Shillings & Cents

Leaving a bitter taste in the sugar industry's mouth

By Paul Busharizi

In recent days, there has been talk of there being a shortage of sugar in the market that necessitated the importation of sugar tax-free to alleviate the shortage and force prices down.

Currently, sugar retail prices are hovering at around sh5,000 per kilogramme.

The claims first came to light in a dubious press report, which claimed the Government had allowed the importation of the tax-free sugar. Trade and industry minister Amelia Kyambadde refuted the claims and the sugar industry came out to deny that they had run out of sugar.

Word on the grapevine is that the people pushing this story and hoping to force the Government's hand have already brought the sugar in and are set to start churning out to the unsuspecting masses ahead of the festive season.

This would be just another story were it not for the fact that the sugar industry is the biggest employer in this economy, supports the government not only through paying taxes, but also in creating infrastructure and providing social services in the places it operates.

A collapse of this industry, which is what would happen if we allowed the importation of cheap sugar from abroad, would have a ripple effect through the rural economies of eastern and western Uganda.

Is this being alarmist? As recently as a decade or two ago, Mumia Sugar in Kenya was crushing 10,000 tonnes a day, employing thousands directly and indirectly and supporting a supply chain that stretched across the region. However, a connected elite, that the Kenyan press resorted to calling the sugar barons, not only helped bring it to its knees, but also won themselves concessions to bring in tonnes of imported sugar, hammering the final nail in Kenya's sugar industry.

A truck transporting sugar to the factory. Importation of cheap sugar from abroad will lead to the collapse of the industry in the country

Mumia is now down to crushing 1,000 tonnes a day on account of mismanagement, but also a gutting of its outgrower farmer scheme.

This last point is important because we are seeing the same happening in Uganda and given the Kenyan precedence, it is not a stretch to foresee the collapse of the Uganda sugar industry.

And when that happens, the blame will lie squarely with the trade ministry.

For starters, they have licensed 23 sugar companies in the last few years, 13 of which are now operational.

In our well-regulated industry, licensing of sugar companies ensures that they do not feed off each other's plantations, which means there should be a minimum distance between operations to ensure this.

As it is now, sugar companies are mushrooming in eastern Uganda around the more established Kakira Sugar Works and Sugar Corporation of Uganda Ltd (SCOUL). Their intention is clear, to feed off the two giant outgrower networks, without suffering the investment to build their own.

One indicator that this is happening is that for the 13 mills to be sustained today, crushing about 3,000 tonnes of cane a day, the land under sugarcane would have to rise to 214,500 hectares. Currently, the land under sugarcane in Uganda is about 120,000 hecatres.

The biggest expense in the sugar industry in Uganda is building and sustaining the nuclear plantation and the outgrower networks.

There is a proposed sugar policy that has been seating on the shelf for at least a decade, which prescribes that to set up a sugar milling operation, one must have 500 hectares of plantation and not be within a radius of 25km of an existing operation.

Despite the pleadings of industry players, the Government has been dragging its feet on putting these rules in place.

As a result of the cannibalism within the sugar industry, the older players, who were supporting outgrower farmers are scaling back their support, which has resulted in production not growing to expected levels, with the 13 players not producing as much sugar as the big three were producing last year.

The correct thing to do would be to operationalise the sugar policy as a basic framework on how to guide the industry.

Mauritius, trailblazers in sugar production, worked this out at least a decade ago. In response to the World Trade Organisation rules that prohibited preferential treatment between nations, they have had to rationalise their sugar industry, consolidating from the more than 20 sugar plants in 2006 to the current four.

This has allowed them scale to not only produce more refined sugar, but also to produce power, industrial alcohol and additives for the construction industry.

The current confusion in the industry, overseen by the trade ministry, will lead to the eventual collapse of the sector and the rise of powerful sugar import cartels, which will frustrate any revival of the industry.

This is unfortunate, too, since the same ministry is spearheading the Buy Uganda, Build Uganda (BUBU) initiative.

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BETWEEN THE LINES: Sugar policy

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