

# Expert warns on killing sugar industry



By Kenneth Barungi

Is the sugar industry crisis attributed to failed moral and legal standards? Morality standards concern behaviour that has serious consequences for human well-being. An action can be illegal, but morally right (or good); and an action that is legal, can be morally wrong (or bad). For example, slavery in the US was legal for several hundred years, but everybody agrees that it was wrong for humankind. However, an action can be illegal and morally wrong. For example, over-fishing on Lake Victoria using under-sized fishnets is illegal, wrong and bad for the lake, the economy and the fisherman. Are causes of food insecurity in Busoga wrong and illegal? It is important to examine the ills in the sugar industry, based on ethical standards, as well.

## What is the problem?

The advent of the sugar crisis can be traced back to before 2006, when ox-driven jaggery mills were escalating in number, poaching cane meant for crystal sugar developed by established mills. The President directed the Prime Minister and the finance minister to eliminate jaggery mills. Thereafter, an intensive and wide consultation resulted into a National Sugar Policy, 2010. However, there was no law to stopping expansion of the jaggery mills into small crystal sugar factories in disregard of the existing framework.

## The Bystander Apathy

Dozens of letters exchanged between millers and the trade ministry are a testimony to the turmoil in the sugar industry in Uganda. Notably, in 2006, 2013, 2016 and 2017, President Yoweri Museveni wrote letters to the Minister of Trade, Industry and Co-operatives, giving specific directives for particular actions to eliminate the fundamental problem. Is disregard of the President's directives morally wrong and illegal? This behaviour has resulted into a 'Bystander Apathy', a deeply disturbing immoral behaviour.

The Bystander Apathy refers to a phenomenon where the more people witness an event, the less likely any of them will feel obliged to do anything! The Bystander Apathy has resulted into a steady journey to the collapse of the Ugandan sugar industry, like it has happened in Kenya.

## Relocate illegal factories

First, all countries that have implemented zoning of millers, have thrived and are net exporters of sugar. Secondly, there are numerous negative outcomes that have impacted on society at macro and micro levels. Each impact is measurable, with horrifying statistics in 2015 to last year, compared to 2014 as a base year. In 2014, the three established millers produced a record quantity of sugar in the country's history and moved Uganda into a net-exporter status. Below are the negative outcomes of lack of zoning.

**i) Food insecurity:** Every morning, a family wakes up to find 4 or 5 field assistants asking for cane. This competition



Sugarcane trucks awaiting offloading at Kakira Sugar Works Limited

abandon subsistence crops and switch to cane growing. This is morally wrong. The guidelines to use maximum 30% of land have been seriously violated by households due to the demand from the existing 10 factories in Buganda and Busoga sub-regions.

**ii) Cost of production and farmer revenue:** The farmer may seem happier with a bumper price, but only temporarily. They have now discovered that the hyper price multiplied by 55 tonnes of immature cane gives a far lower income than a normal price, say of sh128,000 multiplied by 95 tonnes of mature cane, considering bonuses arising from normal factory sugar recovery of 9%. Although households and middlemen have used some more land for cane growing, the increase in quantity supplied is so marginal.

**iii) Reduced sugar production and revenue loss to millers:** From 2015, the amount of sugar dropped by an incredible 30% at Kakira, (from 9% to 6% recovery) resulting in an estimated loss in sugar production of approximately 150,339 tonnes, valued at approximately \$133m (about sh490b). All this is lost opportunity for foreign exchange earnings.

It is illegal and immoral for new millers to avoid investment in agriculture, yet Kakira Sugar Works Limited spent sh500b to develop outgrowers in two decades. The Uganda Sugar Manufacturers' Association (USMA) millers invested heavily and are fulfilling their obligations, including paying tax. Legally and morally, the Government owes a 'duty of care' to USMA because, as a "neighbour", it must take reasonable care to avoid acts or omissions which it can reasonably foresee would likely injure USMA, through sufferance of economic loss.

**iv) Loss of tax:** It is both bad and wrong to cause the Government loss of a whopping sh177b in tax revenue that Kakira, Kinyara and Lugazi, put together, would pay in 2016-2017, had they been operating at 80-100% capacity. It is immoral not to stop and ask if that shortfall was met elsewhere,

since there was no climatic catastrophe that hindered cane growing.

**v) Breach of contracts and breaking the law:** According to the Sale of Goods Act, where the buyer (miller) expressly or by implication makes known to the seller (farmer) the particular purpose for the goods (cane) are required, there is an implied condition that the goods will be fit for the purpose for which they are purchased. Another implied condition is the goods will be merchantable or commercially viable. Farmers contravene the law and contract they have with millers by supplying immature cane.

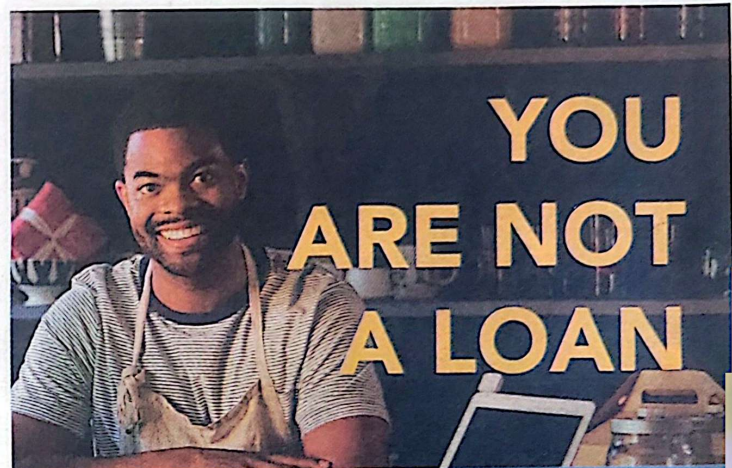
## Conclusion:

The well-zoned millers have legal and moral rights to fight for their interests - which interests always trickle down fairly and squarely to the entire nation.

If the Government's purpose is to promote exports, collect more taxes, create employment and sustain economic development, then sacrificing a thriving sugar industry for local politics is a violation of its fiduciary responsibility.

The author is the deputy managing director at Kakira Sugar Works

Opinion

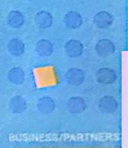


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## Govt role

If the Government's objective is to promote exports, collect more taxes, create employment and sustain economic development, then sacrificing a thriving sugar industry for local politics is a violation of its fiduciary responsibility