Quest Journals
Journal of Research in Business and Management
Volume 11 ~ Issue 11 (2023) pp: 01-10
ISSN(Online):2347-3002
www.questjournals.org

Research Paper

Impact of local sugar producing industries on national economy: A case of Kagera Sugar Ltd, Tanzania.

Kalume, V.M* and Kongolo, M**
(& **) Saint Augustine University of Tanzania, Faculty of Education and Faculty of Business & Economics., Malimbe Campus, Mwanza, Tanzania*

Abstract
The aim of this paper was to examine the contribution of Kagera Sugar Limited (KSL) to sugar production in Tanzania using a descriptive approach. The findings reveal that the company has contributed well in increasing sugar production in the country. KSL is the third sugar producing company in the country after Kilombero Sugar Company and Tanganyika Plating Company. Its
sugar production was about 50,207 MT in 2014 with a market share of about 17.05%. The paper concludes that the issue of sugar gap in the sugar industry in Tanzania could be addressed through an understanding of the 'political logic of scarcity' to avoid corruption. Without drastic measures on the productive investments, the scarcity in sugar production cannot be overcomed, and the corruption is likely to continue.
Key Words: *Sugarcane; production quantities, production trends, consumption patterns, trade, Tanzania.*

*Received 01 Nov., 2023; Revised 08 Nov., 2023; Accepted 10 Nov., 2023 © The author(s) 2023. Published with open access at **www.questjournals.org***

I. Introduction

No one ignores the importance and necessity of sugar for human life including its contribution to the society as a whole. Sugar is one of the basic necessities and its scarcity could lead to the non-satisfaction of the population's needs, which in return could hamper the socio-economic development of a nation (AEDA, 2013). Thus we cannot speak of economic, social and industrial development without touching on the production of the basic necessities of which a significant part is sugar. As a source of economic and social progress, the industrialization of sugar cane is important because a country can increase its production which would contribute to the well-being of the population. This well-being of the population would determine the wealth of a nation. According to Cylus and Smith (2020), the wealth of a country is measured by the level of income per capita which projects the notion of the gross domestic product

----

(GDP). Sugar industry plays an important role in every country, including Tanzania.

This is because of its several linkages to the local economies and domestic markets in which it operates. Evidence suggests a renewed interest in industrial policies and an increase in aspirations by countries to become developmental states. Yet, some staple commodities including sugar remain scarce because their production also remain largely uncompetitive (Larson and Borrell, 2007). Large segments of the rural population in Tanzania are involved in sugar production and they depend on this cash crops. At the same time, powerful and well organised industries and their networks exploit scarcity among such commodities for more profits. This in turn generates into domestic conflicts leading to complex corrupt processes. Sugar industry is strategic in terms of employment creation in the country. It is also an important part of agricultural and development policy, because sugarcane is an important commercial crop in Tanzania (SADC, 2009). Sugarcane is the main source of sugar produced for both export and domestic consumption. It is one of the important food and commercial crops of Tanzania. Its production takes place in three main regions of Morogoro, Kagera and Kilimanjaro (Sulle, 2017). Most of the sugar produced in the country is for home consumption and only a small quantity is exported. Currently, in Tanzania most sugarcane is grown in estates owned by the sugar processing industries (SPI) and contract growers (CG) (Akwilin and Tarimo, 1998).

The privatisation of formerly state-owned sugar cane estates and mills in the late 1990s led to the reconfiguration of the ownership structure and production of the Tanzanian sugar industry. This included the decentralisation of sugar cane production operations to outgrowers and their associations. While increased sugar cane production has created jobs and income for some outgrower households, it has also led to several adverse impacts. "Large-scale outgrowers have rapidly captured the most lucrative business opportunities and the land they require, marginalising smaller outgrowers". "This is further exacerbated by heightened competition among farmers and patronage relations affecting the distribution of harvest quotas and cheap sugar imports". Despite the grand ambitions of large-scale agricultural sector who may win and lose out depends more on the local political economy, where the sugar industry, local business, political elites and local communities compete for the benefits of expanded sugar production (Andreoni et al, 2020). A major and the largest sugar producing company it Tanzania is Kilombero Sugar Company Ltd (KSCL). KSCL contributes about 40 - 45 per cent of the total sugar produced in the country (Illovo, 2014). KSCL was established in 1961 as a joint venture financed by both the International Finance Corporation, the Commonwealth Development Corporation, Standard Bank and two Dutch development finance agencies. Even though KSCL is still a major sugar producing company in the country, the gap between the production and consumption of household plus industrial sugar is growing in Tanzania. Therefore, this paper contributes to literature by examining the contribution of Kagera Sugar Limited to scarcity associated with production, consumption, imports and exports of sugar in Tanzania.

1.1 The Problem

Tanzania's sugar industry employs about 19,000 people in direct jobs and supports more than 300,000 people employed in related businesses. Between 1998 and 2013, the area under sugar cane estates grew from 16,000 to 36,000 ha and the area under outgrowers expanded from 5,000 to 19,000 ha. However, despite this expansion of the industry, the country continues to be a net importer of sugar, with an estimated annual sugar deficit of about 300,000 tons (Rebobank, 2013). To fill this gap, the government annually issues permits to traders to import sugar at a reduced or zero tariff, and it has repeatedly appealed to existing producers to increase their production, while promoting available investment opportunities in the sugar sector. The importation of cheap sugar has been a major problem for outgrowers and millers for many years. These imports are made by either illegal traders or those with legal permits issued by the government (Guardian, 2013). For example, in 2012, domestic sugar production shortfalls were estimated at about 80,000 tons, with zero tariff imports during the year shortfalls increased to about 200,000 tons (Santosa, 2014).

The problem of imports resurfaced in 2013–2014, badly hurting KSCL and its outgrowers, who jointly responded by advocating strict measures against cheap sugar imports, and opening up alternative approaches towards imports. Yet, as a net importer of sugar, Tanzania's sugar industry is continuously being affected by unstable sugar prices on the international sugar market. The international market and preferential markets for sugar are affected by the dumping of excess sugar from main producing countries including weather changes in these countries (Bates, 1981; IUF, 2002). The government of Tanzania, like many other governments, intervenes to stabilise sugar prices, either through import subsidies or waiving import taxes. The government's efforts to stabilise prices are influenced more by pressure from urban consumers than rural producers. But the importation of cheap sugar, mostly by few politically connected business men and women undermines local production, and in recent years Tanzanian producers have called on the government to control such imports of sugar (Domasa, 2016).

1.2 Objective

The main objective of this study was to investigate the contribution of Kagera Sugar Limited to sugar scarcity in the country. Specifically, the paper examined how Kagera Sugar Limited sugar production to alleviate sugar gap in the country.

1.3 Research Questions

The two main research questions addressed in this study were the following:
(a) What are the main causes of sugar scarcity in Tanzania?
(b) Why there is sugar scarcity in the country?

1.4 Relevance of sugarcane

Sugarcane is the main source of sugar in Tanzania and holds a prominent position as a cash crop. The largest producers of sugar in the world include Brazil and India in 2014-15. Sugarcane is a renewable, natural agricultural resource because it provides sugar, besides biofuel, fibre, fertilizer and myriad of byproducts/co-products with ecological sustainability. Its juice is used for making white sugar and brown sugar. It is one of the main crop to earn foreign currencies (Singh and Katiyar, 2016). The main byproducts of the sugarcane industry are bagasse and molasses. Bagasse is mainly used as a fuel. It is also used for the production of compressed fiber board, paper, plastics and furfural. Molasses is used in distilleries for the manufacture of ethyl alcohol, butyl alcohol, citric acid etc. Sugarcane press mud has good potential as organic fertilizer. Green tops of cane are a good source of fodder for cattle. Sugar industry in Tanzania is highly important to the textile industry and it also provides gainful employment to a large number of people. Countries with warmer climate produce better cane sugar, whereas countries with cooler climates produce beet sugar. Human being roughly consumes 24 kg of sugar annually (33 kg in commercial countries). Generally, sugar is mostly considered harmful, however, it has many health benefits too. Sugar can be used in fighting low blood pressure and depression. (Singh and Katiyar , 2016).

1.5 Brief history of the Tanzanian sugar industry

Tanzania sugar industry dates back to the 1920's with 30 smallholder cane juggery production in Kilombero and Mtibwa valleys. Production of granular sugar dates from 1931 at Arusha Chini by M/s A.S. Tanganyika Planting Company and later at Karangai-Bukoba and Turiani in Morogoro region. After independence in 1961, the Government initiated strategies to strengthen production at commercial scale, thereby, witnessing establishment of the Msolwa sugar factory at Kilombero."(https://www.sbt.go.tz/pages/factories)."Government nationalization of private firms in 1967 saw the National Food Corporation (NAFCO) taking charge of the development of the sugar sector, resulting into establishment of the Mtibwa sugar Estates in 1973 and Ruembe Sugar Factory (Kilombero II) in 1976. The small Kagera sugar plant damaged by war in 1978 was also re-erected into a large sugar plant commissioned in 1982. In 1974, Government established the Sugar Development Corporation (SUDECO) in place of NAFCO to develop the sugar industry and handle sugar distribution, exportation and importation. In 1992, Sugar trade was liberalized followed by privatization of the sugar companies starting with Kilombero in 1997/98, in 1998/99 Mtibwa, TPC 2000/01 and finally Kagera in 2001/2002" (https://www.sbt.go.tz/pages/factories).

1.6 Brief history of Sugar Factories in Tanzania

1. Kilombero Sugar Company Ltd is located in Morogoro Region in Districts of Kilombero and Kilosa. Kilombero (KI) known as Msolwa is located in Kilombero District and Kilombero (KII) known as Ruembe is located in Kilosa Ditrict. Kilombero Sugar Company was privatized to Illovo Sugar Limited which acquired 75% and retaining 25% to the Government.

The company had high reputation of encouraging out growers, by improvement in cane payment system incentive system.

2. TPC Limited was established in early 1930s by company which was registered in Denmark in the name of Tanganyika Planting Company Limited. The company was registered in Tanzania as TPC on 29th June 1973 and shareholders remained the same M/s A.P. Moller of Denmark. Sukari Investment Company Ltd purchased 75% of shares of TPC limited in March 2000, and became the majority shareholders of the company; the government retained the remaining 25%.

3. Mtibwa Sugar Estates Ltd is located at 38E-6S in Turiani Division, 102 km north of Morogoro town and 290 km from Dar-Es-Salaam. It occupies an area of more than 6000 ha of land. The company was privatized in 1999, and purchased by Tanzania Sugar industries Ltd.

4. Kagera Sugar Limited was privatized on 3rd December 2001 with the Government sale of 89.47%, before privatization Kagera Sugar Limited was non operative. The objectives of privatization were to improve expansion of local and regional markets, access to financing of working capital and needed investment for modernization, rehabilitation expansion and diversification, to ensure continued operations and improved efficiencies.

Various new varieties from Mauritius, South Africa and Kibaha were also being tested.

5. Manyara Sugar Company Limited is located on the foothills of the Rift Valley in the Manyara Region. It was a vision of the founding directors of the factory and was formed in 2005. The factory has grown symbiotically with the available sugarcane where the capacity of the mill has always been greater than the available sugarcane in the area. (https://www.coursehero.com/file/p7c2av8/12

1.7 Background of Kagera Sugar Limited (KSL)

"Kagera Sugar Limited was incorporated under the Companies Ordinance (CAP, 212) vide registration No. 5036 dated 17thJuly 1973. The main objective of the company was to carry on business as planters, growers, producers, manufacturers and dealers in sugar and allied products. Sugar Development Corporation became the holding corporation of Kagera Sugar Limited from 1973. During the invasion of Kagera area by enemy troops from Uganda, in 1978, substantial damage was caused to the assets of the Company including the old plant. As a result the old plant ceased to operate. Walchndnager Industries Limited of India constructed a new factory. The factory started commercial production from July 1983 after a period of twelve months trial run and corrective engineering works, which were carried out from July 1982 to June 1983". (https://www.coursehero.com/file/p7c2av8/12). "The new factory had a capacity of crushing 2,500 tons of sugar cane per day, with yearly maximum output of 56,000 tons of sugar. During the reconstruction period (July 1978 – June 1982), M/S. J.P. Murkherjee Associates of India were appointed to take over responsibility for the consultancy work of the factory up to June 1988, while HVA International and BV of Holland provided the agricultural team to advice and execute the plantations' development work up to December 1984. For various reasons the company's production gradually declined from 8,823 tons in 1983/84 to 943 tons of sugar in 1987/88. Then in 1989/90 the Government decided to improve the company's production by rehabilitating the plant through a joint venture of private companies and Kagera Sugar Limited" (https://www.coursehero.com/file/p7c2av8/12). "In August 1990, New Sugar Company Limited (NEWSCO) was formed to act as a vehicle for rehabilitation and management of Kagera sugar Limited. As a result an agreement for rehabilitating Kagera Sugar Limited was entered into on 16th October 1990 between Kagera Sugar Limited, New Sugar Company limited, Sugar Development Corporation (all of Tanzania), African Management Services Company, BV of Netherlands and Booker Tate Limited of England" (https://www.coursehero.com/file/p7c2av8/12).

"The rehabilitation was to be carried out in two phases, namely phase 1 and phase 2. The objectives of phase one, which covered a period of eighteen months, involved the preparation of prospectus for use in raising funds, identifying the sources of finances, preparation of the rehabilitation programme and stationing three experts at Kagera Sugar Limited to assist in sugar production. This phase was completed in December 1992, but still no definite indication of securing funds, and phase two which depended on the success of phase one could not be undertaken. In anticipation of the success of rehabilitation programme, the company took the initiative to engage four expatriates for two years from March 1993 to form a new management team, to carry out limited rehabilitation programme, to improve the efficiency of sugar cane plantations and factory operations, while waiting funds from the joint venture" (https://www.coursehero.com/file/p7c2av8/12)

II. Review of related studies

The paper reviewed literature that quantifies the benefits of sugar production, consumption, exports and imports with emphasis on describing those characteristics associated with these factors. It draws lessons from domestically driven reforms and from reforms forced by historic events in the country. Sugar scarcity remains in the order of hundreds of thousands of metric tons (MT) in Tanzania, while both direct demand (final consumption of sugar) and indirect demand (industrial use of sugar) are constantly growing. The sugar industry has been one of the most regulated industries, subjected to import duties, subsidies and quotas. At the country level, some of these measures have been driven by the challenges of food security and industrialisation, and trade-offs between them. Making sure that sugar gap is filled and domestic demand is met should be high on the political agenda in the country. In this case traders can help by bringing in large amounts of sugar. On the other hand, protecting the domestic industry and offering subsidies to industrialists in the hope of boosting domestic investments, export and employment with value chain would be a developmental ambition (Andreoni et al, 2020).

Sugar production and trade is indeed at the centre of the political economy of industrialisation across Africa and its sub-regions. Regulatory measures such as subsidies, import duties, special licensing and tariff regimes operating at the domestic, bilateral and regional levels are major sources of rents. These often result in rent-seeking behaviours and corruption along the value chain and across the political spectrum. Looking at the sugar gap from this rents perspective highlights how the 'politics' of scarcity plays a critical role far beyond the more standard 'economics' of scarcity. The latter simply suggests a technical supply-side solution in Tanzania from a free-market perspective or the need for liberalisation of the sector (Andreoni et al, 2020).

Various nations began the process of domestic reforms during the 1990s, including privatizing mills and estates. As a result, a number of developments on the international scene led to further reforms. The effects of these developments led to regional reform in other sugar producing countries by the North American Free Trade Agreement (NAFTA) which affected the production, consumption, marketing and policy of the country. Every government intervenes in sugar production in own way, because sugar is a basic food consumed in all countries. Many other countries intervene in one way or another in domestic markets, and only the smaller market share of these countries keeps their individual interventions from significantly affecting global markets (Chisanga et al, 2014). There are almost a total of 133 sugar producing nations (FAO, 1994). Sugar is widely traded with annual trade constituting around 26 percent of annual production (Larson and Borrell, 2001).

Across Africa there is renewed interest in industrial policies and a surge in aspirations to become developmental states. Yet staple commodities, including sugar, remain scarce and their production largely uncompetitive. Large segments of the rural population are involved in sugar production and they depend on them as cash crops. At the same time, powerful organisations and their clientelistic networks exploit scarcity among such commodities in order to capture rents along the value chain. In turn, this generates an intricate web of domestic and regional conflicts among powerful players that unfolds through complex, corrupt processes (Larson and Borrell, 2001). Scarcity is a major cause of poverty in Africa, but it is also a major source of power. If the logic of industrialisation is about generating surplus, the logic of underdevelopment is intrinsically linked to creating and reproducing scarcity. Thus, understanding this logic of scarcity is key in identifying politically feasible industrialisation strategies for Africa (Larson and Borrell, 2001).

III. Methodology

3.1 Study area

Kagera Sugar Limited (KSL) "is a sugar manufacturing company situated in Bukoba, North-Western Tanzania (Figure 1). It was incorporated in 2002 and is involved in growing sugar cane, processing and distribution of sugar. Norfund provided funding to Kagera Sugar to expand its production capacity and it is the third largest sugar producer in the country. Norfund's investment is part of a syndicated loan that helped finance an expansion of the company's production capacity. This helped to contribute to the creation of new direct jobs in the company, as well as indirect jobs through expansion of the company's existing out-grower program to smallholder farmers (https://www.coursehero.com/file/p7c2av8/12). The investment helped also to contribute to more efficient sugar production through improved mechanization and state of the art irrigation technologies for increased sugar production over time. The Company has contributed to Tanzania self-sufficient in sugar production. It is assumed that if local producers increase their investments and enhance production to satisfy the local market, this may assist the government to be able to effectively ban the importation of sweeteners. Kagera Sugar welcomed self-sufficiency in production and ramped up production *(*Mulisa, 2020; Sugaronline, 2020). The company investment is particularly additional on the following ambitions: investing in the poorest countries; investing in capital constrained markets; investing in risky markets; investing in difficult business environments; investing in high risk instruments; promoting social and environmental standards (https://www.coursehero.com/file/p7c2av8/12).

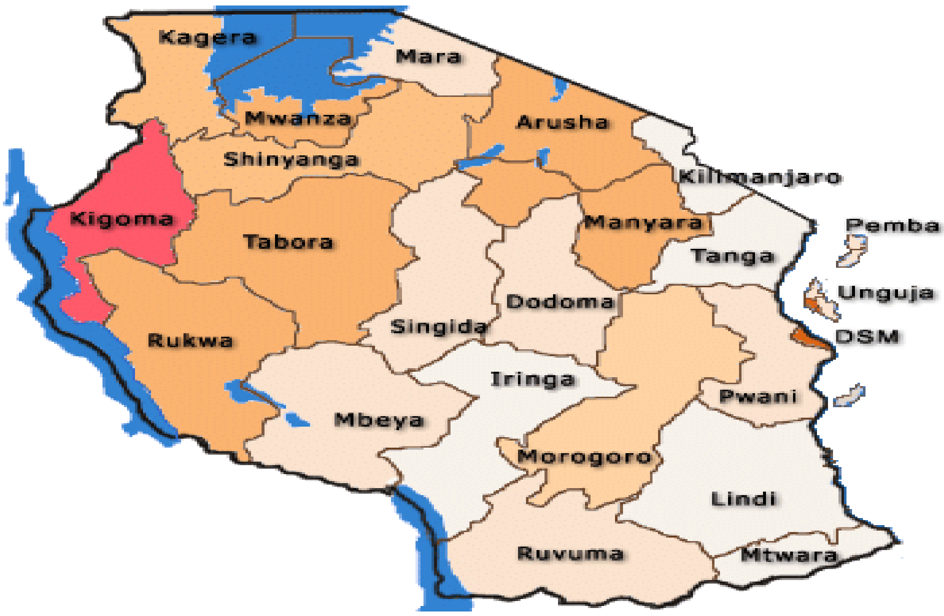


Figure 1: Map of Tanzania showing administrative regions
Source: http://www.**tanzania**.go.tz/census/**regions**.htm-4/5/2008).

Tanzania is the largest country in East Africa. Its climate and vegetation are favorable for the cultivation of sugar cane. The country has large waters and savannas including high prospects for industrial sugar production, which could facilitate commercial transactions with other Eastern countries in particular as well as those in central and southern Africa. These trade transactions would allow Tanzania to develop both socially and economically and to acquire the undisputed monopoly on the sugar market in the region. Kagera sugar limited, a Tanzanian sugar company has every interest in increasing its production by minimizing the cost while improving its quality to finally snatch the monopoly on the sugar market.

3.2 Research design

The design for this study is qualitative. The researchers used a desk review of available documents and literature of secondary data so as to situate the observations within the broader context of the impact of local sugar producing industries on national economy: a case of Kagera Sugar Ltd, Tanzania**.** The qualitative design was used because it is relatively cost-effective approach in describing a situation (Corbin and Strauss, 2008). Also it helps to describe the perceptions attached to the impact of local sugar producing industries on national economy (Astalin, 2013). Secondary information was collected by conducting a review of the literatures of both published and unpublished reports on the topic, which allowed the authors to make effective use of the information already available while conceptualizing this assessment to fill the key information gaps. The study methodology was carefully designed to maximize the use of the available qualitative information (Corbin and Strauss, 2008). Qualitative design is therefore sought to distil the impact of local sugar producing industries on national economy, a case of Kagera Sugar Ltd, Tanzania in this paper.

IV. Discussion

4.1 Sugar production in Tanzania

The sugar industry started in Tanzania in 1924 with the development of the Tanganyika Planting Company Limited in Moshi, followed by two other companies in Kilombero and Mtibwa in 1961 and 1962, respectively. Already in the late 1980s, Tanzania's domestic consumption of sugar exceeded its domestic production (Andreoni et al, 2020). Since then, with the only exceptions being 1998 and 1999, Tanzania has experienced an annual sugar gap, which has widened during 2010. This has been the effects of domestic reform processes which began in many countries during the 1990s, including privatizing mills and estates (Andreoni et al, 2020). As a result, a number of developments on the international scene led to further reforms. As mentioned in previous sections, these developments and the effects of the North American Free Trade Agreement (NAFTA) and the regional effects of reform in other sugar producing countries, affected the production, consumption, marketing and policy of a country. Every governments intervenes sugar production because it is a basic food consumed in all countries. Many other countries intervene in one form or another in domestic markets, and only the smaller market share of these countries keeps their individual interventions from significantly affecting global markets (Chisanga et al, 2014). FAO (1994) argued that a total of about 133 countries produce sugar. Sugar is widely traded, with annual trade constituting around 26 percent of annual production. However, a handful of largecountries produce and consume most of the world's sugar.

Since sugar scarcity remains in the order of hundreds of thousands of metric tons (MT) in the country, both direct demand or final consumption of sugar and indirect demand or industrial use of sugar are constantly increasing, because the sugar industry has been one of the most regulated industries, subjected to import duties, subsidies and quotas. In these instances, traders can help to secure large inflows of sugar. On the other hand, protecting the domestic industry and offering subsidies to industrialists would help boost domestic investments, export and employment along side value chain as a developmental ambition (Andreoni et al, 2020).

In May 2017, The East African reported that annual production was at about 320,000 metric tons against domestic consumption of about 420,000 metric tons (Philomena, 2017). By February 2019, national production was estimated to be about 300,000 metric tons annually, with national annual consumption of about 670,000 metric tons, of which 515,000 metric tons were for domestic consumption and 155,000 metric tons were for industrial use (Namkwahe, 2019). As of June 2020, national annual sugar consumption was estimated at 470,000 metric tons, while the national sugar production was 378,000 metric tons in 2019. This creates a national sugar deficit of 92,000 metric tons annually (Xinhua, 2020). As of December 2017, both output and market share of each manufacturer were summarized as given in the Table 1.

Table 1: Output and Market Share

Annual Output and Market Share of Sugar Manufacturers in Tanzania			
S/N	**Name of Manufacturer**	**Output in 2014 (Metric Tons)**	**Market Share (%)**
1	Kilombero Sugar Company Limited	116,495	39.57
2	Tanganyika Planting Company Limited	101,226	34.38
3	Kagera Sugar Limited	50,207	17.05
4	Mtibwa Sugar Estates Limited	26.491	9.00
	Total	294,419	100.00

Source: Totals may be a little off due to rounding.

According to (Andreoni et al, 2020), sugar production amounted to 363,000 metric tons in 2018. Starting from 2011, mirror statistics suggest that underreporting of raw sugar increased dramatically and peaked at over US$60 million in 2012 and 2015. Significant volumes of sugar above 100,000 MT per year were mislabelled, and sugar that was supposed to enter as industrial sugar was in fact introduced in Tanzania for sale in the final wholesale market for domestic use. An analysis of over 3,000 transaction-based data revealed how between 2013 and 2017, the total amount of sugar entering Tanzania was over 1.5 million MT. However, an amount of 700,000 MT of sugar was in transit. While sugar imports peaked in 2013 and 2014, the quantities have reduced since then (Andreoni et al, 2020).

4.2 Tanzania's Sugarcane production and sugar industry

Tanzania has only four companies which commercially produce sugarcane, namely: Kilombero Sugar Company (KSCL) and Mtibwa Sugar Estates in Morogoro region, Tanganyika Planting Company (TPC) in Kilimanjaro region and Kagera Sugar in Kagera region. All the companies were privatised between 1998 and 2001. The government retained 25 percent stakes in two of them: KSCL, whose majority owner is the South African company Illovo Sugar (itself a subsidiary of Associated British Foods); and TPC, now majority owned by the Mauritian sugar group Alteo. Mtibwa Sugar Estates was acquired by the Tanzanian company Super Group, which also owns Kagera Sugar. Since privatisation the industry has made significant gains in terms of capital investments, area under cane and revenue generated for the Treasury. The total production by the four companies climbed from a pre-privatisation level of 112,903 mt of sugar in 1995/96 to a peak of 304,135 mt in 2010/11 (PLAAS (2014). Despite these strides, Tanzania still has an estimated annual sugar deficit of about 220,000-300,000 mt. The factories do not operate at full capacity, but even if production were increased through efficiency gains and agronomic improvements, the four companies would be unlikely to meet domestic demand in sugar. To address this deficit, the government waives or reduces tax on some imported sugar each year encouraging the millers to increase production, and is attracting further investors into the sector. As per the Tanzania Sugar Industry Act of 2001, the sugar industry is regulated by the Sugar Board of Tanzania (SBT), under the Ministry of Agriculture, Food Security and Cooperatives (Dubb et al, 2017).

4.3 Tanzania's sugar production, consumption, imports and exports

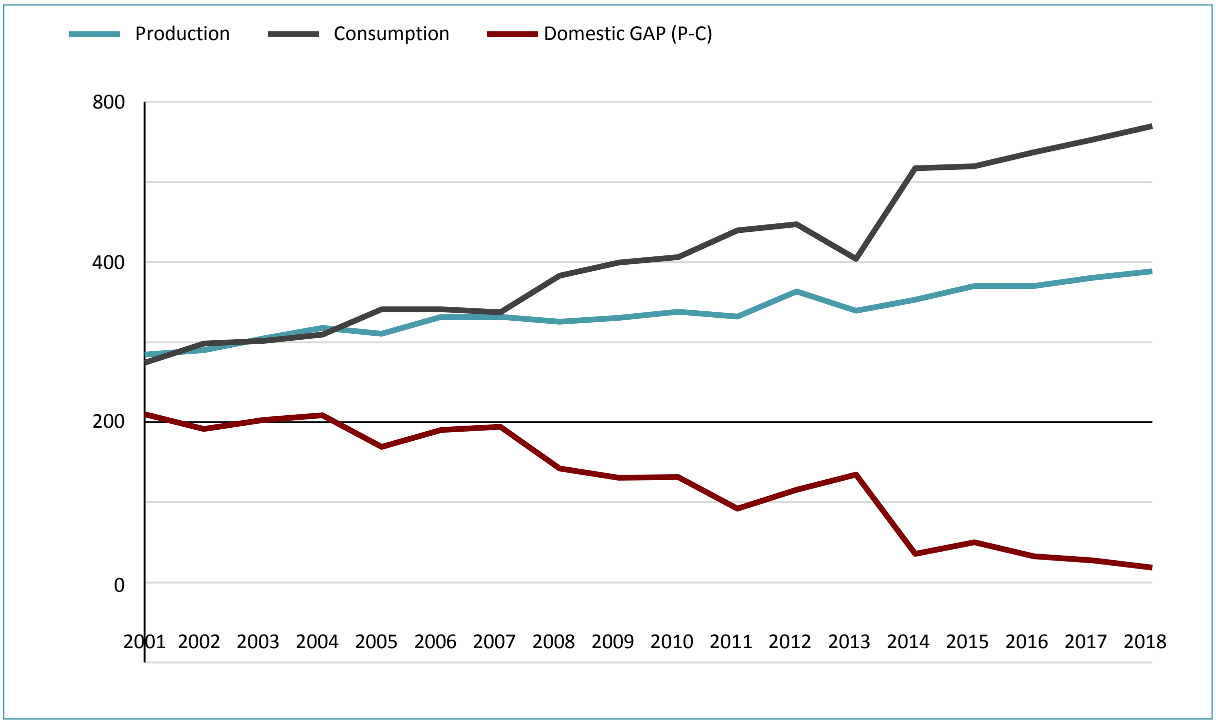
As expressed previously, Tanzania's sugar annual demand is estimated at 710,000 metric tons in 2019 versus a local production of 439,000 metric tons in the same year. The national sugar demand is estimated at 710,000 tons in 2019 versus a local production of 439,100 metric tons in the same year. Given that sugar cane farming and processing in Tanzania is very limited and cannot meet the national demand, the gap is filled with sugar imports. Nonetheless, since the privatisation of Tanzania's sugar estates in the 1990s, sugar production has steadily increased. Over the past five years, Tanzania's sugar production increased by 74%, from 252,900 tons to 439,100 tons in 2019 (https://knoema.com/atlas). Sugar production in the country is mainly concentrated in 3 regions: Morogoro, Kagera and Kilimanjaro. At present, there are 4 large sugar estates in Tanzania: the Kilomero Sugar Company with 40% market share, the Tanganyika Planting Company with 34% market share, the Kagera Sugar with 17% market share, and Mtibwa Sugar Estates with 9% market share (Tanzaniainvest.com/industry, 2021). In 2020, sugar cane production for United Republic of Tanzania was 3,62 million tons. Sugar cane production in Tanzania increased from 1.19 million tons in 1971 to 3,619,570 million tons in 2020 growing at an average annual rate of 2.76% (https://knoema.com/atlas).

Tanzania's Kilombero Sugar Company (KSC) recently confirmed its TZS 571.6 billion expansion project to increase its sugar production by 144,000 metric tons from current levels of around 127,000 metric tons of sugar per year to 271,000 metric tons. Located in Morogoro region in the center-south of the country, KSC is owned for 75% by Illovo Sugar South Africa and 25% by the Government of Tanzania. Illovo Sugar is Africa's largest sugar producer and has agricultural operations in six Southern African countries, manufacturing sugar from cane supplied by its own agricultural operations and independent growers. Behind the manufacturing expansion in Tanzania is the expected increase in the sugar cane sourced from growers by nearly an additional one million metric tons per year from the current 600,000 metric tons to 1.7 million by 2026/27. The expansion in sugar production will mean that the government will save about USD 70 million in foreign exchange, that is currently spent on sugar imports, and will create the much-needed jobs to get the economy up and moving (Tanzaniainvest.com/industry, 2021).

4.4 Sugar gap, production and consumption in Tanzania

As demand for sugar grows due to rising incomes, imports of household sugar are also increasing. Sugar for industrial use is also imported, as a result the quantity of sugar import for both household and industrial sugar into the country increases over time (Figure 1).

Figure 1: Sugar production, consumption and the gap in Tanzania



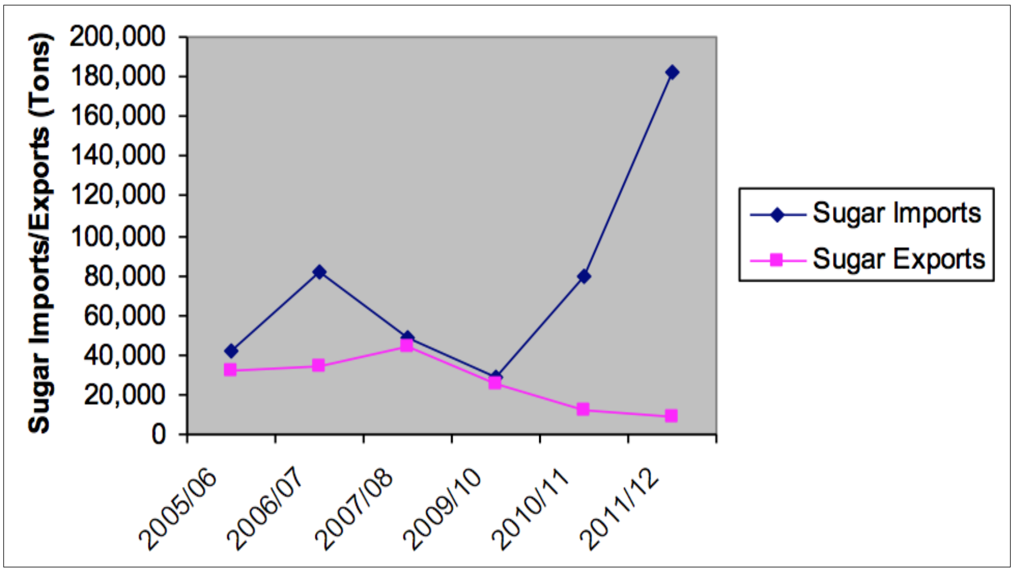
Source: (Wagaki, 2020).https://stats.oecd.org/index.aspx?queryid=71240

Sugar scarcity in Tanzania is therefore real. Moreover, the gap between the production and consumption of household plus industrial sugar is growing and amounted to 363,000 MT in 2018. The shortfall for this ten-year period was about 80.000 MT on average per year for household sugar and about 95,000 MT/year for industrial sugar (Rabobank, 2013). Figure 1 also shows that annual sugar production in the country increased since 2013, but with some variations. For instance, by February 2019, the national annual production was estimated at 300,000 MT for household sugar against a demand for 515,000 MT (or 40% gap). During the same year, the industrial sugar demand was about 155,000 MT (Namkwahe, 2019; Wagaki, 2020).

4.5 Excessive importation of duty-free sugar

Owing to Tanzania's sugar deficit, some importers are permitted to bring sugar into the country without paying the full duty (PLAAS, 2014).. Exemptions are awarded after the Ministry of Agriculture, Food Security and Cooperatives, in collaboration with the SBT, has established the shortfall in domestic sugar production. Studies suggest a lack of control over the amount of foreign sugar that is being licensed for import and the timing of its distribution within Tanzania, resulting in over-supply when the domestic crushing season begins (PLAAS, 2014) (Figure 2).

Figure 2: State of sugar imports and exports in Tanzania



Source: PLAAS (2014).

Further, the alleged problems are that cheap sugar imported for industrial use has been entering the domestic market, allowing traders to create artificial scarcity by hoarding supplies or illegally exporting sugar (PLAAS, 2014). The problem of disproportionate importation was severe during 2011/2012. Sugar imports frustrate domestic millers and association leaders, and badly hurts smallholder cane growers. During 2013, KSCL delayed payments to outgrowers, arguing that imports had affected its sugar sales including its cash flow in the country. Downward pressure on domestic sugar prices from cheap imports has also led the company to reduce the price paid to outgrowers for their cane.

V. Conclusion

Scarcity of sugar has been a widespread issue almost in all African countries, including in producing countries such as Tanzania. Evidence shows that national governments in these countries often cover the sugar gap. Sugar gap is the difference between domestically produced sugar and national consumption requirements, by managing imports of sugar from major world producers and exporters. As a consequence, sugar production and trade are at the centre of the political economy of industrialisation in most countries. Regulatory measures such as subsidies, import duties, tariffs, special licensing operating at the domestic, bilateral and regional levels are major sources of incomes, often result in rent-seeking behaviours cross the political spectrum. The issue of sugar gap in the sugar industry in Tanzania could be addressed through an understanding of the 'political logic of scarcity' to avoid corruption. The micromanagement of sugar gap is interrelated rent processes that includes powerful groups, leading to highly volatile domestic markets, by making domestic productive investments more difficult. Without drastic measures on the productive investments, the scarcity in sugar production cannot be overcomed, and corruption will continue big.

Tanzania has only four companies which commercially produce sugarcane: Kilombero Sugar Company (KSCL) and Mtibwa Sugar Estates in Morogoro region, Tanganyika Planting Company (TPC) in Kilimanjaro region and Kagera Sugar in Kagera region. All the companies were privatised between 1998 and 2001. The government retained 25 percent stakes in two of them: Kilombro Sugar Company Limited, whose majority owner is the South African company Illovo Sugar (itself a subsidiary of Associated British Foods); and Tanganyika Planting Company, now owned by the Mauritian sugar group Alteo. Mtibwa Sugar Estates was acquired by the Tanzanian company Super Group, which also owns Kagera Sugar. The discussion in various sections suggests that each sugar industry is very different in terms of the economic outcomes observed as well as the possible reasons for those outcomes. As a result, this also impacts on nation's competition dynamics behavior. The characteristics of each industry is such that the ability to effectively compete in the local and regional markets relies on their ability to compete strongly in the domestic market. Sugarcane production in the country has declined since the mid-1980's. However, increased number of contract growers of sugarcane has greatly contributed to an increase in the production of processed sugar during the 1990's in Kagera Region.

References

[1]. AEDA. (2013). Socioeconomic development. Agricultural and environment data archive. http://www.environmentdata.org/
[2]. Akwilin, J.P. Tarimo (1998). Sugarcane production, processing and marketing in Tanzania. African Study Monographs, 19 (1): 1-11.
[3]. Andreoni, A,. Mushi, D. and Therkildsen. O. (2020). The political economy of 'scarcity' in East Africa: a case study of sugar production, smuggling and trade in Tanzania. Working Paper 031, Anti-corruption Evidence (ACE)
[4]. Astalin, P.K. (2013). Qualitative research design: A conceptual framework. International Journal of Social Science and Interdisciplinary, 2 (1), 118-124
[5]. Background-of--KSL-Kagera-Sugar-Limited-was-incorporated-under-the-Companies/Bukoba (https://allafrica.com/stories/202011060120.html; https://www.coursehero.com/file/p7c2av8/12
[6]. Bates, R. (1981). Markets and states in tropical Africa: The political basis of agricultural policies. California, University of California Press, 1981.
[7]. Chisanga, B., Gathiaka, J., Nguruse, G., Onyancha, S. and Vilakazi, T. (2014). Competition in the regional sugar sector: the case of Kenya,South Africa, Tanzania and Zambia. Draft paper for presentation at pre-ICN conference, 22 April 2014.
[8]. Corbin, J. and Strauss, A. (2008). Basics of qualitative research: Techniques and Procedures for Developing Grounded Theory (3rd ed.). Thousand Oaks, CA: SAGE Publications
[9]. Cylus, J. and Smith, P. (2020). The economy of wellbeing: what is it and what are the implications for health? BMJ 2020; 369 doi: https://doi.org/10.1136/bmj.m1874 (Published 16 June 2020) or BMJ 2020;369:m1874.
[10]. Domasa, S. (2015). 'Sugar Industry in Confusion' (IPP Media, 19 February 2015), available at http://www.tralac.org/ news/article/7039-sugar-industry-in-confusion.html.
[11]. Dubb, A.,Scooner and Woodhouse, P. (2017). The political economy of sugar in Southern Africa. Journal of Southern African Studies,43(3), 447 – 4707.
[12]. FAO 1993. Trade Yearbook, FAO 1994. Production Yearbook. https://www.fao.org/forestry/statistics/80570/en/
[13]. Illovo Sugar Ltd (2014). Tanzania Socio-Economic Impact Assessment: Internal Management Report (Durban, Illovo, 2014). Available at http//www.illovosugar.co.za/UserContent/ Documents/ Illovo-Tanzania-Socio-Economic-Impact-Assessment-12May14.pdf,
[14]. IUF (2002). Structural Aspects of the Sugar Industries in East and Southern Africa' (International Union of Food, Agricultural. Available at http://www.iuf.org/sugarworkers/wp-content/uploads/2012/07/Africa-2002-Basic-Structure.pdf,
[15]. Larson, Donald F. and Borrell, Brent (2001). Sugar Policy and Reform (April 25, 2001). Available at SSRN: https://ssrn.com/abstract=632671
[16]. Matsiko, Philomena, M. (2017). Why price of refined sugar has surged across East Africa. The East African, Nairobi, 2 May 2017.
[17]. Mulisa, M. (2020). Tanzania: Kagera Sugar Hailed for Self-Sufficiency in Production. Tanzania Daily News (Dar es Salaam), 5 November 2020. Bukoba (https://allafrica.com/stories/202011060120.html)
[18]. Namkwahe, J. (2019). Government backtracks on order banning sugar imports, The Citizen, 21 February (https://allafrica.com/stories/201902210711.html).
[19]. PLAAS (2014). Opportunities and Challenges in Tanzania's Sugar Industry: Lessons for SAGCOT and the New Alliance. Policy Brief, Future Agricultures. www.future-agricultures.org
[20]. Rabobank. (2014). Tanzania Sugar, Rabobank Industry Note no. 386 (Rabobank, 2013), available at http://www. nmbtz.com/uploads/fc7bd8e651d8997c5b0ee219b640b1ae-Rabobank-IN386-Tanzania-Sugar-Plaat-June2013. pdf,
[21]. SADC. (2009). Guide to the SADC Protocol on Trade. Southern African Development Community. https://www.sadc.int/themes/economic-development/trade/
[22]. Santosa, T.Y. (2014). The World's Biggest Sugarcane-Producing Countries, (All About Agriculture, 29 November 2014), available at http://the-agrinews.blogspot.com/2014/11/the-worlds-biggest-sugarcane-produding.html.
[23]. Singh, S.K. and Arti Katiyar. (2016). The economic importance of sugarcane: an imperative grass of Indian sub-continent. Journal of Experimental Zoology, India, 19(1), 401-406. Ref 6.
[24]. Sulle, E. (2017). Social differentiation and the politics of land: Sugar Cane Outgrowing in Kilombero, Tanzania, Journal of Southern African Studies, 43:3, 517-533, DOI: 10.1080/03057070.2016.1215171
[25]. Tanzaniainvest.com.(2016). Sugar supply and demand in Tanzania, Dar es Salaam, Tanzaniainvest.com. Retrieved 18 June 2018.
[26]. Tanzaniainvest.com/sugar (2021). Tanzania sugar production 2015-2019
[27]. Tanzaniainvest.com/industry (2021). Kilombelo-sugar-factory-to-double-production. Tanzania largest sugar factory launch USD 238M investment to double production, Industrialisation Sugar. https://knoema.com/atlas. The United Republic of Tanzania Sugar cane production quantity in 2020 was about 3,619,570 tonnes
[28]. The Guardian. (2013). An Update on the Political Economy of Kenya, Rwanda, Tanzania and Uganda (London, Overseas Development Institute, 2014). Cited in Booth et al. 2014: D. Booth, B. Cooksey, F. Golooba-Mutebi and K. Kanyinga, East African Prospects 14 September
[29]. Viwanda (Bodi ya Sukari Tanzania) https://www.sbt.go.tz/pages/factories
[30]. Wagaki, M. (2020). Kenya heightens sugar industry reforms to streamline the country's ailing sugar sector', rootooba, 7 July (https://www.rootooba.com/kenya-heightens-sugar-industry-reforms-to-streamline-the-countrys-ailing-sugar-sector/).
[31]. Xinhua. (2020). Tanzanian government to crack down on hiking of sugar price. Nairobi, 5 June 2020

Websites

[32]. https://knoema.com/atlasO
[33]. https://coursehero.com/file/p7c2av8/12
[34]. https://www.sbt.go.tz/pages/factories
[35]. https://www.tanzania.go.tz/census/reions.htm-4/5/2008