

AN OVERVIEW OF THE SUGAR INDUSTRY OF JAMAICA

Historical Background

The sugar industry in Jamaica had its origin in the early 16th century under Spanish colonial rule when sugar cane was shipped from Haiti to the island around 1509. During the next century, very little emphasis was placed on the large-scale cultivation of sugar cane and production was undertaken only for internal use. The Spaniards were unwilling to work on the sugar estates after the Arawaks were decimated and cane lands were more or less left uncultivated. I

Sugar cane cultivation became an important activity after the British took control of the island from the Spanish in 1655. In the 17th and 18th centuries, under the British plantation system, the island became the major producer and leading exporter of sugar in the world. Sugar output reached at 101,194 tonnes in 1805, but this position was unsustainable and production began to slide downwards, reaching a low of 4,969 tonnes in 1913. The all-time high of 514,825 tonnes was achieved in 1965. Production has since declined to 186,133 tonnes in 1998 and 204,188 tonnes in 1999, averaging 213,775 tonnes per year during the last two decades.

A number of significant changes have occurred in the industry during the 490 years of sugar production in Jamaica. The method of production has changed drastically from the use of cheap slave (Africans) and indentured labour (Indians and Chinese), to less labour-intensive and more capital-intensive methods. Although the industry's contribution to the national income, employment and export earnings has declined, it remains the largest single employer of labour as well as the largest industry within the agricultural sector.

The production of sugar cane, once confined to the plantations owned by millers, is now shared by some 12,000 independent cane farmers who produce just over 50 per cent of the cane processed. Primitive production methods, involving some 775 sugar factories in 1773, have given way to a modern centralised system with only eight factories in operation. The land under cane cultivation has fallen from 58,936 hectares in 1973 to about 42,000 hectares in 1999.

Recent Performance

In 1999, the sugar industry employed some 36,000 persons directly, of which about 15,000 were self-employed cane farmers and 2,200 were factory workers. Direct employment in sugar production represented about 4.0 per cent of the active working population and 18 per cent of total employment in agriculture. In addition, the industry supports indirectly another 100,000 persons. Revenue from sugar production accounted for 1.04 per cent of Jamaica's Gross Domestic Product and 13.87 per cent of the value of agricultural production. Foreign exchange earnings from sugar exports accounted for 6.0 per cent of the value of domestically produced exports and 51.70 per cent of the value of agricultural exports in 1998.

Table 1: Relevant statistics on sugar production for five-year periods from 1970 to 1995 and annual figures up to 1999.

Production Data ('000 tonnes)			
Year	Cane milled	Sugar output	Sugar Exports
1970	4,214	373.9	298.0
1975	3,581	366.4	258.4
1980	2,764	250.7	131.8
1985	2,270	210.0	151.0
1990	2,572	219.1	147.1
1995	2,295	211.5	144.8
1996	2,624	237.9	181.3
1997	2,413	236.5	170.9
1998	2,560	186.1	167.5
1999	3,312	204.2	177.5

The industry has performed poorly since 1970 and a number of factors have been identified as the main reasons for such a weak performance. Less land is now under cane than in the past and the volume of cane and sugar per hectare has declined. The cost of production inputs has increased and this has affected the quality of cane supplied to the mills. Poor quality cane and obsolete machinery have affected the performance of the factories. Unreliable transportation facilities, adverse weather conditions, disease infestation - smut and rust, poor agronomic practices and generally weak field and factory management have had a negative effect on the industry's overall performance.

The above factors had an impact on the investment climate and consequently the development and modernization of the industry was not vigorously pursued. Production, which showed an upward trend after the second world war, fell drastically after 1965. Structural changes in the 1970s, when the private ownership of the estates shifted to majority ownership by Government, failed to stem the tide of the decline. An experiment with co-operative management of the field operations at the three largest publicly owned estates ended in 1981 when management and control of the assets were returned to a holding company. This was followed by the engagement of a foreign sugar conglomerate to manage the government-owned assets in 1984, but this also failed to arrest the decline and return the industry to viability.

In 1994 the government-owned assets were privatized through the sale of publicly-owned factories to private companies, and the lease of some sugar lands to the new factory owners and independent cane farmers. At the same time, the regulation and control of the industry by government was relaxed to allow much greater freedom in the marketing of sugar. The crop that ended in 1996 produced the best results for the

industry since 1980. Production, however, declined once again, reaching a fifty-year low of 188,133 tonnes in 1998, notwithstanding privatization and deregulation. In 1998 the Government of Jamaica became, once again, the primary shareholder in the sugar industry after the divestment effort of 1994 failed when the private owner were unable to mobilise the investment need to modernize the estates or to bring them to the required levels of efficiency and viability.

The Institutional Framework

The main players in the institutional structure of the Jamaican sugar industry are described below.

*The **Ministry of Agriculture*** has overall responsibility for the sugar industry, but it deals with general policy issues while delegating to the Sugar Industry Authority the specifics of regulation and control of the industry.

Sugar Industry Authority (SIA) is a statutory body created in 1970, by way of an amendment to the Sugar Industry Control Act of 1937, to succeed the Sugar Control Board.

The Authority was vested with wide powers to regulate and control the industry, including the functions of arbitration, regulation, planning research and development and monitoring of cane and sugar quality. The focus of the SIA is on the arbitration of industry disputes, determination of the share of revenues between sugar manufacturers and cane farmers, industry research and technical assistance, communication of industry developments, trends and prices to consumers and end users. The SIA is also responsible for the provision, of information for national planning, administration of the Factory Inspectorate and the registration and licensing of cane farmers and the allocation of the preferential export quotas between sugar manufacturers. The Authority continues to be responsible for interfacing with the international sugar community on behalf of the Government and local sugar interests. It monitors the Government's lease arrangements with farmers to ensure that the lands are properly managed and remain in the production of sugar cane.

Marketing

Prior to the deregulation of the industry in 1994, the Sugar Industry Authority exercised a monopoly role in the marketing of sugar and molasses in both the domestic and export markets. Since 1994 the marketing function has largely been assigned under an agency agreement to ***Jamaica Cane Products Sales Limited (JCPS)***, a private company which is jointly owned by sugar manufacturers and cane farmers. As marketing agent of the SIA, JCPS undertakes the commercial functions associated with the marketing of sugar destined for export to the preferential quota markets in the European Union and the United States of America. Although manufacturers are free to sell privately that portion of sugar not required to fill the preferential quotas, JCPS undertakes the marketing of locally produced sugar and molasses in the domestic

market and distributes the total revenues of the industry to sugar manufacturers and cane farmers.

Loan programmes for the planting, replanting and acquisition of equipment are administered by JCPS and the Agricultural Credit Bank.

Under the deregulation programme, the importation of refined sugar was liberalised. Sugar which is used as raw material is duty-free, while that which is an end product attracts a duty. The sole right to import raw sugar was retained by the SIA as a means of ensuring an adequate supply to the local market and prices are kept within reasonable limits.

Research

Research is undertaken by the ***Sugar Industry Research Institute*** (SIRI), the technical arm of the Authority. The Institute's research programme covers the areas of sugar cane agronomy, crop protection, agricultural engineering, variety improvement, farm management, factory operations and sugar technology. In addition, SIRI provides extension services to cane farmers and technical training for workers within the industry. SIRI has been active in the development of an environmental programme for the industry by educating personnel on environment issues, establishing laboratory facilities to test factory effluent, implementing measures to reduce pollutant load, conducting factory audits and pilot plant studies for appropriate treatment systems and training factory personnel.

Briefly, the other organisations, forming the institutional structure of the industry are:

- ***The Sugar Manufacturing Corporation of Jamaica (SMCJ)*** - an association of sugar manufacturers representing their interests;
- ***The All-Island Jamaica Cane Farmers' Association (AIJCFA)*** which is the umbrella association of local cane farmers' associations, representing the overall interests of all the cane farmers;
- ***The Sugar Producers' Federation (SPF)*** which deals with the industrial relations and staff welfare matters of the sugar manufacturers. SPF acts on their behalf at all levels of conciliation and negotiation with the three Labour Unions that represent the workers in the sugar industry. Agreements reached between SPF and the Unions usually set the pattern for agreements made in other sections of the industry.

Ownership structure of the Sugar Industry

In 1998 the Government regained control the four factories that were divested in 1994, and is now the major shareholder of six of the country's eight factories.

The sale of the publicly owned factories had been accompanied by the lease of a portion of the adjoining cane lands to the new factory owners. These lands remained

with the factories following their reverting to public control. The remaining cane lands are being leased to cane farmers. In keeping with Government's policy to encourage the involvement of young people in agriculture 25 per cent of these cane lands are being allocated to young farmers. The lease programme is being monitored by the Sugar Industry Authority (through the Sugar Industry Research Institute) to ensure that these lands remain in sugar cane production and that fragmentation is avoided.

Outlook

Jamaica's objective is to produce sufficient sugar to satisfy its viable markets by the year 2004. The market requirements are shown in *Table 2*.

Domestic Market	120,000
EU Quota - Protocol	126,000
- SPS	30,000
US Quota	12,000

The production target is 300,000 tonnes, while the rated capacity of the eight sugar factories in operation is 325,000 tonnes. The industry has not produced at or near its full capacity in over two decades, but it is expected that with substantial new capital for the modernisation and upgrading of factories and improved field practices greater yields of cane and sugar from the land under production may be achieved. The Sugar Industry Research Institute is giving close guidance to those farmers who were beneficiaries of leases under the privatisation programme with the expectation that better management of smaller units and more intensive use of land should result in better husbandry and increased productivity.

The outlook for the sugar industry is positive for the medium to long term. With the necessary injection of capital, increased efficiency, industrial harmony and a stable economic environment the industry should progress towards its target of 300,000 tonnes in the next four to five years.

Sugar Industry Authority of Jamaica

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