Unsustainable Finances of the Sugar Economy in Kakamega County, Kenya

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Abstract

This research focused on sugarcane farming; why farmers end up with minimal (if any) benefits from commercialized sugarcane production after labouring for at least one and a half years. Methodologically, the research relied on farmers'/sugar companies' document analysis, oral interactions with farmers and company officials, and researcher observation of the research area. The concepts of commercialization, innovation and sustainability were utilized in this research. Commercialization denotes the range of changes embraced by households as a consequence of increased sensitization of their productive systems to the presence of the market. Innovation implies the ability of a people to be inherently dynamic historical actors and not merely amorphous masses of peasant cultivators. Sustainability is the ability to maintain a beneficial relation in the enterprise a people are involved in by balancing between the psychic and material returns. The research established that sugarcane transportation was not only controversy ridden; it was also a burden to the farmer often costing at least 30 percent of the farmers' gross income. Moreover, the total deduction accounted for 50 percent of the gross income. These, together with the long maturation period of sugarcane in the western sugar belt adversely affected the sugar economy culminating in poverty and a marked absence of development. The research concluded that sugar companies exploited the sugarcane farmers depleting their financial investment base. It thus recommends that sugar companies should introduce mobile weigh bridges for the harvested sugar cane to be weighed on the farms before transportation to the factories. It further recommends a full implementation of section 29 the sugar act 2001, which among other things requires the company to weigh the harvested sugarcane at the farm gate and transport it efficiently. Further the acts provide that the farmer will not be charged the cost of transport.

Key Words: Commercialization denotes the range of changes embraced by farmers and their households as a result of increased sensitization of their productive systems to the existing market. The commercialization of sugarcane production in Kakamega presents opportunities for farmers to improve their welfare by exploiting local skills and incentives. The commercialization of agriculture saw the farmers in Kakamega drift from subsistence to sugarcane production. The anticipated economic incentives like large sums of money after harvesting the sugarcane had seen farmers increase the acres/hectares of land under sugarcane cultivation. On the part of the sugar companies, commercial cane farming presented an opportunity to earn a profit by swindling the farmers' income.

Sustainability is the ability to maintain a beneficial relation in the enterprise a people are involved by balancing between the psychic and material returns. In this case, it denotes the ability of the sugarcane farmers to earn adequately from their sugarcane venture and utilise the earnings to acquire both their subsistence and secondary needs. In the absence of adequate earnings from sugarcane farming, they were rendered unsustainable. Adaptation is the element of continuity and transition between traditional forms of production and a variety of ideas, techniques and new approaches introduced by capitalism to African agriculture in this case in Kakamega. The sugarcane farmers are adequately adapted to commercial cane as they perceived it to be in their best interest. Moreover, sugarcane farmers of western Kenya are positively responsive to economic incentives; this in essence shows a remarkable response of the farmer to the economic incentives of cane farming in Kakamega.

Introduction

Sugarcane is the single most predominantly produced cash crop in Kakamega, with two production systems; the private and the contract system of sugarcane farming. Being the single largest produced crop, farmers invest comparatively more resources in the form of time, land allocation and labour to it in anticipation of commensurate returns[1]. The farmers adopted the commercial production of sugarcane in the early 1970s shifting from the initial subsistence farming. Their adoption of commercialized cane farming was informed by the view that sugarcane production would provide them with the monetary returns which in turn would compensate for the loss in subsistence production[2] through the purchase of household subsistence needs from market. Commercialized sugarcane farming stands out as a unique venture where the farmers plant the crop once and stand to benefit from the subsequent offshoots of the plant once the first harvest is done. Ideally, sugarcane in Kakamega county and western Kenya at large ought to mature within eighteen to twenty-two months, which then paves way for the harvesting exercise.

However, the plant takes a bit longer to mature, between twenty-two to twenty-four months while the ratoons[3] are ready for harvesting within eighteen months. If undertaken as a business entity, these long periods of maturity render the survival of the farmers' households in terms of food needs precarious. The expectation would be that the returns from the harvested cane should not only sustain the farmers' households in the subsistence sense, but also realize a profit that would be utilized for other social functions like school fees and emergency/ medical provisions. This paper examines the evolution of the sugarcane economy in Kakamega County by interrogating the relationship between the needs of rural peasant households and the interests of sugarcane companies. The elements of this relationship include land ownership and use, the subsistence imperative labour and remuneration. The paper advances the thesis that peasant households do not reap maximally out of their sugarcane enterprise because they are swindled by the sugar companies exposing them to subsistence imperatives.

Harvesting Charges and Remunerations

The remuneration within the cane production cycle is an elaborate process. For purposes of this study, only documented payments/deductions on the farmer's payment slip will be considered. However, it is worth noting that cane production engagements utilized household labour during planting as well as weeding and fertilizer application, which are neither documented on the farmers' pay slips nor factored in while calculating the net farmers' pay. All payments to farmers by the sugar companies are based on the quantities of the cane delivered to the factories[4], entirely quantified in tonnages. One of the many deductions made is the harvesting charges. For harvesting, the sugar companies contracted cane harvesters who work in groups of four (oral discussions with the harvesters). For the private cane, the harvesters still work in fours but negotiate with the farmer about their pay. For the analysis of the harvesters pay Mumias Sugar Company farmers' records will be of essence to indicate the trend in the harvesters' pay, as tabulated below.

Table I: Mumias Sugar Company Harvesters' pay per ton of harvested cane.

Year	1990	1992	1994	1996	1998	2000	2002	2004	2006	2008	2010
KSh	43	53	84	114	129	158	179	195	195	200	235

Source: MSC, Z=3 F/N=34, Z=2 F/N=77, Z=2 F/N=70, Z=3 F/N=46

Table I reveals an ascending trend in the pay per ton of harvested cane which has chronologically been in line with the prevailing financial situation in Kenya. Whether the pay is able to sustain the families of the harvesters who have devoted their time fully to it, is a question to be explored elsewhere. The harvesting expenses as noted in the table above are borne by the farmer and not by the company that contracted the sugarcane harvesters.
This diminishes the farmers' anticipated income, limiting their sustainability index.

[1] Odada, J.E., et al (Eds), (1986). Incentives for increased agricultural production; a case of Kenya sugar industry. Nairobi: Fredrich Ebert Foundation

[2] Smith, J.A., (1978). The development of large-scale integrated sugar scheme in western Kenya. I.D.S working paper, no. 343 (pg 1-3).

[3] Ratoon is the sugarcane plantation that grows from the cuttings of a harvested cane plantation

[4] Mumias sugar company, zone 3, field number 34 and 46 and zone 2 field number 70 and 77

Transportation of the Harvested Cane

Ideally, after successful harvesting, the cane should be effectively and efficiently transported[5] to the millers/company to avoid both the loss of the sucrose content and the reduction in tonnage of the harvested cane caused by drying on the farm. In Kakamega, oral evidence revealed that the cane sometimes takes up to one week after harvesting before being transported to the company. This compromise the tonnage returns to the farmer because a certain amount of weight is lost in the interlude between harvesting and transportation. This in turn reduces the farmers' expected net pay. The reason for the delayed and ineffective transportation (from observations, ineffectiveness and inefficiency partially emanates from the massive cane spillage observed during transportation which litters the roads from the farms to the factories) as exemplified by Mumias sugar company, is the company's poor harvesting program.

Like other services, (land preparation, input supply and harvesting), Mumias Sugar Company sub-contracted the transportation of cane to independent transporters. However, given the vast area that the company monopolizes in terms of cane production, the contracted transporters are unable to handle their responsibility effectively and efficiently. Transportation was further complicated by Mumias Sugar Company's program of massively harvesting cane in different far flunked areas/zones. The crippled transport department minimized the chances of high expected returns to the farmer, exposing the latter to financial un-sustainability, as the cane dried up, thus losing weight before transportation to the company. Consistently, transport charges across Kakamega and the entire western sugar belt have been on the rise. This ravaged the farmers' expected returns from their sugarcane enterprise exposing them to diminishing financial sustainability. On the other hand, this went a long way in satisfying the company's objective of operating as a profit making entity where it exploited the farmer through transport costs to earn the profit. The table below shows transport charges over time.

Table II: Mumias Sugar Company's charges per transported ton

Year	1990	1992	1994	1996	1998	2000	2002	2008	2010
KSh/ton	115	169	408	408	442	580	489	629	799

Source: MSC Z=3 F/N=34, Z=2 F/N=77, Z=2 F/N=70, Z=3 F/N=46

Table II reveals the exploitative behaviour of the sugar company as schemed with the sugarcane transporters to unilaterally increase the transport costs. This exploitation rendered the sugarcane enterprise in Kakamega financially unsustainable to farmers. The slight drop in the transport charges observed in 2004 was attributed by oral accounts to political factors especially the need to gain political millage from farmers. To illustrate how transport costs ruined the farmers' business venture; table III below reveals that cumulatively, transport costs add up to thirty percent of the farmers' gross income.

Table III: Cumulative Transport Costs Compared to the Gross Income

Year	1990	1992	1993	1995	1997	2004	2010
Transport cost	366195	282438	369404	670503	847506	761461	1077115
Gross income	1289645	1052875	1374288	2552188	3225944	2803099	4243750

Source: MSC Z=3 F/N=34

Table III indicates that transport is an expensive service that the farmers have to bear[6]. This burdens the farmers exposing their commercial venture not only to financial but also subsistence un-sustainability. Given the situation where the harvested cane was drying up on farms, the farmers admitted incurring 'silent' transport costs by bribing the transporters to prioritize their farms and transport their cane. This was an adapted strategy by the farmers' to try and save their drying cane.

A further analysis of the transport cost reveals that other factors could be behind the sky high transport costs in Kakamega. For instance, most of the sugarcane production zones are outside the twenty-four kilometre radius range from the company (Mumias Sugar Company), thus attracting a higher transport charge per ton of cane delivered. In addition to this, the road network in Kakamega is mostly marram surface.

[5]Effectively transported denotes the timely availability of the transporter to transport the harvested sugarcane in less the twenty-fours in order to avoid both the loss of the sucrose content and the tonnage weight of the harvested cane. Efficiently transported implies the ability of the transporter to maximally minimize wastage of the harvested cane while transporting it to the factory, in this case through cane spillage on the way to the company

[6] Kisia, A. and Okwayo, J. "cane production in bad state", in The East African Standard, Monday, 14th September, 2009. (page 11)

These roads are almost impassable during the rainy seasons as noted by observations. Moreover, the global escalating prices of petroleum products in the world capitalist economy, coupled with political instability in oil producing countries like Libya have caused an upsurge in transport costs. Further, Mumias Sugar Company has a poor sugarcane harvesting program where excessive cane was harvested in different zones at the same time yet the contracted transporters could barely effectively and efficiently cope. This caused an unprecedented hike of the transport costs as the demand for the transport services was high. Also, the farmers suffered the burden of transport costs due to the reluctance of the sugar companies to implement section 29 of the Sugar Act of 2001, which unilaterally placed the responsibility of cane transportation on the companies[7]. This minimized the profit margins of the farmers rendering their enterprise un-sustainable.

Determining the Farmers Pay

Successfully transported cane is delivered to the company's weigh bridge, where the actual weight is determined. The determination of the cane's net weight further determines the farmers pay and the remuneration of all the people/parties involved in the cane production cycle. The net weight determines the farmers' gross income before the various expenses/deductions are made to arrive at the net income. Besides harvesting and transport, other deductions include; land preparation costs (surveying, ploughing, first and second furrowing and harrowing), the cost of inputs advanced by the company (seed cane and fertilizer), levies, and cess, out growers' company levy, supervision (zonal manager, field clerks and assistant clerks). Retention charges and shares are also deducted[8]. This exposes the exploitative avenues utilized by the company to ruin the farmers' anticipated returns. As shown by the farmers' pay slips, the rates of these deductions were exorbitantly high and un-sustainable on the part of the farmer as tabled below.

Table IV: Mumias Sugar Company's Service Deduction Rates

SERVICES OFFERED	RATE IN KSh/Ton
levy	6.00
Cess	0.01
SUPERVISION SERVICES	
Zonal manager	7.50
Field clerk	7.50
Assistant Field clerk	7.50
MOCO SERVICES	
Retention	15%
Shares	10%
Interest	16%

Source: MSC Z=2 F/N=77, Z=2 F/N=70

Table IV above confirms that sugarcane production in Kakamega had been commercialized with the company earning interest at the expense of the returns to the farmer. Oral evidence revealed that occasionally, the company failed to disclose the interest rates to the farmers allowing itself the unilateral freedom to increase the hidden charges that rendered the cane farming business un-sustainable on the part of the farmer. In addition, the oral evidence revealed that some farmers were deducted for shares they were oblivious about. This meant that the shares never translated into returns to the farmers, worsening the un-sustainability index of the farmer. Moreover, observations showed that the cess and the levy that are supposed to improve the locality of the sugarcane production zones never served this purpose as the infrastructure in Kakamega remained dilapidated. It appears the failure by the company to improve the infrastructure was technically used to hike the transport cost which is a burden as already discussed, depleting farmers' sustainable income from cane farming.

A further insight into the deductions reveals that they were made per ton delivered to the company, which implies that each individual cane delivered contributed to the deductions. This however, is not practical in managerial terms of the cane production process as the zone managers, field clerks and their assistants didn't pay attention to each individual cane on the farm. Paradoxically, oral submissions revealed that the supervisors rarely visited the farms and when they did, they paid little attention to the sugarcane plantations, let alone meeting the individual farmer on their farms. The limited number of visits by the company officials was a commercial strategy adapted by the company to minimize their expenditure on the farmer and maximise on the profit margin.

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[7] The Sugar Act 2001, section29, 13 (d). Nairobi: government printer, 2001

[8] Mumias sugar company zone 2 field number 70 and 77

In essence, farmers paid for services they never received and these depleted their revenue base from the cane enterprise rendering the venture unsustainable.

THE ‘DR’

In the formative years of sugarcane production in Kakamega, most farmers got a net income of a debit, famously known to the farmers as the ‘DR’. This implied that the farmers were indebted to Mumias Sugar Company. In practical financial terms, the farmer had no cash income from the harvested cane after almost two years of working and waiting. If anything, the farmer was to pay the company as the company deductions exceeded the farmers’ gross income. Oral discussions with an impeccable source (one of the senior Mumias Sugar Company officials) revealed that the ‘DR’ was a strategy for trapping the farmers not to opt out of commercial cane production when it turns out to be unsustainable and also to catalyse the increase in the acreage of land allocated to sugarcane production in Kakamega. The farmers adopted the latter in order to quickly offset their debt to the company. Therefore, the ‘DR’ was a commercially invented strategy by the company to entrench cane farming in Kakamega. The strategy however, worsened the already unsustainable position of the farmers in Kakamega.

Farmers’ Net Pay After All the Deductions

The farmers anticipation of a lucrative commercial cane production venture turns out tragic as the company swindles the farmers’ expected returns[9] through the avenues discussed rendering the enterprise unsustainable both financially and in terms of subsistence. In most cases, the farmers’ net pay after all company deductions is just about fifty percent of the gross income as revealed by the farmers’ pay slips captured in table V below.

Table V: Farmers’ Net Pay after all Company Deductions

Year	1990	1992	1994	1995	1997	1999	2001	2004	2005	2008	2010
Gross income	1289645	1052875	1374288	2552188	3225944	316521	137342	2803099	58552	169186	4243750
Net income	572533	433366	594936	1182020	1399860	119431	66408	1272891	31629	69722	243506

Source: MSC Z=3 F/N=34, Z=2 F/N=77, Z=2 F/N=70, Z=3 F/N=46

Table V above reveals farmers losing up to fifty percent of their gross income to only earn minimal pay from commercial cane production. The exploitative deductions by Mumias Sugar Company ruined the income base of the farmers from the commercial venture rendering the enterprise financially unsustainable to the farmers.

Conclusion

This paper examined the evolution of the sugarcane enterprise in Kakamega by interrogating why farmers end up with minimal (if any) benefits from commercialized sugarcane production after labouring for at least one and a half years. To illuminate this, land ownership and use, the subsistence imperative, labour and remuneration were examined. The research concludes that more resources were dedicated to sugarcane farming at the expense of rural peasant subsistence production in Kakamega County. More over the cane farmers in the county had to content with various exploitative/exorbitant expenses and deductions among others transport, harvesting, supervision, out growers’ services, cess, levy, land preparations and input advances. Transport was the single most expensive services claiming at least 30 percent of the farmers’ income yet, the sugar act 2001 unilaterally placed the responsibility of transport on the millers/companies. The paper concludes that peasant households are swindled by the sugar companies rendering them to the imperatives both financially and subsistence un-sustainability. Finally, the paper calls on the farmers to review their engagement with the sugar companies if the commercial cane production in kakamega is to be sustainable.

It also recommends that sugar companies should introduce mobile weigh bridges for the harvested sugar cane to be weighed at the farm gate before transportation to the factories in order to promote effective and efficient in the transport department. Further the paper recommends a full implementation of section 29 of the sugar act 2001.

[9] Mumias sugar company, zone 3, field number 34 and 46 and zone 2 field number 70 and 77

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