Agriculture Works and Access to Land

Changing Patterns Of Agricultural Production, Employment And Working Conditions In The Ugandan Sugar Industry

INTRODUCTION

This report is prepared by the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) in a joint venture with the International Land Coalition.

The overall goal of the report is to improve understanding of the rapidly changing patterns of production, employment and work in agriculture in order to help IUF and ILC to more clearly focus their respective work programmes, better target their resources, and give clearer indications of potential partner organisations.

The methodology used is a series of interviews to determine the rapidity of changes and how changes in production, employment and work patterns in the sugar sector in Uganda are being perceived from a range of perspectives including: agriculture trade unions, sugarcane growers, outgrowers, and outgrowers companies, government policy makers. Case studies of three Ugandan sugar plantations are presented in the Annexes. The findings, interpretations and conclusions expressed in this paper are entirely those of the author and should not be attributed to the IUF or the ILC, which do not guarantee their accuracy and can accept no responsibility for any consequences of their use)

OBJECTIVES

Research and production of an analytical report on understanding changing work patterns in agriculture with regard to: (a) permanent workers; and (b) casual, temporary and/or seasonal workers including self-employed farmers/workers employed as wage labourers.

2. The report could also be linked to other issues affecting work patterns such as the impact of HIV/AIDS on the rural workforce.

TARGET GROUP

The report would focus especially on:

- Changing nature of permanent employment on plantations including use of (labour) contractors and types of labour hired by outgrowers;
- Smallholders (often outgrowers) working as waged labourers on farms/plantations for part of the year. Conversely, waged agricultural workers having small plots of land which they may exploit commercially;
- Self employed workers employed as labourers.

METHODOLOGY

It is proposed that the report be based on a series of country case studies and targeting specific crop sectors, targeting initially:

- the sugar sector in Uganda

NOTE

In this research paper, the term "small farmers" is used to refer to family farmers who produce sugarcane whether they own, lease, rent or hold land under customary rights. Whether they belong or not to the same community or if they come from other regions or countries even if they share or not the same traditions or history. It is noted that land tenure system in Uganda gives to indigenous people access to land through "customary rights" and the new generations are not willing to transfer their land rights. In this sense there are similar characteristics with the group called "peasantry" in some communities in Latin America.

Waged agricultural workers are defined as, "the women and men who labour in the crop fields, orchards, glasshouses, livestock units, and primary processing facilities to produce the world's food and fibres. They are employed on everything from small- and medium-sized farms to large industrialised farms and plantations. They are waged workers because they do not own or rent the land on which they work nor the tools and equipment they use and so are a group distinct from farmers.

Such workers do not form a homogenous group. Their terms and conditions of employment vary tremendously, creating diverse categories: full-time (permanent) agricultural workers; temporary or casual agricultural workers; seasonal agricultural workers; migrant agricultural workers, piece-rate workers; or workers receiving some form of 'in-kind' payment. There are also many indigenous agricultural workers who are part of the employed workforce. Agricultural workers work for some kind of 'wage', whether cash payment, in kind payment, or a combination of these. They work within an employment relationship, be it with a farmer, farming or plantation company, or labour contractor or sub-contractor". (**FOOTNOTE** Although the various categories of the agricultural workforce and the organisations that represent them have distinguishing features, there is a certain amount of overlap among them. Many of the concepts presented here are working definitions drawn from the definitions used by the organisations that are represented and have contributed to this Report. They reflect the present state of debate).

Changing patterns of agricultural production, employment, and working conditions in the Ugandan sugar industry

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1 Overview of the Sugar Sector in Uganda

Uganda has a total area of 241,038 sq. km with a population of 24 million according to the census in 2002. Uganda is an agricultural country 80% of its population lives in rural areas and most of the raw materials to the mainly agro-based industrial sector. Agricultural sector contribution to the GDP accounts by 40%, (NEMA 2001/02). The land area is about 236,000 sq. km comprising cultivated areas, out of this 16% constitutes water and swamps while 7% is under forests.

Sugar was introduced into Uganda in 1924 by the Indians who came to work on the East African railway line from Mombassa (Kenya) to Kampala (Uganda). The first sugar factory was established by the Mehta family in 1924 in Lugazi (Central Uganda). In 1926, a second factory was established in Kakira, Busoya region (Eastern) by the Madhivan family. In1965, another factory was established in Sango by another the Masaba family, but it collapsed in 1973.

In the 1970s the Government started its own sugar factory in the north west region (Kinyara). During the years of war and destruction in the 1970s and 1980s, sugar production in Uganda collapsed from 160,000 tonnes to less than 20,000. In the early 1980s the government invited some of the expelled Ugandan population of Asian background former owners to repossess the sugar estates and to rehabilitate the national sugar production. As a consequence the three companies Kakira, Lugazi and Kinyara started producing sugar in their nucleus plantations.

In 1987 was introduced the Uganda Government 's Economic Recovery Programme followed by the Structural Adjustment Policies of the early 1990s. Both programmes were promoting the rehabilitation of the agriculture sector both in the export-oriented crops and domestic food sector. The prescriptions to the sugar industry rehabilitation were aiming to improve sugar production by prioritising changes in the organisation of production and the increasing of competitiveness searching for ways to lower their labour costs and to increase labour productivity. The three major factories in the sugar sector in Uganda began reviewing their production methods and processing.

The Sugar Industry undertook the rehabilitation process as follows:

1) Rehabilitation of the sugarcane yields of the nucleus plantation

2) Evaluation of current systems and methods of sugarcane production and to set up methods and means to achieve improved production of sugarcane at minimum costs

3) Examination and advise on options for the diversification of the sugar industry

4) Advise on the institutional and legislative requirements to improve management of the sugarcane industry where the government is a shareholder.

The logic behind the rehabilitation of the sugar sector might been inspired in the ongoing liberalisation process of labour markets as a part of the overall objectives to enhance productivity and competitiveness by “freeing up” the ability of the market to set wages and to adjust labour supply, e.g. by lowering costs. The restructuring of labour markets through strategies such as downsizing, outsourcing or subcontracting, enterprises have also sought new ways to increase the productivity of their remaining internal workforce.

In the sugar sector in Uganda, the model for organisational restructuring has involved the division of workers into “core” and “ periphery” segments, consisting of a small and stable “core” of upper-level skilled workers –permanent workers at the nucleus plantation and factory - and a much larger, more flexible and lower costs “periphery” of workers – casual sugarcane cut and upkeep workers in the sugar fields.

Since 1996, the sugar industry in Uganda is experiencing a steady increase of production and reduce costs of sugar production, however by 2002/3 the country is still a net imported sugar country. The industry -like any other sugar producers countries- is facing the challenge to be more competitive in order to produce at lower costs to impending globalisation influences due to WTO and the Agreement in Agriculture and changes in the EU-ACP and other trading arrangements to destroy the local industry. The industry is adjusting its production cost structure to compete with imported sugar in view of the gradually reduction of import duties agreed under the WTO Agreement in Agriculture and the EU-ACP negotiations. It is important to increase production at minimum cost since the current price of imported sugar in Uganda is about 20% lower.

The increase of sugar production required efforts in investment and foreign loans as well as a steady reduction on its production costs. It is also require being much more organised, efficient and competitive to face open markets and to reach competitive arrangements. The new trading arrangements are rapidly eroding preferences and countries will need to compete openly for markets for their products and sugar is not expected to be exempted, despite intense lobbying and negotiations with our traditional trading partners. As it is, the future of sugar industry is operating under a waiver from WTO for sugar exported under the Lome Arrangements to the EU and under the CBI arrangements to the US. Additionally, it is further threatened by the recent EU initiative to allow quota free and duty free access for all products except arms from lesser and least developed countries (LDC's) entering the EU. It appears that there are good chances that this proposal will be approved by the Commission, which will be in direct conflict with the EU-ACP Partnership Agreement signed in Cotonou, Benin in June of this year. If sugar is not exempted from this new initiative, then it is likely that the preferences will disappear by 2005 as opposed to the proposed phasing out starting in 2008 under the EUACP Partnership Agreement.

1.1 Uganda net sugar importer

In the 1990s, production has been steadily recovering to the pre-1970s levels, and sugar groups are optimistic that production could increase with new investments and expansion plans. In 2001, production was reported at 135,000 tonnes and for the season 2002/2003, it was estimated 170,000 tonnes. It is 20,000 tonnes higher than the 150,000 tonnes expected -this information was collected interviewing management, outgrowers association and unions from the three sugar industries.

Table 1 - Uganda: Sugar Balance 1993-2000

(tonnes, raw value)

Year	Production	Imports	Exports	Net Trade	Consumption	Ending Stocks
1993	54,000	1,000	0	(1,000)	55,000	36,306
1994	48,000	15,249	0	(15,249)	65,000	34,555
1995	76,000	39,844	0	(39,844)	100,000	50,399

1996	109,000	6,377	0	(6,377)	100,000	65,776
1997	145,000	10,172	0	(10,172)	150,000	70,948
1998	111,000	6,734	0	(6,734)	150,000	38,682
1999	137,000	4,700	0	(4,700)	150,000	30,382
2000	130,000	27,594	0	(27,594)	155,000	32,976

Source: International Sugar Organization, Yearbook 2000

Uganda as a net sugar importer has experienced trade problems, in ways similar to Kenya. In 2002, Uganda has seen an influx of imported sugar, which, according to domestic producers is smuggled sugar, on one hand, and, on the other, undeclared sugar that pays no import duties. The difficulties to apply import regulations is exemplified by the official figures quoted by the International Sugar Organisation, which report imports of 20,000 tonnes in 2000 from “unknown” origins. In 2001 and 2002, Uganda’s sugar industry faced stiff competition from these sugars (smuggled and undeclared), which were offered at a 10 to 15 percent discount prices against the domestically produced sugar. In 2000, however, (illegal) trade in the opposite direction – towards Kenya – was registered, as one local newspaper put it: “Fleets of bicycles and trucks loaded with sugar cross the border points (at Busia and Malaba) daily.”

At the same time, the three sugar industries have shown their intention to expand production and to minimized cost of production in order to be prepared to compete if in future the sugar market is liberalized. It is also to be mentioning the Ugandan governmental decision to privatize Kinyara as the goal to reach self-consumption is being achieved and the government would like to concentrate its investment in another strategic sector.

Estimation of total sugar production for the season 2002/3

Sugar Industries	Sugar cane tonnes	Sugar kilo	Labour workers	Total hectare
Kakira	900,000	80,000	6,500	22,000
SCOUL- Lugazi	480,000	40,000	4,162 (*)	15,000 (i)
Kinyara	500,000	50,000	3,725	11,000(ii)
TOTAL	1'880,000	170,000	14,387	48,000

(*) It is a discrepancy between the industry information of 6,000 workers and the NUPAWU union branch information of 4,162 workers. The difference of 1,838 workers might be casual workers as the union is not recruiting casual workers.

(i) and (ii) were estimated based on the supply participation of outgrowers to the factories (1 ha produces 80 sugarcane tonnes)

1.2 Structure of the sugar industry in Uganda

The sugar industry in Uganda comprises three companies, Kakira Sugar Works owned by the Madhavani Group of Companies, the Sugar Corporation of Uganda Limited (SCOUL) in Lugazi owned by the Mehta Group of Companies and Kinyara

Sugar Works owned by the Uganda Government but managed by Booker Tate UK (BTU).
In 1998, the government announced the privatisation of Kakira and Kinyara, having SCOUL been reopened in 1988 under the control of the Metha Group, the previous owners.

2. Changing Production Methods: the Development of the Plantation - Outgrower System of Contract Farming

Since 1924, the sugar industry in Uganda is being produced and processed in a traditional way and it was an initiative coming from the private sector. The government participation has started in the 70's as investor and later on as guarantee of the rehabilitation of the whole sector. Since 1987, the government through its Economy Recovery Programme was promoting the rehabilitation of the agriculture sector including the sugar industry. This process has implied an investment effort to try to coop with this goal of expansion and adaptation of the sugar factory accordingly in order to reach the breakeven point to supply sugar self-consumption at minimum costs.

To some extend, the changes in the production methods in the sugar industry were very much in line with the developments dictated by the green revolution which imply the replacement of traditional ways to cultivate and the introduction of high yield seed varieties, pesticides and fertilisers and mechanical harvest equipment in the sugar plantations. And at the same time, the traditional method to expand production by acquiring or leasing land was replaced by subcontracting sugar production. Again one of the ways to minimised costs of production is by transferring companies' costs (land and labour) and business risks (production and quality) to the subcontracted producers.
The subcontracted systems works because the companies control the subcontracted bottlenecks through several control factors:

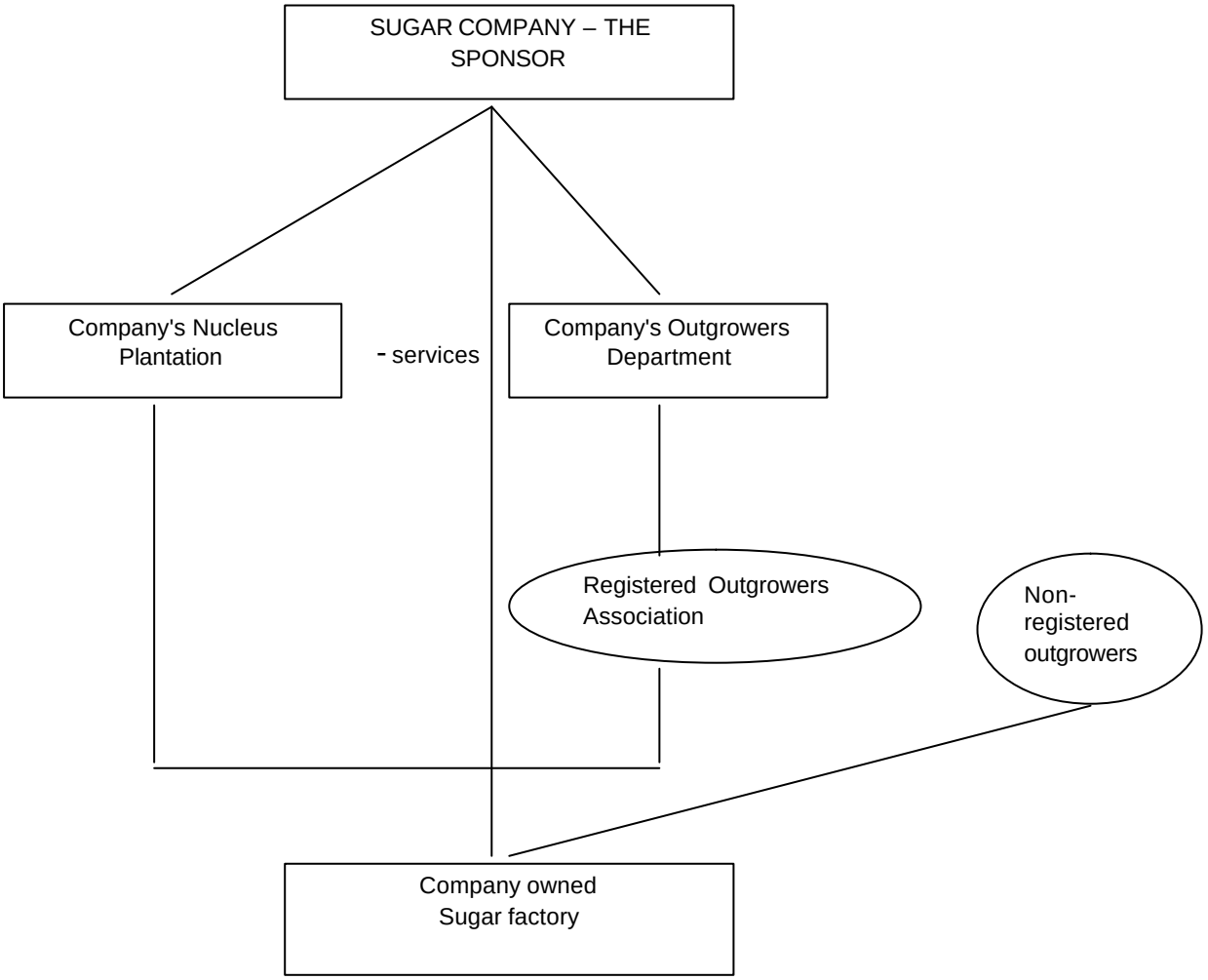
1) companies have the monopoly of the provision of inputs, extension services, transport facilities and loans. The subcontracted producers -outgrowers- are inputs and interest rates price takers by contract.
2) companies have the monopsony, as sugar is cautive market - the company is the major sugar buyer, therefore the subcontracted producers-outgrowers- are tied to the company and are sugarcane price takers by contract (inputs and credits)
3) companies are ensuring at least 50% of the sugarcane supply through its own plantation
4) the return of the investment cycle in sugar is not immediate, it takes at least 3,5 years: It means that if the sugarcane price falls it would not be possible for the subcontracted producers to change crop immediately without a severe lost of investment.
5) companies oblige subcontractors to remain as supplier through indebtedness. It is worth to be mention that 90% of the loans are secured by small producers' land.

Those changes in the production methods have had very positive results for the companies in terms of expanding sugar production by transferring costs and risks to outgrowers farms. It has also a positive result for small producers in the sense to ensure them market. But it might have crucial consequences for food security and nutrition because the replacing staple food crops by sugar crops. This would also

affects the livelihood of the working class because permanent workers conditions are being replaced by labour casualisation practices.

2.1 Centralised and Contract farming model in the sugar companies in Uganda

Ugandan sugar production has both centralised and contract production elements which can be represented diagrammatically as follows:



This table shows a "Mixed Production Model" which highlight the new outgrower component which is defined as mixed because the companies owns a centralised nucleus plantation and the sugar factory and operates a contract farming model, the "outgrower scheme". The Mixed production model implemented in the sugar companies in Uganda is a variation of the outsourcing centralised model as detailed in the FAO publication on Contract Farming, 2002 (See details at the Bibliography section of this report). In this case the sponsor's company (i.e. the sugar company) owns and manages an estate (nucleus) plantation and the processing plant. The estate is often fairly large – supply more than 50% of sugarcane to the mill- in order to provide some guarantee of throughput for the plant. The sugar producing

company, referred to as the sponsor purchases the harvested sugarcane production from farmers, processes, packages and markets it. The farmer to become an outgrower has to be registered at the Outgrower Department of the company, he or she receives a quota of expected production and quality depending on the soil productivity and other technical indicators fixed by the company.

The sponsor secures sugarcane quantity and quality from the outgrowers by the provision of standard land preparation, seedlings, agrochemicals, supervising production and technical assistance to all outgrowers; those support services costs are deducted from the total price to be paid to small farmers at the harvest time.

The company can also provide “aid” to outgrowers -if it is required by the outgrower – loans in advance for upkeep and harvesting and transport services to the mills.

There is also a growing outgrower category of non-registered small farmers who supply sugarcane to the companies. Those farmers do not have any market guarantee from the companies.

Variations of this model for the individual plantations are given in the Case Studies in the Annex of this report named: Case Studies of the three sugar companies.

Direct product contract conditions

A "registered outgrower" is defined as a self-employed farmer - usually a smallholder - who owns or leases land, and who produces and supplies sugarcane under contract to a plantation sugar company. The size of the small farmer's land varies from a minimum of 2 hectare to larger farmers with up to 400 hectare or ever larger. Strict production criteria are laid down in the Sugar Company's production contract. Criteria include standard methods of land preparation, use of specified cane varieties, provision of seeds, use of company support and supervisory services, technical assistance, and loans as well as planting and harvest schedule in order to ensure a regularly supply of cane for the mills. The company retains exclusive control over purchase and marketing of the outgrower-supplied sugar. Company deductions from the outgrower include sugarcane harvest payments, any loans -in kind or cash - plus any interest.

Registered outgrowers commit to sell all sugar cane production exclusively to the company. The Outgrowers take on the risk of growing, harvesting and transporting their quotas of cane to the sugar mill as per the production contract and under the company's supervision.

The Company engages to buy the estimated quota of cane agreed on, to provide technical advice, help with mechanical land preparation (bush clearing, ploughing and harrowing), planting (selection of seeds) and training and can, if required, provides financial aid in the form of loans. The company for all these services charges the outgrower. In Uganda, other charges include a standard deduction for tops and trash (about 5%, could be higher), taxes (17%) and services in advance against cane price. For example, provision of fuel, special advance and development loan and interests provided for transport. The loan deduction is usually distributed amongst the three harvests as follows: 40% at the first harvest, and 30% at each of the others.

In Uganda, the outgrower small farmers usually have more than 2 ha plot and an average of 7 family members. Some of them have their own land, others hold land through the customary land system and others lease or rent land. Some of them are

also retired managers from the sugar company or in activity. On this way the earnings as outgrower is a supplement to their salary. The outgrowers make their earning by harvest (1st harvest 18 months after planting, 2nd one 10 months after 1st harvest and the 3rd one 10 months after the previous). The average net earnings after the deductions of the loans in kind for production provided by the company including annual interest of about 24% is about 600,000 Uh (307 USD per harvest, it is 24 USD per month). The outgrowers consider there is need of a minimum of 5-7 ha
land to make their living. The average labour requirement a year per hectare for plant, weed (upkeep) and harvest is about an average of 4 weeks of work distributed along the year.

UGANDA

Since 1996/97, the main strategy used by all three Ugandan plantation sugar companies to boost production has been the introduction of outgrower schemes. Instead of expanding production on their 'nucleus' plantations (the plantations directly operated by the sugar companies), these companies have contracted production to self-employed farmers, termed outgrowers having land within a reasonable geographical distance of the nucleus plantation. These outgrower schemes have had important impacts on patterns of employment and work on both the nucleus plantations and on the outgrower farms. The outgrower scheme is an outsourcing strategy which came from India but which is new to Uganda. Outsourcing production means relocating production processes previously carried out "in-house" to outside of the enterprise.

This outgrower production strategy has allowed the industry to expand sugarcane production – almost to double its production in the last 6 years- In 2002, for the whole of Uganda, there were estimated 4,694 outgrowers who currently supply approximately 40% of the total sugar company production requirements.

In developing outgrower production schemes, the sugar companies have used two different approaches. The first approach is to directly contract outgrowers, who sign a production contract as registered outgrowers with the company's Outgrower Departments. The second approach is where some companies have either, or in addition, helped establish Outgrowers Associations, with varying levels of operational control and management by the outgrowers themselves (see below). In such a case, the sugar company's production contract is made with this Outgrower Association, e.g. Kinyara Sugarcane Growers Ltd (see point 5.3.4 Contract Farming Model in Kinyara Sugar Works). The Outgrower Association in turn subcontracts production to its outgrower members (these outgrowers will in turn sign a production contract with the Outgrowers Association) This second type of approach also non (company) registered outgrowers. to supply sugarcane to the companies though, being non-registered, they do not have any guaranteed purchases or price from the companies.

Characteristics of Outgrowers Associations

- They represent a wider range of small farmers from 2 to 400 hectares. However, it is difficult to represent with efficiency in a single organisation, the interests of small, medium and large scale farmers;
- The sugar companies in varying degrees and ways control them all. They are not independent from the company or its management. Some, for example, have

offices within the company's building, and sometimes their management committees have members who are directly or indirectly related with (company) management.

- Some represent registered outgrowers in a given company. Others represent both registered and non-registered outgrowers
- Their legal status can be as an association, a co-operative, or a shareholder company
- They act as middleman between members and the company in buy and selling sugarcane
- They also act as labour contractors, who hire casual labour for the outgrower members and also, in some cases, for the company sugar mill

3. Employment, Work Patterns and Trends in the Sugar Sector in Uganda

Changes on the labour practices have occurred alongside with the changes of Production Methods, Outgrower System of Contract Farming in the Ugandan sugar industry.

In the agricultural sector Contract Farming practices have introduced changes in the labour practices named "*labour casualisation*" which is the same ongoing phenomenon experienced by the industrial sector under the name of "*flexibilization of labour practices*". It is a terminology being used to describe the increasingly replacement of the minimum labour standards by new labour practices such as day-to-day contract, daily changes of employers, frequent turnover of place of work, work at piece rate basis.

In agriculture, the labour requirement is not constant along the year, its depends on the season and on the specificity of the crop. During the last couple of years, in the sugar industry some changes were observed as a consequence of the introduction of the commercial farming and the restructuring strategies. Those changes are affecting the labour sector by downsizing, subcontracting, outsourcing and resulting in a deep division amongst sugar workers in three or four segments: permanent workers, contract workers and casual workers and self-employed small farmers.

Casualisation has resulted in profound changes in terms and conditions of work in the commercial agriculture, particularly in the sugar sector in Uganda. From the unions's perspective, casualisation means a backward step on the workers' right to decent work, in the sense that it is a step backward to the workers' working conditions, social benefits, and economic and social security.

As it was explained under point 2 of this document, the Changes in the Production Methods, the development of the Plantation model and Outgrower System of Contract Farming have also a very negative impact in employment changes and the work patterns in the sugar sector in Uganda. In particular the Outgrower schemes have had important impacts on patterns of employment and work on both the nucleus plantations and outgrowers farms. The main changes can be characterised as:

- ongoing downsizing of the permanent waged workforce on the nucleus plantations;

- an increase in the number of waged workers on short term contracts of employment on the nucleus plantations;
- increased use of casual and temporary waged workers on the nucleus plantations;
- increased hiring of casual waged workers by outgrower farmers;
- outgrower associations acting as labour contractors, hiring casual and temporary waged workers for the outgrower farms and in some cases for the company sugar mills;
- growing casualisation of employment on both nucleus plantations and on outgrower farms with serious adverse implications for sustainable livelihoods, food security etc of waged workers and their families.

Precise data on the total workforce on the three sugar estates are not available, however on the basis of the information provided by management of the three sugar industries, the unions' branches and the outgrowers associations in the same area, the following estimations have been made.

Estimation of labour force in the 3 sugar industries in Uganda

Sugar Industries (1)	Sugar cane tonnes (2)	Total workers permanent and contract (3)	Total estimated casual workers flexi-workers (4)	Total estimated Self-employed outgrowers (5)	Total estimated Workers (6)=(3)+(4)
Kakira	900,000	6,500	1,452	3,600	7,952
SCOUL-Lugazi	480,000	4,162(iv)	2,372(vi)	300	6,534
Kinyara	500,000	3,725	1,538	794	5,263
TOTAL	1'880,000	14,387	5,362	4,694	19,749

(iv) and (vi) NUPAWU, Lugazi branch informed about 4,162 workers and SCOUL reported 6,000 workers. The union represents 95% of SCOUL workers but they are not recruiting casual workers, so the difference was considered as SCOUL casual workers.

By 2002, the labour force in the sugar sector in Uganda was estimated in about 19,749 sugar workers and about 4,694 self-employed outgrowers. Out of the 19,749 sugar workers 33% are permanent workers, 40% contracted sugar workers and about 27% are casual workers. As from the 4,694 self-employed outgrowers, about 80% owns not more than 2 hectares of land each. FOOTNOTE: The casual labour requirement was estimated on the basis of 60 - 70 tonnes production per hectare, an average of 4 weeks of labour per ha/ year and 170,000 tonnes of sugar cane produced in 2002/3.

The main impact includes two types of changes in the Work Patterns in the Sugar Sector in Uganda. One of them is the persistent trend in the industry' substitution of permanent workers by the short-term contract workers and the other is the persistent increase of casual labour in the sugar industry in Uganda.

The major observations in relation with the changes in the work patterns in the sugar sector in Uganda are as follows:

downsizing of the permanent workforce on nucleus plantations

During the six last years, meanwhile the plantations have been expanded hectare the permanent workers seems to be kept at historical levels or even decreasing particularly in the plantations. Permanent workers are either skilled workers, supervisor or/and close related with industry management and owners. In the factory and mills the number of skilled permanent workers seems to remain stable.

For the period 1995-6 to 2002 it was observed that meanwhile the number of permanent workers both in the s and the factories remains stable, the number of their sugarcane hectares has increased 28% up to 2002 (it is from 23,781 to 30,400 hectare).

Downsizing has been an ongoing phenomenon in agriculture before outgrower schemes but the introduction of these schemes. The method of outsourcing production has generated outsourcing labour which has play the role of cheap labour available and unemployed around the plantations which has facilitated both the scale and speed of reductions in the permanent workforce.

increase in the number of workers on short-term contracts of employment on the nucleus plantation

The number of short- term contract workers in the sugar industry is about 14,387. They represent 32% of labour. They are hired for 1, 2 or 3 year mainly to work in the plantation and few of them in the factory. Contracted labour usually comes from other regions, the company recruits and transports them to the plantation alone without their family and usually they are being brought back home at the end of their contract. Housing conditions are very squeeze and family visits are allowed each 3 months. Most of contract workers are male and they can be considered as internal migrant workers.

increased use of casual workers on outgrower farms

The introduction of the outgrowers farms - about 8 years ago- and the increasing casualisation of labour have called the attention of the unions. The minimum casual labour required to coop with the expansion of almost the double of land dedicated to sugar grow during the same period was estimated in 5,362 workers. Those workers represent 22% of the total labour force in the sugar industry. It shows the speed and the importance of these workers category in the industry. We could also say that the expansion of the industry-mainly done through outgrowers farms-have been done based on casual work.

They are contracted verbally on daily basis at piece rate basis, without any social benefits, protection against pesticides use and compensation for accidents. The casual workers are usually organised by "pools" of 1o to 12 workers from the nearby village who are contracted by task by ourgrowers. As soon as they finish the tasks, next day they start working with the neighbour outgrowers and so on. On this way casual workers are usually working at least 11 months continuously, here we are talking about full gangs and not about casual labour at all. On this basis the estimation of casual workers was done under the assumption that the casual workers "pools" usually work on full time basis by rotating amongst different ourgrowers farms. The estimation of the outgrowers farms casual labour requirement per hectare is of about 12 casual workers for one week for weeding, another for upkeep and fertilisers, little longer for planting and about one worker to cut 1,5 tonnes of sugarcane per day.

The working conditions of the casual workers are similar for the sugar nucleus plantations than for the outgrower schemes, as follows:

- contracted on daily basis
- paid on piece rate basis (minimum 1,5 tonnes cut cane per day)
- average daily paid is about Uh 2,400, equivalent to 1,23 USD
- no meals provided
- no social benefits
- no gratuity
- no burial for the family
- no transport to the work place
- no PPP (Personal Pesticides Protection equipment)

The casual workers usually leave in the villages, maximum 10-Km distance from the sugarcane plots. They are recruited on informal basis in Kakira and SCOUL area.

increased use of casual workers on nucleus plantations

It was also observed that alongside with the growing number of casual workers in the outgrowers farms that the industry is also increasingly using casual workers on their nucleus plantations. This is an assumption based on the labour requirement, which follows naturally to the expansion and increasing production of sugar during the last 8 years. The increase on sugar production and plantation nucleus expansion maintaining stable number of workers is only sustainable if the remaining labour force in casual work. Some industries has accepted the fact that they hire casual workers not more than 5-10%, however even with this information the equation does not close.

There is also evidence that in Kinyara, for instance, the industry is also subcontracting labour through the outgrower company.

outgrower associations acting as labour contractors

In general, outgrowers farms hire directly casual workers. The outgrower is responsible for the recruitment of labour. The outgrowers associations do not deal with causal workers and labour issues at least in two of the three sugar industries. Kikara and SCOUL industries.

The Kinyara Sugarcane Growers Limited is a company created in 2002 by outgrowers. It is acting as casual labour employer. One of these outgrower company tasks is to hire casual workers on behalf of its members. The outgrower company is also supplying casual labour to the Kinyara industry who is subcontracting casual labour. In 2002, the outgrower company contracted about 400 casual workers.

4. Conclusion on the Impacts and Consequences of the Outgrower System of Contract Farming

4.1. Changes in the Production Model, the Outgrowers System to Contract Farming

The changes in the production model coming from a nucleus plantation towards the outgrowers system of contract farming in the sugar sector in Uganda has started by 1996, it was observed that those changes in the 3 sugar industries of Uganda had had the goal to reach domestic sugar production self-sufficiency in order to supply

the national market at minimum costs and in future to export sugar in the 3 coming years. The 3 sugar industries unanimously declared their intention to continue the expansion towards national sugar production self-sufficiency through the same outgrower strategy.

One of the reasons behind this strategy seems to be the Government 's agreement with the WTO and the need to liberalise the sugar sector in Uganda. Nowadays, imported sugar in Uganda is cheaper than local produced sugar, and the pressure to reduce the tariff barriers are being recently debated amongst the Southern African countries in the framework of the European Union Agreement on Africa, Caribbean and pacific (EUACP Agreement).

It was observed that the sugar industries strategy to increase sugar production comes alongside with a strategy of product diversification in two ways. In one hand, the diversification of sugar by-products such as spirits and molassa and in the other the expansion of export oriented crops like cut flowers and fresh vegetables.

Since 1995-6, the total number of sugar cultivated hectare has increased on 28% in the three sugar industries, it is from 23,781 up to 30,400 hectare in 2002. It is worth to be mentioned that the estimated land cultivated by the outgrowers schemes is about 17,600 hectares, therefore the total estimated land cultivated by 2002 is 48,000 hectares. If we compare the 23,781 hectares at the beginning of the industry rehabilitation and the total estimated number of 48,000 hectares today, it represents an increased of more than 200% of cultivated land, which is destined to grow sugarcane in the last 6 years.

For the same period the total sugarcane production has increased from 76,000 tonnes up to 170,000 and the sugar production has increased 223% and the number of workers at least in two-sugar industries -Kakira and SCOUL- has reminded stable and even decreased in 9%for the same period.

4.2 Changes in the Production Model driven changes in the work patterns: increasing casualisation of employment

The changes in the production model had come alongside with changes in the work patterns in the sector. The report shows that since 1996, the sugar production and numebr of hectare destinated to grow sugarcane have almost doubles, however the numebr of permanent workes remains satble or even has declinated. As it was explained in the previous point 4.1

Downsizing of the permanent workforce on nucleus plantations

The ongoing downsizing of the permanent waged workforce on sugar industry and it replacement by short-term contracted and casual workers is another trend in the work pattern in the sector. At least in two sugar industries - Kakira and SCOUL- the number of workers has declined 9%.

There is also an evident trend of replacement of permanent workers for contract workers particularly in the nucleus plantations. It is also evident that contracted and casual workers are being recruited for unskilled tasks such as harvesting/sugar cutting, upkeep and loading lorries. As from the researcher estimation, at least 28% of the total labour force -mainly in the plantations- is composed of casual workers.

In general the permanent contracts remind stable in the supervision and technical extension in the plantations and in the skilled and semi-skilled categories in the factory, security and administration.

The report shows an increasing trend of use of casual workers by the three industries mainly on their nucleus plantations, although management has only declared their participation as less than 10% of the total labour force. The production growth shows it is not possible to increase production and sugar cultivated land without increasing use of labour accordingly.

Increased use of casual workers on outgrowers farms

An increase in productivity and improvement in the production methods might also resulted in less labour requirement, however what seems to be crucial in downsizing of the permanent waged workers is the introduction of the Outgrowers schemes and Contract Farming in the sugar sector.

During the last 6 years it was observed a move of the three sugar industries towards contract farming in sugar cane production which implies the use of about 5,362 casual workers and the increasingly growing number of self-employed "registered" outgrowers, which are now about 4,694. Most of them are small outgrowers farms of less than 5 hectare each. AT the same time, the trend of the outgrower participation in the total sugarcane production has increased from 10% in 1996/7 up to 40% in 2002/3.

In the outgrower scheme the situation in terms of labour casualisation is dramatic. 100% of the labour required is casual workers. The report has estimated a minimum required of 5,362 annual casual labour on full time basis for harvesting the 770,000 tonnes of sugar cane in 2002/3 season. The casual labour force represents 37% of the unionised workers (5,362/14,387). Sugar cane is planted on steps and different timing in order to harvest the right quantity of sugarcane per day that will supply the daily requirement of the mills. On this way harvest period is not 3 weeks a year like other crops, but it could be about 11 months a year, stoping one month for factory maintenance. This system allows the mills to run on permanent basis, everyday, 7 days a week, 30 days a month during 11 months a year. Therefore the casual workers are usually organised by teams of 12 workers who are harvesting and rotating from one outgrower farm to another. That is why the report considers that the casual workers teams work everyday on permanent annual basis.

Flexibilization of labour practices

The combined effects of these changes and lack of stability for casual workers is a reduction in their "labour assets", which results in growing job insecurity, lower rates of pay, poorer working conditions, increasing food insecurity, growing levels of poverty and they are a permanent threat for contracted and permanent workers.

In some particular jobs, it was observed an increase on the daily piece rate task per day. For instance at SCOUL the daily piece rate task for sugar cutters used to be about 1 ton per day per worker. Today it is 1,5 ton per day per worker.

Outgrowers associations acting as labour contractors

Another change in the work pattern is related with the new role of some the outgrower associations who are acting as labour contractors and subcontractors.

One of their activities is to act as middleman subcontracting casual labour to supply casual workers to their members and to the industry. This is increasingly growing and on last six-month of the season they hired 400 about casual workers.

4.3 Outgrowers

Outgrowers schemes have proved very effective in ensuring the company's control of the adequate quality and quantity of sugarcane requirements through legal contracts and loans given in kind secured by land. In other words the expansion strategy of sugar cane in Uganda has not implied Foreign Investment in acquiring land, hiring labour or assuming business risks of growing but incorporating in agriculture new models of contracting sugar production.

Advantages of Outgrower production

For outgrowers:

- more stable market conditions and incomes for small farmers through selling to a company
- potentially higher prices for sugar than for staple food crops
- provision of seeds, inputs, transport, credits and extension services for production in growing the sugar crop
- Contract farming has had a favourable impact on the living conditions of the outgrower families - all over those who have more than 5 hectare of sugarcane and has also contribute to minimised production costs of sugar production in Uganda.
- In the long term there is still a question mark in terms of the sustainability of benefits of outgrowers in contract farming due to their monopoly dependency to support services, extension services, seeds provision, credits and centralised market for sugar cane. It is worth to mention that the sugar industry is promoting and supporting the creation of outgrowers associations.

Disadvantages of Outgrower schemes

For outgrowers:

- Market shortfall for the whole harvested sugarcane. In most of the cases the estimation of the “quota” of production is the minimum expected, the surplus is subject to negotiation with the industry and its depends on the mill capacity
- Decreasing of the “sugarcane interim price”. The estimation of the interim price is done on unilateral basis by the industry. The measure of indicators of sugar quality is done on the average of the processed sugarcane. There is a formula which is being apply which relates sugar cane supplied and final sugar output as follows:

  Price of sugar = sugar production recovery + sugar price in the open market + volume of production

- Delays on payment after harvest. The payment is done in between 3 and 8 weeks after closing the outgrower file based on the announced interim price.
- Unilateral estimation of tariff, prices and interests of the inputs and support services granted in advance as loans in kind
- There is no rules of bargaining power with the industry

- Risk of loosing land by indebtedness. The small farmers to be engaged in contracting production, they have to accept the company sugar production methods and inputs which are given as loans in kind. Most of the small farmers are also engaged in the “aided system” with the company. The aided system comprises a loan in kind with an annual interest rate of 24% to upkeep, harvest and transport sugarcane to the mill. The indebtedness is about 40% of the first harvest. In the eventually case of any climatic variation harvest could be lost and it might be very difficult to go out of the cycle indebtedness by refinanced interest amounts. Today, about 3% of small outgrowers are already on this situation. It might lead to the situation to be obliged to sell the plot or transfer the leasing or holding right to pay the debts. As a consequence it might lead to higher land concentration on one side and to unemployment and migration to the villages on the other, like the experience in many other countries.
- The industry is promoting the “organisation” of registered outgrowers. It seems that the industry interest is to control those organisations and their representatives, some of them former managers or relatives of management staff. It also seems that the aim of the industry in promoting those associations is to have a "middle man organisation" to facilitate the relationships and problems resolution between the industry and each of the registered outgrower. On this way the company will reduce costs and conflicts. The industry has support the set up of Busoga Outgrower Association, Mukono Sugarcane Co-operative Society Limited and Kinyara Sugarcane Growers Limited. All together representing about 4,694 registered outgrowers.

4.4 Industry and companies

The contract farming model of contracting production -Outgrowers schemes- has:

- Resolved the company's shortage of land on their expansion strategy. Only local producers who has access to land through the existing land tenancy system are being contracted -"registered"-by the company to produce and supply sugarcane
- Suppressed the company entrepreneurial risks on its expansion to produce sugar. The model transfers those risks - including their interests- to local small producers
- ensured the supply of high quality of raw material - sugarcane- at minimum costs
- transferred to the local small outgrowers their social responsibility on hiring labour and labour conditions

4.5. For workers and for the community

Contract farming and the WTO Agreement on Agriculture

Contract farming is playing a role in terms of the adjustment required to liberalise the sugar sector. Accordingly with Uganda agreements with WTO and the perspectives in the liberalisation of sugar in the country, imported cheaper sugar might cause unlucky impact in the local production and in the living conditions of the sugar region.

The potential WTO liberalisation measures are pressing the Uganda sugar industry to minimised cost of production in order to be competitive with the international sugar prices. The industry is adjusting production costs - reducing social benefits and job security and poor working conditions.

It is also important to mention the relationship with the sugar industry and the government. The Uganda government owns one of the three sugar industries and has about one third participation as shareholder of the other two. Since 1999, Kinyara Sugar Works Limited owned by the Government depends on the Minister of Trade & Industry and on the Minister of Finance & Economic Planning and is managed by contract by Booker Tate. Booker Tate is reported to be interested in acquiring a controlling majority when the company is privatised. The government has also make public its willingness to privatise its company.

Contract Farming and food security

In terms of the community improvement as a whole the expansion of the sugar production has also implied the transformation of 24,219 hectare that use to be used to grow traditional food production (cassava, beans, sorghum) for self-consumption and local consumption are now transformed now in sugar production. The exception is the Kakira Sugar Work Limited who makes sure by contract that at least one third of the outgrower land will be used to ensure food security for the family.

It was also observed that before contract farming started some hectares was producing sugarcane to the jaggeries. Today jaggeries do not represent more than 1% of the commercial sugar cane production.

Contract Farming and the community

Contract Farming has contributes to improve the livelihood of the outgrowers families by assuring them the market. This contribution is still under observation because in the long-term- as many other experiences- indebtedness might oblige small growers to pay their debts with their land. Due to the nature of the sugar grow which the investment is done for 3 crops - about 3,6 years- a natural change on climate or any pest can really put at risk the loan repayment which is secured by land.

In terms of working conditions, there are still two issues to be clarified. One is the miserable working conditions that the contract farming model is generating most over on the casual workers and their families and the second one is the possible adverse impact in the provision and on the higher prices of staple food for the community. Rural population in the surrounded rural villages noted the increase of the prices of staple food, even though some outgrower's families buy food and sugar in the local markets. Staple food prices are press up because less production at local level and the cost of transport from other areas.

Annexes

CASE STUDIES OF THE THREE SUGAR COMPANIES

5.1. The KAKIRA Sugar Works Limited

Kakira Sugar Works Limited is the largest of the three sugar industries in Uganda. It accounts for about half of the national sugar production and has expanded its nucleus estate up to 12,000 ha. The nucleus estate expansion includes the development of a 1,200 hectares plantation in Butamira, a man-made reserve.

In addition, there is 10,000 ha of outgrower contract production.

The Kakira group is composed by different companies, amongst others the Kakira Sugar Works, Steel Rolling Mill, ECTA, ISS Guards, Huese Asarari and the MMLC (Muljibhai Madhvani & Co Ltd.)

The Butamira case is an interesting example of the political willingness of the government to sacrifice forest reserve and the indigenous community way of living into the Plan of Modernisation of Agriculture in the framework of the WTO Agreement of Agriculture and market liberalisation. In late 2001, the Butamira case was already in the final legal stage. The Ugandan government had granted Kakira a 50-year lease on the forest reserve, where the company planed to develop a 1,000-hectare sugar plantation– from the 1,200 hectares available.

BOX: The Butamina Case

The Muljibhai Madhvani & Co. Ltd. (MMCL) had a 49-year lease on the Butamira reserve issued in 1949, and for several many years the reserve had been used as a source of firewood for energy in the sugar factory. In 1995, Kakira's factory switched to bagasse as energy source, and, at the expiration of the original lease in 1998, a new lease was extended on a "general purpose" basis, which was the basis for the development of the forest reserve into a sugar cane plantation.

The expansion plans met with the resistance of local and community groups that in recent years had been granted permits to grow eucalyptus trees for firewood as well as other crops. There are 16 villages near to Butamira reserve with a population of 8,000 people. As part of the program, the government offered to relocate some of the affected people and to compensate those using the reserve for firewood. In March 2002, Parliament voted in favour of giving Kakira Sugar Works the right to develop a cane plantation in Butamira. It was said then that the Butamira expansion program would create 600 new jobs.

Kakira has the capacity to process 900,000 sugarcane tonnes and to deliver 80,000 tonnes of sugar per season. Its processing capacity is 3000 tones a day and it is planned to increase their capacity up to 5,000 sq tones in 24 crushing hours a day. The season length is about 9,5 months from June 15 to April 30.

Kakira's expansion plans are to gradually increase production up to provide 60% of the total domestic sugar market by 2007/8. It is up to 1.7 million sugarcane tonnes and its productivity will increase from 9 to 11 sugar kilos/ha per ha. The expansion will also be done through an increase in subcontracting production -from the actual of 48% up to 60% - rather than by increasing direct labour contract.

By the 1980 during it rehabilitation, the company has invested about 80'000'000 dollars from a World Bank's loan secured by the government.

5.1. 1. Labour force at Kakira

The total labour force is 6,500, comprising 4200 workers with a 3-month contract of employment) and 2300 workers with a permanent (indefinite) contract of employment

(including teachers, doctors and security guards). There are 250 staff management working in the nucleus estate. NUPAW, the trade union, estimates that about 400 seasonal workers are employed in the factory.

Kakira Union branch has 6,500 workers members organised in 10 branches, 180 shopstewards (only 6 women) each of them organises 24 members

Estimation of the labour force in the Kakira area

Year	Total	Permanent workers	%	Contracted workers	%	Casual workers	%	Women workers
1960's 1996	9,000 7,000					150		
2002 Kakira union	6,500	3,000		3,500		500		
2002 Kakira Plantation Factory	6,500	3,250		3,200		400		
2002 Outgrower scheme						1,052(*)		

(*) The number of casual workers required by outgrowers was estimated on the basis of the average minimum 4 weeks/year labour requirements per ha for the following activities in the plantation: planting, upkeep, weeding and cane cutting -daily task of 1,5 ton/per worker.

Down sizing labour and flexibilization seem to be components of the Kakira results after its rehabilitation process. Downsizing workers went down from 9,000 in 1960's to 6,500 workers in 2002 and at the same time its hectare have increased from 9,000 to 12,000. The trade union has explained downsizing as the increase of the daily labour tasks per worker. For example the daily task of sugar cut has increase from 1 to 1,5 tonne a day in the sugar cane cut section and in others a worker is doing the task that used to be done by 3 workers.

From the company side the explanation is as follows:

- introduction of mechanical harvesting system. Later, the system has proven not to be efficient so it was replaced by the manual harvesting system
- replacing "inefficient" transport rail system by lorries and trucks
- introduction of high technology in the control of centrifugal. Today one single person controls one single panel of 8 centrifugals which used to be controlled by 8 supervisors.

Casualization of labour has also resulted in an increase in the number of workers employed on short-term contracts of employment as opposed to the number of workers on permanent (indefinite) contracts of employment (In1996 most of the 7,000 workers had permanent contracts of employment. The breakdown of the 6,500 workers is as follows: 250 of them are management staff, 600 working in the sugar mill, about 600 working in the support areas- security, education, supervision; and

about 5,000 in the nucleus plantation. In the nucleus plantation about 60% are have short-term contracts of employment (3 month contracts) and around 400 casual workers.

5.1. 2. Contract Farming: the Outgrower scheme in KAKIRA

The outgrower pilot project started in Kakira in 1986/7 with 50 farmers growing sugarcane in 120 ha. By 2002 the number of outgrowers had increased to 3,600 contracted farmers growing sugarcane in about 10,000 ha and supplying almost 50% of the sugarcane required by Kakira.

The Kakira conditions to be registered as an Outgrower in the company are as follows:

- To hold a minimum of 2 ha
- To be located within a radius of 25km from the mill
- To agree with the company production methods: the company is sponsoring the provision of specific sugar seeds, land preparation, monitoring and to follows the company technical assistance instructions in terms of weeding, fertilisers, and harvesting
- The company is sponsoring the provision of the above mentioned services as "in kind loan" at banking interest rates, together with transport facilities. All those services, interests and taxes are deducted in 3 instalments during the three possible harvests.
- The company is sponsoring and controlling a standard of seeds, land preparation and technical assistance to registered outgrowers.

The outgrowers are organised in the Bugosa outgrower association. Some of their members are not registered - about 2,400 ha- in the company but they are supplying sugarcane to the factory if its mill capacity allows it.

The major problems of the outgrowers are. The low "interim price per ton of sugar cane " fixed by the company, the unexpected deduction as "trash" and the high transport tariffs imposed by the company.

Last year Bugosa outgrowers representatives were also concerned because the mill was not buying enough cane from them and that their situation may become even more precarious if the mill expands its own cane plantation. [1] By July 2002, there was news that some 1,000 outgrowers and “dozens of unregistered jaggeries” were considering the installation of an independent mill to process their own cane. According to the groups, the new mill would compete effectively with Kakira.

Non registered farmers produces jaggeries, distilling alcohol or producing by products from sugar.

[1] The mill’s management complained that in 2001 the outgrowers had chosen to sell their cane to the “jaggeries” (non-centrifugal sugar), because payments in cash, and the mill had suffered cane shortages. In addition, the management said, outgrowers were allocating to other ends the funds made available by the mill for cane growing.

5.2 The SCOUL Sugar Company

The Sugar Corporation of Uganda (SCOUL) in Lugazi is run by the Metha Family since late 1980s. During the 80's SCOUL undertook the company rehabilitation including the rebuild of the fields for sugar cultivation. The rehabilitation was done with a loan from European Banks of about 16 millions American dollars. The Uganda government has guaranteed the loan and also owns 26 percent of the shares. The 74 percent is owned by the Metha Family. By 2002, the government has said it would sell the 26 percent stake it holds in the company.

BOX : The SCOUL at a glance

N° of Employees	6,000
Minimum salary scale:	
Permanent worker	80,000 U Sh/month plus benefits (about 40 USD)
Contract worker	78,000 U Shs/month-one year renewable plus benefits
Casual worker	60,000 U Shs/month, daily 2,400Ush (about 30USD)
Area under cane	9,000 ha
Factory capacity	2,000 tons/day of cane
Alcohol Production	2,000,000 litres/year
N° of Outgrowers	over 700
Cane of outgrowers	160,000 tons/year
Sugar production	130,000 kgs/year
Workers' camps	52
Primary schools	13
Secondary school	1
Number of managers	150
Clinic+maternity	20 beds
Company products	Standard packaging of a 1Kg.
	25 and 50 Kg sugar bag
Other crops for export	5 ha fresh vegetables and
	70 ha cut flowers
Company policy against use of child labour in the fields	

Estimation of the cultivable hectares of sugar cane supplying SCOUL

	Total	Nucleus plantation	%	Outsourcing production Outgrowers fields	%
1995	10,200 hs	9,000 hs	0.88	1,200 hs	0.12
2002/03	29,333 hs	12,000 hs	0.75		0.25

(*) The source of information on cultivable sugar cane hectares of SCOUL was provided by Mr S.C. Khanna, Chief Executive of SCOUL.

The global trend of expansion of the company since 1995 shows a systematic expansion of the SCOUL nucleus plantation as increased of the cultivable land in 33 percent from 9,000 to 12,000 ha. At the same time the company has a strategy of

expansion by contracting production out of its plantation under the so called "Outgrower scheme". By 2002/3 the contracted outgrowers are supplying almost 25% of the total sugar cane to the factory.

The Outgrowers scheme was initiated as a company driven campaign in order to convince indigenous farmers around the factory to change their traditional crops (sorghum, cassava, beans and maize) into sugar cane in order to supply the shortfall of the company on its expansion. The company arguments in favour of contracting sugar cane production relate with "secure market" and secure provision of support services and input including credits in advance to Outgrower farmers.

The contracting strategy to out grow sugar cane is strategy to overcome the scarcity of land and the difficulties to buy land or getting an adequate leasing agreement from communal land property (Kibanja) or private owners.

5.2.1.Labour force in SCOUL

Year	Total	Permanent workers	%	Contracted workers	%	Casual workers	%	Women workers
1995	6,500							
2002/03 Union (**)SCOUL global	4,162 6,000	1,193	0.29	2,969	0.71			602
SCOUL (**) Plantation Factory Managers	3,529 453 250	941	0.37	2598	0.63	180	0.03	

(**) The source of information is the Lugazi Union Branch of NUPAWU and SCOUL Chief Executive and its publication from the Outgrowers Department, March 2003.

The above data shows the global figures from two perspectives: the union branch registered members which shows a total of 4,162 workers (February 2003), out of them 29 percent are permanent workers and 71 percent workers with some other form of contract of employment. The trade union is not currently recruiting casual workers.

The information from the SCOUL Personnel report on August 2002, which shows the SCOUL Plantation ManPower position for the 9 sections in a total of 3,529 workers, out of them 37 percent are permanent workers. The rest are contracted workers most of them working in the plantation in the Upkeep and Harvesting categories. Most of the permanent workers are on the Mechanics, Security, Crop-protection, Personnel and General Administration categories. On the SCOUL Factory ManPower position, the information from the union shows a decrease in the factory from 1,250 workers (1986) to 453 workers in 2002.

On one hand it is observed an increase of 33% on sugar production in the company nucleus plantation -from 9,000 ha to 12,000 ha in 2002/3-and a decrease in the total company workers from 6,500 workers in 1995 to 6,000 workers in 2002/3. As per the company information, the breakdown of the 6,000 staff is as follows: 180 casual workers (2-3%), about 250 managers, 453 workers in the factory and 3,529 workers

in the plantations. It is noted that there are 1,588 remaining workers under no category in the company records, those who might be casual workers.

The company has explained this dilemma as follows: there is no substantial reduction of labour, as it has been observed in 1995 we have had 6,500 workers and now we have 6,000 workers. We have substantially increased the hectares in the nucleus plantation but at the same time we have rationalised manpower and we have adopted the Outgrowers scheme to supplement our increasing need of sugar cane by contracting production from them.

Manpower rationalisation was implemented after the rehabilitation of the fields in the plantation and in the factory by using modern machinery and improving management supervision. The union has explained rationalisation as the increasing use of casual workers for Upkeep and Harvest activities and by the increase of the amount of work to be done it is by increasing the rates of tasks per working day. For instance the daily piece rate task for sugar cutters used to be 1 ton per day/worker. Today's rate is 1,5 ton per day per worker. The case of casual workers is different because it is paid by piece rate basis per day therefore depends on the "energy" of the worker. It is sometimes 2,5 tons a day, sometimes less.

SCOUL Sugar Corporation of Uganda Limited has a model of contract farming which is a variation of the centralised model where the sponsor manages a central nucleus plantation. In addition the company is contracting out the sugar cane production to farmers under its centralised structures. Both, the nucleus plantation and the so-called "outgrower" schemes supply sugar cane to the company factory. The corporation also has a centralised processing and marketing model.

By 2002, the corporation owns 12,000 hectares that supplies 75% of sugar and the other 25% of the sugar cane is supplied by registered and by non-registered outgrowers. The sugar cane is being processed in the SCOUL factory that has a daily capacity to process about 4,000 to 5,000 tonnes of sugar cane.

5.2.2. Contract Farming: The Outgrower Scheme in SCOUL

The SCOUL company started the Outgrower production scheme by mid 90's and today is supplying 25% of the total sugar cane to the company, who plans to expand it up to 40% or more in the next 5 years up to 225,000 tons per year.

The company through its Outgrower department contracts directly each Outgrower farmer.

The company criteria of selection is as follows:

1. SCOUL focus on Outgrowers with land holding of 2 Ha or more
2. The radius of development will be up to 30 Km from the factory by the shortest possible motorable route
3. Outgrower shall have the land tittle, or shall be a Kibanja (customary land) holder with adequate proof of possession of land

When the Outgrower get a registration into the company, he/she commits him/herself to sell exclusively its sugar cane production to the company. The Outgrower must at its own risk to grow, harvest and transport the quota of cane allocated to the mill under the company supervisor's guidelines.

The Company responsibilities are to buy the estimated quota of cane established by the company and the provision of technical advice, mechanical land preparation (bush clearing, ploughing and harrowing), planting (selection of seeds) and training, and if it is required provides also aid through loans.

All these items are being deducted from the outgrower bill before the payment for harvest is done, it is also deducted the standard deduction for tops and trash (about 5%, could be higher), taxes (17%) and services in advance against cane price. For example fuel issue, special advance and development loan and interests provided for transport. The loan deduction is distributed amongst the three harvests as follows: 40% at the first harvest, and 30% at each of the others.

5.2.3. SCOUL and the Mukono Outgrower Cooperative Society Limited

The contracting linkage between the SCOUL corporation and the Outgrowers is done through a contract with its Outgrower Department. With the support of SCOUL the Outgrowers have founded the Mukono Sugarcane Outgrowers Co-operative Society Limited (MSOCS). The Mukono Sugarcane Outgrowers Co-operative Society Limited was registered in 2001 and it was running under the Primary Co-operative Societies' Statute 1991, the Co-operative Regulations 1992 and the Bye-laws of Co-operative Societies.

By 2002, MSCOS has 300 farmers members who has about 1,400 hectares sugar cane cultivated .To become a member of the co-operative farmers have to be registered before hand in the company as sugar cane supplier. The aim of the cooperative is to supply exclusively all sugarcane from members -ensuring good quality cane- to SCOUL and to provide small loans to members. The membership fee of the Cooperative is being deducted by SCOUL on behalf of the Cooperative.

There is also a subcontracting linkage between SCOUL and non-registered sugar outgrowers, namely with some members of the Busoga Sugar Cane Outgrowers Association.

The Busoga Sugar Cane Outgrowers Association was founded in 2001and comprises farmers from Busoga, Jinja district, Mayuge district and Iganga district. By 2002 the Association has 3,600 members and about 5 acres each farmer. The Association is selling sugar cane both to SCOUL and to Kakira Sugar Works Ltd, however as most of their members are not registered outgrowers in the company they have the risk of do not have market / quota for all their production.

BOX :An Outgrower family living conditions

Average family members working in the plot	5
Average casual workers working in the plot	12
Average women workers working in the plot	25%
Average daily working hours	10
Production for self-consumption	cassava, potatoes, maize, beans
Meals a day 7 drinking water	2 meals a day, access to drinking water
Access to health Insurance for the family	no

Access to education and schools for children	yes, from the company
Average plot extension	5 acres (about 2 ha)
Average gross revenue per harvest (5 acre)	3'449'600 Us Sh (about 1,770 USD)
Average gross cost of production (5 acres)	about 45% of the gross revenue
	If there is not outstanding loans with the company
Average labour cost out the family	about 35% of the cost of production
Average net profit per harvest (5 acres)	about 980 USD
Major problems	better prices, markets and credits to grow for sugar cane
Major problems with the company	determination of prices and delays in payments
	high cost of transport to the mill

It is worth to mention that from the sample of interviewed outgrower families they have noted an improvement in their standard of living since 1995. It is due to two factors. The first one is the fact that the company has secure the market for the sugar cane. Before they used to plant traditional crops like cassava, maize and beans to be sold to the local markets. Not always they were able to sell on time and at the right prices to covert their cost of production. Some of the difficulties were also related with the variation of prices at the harvest time, the lack of facilities to transport and storage capacity. Today although some of them consider the company high cost of transport and decreasing sugar cane prices, their balance is always better than before, not to mention the fact that now they have to buy traditional food to the local markets.

Most of the outgrowers families are those who has access to customary land or those who can afford to buy or lease land such as retire permanent employees and management from the company. Those who are indigenous people related with the king or the surrounded families.

5.2.4. Contract Farming and Casual Workers

It has been observed two major changes in the work patterns in SCOUL in the last years: the first is the evident comparative decrease on labour force required as a whole as land has been expanded (33% in the nucleus plantation and 25% of contracting farming). However the labour force remains decreasing and there is evidence of the increased trend in the casualisation of labour in the nucleus plantation and within the outgrower scheme.

Estimation of Casual workers and Contract Farming outgrowers scheme

Contract Farming and Casual workers	2002/2003
25% of Outgrowers production supplied to SCOUL Estimation of outgrowers total ha (130,000/60 tons per ha quota)	130,000 2166
Number of SCOUL registered outsourced farmers - outgrowers	300
Estimation of SCOUL registered outgrowers hectares	1401
Estimation of labour force at the SCOUL registered outgrowers – Mukono Outgrowers Association. (1401hax1,8workers/11months=workers/year)	229(*)

Estimation of SCOUL non registered outgrowers hectares	765
Estimation of labour force at the SCOUL non-registered Outgrowers (765x1,8/11months=workers/year)	125(*)
Estimation of total labour force at the SCOUL non-registered Outgrowers	354(*)

(*) Estimation done by the researcher on the basis of the total of 160,000 tonnes of sugar cane supplied in 2002/3 by registered and non- registered outgrowers to SCOUL. Estimation was made on piece rate of labour as follows: 1,5 tons sugar cut (80 tons per ha) by worker by day/harvest plus the need of two-three weeks per worker to plant and 2 two weeks/year per worker to weed a yield of 1 ha.

An estimation of the casual worker's force required to plant, weed, harvest and others - it is a minimum of labour force required only around 4 weeks a year/per hectare - for the 25% of the Outgrowers production to SCOUL shows a minimum requirement of 354 workers a year. The estimated total requirement for 12,000 ha is in between 1,418 and 1,963 workers in the higher intensive labour categories of the plantation: the upkeep and harvesting section, which is nearly about the estimated SCOUL 1,588 casual workers.

The total estimated casual workers required around SCOUL is in between 1,772 and 2,317 depending if the cane production per hectare is 60 or 80 tons. These represent an estimation of about 49% of the Union members and about 28% of the SCOUL workers.

BOX: **Causal workers working conditions around SCOUL**

For the time being the casual workers are recruited from nearby villages. The workers walk every day to the outgrowers plots which are in between 3-5 kms walking distance from the villages. The outgrowers requirements for casual workers is for a short given period of time a year. For example, for planting it is required in between 2-3 weeks for one ha, 2 weeks for weeding and 2-3 weeks for harvesting. The planting and harvesting time is usually planned by the company to avoid overload of sugar cane supply. On these basis the "teams" of casual workers rotate around 10 or 12 outgrowers a year.

- The daily salary depends on the "energy" of the casual worker. The payment is estimated on piece rates basis, usually not less than 3 tasks(*) x 800 U. Shs equals 2,400 U. Shs a day, which is equivalent to 1,2 USD a day.
- Contract on daily basis
- Contract at piece rate basis -1,5 tons is the minimum cut a day for one worker
- Average salary about 1,2 USD/day
- No meals are provided
- No transport is provided
- No housing is provided
- No social benefits: gratuity or/and health care & medicines
- No burial for family members
- No maternity leave
- No salary increment
- No personal protection pesticides equipment is provided

(*) tasks - daily piece rate task for sugar cut is about 1,5 ton

It was observed that the adjustment variable of the outgrowers scheme is the casual workers and their families. The number of casual workers is increasing and their situation is getting worse. One of the reasons is related with their subsistence salaries and lack of social benefits and the other is the increase in the food prices due to the regional trend to promote sugar cane production instead of traditional food. Subsistence food is becoming more expensive and coming from other areas.

5.3 The KINYARA Sugar Works Limited

Kinyara Sugar Works Limited (KSWL) is a government company established between 1971 and 1976. A Board of Directors is appointed by the Minister of Tourism Trade & Industry of Uganda -who is in charge of overall supervision- to direct the Company on behalf of the Government. The Company Management is monitored and control by several Departments of the Ministry of Finance & Economic Planning. This Ministry provides assistance at the time of negotiating and signing loan agreements and has co-ordinated monitoring visits by the donors. There is also a Parastatal Monitoring Unit under the Enterprise Development Project routinely checking and monitoring progress, and the Privatisation Unit has been preparing the Company for privatisation since May 1997.

During the 70's the company was unable to meet the target of 1,500 tons cane a day. Only 12,000 tonnes of sugar in total were made between 1976 and 1984. A period of national upheaval and economic decline resulted in the closure of the factory in 1985. In March 1996, the company returned to production.

KSWL has contracted Booker Tate services to manage the sugar industry operations. KSWL in turn contracts out the supplement -shortfall- of sugar cane to small farmers who are registered into the KSWL Outgrowers section.

5.3.1.Booker Tate

In July 1992 the Booker Tate Limited of United Kingdom was awarded a contract to implement the rehabilitation project and to manage the production operations. Booker Tate Limited had spearheaded the rehabilitation of the company reaching its completion in April 1999. Since then the company depends on the Minister of Trade & Industry and on the Minister of Finance & Economic Planning and on the management of the Booker Tate. Booker Tate is reported to be interested in acquiring a controlling majority when the company is privatised. (Kinyara is scheduled for listing on the stock exchange before the end of 2002.)

5.3.2.Kinyara expansion plans

In 2003 the factory is producing above the capacity of 50,000 tonnes of sugar per year from over 500,000 tonnes of sugar cane. As the KSWL has published on January 2003, "this capacity production target required additional land development apart from the Nucleus Estate. Further development of over 4,600 ha growing out of the Nucleus Estate and supplying sugarcane to the company. The income earned of approximately Ush 400 million per month by the cane farmers is a major contribution to poverty alleviation. Over Ush 500 million in earning is also paid to employees each month".

Kinyara expansion plans are to increase production up to 65'000 tonnes next year and increasingly up to 90'000 tonnes in the 5 coming years mainly relying on the expansion of the outgrowers schemes.

It was placed again the privatisation list in early 2002, along with 38 state-owned companies. The proposal was to have the privatisation through the floating of the company in the stock exchange, instead of selling a 70 percent share to a single investor as it had been proposed earlier.

BOX: KSWL at a glance

N° of Employees	3,900
Minimum salary scale:	62,700 Ush (equivalent to 32 USD)
Permanent worker	
Contract Worker	
Casual Worker	
Area under cane	11,000 ha
Factory capacity	50,000 tonnes/year
Number of Outgrowers	
Cane of Outgrowers	200,000 tonnes/year
Sugar production	57,785 Kg/year
By-products	Spirits, molasses,
Workers' camps	6,000 people living in the estate, 551 housing units
Primary school	the company provides the building, the government pays to 30 teachers
Secondary School	not in the estate
Number of manager	165 senior manager and 10 expatriates
Clinic & Maternity	primary health care only, 2 doctors &midwives, nurses, ambulance

Estimation of cultivable hectare of sugar cane supplying KSWL

	Total	Nucleus plantation	%	Outsourcing production Outgrowers fields	Large outsourced estates
1996	4,048 ha	3,981 ha	0.98	67 ha	0.02
1999(*)	9,879 ha	7,885 ha	0.80	1,994 ha	0.20
2002/03(*)	11,000 ha	6,400 ha	0.59	4,600 ha	0.41

(*) The source of information: Project Completion Report, Booker Tate, April 1999 and KSWL report to ILO January 2003. 4,600 ha supply about 30% of the Kinyara factory capacity, out of them 2,400 are small farmers and 2,200 large private estates.

Cane is grown in a total of 11,000 ha of four categories of land as follows:

- 6,400 ha of Nucleus Estate land on long term, 99 year lease to KSWL
- 800 ha of the three large private estates, farmed on five-year leases
- 2,400 ha of "outgrowers", small farmers growing cane on credit (aided production)
- 1,400 ha of large self funded (non-aided production)

Since rehabilitation KSWL Nucleus Estate has not increased hectares of land. It seems that the strategy of outsourcing production through the outgrowers scheme is the variable of expansion. The Outgrower fields are being increased from 20 (1,999) to 41 percent in 2,002/3 of the total outsourced fields. The Outgrowers supply about 30% of the total sugar cane required by the KSWL factory. The company plans to expand its participation up to 50%.

In 2001 Kinyara has produced 50,000 tonnes of sugar, and in 2002 produced 57,785 tonnes of sugar from 609,229 tonnes of cane from 11,000 ha out of them 30% comes from the outgrower scheme.

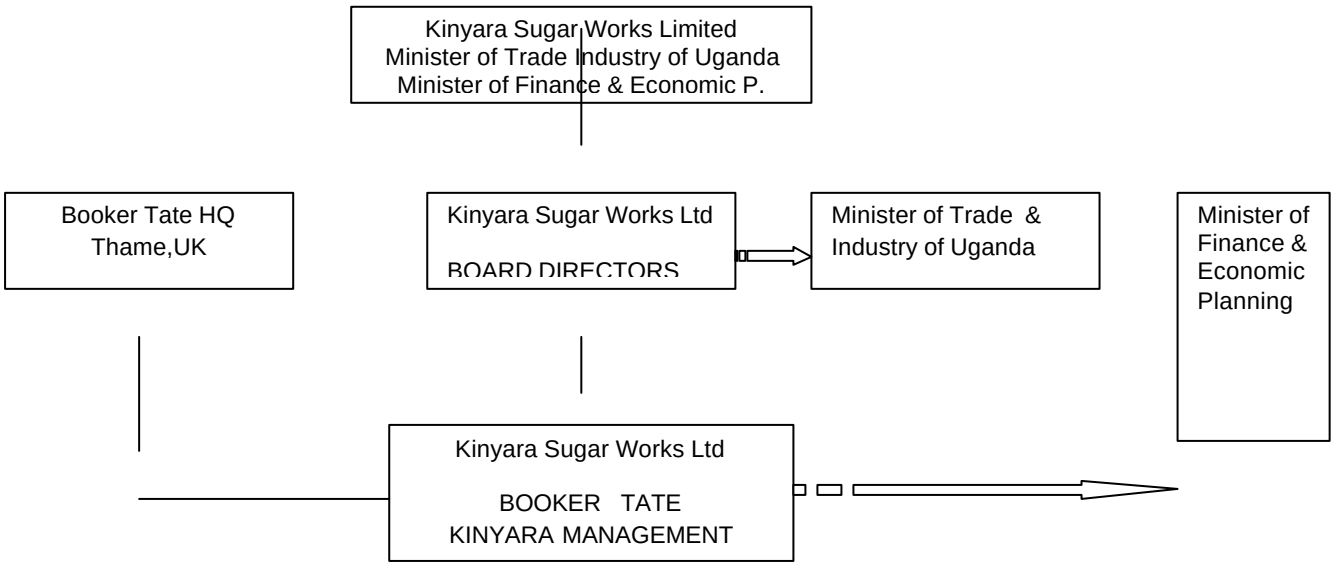
5.3.3.Labour force in KSWL area

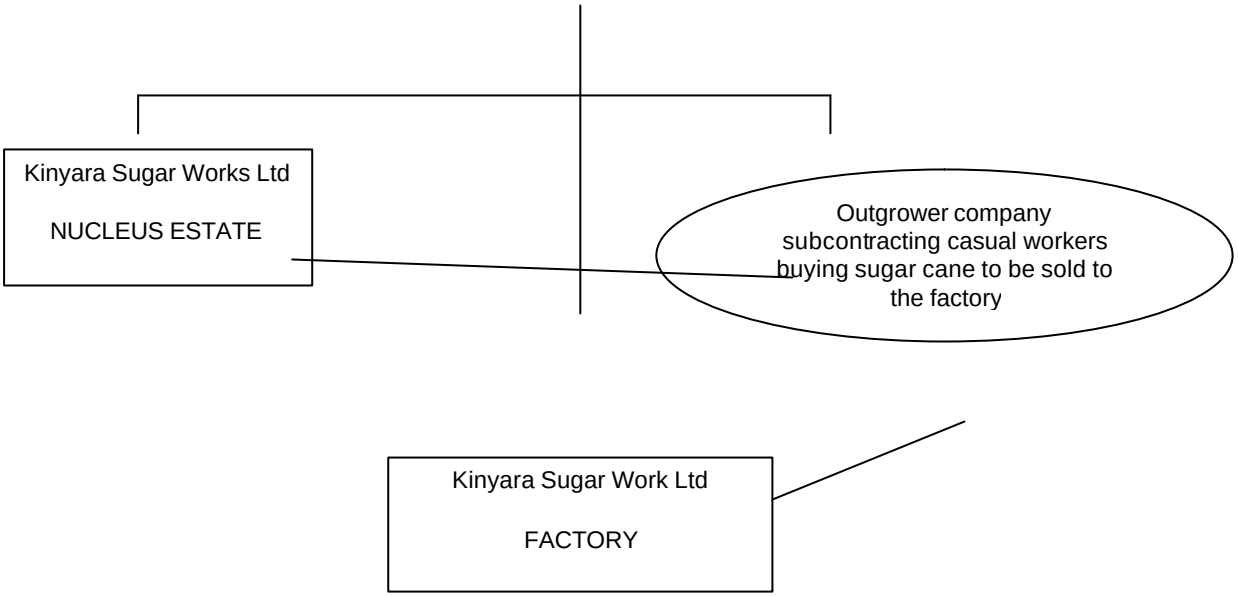
Year	Total	Permanent workers	%	Contracted workers	%	Casual workers	%	Women workers
1999	3,687	1,503		500		1,684		
2002/03 Union78% KSWL global	3,500	1,800	0.51	1,700	0.49	NIL		12%
KSWL Plantation Factory Managers	3,725	1,800	0.48	1,700	0.35	235	0.17	

(**) The source of information: Project Completion Report, 1999 Booker Tate and KSWL report to ILO January 2003.

From 1999 to 2002 the total number of workers in the KSWL company has remained stable. Out of the total of 3,900 workers, 175 are management staff, 1240 are nucleus plantation staff and 650 factory personnel. It seems that casual workers are being subcontracted through Kinyara Sugar cane Growers Ltd, for upkeep and harvest activities.

5.3.4.Contract Farming Model in Kinyara Sugar Works





The Kinyara Sugar Work Limited (KSWL) of Uganda has a model of contract farming which is a variation of the centralised model (nucleus estate, factory and marketing) where the sponsor has:

- contracted management - Booker Tate
- contracted production - on individual basis company to farmer
- subcontracted casual workers - through Kinyara Sugarcane Growers Ltd

The Outgrower scheme in Kinyara

The total outsourcing hectare of the Company represents about 4,600 ha of sugar cane, out of them 794 are small farmer Outgrowers and they are growing for KSWL about 2,400 ha. There are also few large outgrower private estates (2,200 ha) of self-funded farmers.

Land tenure varies among those outgrowers, some of them own the land, others hold the land on customary basis (kinbaya) or lease or rent the land.

Before the fever to grow sugar started in 1997-8 the peasants used to grow maize, sorghum, beans, cassava and fruit crops. They have decided to change into sugar cane crop because the commercial farm KSWL secures the market and on this way avoid problems of storage the traditional crops. Nowadays, the outgrower families buy those crops from the local market, including sugar.

The KSWL Outgrowers section under the following conditions:

- An Outgrower is a farmer who produces sugar cane out of the nucleus estate of KSWL and is identified and registered by the Outgrower section
- The Outgrower has to be located within 15 km radius of factory whose soils and location meet the minimum standards.
- The Outgrower has to hold land of a minimum of 2 ha

- all contracts between KSWL and the outgrower must be signed by the Local Committee 1 (LC1)(*) to confirm the farmers' right to farm land. (*) the Local Committee is the political elected committee who has access to truly information about the right to hold land in the area, if it is about customary (kinbaya) or leas e/rent land. It is an important issue for KSWL because the small farmers who needs aid to grow sugar cane might receive loans and to some extend land holding is the loan security.
- the initial cultivation and seed cane is provided by KSWL, under a credit scheme, the farmer will be deducted these input costs from the cane payment after harvest
- the farmer carries out all the risks and costs of growing cane, it is husbandry operations from planting, weeding, cut cane, loading and transporting cane to the factory

By 1997 the Outgrowers used to be organised under an Association. The Association was facing two problems, the lack of funds and lack of people to work the fields.

Since 2002 - at the initiative of KSWL - the Outgrowers decided to create a shareholding company named Kinyara Sugarcane Growers Ltd, which is an independent Company existing to organise the outgrowers supply of sugar cane to KSWL and to provide services to the farmer and represent the farmers to KSWL. To become a member each outgrower has to buy a minimum one share (Ush 100,000 each).

The Kinyara Sugarcane Growers Ltd has two main objectives:

1) acts as middle man (i.e. labour contractor) hiring casual workers on behalf of the outgrowers members - in between 300 and 400 cut cane workers specially during planting, weeding and harvesting period and sometimes also for the KSWL
2) acts as middle man to buy sugar cane from its members to be sold to the KSWL factory
3) provides extension services and small loans to members.

The Kinyara Sugarcane Growers Ltd has about 17 staff and has bought two plots to establish branch offices.

Box: Cost structure for a Kinyara Outgrower family

Land : 2 ha

Distance: 12 kms

	Plant-Harvest	**Ratoon 1**	**Ratoon 2**
Land developments	57%	26%	30%
Transport	18%	31%	28%
Labour	23%	42%	42%

The company gives a loan in kind of 100% of land development required at 24% interest rate a year in local currency. The loan has to be reimbursed by deduction at the first harvest.

The benefit before tax and trash deduction about :

	USD	**USD**	**USD**
Marge before taxes	1139	1.497	1.115
Average per month	98 USD		

Trade Union Organisation at Kinyara

Only 78% of the KSWL workers have joint the Kinyara Branch of NUPAWU in Masindi. The Branch has started by 1999 and has 3,500 members.

Estimation of Casual workers at the Kinyara area

Contract Farming and Casual workers	2002/2003
30% of Outgrowers production supplied to KSWL (609,229 tonnesx0.30)	182,768
Number of KSWP registered outsourced farmers – outgrowers	794
Estimation of KSWL registered outgrowers hectares	4,600
Estimation of minimum annual labour force at the KSWL registered outgrowers – Kinyara Sugarcane Growers (4,600hax1,8worker/11months=workers/year)= 753 Estimation of minimum annual casual labour force at the KSWL (6,400x1.8worker/11 month/year= 1054	461 1076
Estimation of total labour force in the Kinyara area	1,538

(*) Estimation of annual requirement of 1.8 workers per ha was made on: the piece rate daily tasks of 1,5 tons sugar cut (80 tons per ha) by worker by day/harvest plus the need of two-three weeks per worker to plant and 2 two weeks/year per worker to weed a yield of 1 ha.

An estimation of the minimum average of casual worker's force required on annual basis in the field (to plant, weed, harvest and others) was done on the basis of the 30% of the total sugar cane processed. It is 182,768 tonnes/1.5 tonnes/worker a day/24 day a week/ 11 month a year equals 461 workers on full time basis, as the minimum requirement to harvest sugar in the outgrower field.

In the January 2003 KSWL report to ILO (See Bibliography 15), it is reported that the Nucleus Estate requirement is increasing from 400 to 1,900 cane cut manual workers during the harvesting period. It represents an increase of 1,400 seasonal workers.

However if we estimate the average requirement of manpower to cut 426,460 tonnes of sugar cane in daily harvest steps according with the mill capacity, we will estimate (426,460 tonnes/1,5 tonnes a day per worker/ 24days a month/11 months a year is equivalent to 1076 workers/year to harvest cane on annual full time basis.

The total estimated casual workers -working 11 months a year rotating amongst plantations and outgrowers farms- required around KSWL area represents about 44% of the actual Union members and 30% of the current staff declared by KSWL.

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