



**EXAMINING THE SUGAR PRODUCTION  
CONTROL ACT FOR OPTIMUM TRADE  
JUSTICE**

**POLICY DIGEST JANUARY 2023**





# CONTENTS

1. INTRODUCTION
2. OVERVIEW OF THE SUGAR PRODUCTION SECTOR
3. TRADE JUSTICE
4. POLICY PROPOSALS TO BE CONSIDERED IN THE AMENDMENT BILL
5. CONCLUSION



# 1. INTRODUCTION

The January Policy Digest seeks to inform the general populace on the amendment of the proposed Sugar Production Control Act in a bid to break the monopoly and monopsony (a market situation in which there is only one buyer) in the sugar industry thereby creating inclusive and viable value chains. The Digest presents from a trade justice perspective, an overview of the situation obtaining in the sugar production sector in Zimbabwe, and presents some policy proposals for consideration in the amendment bill.

## 2. OVERVIEW OF THE SUGAR PRODUCTION SECTOR

The sugar production sector is governed by the Sugar Production Control Act of 1964, a legislation that was enacted during the colonial administration. The Act was enacted in pursuit of the repressive objectives of a settler dominated, racist capitalist economy which perpetuated the suppression and economic disempowerment of the black majority. In this regard, the Sugar Production Control Act served to legitimize the channeling of wealth into the hands of the elite and ring fence sugar production against the black majority. However, in 1980 when Zimbabwe attained independence from British colonial rule, she failed to correct the inherited colonial imbalances and the monopoly in the sugar production sector was entrenched thereby deliberately relegating small holder farmers in the value chain.

The monopoly and subsumption (the action of including or absorbing one thing in another) in the sugar industry is reflected by the fact that Tongaat Hullets Zimbabwe (THZ) which includes Hippo Valley Estate (HVE) Ltd and Triangle Sugar Estate (TSE) controls the value chain from the growing of sugar cane, milling and marketing. Sugar cane in Zimbabwe is grown under canal irrigation in the lowveld area of Triangle and Hippo Valley, in the Chiredzi District, Masvingo Province. Mkwesine Estates (formerly owned by Tongaat) is farmed by small scale farmers on an 8,200 hectares of land.<sup>2</sup> Approximately, 80% of Zimbabwe's sugar cane crop is produced by THZ. The remaining 20% is produced by private farmers who consist of large-scale farmers and small farmers. Zimbabwe has two sugar mills that is Hippo Valley Estates Ltd and Triangle Sugar Estates Ltd. The duo has a sugar production capacity of approximately 640,000 Metric Tons (MT) and an installed milling capacity of 4.8 million MT of sugar cane per annum. The South African based Tongaat Hullets owns 100% of Triangle Sugar Estate and 50.5% of the Hippo Valley Estate Ltd.<sup>3</sup> The remaining 49.5 percent of the Hippo Valley Estate (HVE) Ltd shares are publicly owned through the Zimbabwe Stock Exchange (ZSE). HVE Ltd only produces raw sugar while TSE produces raw sugar and approximately 20% of the total refined sugar in Zimbabwe.<sup>4</sup>

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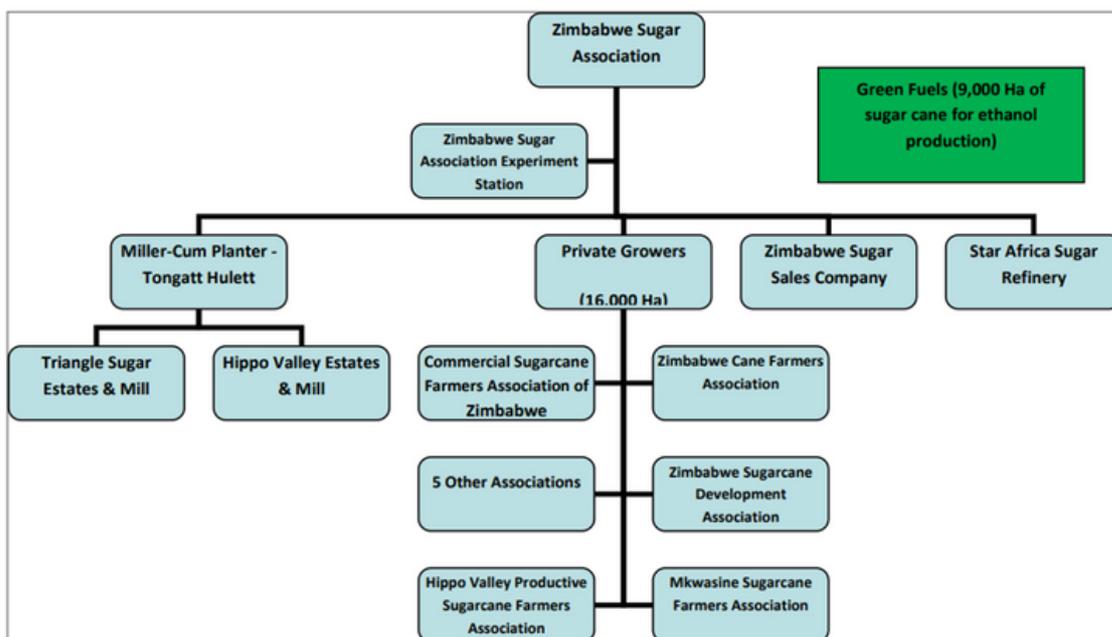
1. Chidoko, C. and L. Chimwai. 2011. "Economic Challenges of Sugar Cane Production in the Lowveld of Zimbabwe." *International Journal of Economic Research* 2 (5): 1-13  
2. Dubb, A., I. Scoones, and P. Woodhouse. 2017. "The Political Economy of Sugar in Southern Africa: An Introduction." *Journal of Southern African Studies* 43 (3): 447-470  
3. Freedom Mazwi (2020): Sugar production dynamics in Zimbabwe: an analysis of contract farming at Hippo Valley, *Review of African Political Economy*, DOI: 10.1080/03056244.2020.1832022  
4. Chidoko, C. and L. Chimwai. 2011. "Economic Challenges of Sugar Cane Production in the Lowveld of Zimbabwe." *International Journal of Economic Research* 2 (5): 1-13



There are only two sugar refineries in Zimbabwe; Triangle Sugar Refinery (TSR), and Star Africa Sugar Refinery (SASR) Ltd, an independent sugar refinery based in Harare (the Bulawayo Star Africa refinery is currently not operational). Zimbabwe`s two refineries; TSR and SASR have the capacity to produce 200,000 MT and 140,000 MT of high-quality refined sugar per annum, respectively.<sup>5</sup> Star Africa accounts for 80 % of the refined sugar in Zimbabwe.<sup>6</sup>

At the apex of sugar production is the Zimbabwe Sugar Association (ZSA) which functions as the regulatory institution. It is the highest decision-making authority in the industry on common issues for sugar cane growers and sugar millers.<sup>7</sup> ZSA covers issues related to government lobbying and sugar cane pricing. Sugar cane research on pests, diseases and varieties is conducted by Zimbabwe Sugar Association Experiment Station (ZSAES); a part of the strategic apex body in the sugar industry. The private farmers who are either large scale or small-scale are represented by various unions that function as a conduit pipe of their grievances to THZ. A vivid picture of the Zimbabwe Sugar Production Sector is presented hereunder:

**Fig: 1 Zimbabwe Sugar Production Sector**



Source: Zimbabwe Sugar Association Experiment Station

Fig 1 above shows that, there are only two sugar mills in Zimbabwe, thus they enjoy monopsony control (a situation whereby there is only one buyer in the market) and the subsumption of out growers under capital. THZ enjoys buyers and milling monopoly. Green Fuel which might be an alternative to farmers produces ethanol. However, its disadvantage is that it is located in Chisumbanje which is 115 kilometres away from Chiredzi. Thus, farmers are therefore forced to sell their sugar cane to THZ under monopoly duress. This points to trade injustice and their adverse incorporation into agrarian capital. This exclusive control of the sugar industry by THZ in Zimbabwe has grave implications on negotiations of sugar cane prices.<sup>8</sup>

5. Dubb, A., I. Scoones, and P. Woodhouse. 2017. "The Political Economy of Sugar in Southern Africa: An Introduction." *Journal of Southern African Studies* 43 (3): 447-470

6. Mazwi, F., and R. Muchetu. 2015. "Outgrower Sugarcane Production Post Fast-track Land Reform Programme in Zimbabwe." *Ubuntu: Journal of Conflict Transformation* 4 (2): 17-48.

7. Freedom Mazwi (2020): Sugar production dynamics in Zimbabwe: an analysis of contract farming at Hippo Valley, *Review of African Political Economy*, DOI: 10.1080/03056244.2020.1832022

8. Freedom Mazwi (2020): Sugar production dynamics in Zimbabwe: an analysis of contract farming at Hippo Valley, *Review of African Political Economy*, DOI: 10.1080/03056244.2020.1832022



A rapid response survey conducted by ZIMCODD with smallholder farmers in Mkwazine, Hippo Valley and Triangle shows that 75% of small holder farmers were not happy with THZ monopoly because of their high interest rates and strict monitoring mechanisms of the crop reflecting the adverse incorporation under contract farming. During the survey it was also discovered that the majority of the smallholder farmers did not have cordial relationships with THZ as they accused it for overpricing milling charges, low producer prices for cane and high transport costs.<sup>9</sup> These grievances reflect the unfairness and trade injustices in the sugar production value chains.

### 3. TRADE JUSTICE

Trade Justice (TJ) seeks to address trade imbalances and monopoly in the trade value chains. Trade justice has considerable potential to help countries achieve rights, equality and development. Current global trade practices are not based on the principles of democratic accountability and international solidarity, they do not take into account the interests of the poor and marginalized. Locally trade injustice may be perpetuated by the government, Multinational Corporations (MNCs) and Politically Exposed Persons (PEPs) who relegate smallholders' farmers, artisanal miners and vendors to the periphery of value chain. An example is that of banana and sugar cane farmers who are placed at the periphery of the value chains of their sectors leading to them being underpaid. This is despite the fact that; they endure the bane of production effects such as climate change. To this end, TJ is viewed as a vehicle of hope and a paradigm with the potent to bring social and economic justice in trade utilising the pillars hereunder:

- Inclusive value and supply chains
- All-encompassing market access
- Robust climate resilience mechanisms
- Fair trade policies

### 4. POLICY PROPOSALS TO BE CONSIDERED IN THE AMENDMENT BILL

- **Liberalise Sugar Production by Allowing Many Players:** The Sugar Production Control Amendment Bill must allow diversity and competition through enabling different private players who want to invest in Zimbabwe are given licenses to produce sugar. This will enhance the quality of production through competition.
- **Sugar Production Strengthening and Transformation (SPST):** The SPST value chain must be established to create a comprehensive and competitive sugar production value chain that promotes trade, food security, employment creation and inclusive green economic growth by 2030 for the attainability of government's upper-middle class economy aspirations as prescribed in the National Development Strategy (NDS).

- **Sugar Production Knowledge and Innovation Hubs (SPKIH):** The Bill must seek to establish an integrated, dynamic market-oriented and farmer centred Sugar Production Knowledge and Information Hub that creates a platform for smallholder farmers to learn and innovatively exchange ideas on how to become competitive farmers.
- **Establishment of Value Chain Alliance for Sugar Production (EVCASP):** EVCASP must be established to build the capacity of smallholder farmers to improve their sugar cane farming and mobilise themselves to access viable markets and organisational efficiencies in partnership with private sector players.
- **Ensuring Gender Sensitive Contract Farming (GSCF):** The Bill must provide for mandatory inclusive gender sensitive contract framing. This is especially important because the current contract farming system disregards the agrarian and economic interest of women and youth; the same pattern which is also visible in the tobacco sector.

## 5. CONCLUSION

The Amendment of the Sugar Production Control Act is a positive stride towards trade justice in sugar production as it will break Tongaat Hullets Zimbabwe's monopoly by creating a favourable investment environment that attracts other key players. It will also give smallholder famers viable alternatives for sale of their sugarcane. The adoption of the proposed policy proposals will also go a long way in liberalising the value chain and ensure that smallholder famers are treated fairly contributing to economic empowerment of the black majority.

