

**Sugar cane in southern Africa:
A sweeter deal for the rural poor**



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Executive Summary

Poor countries in southern Africa are experiencing something of a boom in sugar cane production. Billions of dollars of investment have poured into the region – including from UK and French sugar companies – in order to source increasing amounts of sugar for the European market. Yet there is mounting scepticism as to whether this will be such a ‘sweet deal’ for the rural poor. Negative impacts on food prices, land rights, water security and working conditions have all been linked to expanding sugar cane production in other regions of the world, suggesting to some that the case will be no different in southern Africa.

This paper explores the impacts of sugar cane production in three countries in southern Africa: Malawi, Mozambique and Zambia. It finds that there are major problems linked to:

- avoidance of tax payments and limited linkages with the local economy
- misleading negotiations with peasants over land rights and job prospects
- low wages, poor housing and informal contracting for field workers
- unequal power relations within small-scale farming schemes

It concludes that the big sugar producers of southern Africa are undoubtedly important employers, service providers and foreign exchange earners. Nevertheless, they could – *and should* – do more to assist the rural poor.

This should take place through holding investors to account over their responsibilities to the local and national economy, empowering and listening to civil society actors, raising the wages and poor living conditions especially for seasonal workers, and encouraging small-scale outgrower schemes for established communities.

Nevertheless, large-scale agro-industry is not the ‘be all and end all’ of rural development. Because of its capital-intensive nature and the limited ability/inclination for companies to incorporate small-scale farmers into the supply chain, it is not always easy to create economic opportunities for the poor within the sugar industry. With this in mind, emphasis must also be switched toward fostering small-scale rural enterprises through manageable government interventions.



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Introduction

Over the last decade around \$3bn has been earmarked for investment in the sugar cane industries of some of southern Africa's poorest countries, including Angola, Malawi, Mozambique, Tanzania and Zambia. These investments have originated from foreign companies looking to produce sugar and ethanol biofuel, largely for export. The promise of economic growth and more jobs has been warmly received by these countries' governments and many experts have suggested that this could just be the start. The Chief Executive of one UK biofuel supplier has gone as far to say that 'southern Africa could be the Middle East of biofuels' (Owens 2007).

Yet there is some doubt as to whether this wave of investment is such a 'sweet deal' for the rural poor. The BBC recently listed sugar – along with oil, diamonds, cocoa and coltan – as commodities produced in Africa that could prove more of a burden than a blessing to the continent (Greenwood 2010).

This follows on the back of a number reports issued by non-governmental organisations (NGOs) who have stressed the controversial issues that exist around the production of sugar cane in developing countries. These include the macro-economic effect of rising food prices, the expropriation of natural resources through 'land grabbing' and heavy water extraction, and human rights concerns linked to poor working conditions (see ActionAid 2010; Christian Aid 2009; Friends of the Earth 2010; Oxfam 2004; Wetlands International 2008).

Drawing on academic fieldwork and research from civil society organisations, this discussion paper attempts to shed more light on the impact of sugar cane production directly on the rural poor. By this we mean the lower classes of labour employed in the industry – i.e. unskilled, seasonal workers and small-scale farmers – and the local communities that live on or around the sugar cane estates.



*Employees cutting cane in Malawi
Source: David Phillips*

This is an important task since a lot of debate about the merits of sugar cane expansion has involved hypothetical arguments. This is especially the case when it comes to biofuel production, which has yet to fully take-off in Africa. The problem is that in dealing with development 'on the ground' what is predicted in theory is often not what happens in practice. If we are to learn how to make large-scale agricultural projects work for the poor, and not the other way round, we need to learn from the experience of actual problems faced in the region.



How are sugar and ethanol made?

Sugar can be made from sugar cane and sugar beet. In the case of cane, this involves cutting and transporting the crop to a nearby mill to be crushed. Crushing releases the juice from the plant, which is then purified and concentrated into raw sugar. By-products of this process include bagasse, the leftover cane fibre, and molasses, made up of the sugar crystals removed when concentrating the juice. A second stage is to refine the sugar by removing its final impurities.

Ethanol is produced from cane by fermenting and then distilling the sugar juice or molasses. Historically this liquid has been most commonly consumed as rum, but based on slightly different production techniques it can also be used as a biofuel in vehicles or even a chemical feedstock for bioplastics. Currently 20% of the global sugar cane harvest is used for ethanol production.

It is the possibility of using ethanol to reduce our demand for oil which has led many people to suggest that the sugar cane industry can be a source of 'green energy'. This is also helped by the fact that the other by-product from sugar processing – bagasse – can be burnt to produce electricity for the sugar mill and even exported to the national grid.

Why have investors targeted southern Africa?

At a global level, the demand for sugar has been underpinned by consumption growth in developing country markets and declining production in the EU. Since 2005 world prices have been buoyant and the terms of trade for sugar have greatly improved. In fact, in August 2009 prices hit a 30-year high.

The demand for ethanol, meanwhile, is linked to government mandates for increased biofuel consumption. In the case of the EU, as part of the Climate Change Package adopted in 2008, each Member State is required to use renewable energy for 10% of its transport energy by 2020. Most of this energy will come from biofuel and since the EU is unlikely to produce enough domestically, it will have to import increasing amounts of ethanol and biodiesel to meet its target.

The opportunity for southern Africa producers to meet this demand has been facilitated by a number of trade agreements offering improved market access. The most notable of these has been the EU's Everything But Arms agreement. This agreement offered the world's 48 Least Developed Countries (LDCs) duty-free and quota-free access to the EU market for all commodities by 2009.

As Figure 1 illustrates, a significant number of these LDCs are located in southern Africa, giving the region an excellent opportunity to benefit from the higher prices offered for sugar and ethanol inside the EU's protected market. Indeed, by 2007 *The Wall Street Journal* was already writing how 'outside Brazil, southern Africa is now the hottest spot in the sugar industry' (Miller 2007).



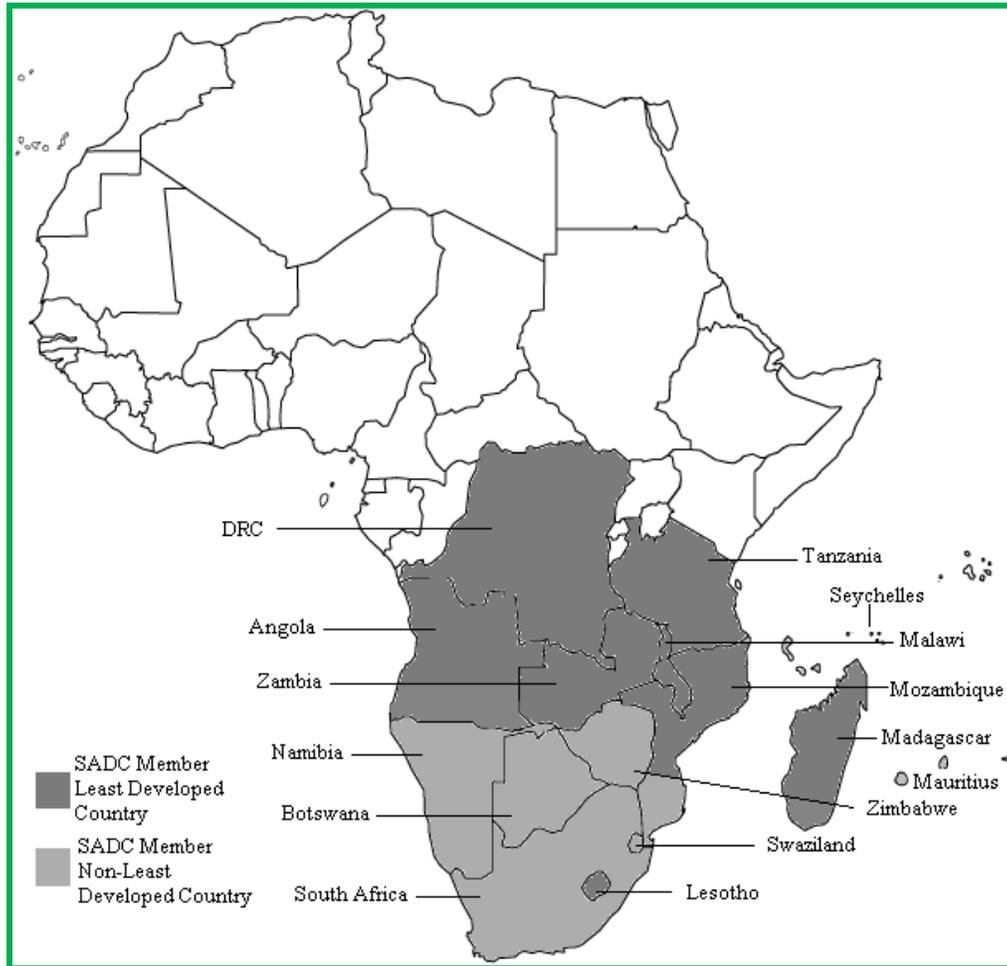


Figure 1: Map of the Southern African Development Community

The reason that LDCs in southern Africa in particular have been targeted for investment lies with their comparative advantage. With plenty of sunshine and access to irrigated fresh water, at least in certain areas, this group of countries has the right climatic conditions to make them globally competitive producers in sugar cane. In fact, higher cane yields have been recorded in Malawi, Tanzania and Zambia than in Australia and Brazil, home to two of the lowest-cost sugar cane industries in the world (FAOSTAT 2005).

Alongside this, southern Africa is deemed to be 'land rich'. The five LDCs in southern Africa to have recently received foreign investment – Angola, Malawi, Mozambique, Tanzania and Zambia – are estimated to have a total agricultural area of 194m hectares, of which just 11% is under cultivation. This is similar to Brazil and ten times that of India, suggesting to some that there is enough land to produce cash crops for energy or export without disrupting domestic food security (Johnson and Matiska 2006).



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Where has this investment come from?

Most of the recent investment in southern Africa has come from a mixture of South African and European capital. This has also been the case historically. To understand the current relationship between rural development and sugar cane production in the region, it is necessary to appreciate the long-held importance of foreign personnel and finance in the industry. For where poor countries are dependent upon a small number of well-connected companies, the opportunities for the latter to shape their policy environment and exercise greater market power are increased considerably.

A brief history of southern African sugar

During the colonial period, sugar production first occurred in southern Africa in Mauritius. From here it spread to Natal (in modern day South Africa), Portuguese East Africa (modern day Mozambique) and finally, by the 1930s, Southern Rhodesia (Zimbabwe). However, as South Africa became internationally isolated during the 1960s, the attention of the country's companies turned from further regional expansion to preserving their domestic market share.

Following decolonisation, sugar production in southern Africa was instead financed by borrowings by the newly independent governments, with plant construction and technical assistance largely provided by European sugar companies – Tate & Lyle and Booker McConnell in particular. In line with ideological leanings at the time, many countries nationalised the industry and established a government monopoly to fix domestic prices at low levels for urban consumers. Yet in the face of declining profitability, ineffective management and wider political conflict – not least the civil wars in Angola and Mozambique – the poorer countries of southern African never developed a significant export base in sugar or ethanol.

It was the overturn of apartheid and the agenda of privatisation across the continent at large that reinvigorated the expansion of South African capital. Illovo Sugar emerged as a major force in the late 1990s when it was created out of the 'unbundling' of the South African group Barlow's and quickly acquired majority ownership shares of the privatised operations in Malawi, Mauritius, Swaziland and Zambia. Alongside this investment, Illovo and two long-standing sugar firms – Tongaat Hulett of South Africa and Companhia de Sena – also targeted the rundown, state-owned industries of Mozambique and Tanzania for rehabilitation.

By 2008 these three companies accounted for two-thirds of sugar production on the southern African mainland. Such was the scale of expansion that, in the case of Illovo, its non-South African operations actually contributed over 80% of its profits (Illovo 2009). This regional shift is hinted at in Figure 2, though as is clear, South Africa remains the productive heavyweight of the region.



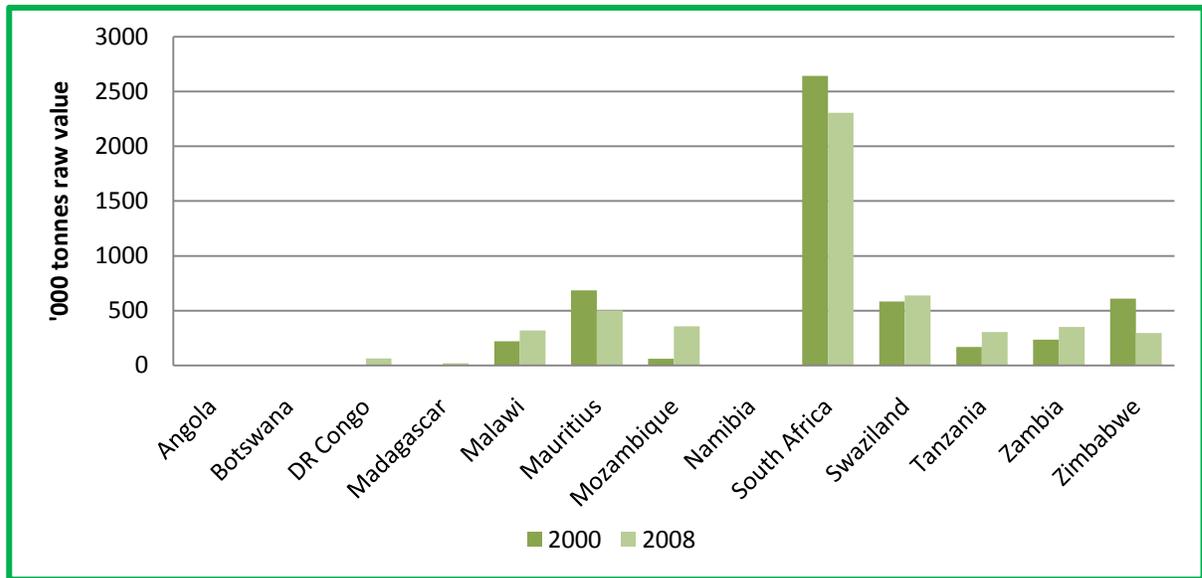


Figure 2: SADC sugar production. Source: F. O. Lichts 2009

The growing global interest in southern Africa

Keen to profit from the opportunities emerging in southern Africa, European companies have re-entered the region's sugar economy. Most notably, in response to the reform of the EU market in 2005, British Sugar bought a controlling stake in Illovo. The idea was that British Sugar would harness the duty-free trading arrangements afforded to the LDCs by importing raw sugar from Illovo and processing it in its newly acquired refinery in Spain. By 2009 Illovo already accounted for 20–30% of all sugar imports into the EU (European Commission 2009). Following suit, in 2006 the French sugar producer Tereos acquired half of Companhia de Sena.

The next chapter of foreign investment unfolding in southern Africa sugar involves Brazil and India, the two biggest sugar producers in the world. The Brazilian President Luiz Inácio Lula da Silva has personally visited a number of African countries and discussed sugar cane production. Consequently Brazil has established an agricultural research station on the continent and also signed co-operation agreements with the 'Lusophone axis' of Angola and Mozambique. In return, Brazil has received delegations from southern African countries keen to learn from its experience in producing biofuel.

These networks have been designed to help replicate Brazil's sugar cane production model in the region by transferring Brazilian plant science, plantation management and flex-fuel vehicle design into new markets. In turn, the Indian sugar industry has imitated this strategy. It has sent trade associations to Africa to increase exports of Indian sugar cane machinery and technology, a market worth some \$0.5bn in 2009 (Mahajan 2010).



There is also evidence that direct investment, as well as technology transfer, is passing from the 'emerging powers' into southern Africa. National delegations from India have explored the prospect of direct foreign investment in sugar cane in countries such as Zambia, and in July 2010 a joint EU-Brazil summit saw a statement signed in favour of promoting biofuel production in Mozambique (Mahajan 2010). By investing directly in this LDC, Brazilian companies get to bypass the tariff barriers in the EU imposed on 'home-grown' Brazilian ethanol. From the EU's perspective, the import of Mozambican investment would help it to meet its renewable energy targets.

Foreign investment in the sugar cane industry: what's in it for the poor (in theory)?

First, increased exports of sugar and ethanol may lead to a virtuous circle of business growth. Macro-economic stability can be enhanced as the balance of payments improves and export diversification reduces currency volatility. National and state revenue in the form of corporation tax, income tax and tariffs levied on industry imports may also increase, thereby allowing further state investment in deprived rural areas in things such as education or transport infrastructure.

Second, by bringing with them managerial and technical expertise, foreign investors can help to increase labour productivity. This would happen through improved crop research, better agricultural infrastructure such as irrigation and more efficient farming methods. These improvements can then spillover into other agricultural businesses as well as helping to lower national food prices and improve food security.

Third, employment and/or farm revenue may increase. This would happen as sugar cane mills increase their own estate land, employing more permanent and seasonal labour in the factory, the field or in construction jobs. The other possibility is that the mill increases the number of 'outgrowers' that provide them cane by offering more contracts and/or raising the price they pay for the crop. When a rural area receives a large influx of wage labour like this, opportunities for local people to sell goods and services should also increase due to the 'multiplier effect'.

What impact has sugar cane had on the rural poor?

In theory, the rural poor in developing countries could benefit from investment in the sugar cane industry. Yet a number of questions must first be asked to decide whether these investment promises turn into reality. For instance:

- Do concessions have to be made by African governments in order to attract these investors?
- Do foreign investors always stick to their word?
- Do the benefits of investment reach the poorest in society?
- Are these benefits distributed equally?

The following case studies suggest the answers to these are far from clear cut.



Tax avoidance and public responsibility in Zambia – a case study from Ben Richardson, University of Warwick

Zambia is one of the lowest ranked countries in the UN's Human Development Index. It has a per capita income of just \$1,358 and 68% of its 13m population lives below the national poverty line. The limited economic growth in Zambia is in part linked to the country's dependence on copper mining. When world copper prices are low, the Zambian economy suffers badly, and so the country's elites have stressed the need to diversify exports. One such scheme was the expansion of the Illovo sugar mill in 2001. At a cost of \$250m, the mill and surrounding land was transformed into the second biggest sugar operation on the African continent and the single biggest agricultural entity in Zambia.

This might be expected to boost Zambia's national tax revenues, help upgrade the country's skill base, lower the domestic price of sugar and provide thousands of extra jobs. Regrettably, due to the strategic relationship between Illovo and the Zambian state, these benefits have either not emerged or had perverse effects. Four issues in particular warrant further attention.

First, prior to the Nakambala expansion taking place, Illovo signed an Investor Promotion and Protection Act with the Zambian government which allowed it to import machinery without paying duties and to access finance at reduced prices. In addition, in 2009 the company requested that it be re-classified as an agricultural rather than an industrial enterprise and thus have its corporation tax reduced. As detailed by a government official involved in the dispute, the company benefited from the fact that a court hearing was set within three weeks of the complaint being raised, giving the Zambian Revenue Authority little time to prepare its case.

Drawing on its experienced financial and legal experts outside the country, Illovo won the decision and had its tax level almost halved as a result. Thus along with relief awarded under the IPPA, Illovo's Zambia operation accrued tax credits worth \$26m across 2008-2009. In addition, as a result of President Rupiah Banda's decision at the end of 2009 to extend the abolition of the crop levy to commercial as well as small scale farmers, Illovo was also anticipated to avoid a \$400,000 annual cane levy it pays to the local council.

Second, there have been questions raised about the exclusion of Zambian nationals from the industry. A number of reports have suggested that South African expatriates have been favoured for the best jobs, with Zambian-educated graduates or current employees being told they are under-qualified since they lack industry-specific qualifications unobtainable in the country. In addition, many of the valuable services contracted by Illovo – such as haulage, warehousing and distribution – have been awarded to South African firms. Both politicians and traditional leaders have called on the President to intervene in the matter and change the way contracts are awarded.

Third, prices for sugar in Zambia have risen steadily over the last two years, even doubling for one month and leading to queues outside sugar outlets. This widely consumed commodity comprises two percent of the cost of a 'basic needs basket' meaning such inflation places a small but noticeable burden on Zambia's poorer citizens. Prominent economists in the country have argued that while Illovo may respond to government pressure to alleviate brief price spikes by releasing stocks on to the



market, its effective control over the market keeps the ex-factory price of sugar artificially inflated.

Finally, although Illovo is one of the most important formal employers in the country, its role as a corporate benefactor can be overstated. It is worth remembering that because many of the 6,000 people on the company payroll are employed on a seasonal basis, the exact number of permanent jobs is in fact closer to 4,000. The majority of the workforce is male, around 88%, and since they are seasonal, many are transitory. In fact, cane cutters transported from the Western Province constitute Zambia's largest labour migrant group in the formal sector. Through their use of prostitutes they have contributed significantly to Mazabuka's high HIV infection rate, estimated at 16–22%.

While the company has taken some steps to prevent the spread of HIV/AIDS it has been helped in larger part by foreign aid donors who work in the area, the most recent example being a \$4m USAID-backed project whose clients include some of the country's biggest firms.

Aid donors have also helped to fund Illovo's small-scale outgrower schemes, widened as part of the recent expansion. The Magobbo village outgrower scheme received €2.7m from the EU while the irrigation required to serve the Manyonyo village outgrowers was funded by the African Development Bank. This financing might be considered part of Illovo's responsibility – not least because benefits to small farmers are trumpeted as one of the main benefits that the company brings.

These examples are not meant to deny that the sugar industry has bolstered the economy in important ways. Illovo contributes an estimated 4% of the country's Gross Domestic Product and in 2007 earned \$30m in foreign exchange, the highest export earner outside the mining sector. But clearly the 'virtuous circle' that is meant to follow foreign investment has been stunted and the Zambian people are not benefitting as much as they should. This is undoubtedly linked to Illovo's exploitation of its structural power and reluctance to embed itself more fully in the Zambian economy.



*Statue outside Mazabuka town council, Zambia
Source: Ben Richardson*

Land grabbing in Mozambique – a case study from the development organisation CAFOD

Mozambique is another country ranked close to the bottom of the Human Development Index; 172nd out of 182 countries. Emerging out of civil war in the early 1990s, the dominant political party Frelimo has sought to reinvigorate Mozambique's economy with a series of large-scale infrastructural projects designed to improve mineral and cash crop exports. The majority of Mozambique's 21m people live off the land, and so investment in agriculture remains crucial.

In 2005 the Mozambique government began a national biofuel strategy, led by the Ministry of Industry and Commerce. Two years later it approved a \$510m project known as ProCana, submitted by the British-based Central African Mining and Exploration Company. This was to cultivate 30,000 hectares of sugar cane in the southern Gaza province and produce 320 million litres of ethanol. Research conducted by the aid agency CAFOD, however, has illustrated the potential problems of negotiating such large projects between foreign investors and local communities.

The ProCana project was allocated land on a provisional basis for two years, but since the plan was not developed in coherent fashion with the Ministry of Agriculture or Ministry of Tourism, two major problems quickly emerged. First, there were fears that a large sugar plantation would deprive peasant farmers in Gaza of water. The government insisted that there was enough water in the Limpopo valley for both ProCana and peasant food production, but farmers on the lower and middle Limpopo were unconvinced - particularly since the Massingir dam, located on the main tributary of the Limpopo, had recently suffered severe damage and could store less water.

The second problem was that land itself had already allocated to seven villages. These villages comprised some 1,100 households and had been allocated 72,000 hectares for relocation after they were displaced from their homes by the creation of the Limpopo Transfrontier Park. After the land offer to ProCana (which was given the most fertile land) the families were left with 20,000 hectares to graze cattle and 22,000 hectares for crops and settlements. This was deemed grossly insufficient. Not only this, but the grazing land was 18km from the village and the villagers would have to walk through ProCana estate to access it.

This policy reversal in land use was especially galling given that the resettlement plan in Limpopo had only been agreed after three years of fractious negotiations. An NGO protecting the interests of small farmers called Oram had intervened in this negotiation to assist villagers in how to deal with the authorities and safeguard their rights.

The uncertainty created by ProCana has since led international donors to withhold an €18m resettlement fund while the government renegotiated the plan. This created more delays and further difficulties for those families who remained in the national park. Since the communities were largely bypassed by the government, donors, and ProCana, distrust, hostility and uncertainty grew, with the communities feeling that the main aim of the government was to remove them from the park after which they would be totally abandoned.

In the December 2009, ProCana's 50 year land-use rights agreements were rescinded by the Mozambique government. This was in part due to the difficulties that emerged



with international donors, but also due to the lack of activity on the land in the two years since the company signed the contract. ProCana had promised to drill 10 boreholes to provide water for the local communities but had drilled just one; it had also promised 7,000 jobs but had created just 150. What *has* been left behind, however, is continued uncertainty about the future of the land within the affected villages.

Labour exploitation in Mozambique – a case study from the trade union SINTIA

One of the biggest sugar operations in Mozambique currently functioning is the Xinavane estate. This is majority owned by the South African company Tongaat Hulett and employs 8,000 people, around a third of the total workforce in the country's sugar industry. To see what pay and working conditions existed on this estate, research was commissioned from SINTIA by Ethical Sugar, the national sugar trade union representing about 60% of the industry's employees.

One of the biggest problems raised related to pay. In 2008 a wild-cat strike took place by 600 low-paid field workers, including permanent workers responsible for applying chemicals or water, and temporary cane cutters. They were protesting over the size of their pay packet (\$50 per month), as well as for overtime pay for working on a Sunday and the right to a day off in the event of a death of a family member. While this income is above the national minimum wage for workers in the agriculture sector (set at around \$41 per month) it still only covers the most basic living conditions for a family. Many workers have to find ways of making extra in order to cover rent and food for their family. When an offer was made to raise the minimum wage by 3%, it was rejected and the strike continued, with workers burning cane fields and storming the factory. Ultimately, following threats from the company to fire workers should the protest continue, the deal was accepted.

There are also issues around health and safety. In four of its last five annual reports, Tongaat Hullet has had to report at least one work-related death at Xinavane – a shockingly high figure. These deaths have been caused by accidents including included car crashes, being crushed by heavy machinery and a spillage of boiling water. In a survey undertaken by SINTIA, 15% of the workers interviews reported having suffered at least one accident at work; a problem especially common among inexperienced cane cutters who suffer from things like cuts, back trauma, dehydration and exhaustion. Findings suggest that the problem does not lie with the company failing to issue protective equipment or employees being unaware of Health and Safety policies. Rather, safety risks are exacerbated because many of the field workers prefer to not wear the protective equipment since it is bulky and hot, and because factory workers can be asked to work up to 15 days in a row.

The health of seasonal cane cutters is also jeopardised by the poor quality accommodation provided by the company. The dwellings sleep four people to a room with a single shared bathroom. When the workers bring their wives and children to visit, the accommodation can become even more cramped. Hygiene and water quality is poor, and in June 2010 an outbreak of cholera occurred in one of the areas where many of the cane cutters stay. Three people lost their lives and more may have died in hospital, though these would not be counted as 'work-related deaths'.

Seasonal workers are extended fewer employment rights and treated differently to permanent workers. In this respect the practice of 'casualisation' is particularly worrying. It happens by repeatedly renewing short-term contracts so that a worker is hired in spells of three month contracts, until they are released for a month before being taken on again. Some workers had given a total of two or three years service, yet still found themselves employed on a quarterly basis receiving. Though it helps reduce payroll taxes for the company, it creates considerable uncertainty for the employees concerned.

Small-scale farming and inequality in Malawi – a case study from David Phillips, Newcastle University

Malawi stands as one of the lowest income countries in sub-Saharan Africa, with a significant proportion of its population experiencing chronic food insecurity. The Malawian economy is highly dependent upon income from cash crop exports, principally tobacco, sugar, and tea. In an attempt to make cash crop production contribute further to poverty alleviation and empowerment on low income communities, a sugar outgrower scheme commenced in 1996.

The government of Malawi collaborated with Illovo to convert 700 hectares of customary land into sugar cane producing land to be held in trust. A small-scale outgrower company was established as Kasinthula Cane Growers Limited (KCGL). KCGL comprises a management team, 282 farmers who were each allocated title to a plot of cane land, and approximately 500 permanent and seasonal employees. Sugar cane grown by KCGL is sold to Illovo to process and market.

Commercial loans were used to fund the scheme which has subsequently saddled KCGL with large levels of debt since a devaluation of the local currency in 2001. Debt repayments remain a significant burden to both KCGL and Illovo, and there is a strong sense of unfairness regarding the impact of this situation on incomes of members of KCGL.

It is against this backdrop that KCGL received Fairtrade certification status in 2002, recognising the potential poverty reducing and empowerment outcomes of the sugar scheme, and a need to improve social justice and fairness. For KCGL, its members, and the surrounding community this was an opportunity to receive significant financial premiums from sales to fair trade markets and support in terms of capacity building and training initiatives from fair trade organisations. For Illovo it represented an opportunity to expand existing social responsibility initiatives, increase cane throughput in its mill, and benefit from marketing through fair trade channels. For the government the scheme was seen as a way of reducing poverty.

Since 2002 the amount of sugar grown by KCGL that is sold to fair trade markets has grown significantly, generating large sums accruing to its membership. That money has led to increased incomes for the farmers of KCGL, investment in cane fields to improve yields, and in some development projects such as boreholes in villages (see photo below). Over the same period restructuring of global sugar agreements has resulted in promising medium term prospects for further increases in international sales of Malawian sugar. Therefore investment in small-scale sugar production has resulted in increased participation and benefit from international trade on the part of a low income producer community.





Borehole funded with Fairtrade premiums, Chinangwa village. Source: David Phillips

Despite some success, challenges related to addressing issues of fairness and social justice remain. For instance, with no access to value adding sugar processing technology and marketing capacity, KCGL is heavily dependent upon Illovo for access to markets. This means its members are not involved in decision making processes related to the value adding and destination of their sugar. Moreover, KCGL is tied-in to a long-term cane supply agreement with Illovo, the terms of which are based on standard sugar industry practices that are non-negotiable. To date it appears to be beyond the capacity or remit of fair trade organisations to affect such uneven relations.

Regarding the members of the scheme, and those living in surrounding villages, the lived experiences of fair trade have been unequal and uneven. As also evidenced in Zambia, the majority of the 282 farmers who received title to a plot of land are directly related to traditional authority and village head institutions, many of whom do not actually work in the cane fields. Members of this relative local elite also occupy the principal committee positions within KCGL, including the Fairtrade committee that decides allocation of Fairtrade premium funds.

In this situation there have been widening gaps in levels of income and participation between farmers as landowners and hired labour as non-landowners. This has led to tensions between different members of KCGL and also between members and some village inhabitants, who only see a minority benefiting. This adds to debates about the extent to which certified standards can address matters of fairness and justice as they are manifest in income inequalities and differing abilities to shape livelihoods.

Distribution of decision making, incomes, and social responsibility are determined by embedded social and political factors that largely remain unaffected by trade agreements, whether they are commercial sugar industry agreements or fair trade relations. At different scales those already possessing greater levels of ability to control and influence benefit somewhat disproportionately from trade relations than those more disempowered. Therefore, while there have been clear benefits from the KCGL scheme and subsequent Fairtrade certification, there is more to be learnt and achieved to enhance social justice and poverty alleviation from sugar production and trade relations and agreements.



A sweeter deal for the rural poor: Conclusions and recommendations

The big sugar producers of southern Africa are undoubtedly important employers, service providers and foreign exchange earners. Nevertheless, they could – and should – do more to assist the rural poor. Establishing a more equitable and democratic business model in the region is vital, especially as global interest in investing in southern Africa continues to grow.

What, then, needs to be addressed to bring about a ‘sweeter deal’ for the rural poor?

- **Hold investors to account over their responsibilities to the local and national economy**

One point to recognise is that sugar estates increasingly function like economic enclaves. This means that while they are situated in rural areas of developing countries, they operate in such a way that the economic benefits they create do not run through these surrounding places. Rather, they are carefully managed so that they are captured by the company and/or the company’s home nation. This is the case with tax contributions to the state, business contracts with the local economy, and employment opportunities for national citizens.

This is linked to another point about limited participation when investment deals involving sugar companies are made at the upper levels of government or society. As we have seen, representation of the less-powerful is a problem when it comes to land negotiations. It is also the case when it comes to trade policy and wage negotiations. Since a handful of companies dominate the regional sugar industry, and because they do bring millions of dollars of investment, they tend to have greater opportunity to influence key elites. For their part, politicians too must resist the temptation to try and extract political favours, such as a company delivering employee votes in an election, in exchange for policy privileges later on.

- **Empower and listen to civil society actors**

This report suggests that for helping the rural poor understand what promises are being made and what rights they have, local NGOs and trade unions are some of the most useful ‘on-the-ground’ actors. These could be further empowered through donor assistance. For example, it has been noted how many trade union shop stewards are focused on learning labour law and define problems in the workplace as a violation of such law. Training could be given to encourage shop stewards to decide what they think is important to improve at their workplace, and what they think their trade union should work for at a local and national political level (Karlsen 2009).

- **Raise low wages and poor living conditions, especially for seasonal workers**

Although wages in sugar companies are often above the national minimum, they are still not enough for some of the poorest employees to provide basic necessities for themselves and their family. The problem is especially acute for seasonal workers, who



lack the job security, employment rights and decent housing of permanent employees. By providing more spacious and hygienic accommodation, and by offering longer contracts for those likely to be employed for large parts of the year and/or return transport for migrant workers, some of these problems can be mitigated.

National governments must play a key role in shaping such labour legislation, but foreign investors need also to be prompted into action. This can be done through writing letters and raising awareness. Companies do listen to such public opinion, especially as increasing amounts of African sugar cane come to end up on the shelves of European supermarkets.

- **Encourage small-scale outgrower schemes**

Despite the improvements that need to be made in terms of local democracy, the incorporation of small-scale farmers in sugar cane production remains one of the most direct ways to distribute economic benefits in the industry. This is especially the case where Fairtrade schemes are established, the issues around pre-existing social hierarchies notwithstanding.

Where expansion is taking place, companies should consider including small-scale farmers as part of the cane supply, shouldering a greater burden for the training and infrastructure required. Where possible, they should integrate local communities which are unified in their support for the move and also promote women as heads of committees and contracted outgrowers. Consumers can send a positive message to the industry in this respect by continuing to purchase Fairtrade sugar.

Sugar and rural development: a bittersweet relationship?

Those were some suggestions for how to reform the sugar industry. It is important to remember, however, that large-scale agro-industry is not the 'be all and end all' of rural development. Because of its capital-intensive nature and the limited ability/inclination for companies to incorporate small-scale farmers into the supply chain, it is not always easy to create economic opportunities for the poor within the industry. Some petty traders sell smallholder-grown cane by the roadside (see photo below) but such 'pro-poor' markets in the commodity are few and far between.

What, then, are the alternatives to foreign investments in large-scale agro-industry?

Governments should recognise the virtue of indigenous investment. Rather than devoting bureaucratic resources to chasing foreign investment or new markets, arguably a better use, at least from a rural development perspective, would be to focus on the following: regulating production standards in more entrepreneurial industries like building, improving the marketing of traditional products like beans, and ensuring the domestic provision of public food contracts where possible. This would ensure a more sure-footed adjustment since it would be based on existing livelihoods and social ties, and also prevent governments having to engage in asymmetric negotiations with powerful companies.





Street trader selling sugar cane (top of picture) in Lundazi, Zambia. Source: Ben Richardson

For their part, international donors should recognise the virtue of small-scale enterprise. Some evidence of this already exists. For example, USAID has run a successful programme in Zambia providing business advice to small- and medium-sized firms producing processed exports such as tomato paste and honey. In another case, the Zambian NGO COMACO buys commodities like groundnuts from remote farmers and sells them as peanut butter to retailers under its own brand label. However, many in the donor community believe that big is best, and prefer to direct resources toward supporting large-scale (and already well-endowed) companies. While the economic growth fostered by smaller enterprises may be slower, they create less inequality within rural communities and allow a more labour-intensive entry into cash crop production.



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Photographs

Photos provided by David Phillips and Ben Richardson.

Photograph on front cover: employee irrigating a sugar cane field in Malawi. Source: David Phillips

About Ethical Sugar

This research was undertaken for Ethical Sugar, an NGO that seeks to enhance dialogue within the sugar-ethanol industry with a view to improving its social and environmental sustainability. Trade unions, companies, civil society activists and academics are all brought together as part of this dialogue, which allows Ethical Sugar to construct a more rounded vision of the different situations and positions that pertain in the industry.

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