale prices ahead of the Christmas season.

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KAMPALA. A kilogramme of sugar is set to drop from about Shs5,000 currently to as low as Shs3,600 after Cabinet resolved to scrap tax on imported sugar.

The decision was prompted by the prohibitive price of sugar, occasioned by declining production.

The planned tax waiver to sugar importers, according to cabinet sources, will reduce retail and wholesale prices ahead of the Christmas season and curb smuggling of cheap sugar from Kenya and other countries.

Daily Monitor learnt that our neighbour Kenya recently declared zero tax on sugar imports which brought the prices considerably down.

According to sources, during a Cabinet meeting chaired by President Museveni two weeks ago, the Ministry of Finance was asked to liaise with Uganda Revenue Authority, Uganda Sugar Manufacturers Association and Ministry of Trade to work out modalities to expeditiously allow tax-free sugar imports but without hurting the local producers.

The President also tasked Finance minister Matia Kasajja to provide Shs68b to Kenyan investor Amina Moghe Hersi's Sugar Factory Limited (ASFL) to boost sugar production in the country and create jobs in Acholi.

The President was responding to ministers' concerns over the "skyrocketing sugar prices".

In April, sugar dealers increased the price of a kilogramme of sugar from about Shs2,500 to as high as Shs8,000.

During the meeting, ministers led by Beti Kariya (Kampala Affairs) wondered why Uganda, touted in the region as the biggest sugar producer, has the highest sugar prices in East Africa.

Other ministers, sources said, appealed to Mr Museveni to intervene "before it is too late" and insisted "sugar prices must be forced down" as a Christmas gift to Ugandans.

Cabinet under the President agreed to suspend taxes on imported sugar for at least six months under the proposed duty-free regime to radically bring sugar prices down and give government time to deal with the crisis in the industry.

In Kenya, a kilogramme of sugar costs an equivalent of Shs3,600. In Tanzania, it costs Shs3,700, Shs3,800 in Rwanda and Shs3,700 in DR Congo.

These countries have allowed

duty-free imported sugar, which Uganda Revenue Authority (URA) says has triggered increased smuggling of cheap sugar from the neighbourhood into Uganda.

The URA commissioner for customs, Mr Dickson Collins Kateshumbwa, told Daily Monitor on Monday that sugar smuggling has so escalated that within only five months, the tax agency has made 265 seizures. This translates into 53 per cent or at least two cases daily.

"It is a battle we are fighting day and night. We are impounding smuggled sugar. We have deployed intelligence officers but the problem has not stopped. URA cannot build a wall at the borders to stop smuggling. We had meetings with the government and the leaders in the sugar industry. We have told them that they need to do something about sugar prices," Mr Kateshumbwa said.

However, Mr Wilberforce Mubiru of Uganda Sugar Manufacturers Association differed.

"Importation of sugar shouldn't be supported as it does not lead to growth of home industries. Duty-free sugar does not benefit government and neither does it benefit the local industries...It is a donation of jobs," Mr Mubiru said.

Mr Moses Kasibante (Rubaga North) and MPs on the Trade committee who talked to Daily Monitor welcomed the duty-free sugar decision.

They said small and medium enterprises, whose products depend on sugar ingredients, have been hurt. Besides household consumption, sugar is a key input in confectionery, brewery, ice-creams

SUGAR PRODUCTION

Sugar industries: Mayuge Sugar Industries Limited, GM Sugar Limited, Kamuli Sugar Limited, Seven Star Sugar Limited, Ndirurungi Sugar Works Limited. Others are Sezibwa Sugar Limited, Kaliro Sugar Limited, Kenlon Sugar Limited, Bugiri Sugar Uganda Limited, Busia Sugar, Allied Limited, Kyankwanzi Sugar Works Uganda, Uganda Sugar Crop Industries and Seven Star Sugar Ltd.

Tonnes: Uganda produces 508,500 metric tonnes annually against consumption of about 360,000 metric tonnes. Currently, the number of registered sugar companies in Uganda stand at 23.

Top sugar importers:

Akhom (U) Ltd, Mshale Commodities, Mpigi Traders, OM General Agencies, RI distributors, JAS Com and Olam Uganda Ltd
Source: Ministry of Trade, Industry and cooperative.



Production. An employee of Kakira Sugar Limited at work. FILE PHOTO

Price Comparison for June 2014 and June 2017		
Item	2014	2017
Price of sugarcane (UGX per tonne)	85,000	175,000
Ex-Factory price of sugar (UGX per 50kg bag including taxes)	122,000	198,000
Retail price of sugar (UGX per kg, including taxes)	2,700	4,500 - 5,000

Planned job loss				
Factory	Current employment	Imminent lay-off	Balance on Payroll	Justification for lay-off (production % capacity)
Kakira	9,300	4,000	5,300	47%
SCOUL	9,000	3,500	5,500	55%

The Installed Cane Crushing Capacity (in tonnes of sugar cane per day)									
various									
The Actual Annual Sugar Production 2011-2017.									
Mill	Installed Capacity	Current Crushing	Annual sugar production from 2011 to 2017*						
			2011	2012	2013	2014	2015	2016	2017*
KAKIRA	7,500	4,000	132,679	149,340	152,204	180,000	153,302	152,842	130,000
SCOUL	4,000	1,300	38,006	43,830	46,803	83,000	81,393	65,069	52,000
KINYARA	4,000	4,000	88,725	97,062	99,333	122,000	107,187	113,604	110,000
Total			261,421	292,244	308,553	387,014	343,897	333,531	292,000
BUDGETED PRODUCTION:									
LOSS COMPARED TO TARGET PRODUCTION:									

Source: Sugar Manufacturers Association

and juices among others.

"Government efforts to bring sugar prices down is welcome but must be sustainable. It is unfortunate that the ordinary citizens continue to pay the price for government failure to regulate the sector. Production is declining and sugar prices have gone up yet government is silent," Mr Oguzu Lee, MP for Maracha, said.

Sugar millers are operating below capacity and persistent decline in production has led to a deficit of

more than 200,000 tonnes.

Cabinet sources said government will allow importation of about 100,000 tonnes of duty free sugar, which they say will reduce prices, protect the local manufacturers and also enable majority Ugandans consume the beverage.

Mr Jim Mwine Kabeho, the chairman of Uganda Sugar Manufacturers Association (USMA), in a letter to the Minister of Trade, Ms Amelia Kyambadde, indicated that current sugar

production is about half of the installed capacity.

The country's aggregate sugar production shrank by more than 85,000 tonnes in 2015 and over 110,000 tonnes in 2016, dropping further to 170,000 tonnes this year.

If the local sugar manufacturers were producing at full capacity, Uganda would churn out at least 600,000 tonnes annually.

This, Mr Kabeho said, would provide enough sugar on the market at affordable prices and have excess for export.

"Sustainable sugar and sugarcane production require a stable environment and long term planning sugarcane as a plantation crop," Mr Kabeho wrote to Ms Kyambadde on October 30.

Mr Kabeho also blamed the new millers of not investing in growing their own cane but relying on poaching cane from the old millers' suppliers.

Ms Kyambadde was not available to explain why she had not responded to Mr Kabeho's letter, but her deputy, Mr Micheal Werikhe, said plans are under way to stabilise prices and fix the challenges in the sugar industry. He did not elaborate.

He said Uganda and Kenya are in discussions to address the problems created by the zero tax on sugar imports.

The manufacturers have warned that stability in the sugar industry will not be achieved unless government implements the "zoning" provided for in the National Sugar Policy 2010 and the Sugar Bill 2016 which bars setting up of sugar factories in close proximity to each other.

Sugar production slumps

Data from Uganda Sugar Manufacturers Association shows that 438,000 tonnes were produced in 2014 and only 392,115 tonnes in 2016. This year, production is expected to slump further to 329,500 tonnes.

The manufacturers have petitioned government that new sugar factories be set up at 50km from the old ones and should develop their own cane supply.

The tariff on sugar in the EAC stands at 100 per cent and is gazetted as a sensitive product.

This tariff intervention, according to ministers, was meant to bolster local sugar production capacity, but some partner states have scrapped the tax, throwing Uganda in the mud.

Previously, Uganda produced about 465,000 tonnes of sugar against a consumption of 320,000 tonnes. Today, it has a deficit of about 200,000 tonnes that government seeks to close by next month.

The government decision comes after the Common Market for Eastern and Southern Africa appointed a committee to work out how its members will export duty-free sugar to Kenya to offset chronic production shortfalls there estimated at 300,000 tonnes annually.

Due to the instability in the sugar industry, Kakira Sugar Limited and Sugar Corporation of Uganda Limited have announced plans to lay off 7,500 workers following cane shortage.