

UGANDA SUGAR INDUSTRY: BUSINESS NOT SWEET ANYMORE

By Paul Bwalya

What started off as some few small-scale industries trying to cut a niche in the established sugar producing industry has grown to the point that the existence of Uganda's sugar industry is in danger of collapse in a few years, if nothing is done.

A sign of things to come was the announcement at the end of last year that Kakira Sugar Works, the country's biggest producer, planned to lay off 4,000 of its 9,400 workforce.

Writing to the National Union Plantation and Allied Workers (NUPAW) in October last year, Kakira Sugar Works general manager Christian Vincke reported: "As you are, no doubt, aware this serious situation has been allowed to happen because of the rampant licensing of new sugar factories in our area in complete disregard of the sugar zoning policy. The new factories have been allowed to install large capacities in spite of the fact that they do not have their own nucleus estate."

In 2010, in response to the creeping expansion of the "jaggeries", the Government approved a sugar policy that would not only protect existing investments, but ensure the long term sustainability of the industry and maintain their competitiveness in order to export sugar to the region.

Among the safeguards in the policy that no new mills should be licensed within a radius of 25km from the existing ones, new sugar factories should have a nucleus plantation of at least 500 hectares and that jaggeries or open pan mills can only be licensed outside the cane growing areas.

Industry players have not been alone in complaining that the policy is being flouted with impunity.

President Yoweri Museveni has written on three separate occasions, first in July 2013 and the last time being last year in June, to trade minister Amelia Kyambadde, directing that the policy should be implemented to the letter.

He lamented that because of the delay in the implementation of the sugar policy, small factories had mushroomed in the Busoga sugarcane growing areas hence affecting sugar production in the area.

The effects of this have begun to tell. Because of the increased competition for sugarcane, with no additional fields planted, the ensuing shortage of cane to the factories has led to a drop in production.

In July, Kakira reported that its factory was working at 47% capacity it was only supplying 8.6MW of power to the grid, compared to 34MW in the past and ethanol production was down by half.

The amount of sugarcane crushed by Kakira has fallen from 2.1 million tonnes in 2014/15 and is projected to be 1.55 million tonnes this season, the continuation of a downward trend. Last year, 1.71 million tonnes were crushed.

Sugar production has followed a similar trend. This year, it is projected



An aerial view of Kinyara Sugar Works in Masindi district. Due to rampant licensing of sugar factories, sugar manufacturers are complaining about flaws in implementing the new policy

In 2010 in response to the creeping expansion of the "jaggeries", the Government approved a sugar policy that would ensure the long term sustainability of the sugar industry



Because of the increased demand for sugarcane without new fields planted, the crop has become scarce

that 130,000 tonnes will be produced down from 143,888 tonnes last year and 180,000 tonnes in 2014/15.

However, the guerrilla producers have not restricted their underhand practices to the Busoga region.

Last year, Kinyara Sugar Ltd (KSL) complained that in a repetition of the trend in Busoga "over 50 portable,

illegal jaggery mills have also migrated from Busoga settling in Masindi, for the making of alcohol from stolen sugarcane," they said in a concept note.

"In the last 10 months, KSL has recorded a loss of 3,200 hectares of cane to the vice."

The western Uganda sugar producer also reported that a new crime of

cane fires has erupted, allegedly fuelled by middlemen who can then bargain for the burnt cane at a lower price.

KSL estimates that the loss to the treasury amounts to about sh27.5b and an additional loss of sh32.85b in unrealised taxable revenue as the cane that is diverted is not subject to tax.

However, it is not only the established sugar factories that are suffering. In an attempt to cash in quickly farmers are now selling immature sugarcane.

"Currently, farmers in Busoga region are harvesting 13 to 14 months old cane. This is extremely dangerous. With early harvesting that is prevailing in Busoga, farmers are losing approximately five tonnes of additional cane every month. This results in farmers losing approximately sh3.5 million per hectare every month," Kakira Sugar Works reported.

In Busoga, sugarcane is harvested after 18 to 20 months. Harvesting it earlier will mean less sugar per tonne of cane.

The net effect of the current developments in the sector leaves the contractor unpaid, farmers underpaid, the miller indebted, lacking raw material, introduces new crime waves, creates unemployment and leaves our national tax revenue depleted," KSL concluded.

As a way to redress the issue, the trade ministry has started the process of enacting the Sugar Bill Act 2016. The bill was approved

50 Over 50 portable illegal jaggery mills have also migrated from Busoga, settling in Masindi for the making of alcohol from stolen sugarcane



Molasses, a by-product of sugarcane

by the Cabinet in January 2016 and the first reading was done in Parliament a year later in January 2017.

However, new amendments were proposed after consultation. Kyambadde said in a letter to the President, which would delay the law's enactment even further.

The lack of urgency on the Government's side - it has almost been a decade - lends itself to speculation that licensing of new sugar

mills in the traditional sugar growing areas is being supported by powerful officials and raises the real fear that the industry may very well collapse in a few years' time.

"The reason the pirates are stealing cane is because the biggest investment is in setting up the plantations, both nucleus and outgrowers, which they don't want to do. If the big companies collapse, do you think the small players will fork out the cash?" an industry player asked.

The current players between themselves have



President Yoweri Museveni launching Kamuli Sugar Ltd in 2015 as Kyambadde (Sec) looks on

invested just under a trillion shillings over the last three decades to maintain and expand their operations.

According to the National Organisation of Trade Unions (NOTU) at least 25,000 of their members are employed in the sugar industry, but the industry is not big to fail, given the hostile operating environment they are working in now.

In Kenya, the shutdown of Mumias Sugar Works in western Kenya was the culmination of developments as are happening in Uganda today, where the Kenya government folded its arms as

The amount of sugarcane crashed by Kakira has fallen from 2.1 million tonnes in 2014/15 and is projected to be 1.55 million tonnes this season

illegal millers raided the heartland of sugar growing.

At its peak, Mumias would crush 7,000 tonnes of cane daily or about



Sugarcane farmer measuring bagasse

2.6million tonnes per year. It accounted for 46% of Kenya's sugar production. Mumias shut down for most of last year for lack of cane to crush. It made a tentative return to the market in November, but industry observers are not hopeful it will survive.

In recent years, the Kenya government has channelled up to Ksh25 (sh770) to try and rehabilitate the ailing giant, but to no avail. Reports last month were that an additional Ksh4b would be required to rescue Mumias, with arrears to farmers at about sh600m (sh21b).

To bridge the gap, the

Kenya has already facing 950,000 tonnes against local demand of 800,000 tonnes. There are about 600,000 bags of local production that currently remain unsold.

"We are either joking in Uganda. We are selfishly pursuing our own gains at the expenses of tens of thousands of employees and farmers or we have no concept of how devastating a collapse of the industry would have on the economy," one industry player said.



PUBLIC NOTICE

To our esteemed customers,

In order to serve you better, we shall be upgrading our Core Banking System from Friday, 9th February, 2018 at 10:00 p.m. to Sunday 11th February 2018 at Midnight.

All our branches, ATMs and other alternative channels shall be unavailable during that period.

Normal banking activities will resume on Monday 12th, 2018

We regret any inconvenience caused. For details call: Toll Free: 0800100044 or (+256)414 313 100 Management

Tropical Bank Limited is regulated by the Central Bank of Uganda

Head office: Unit 1 & 3 Lugogo Office Park, Plot 54, Lugogo Bypass (Rotary Avenue), P.O.Box 9485, Kampala. Tel: (+256) 414 313 100, Fax (+256) 312 264 913, Email: admin@trobank.com



Kakira sugarcane cutters on their routine work

Cover story