

THE JAMAICAN SUGAR CANE INDUSTRY: REGULATORY AND INSTITUTIONAL FRAMEWORK

Introduction

Currently the sugar cane industry comprises six (6) factories and their associated estates, two (2) of which are publicly owned. Some 6,000 independent farmers supply approximately 45% of the throughput to the factories. The present mix has evolved from a situation in which in former years the industry was totally privately owned.

During that time it experienced frequent conflicts between farmers, millers and other stakeholders which often resulted in a shutdown of the industry.

A Sugar Industry Enquiry Commission (1966) chaired by Sir John Mordecai stated that there was a need for regulation and that it stemmed from the level of complexity of the organization of the industry. The Mordecai Report states that *“The organization of the industry is more complex than any other industry in the island”* This is still true today.

The industry is highly vertically integrated from agriculture through transportation to manufacturing and sales. This gives rise to diverse modus operandi of different stakeholders in the industry and results in a wide range of obligations between parties. If these obligations are not met to the satisfaction of respective parties conflict often results. Regulation of the industry and monitoring of its daily operations are therefore important to have it functioning efficiently.

Why Regulation

For decades conflicts within the Sugar Industry of Jamaica were of deep public concern. Between 1944 and 1966 no fewer than four Government Commissions were appointed to enquire into some aspect of the industry. Commissions were appointed in 1959, 1962, 1964 and 1966. Despite this, millers and cane farmers sustained chronic differences and relationships worsened. The incidence and duration of strikes and causes for work

stoppages increased during that period and the future of the industry became a matter of grave concern (Mordecai Report, 1966).

The Mordecai Commission recognized the need for a strong independent organization to regulate the industry and made this recommendation.

Section 5 Page 193 of the Mordecai Report states:

“Almost all the evidence presented to this Commission confirms members in the view that an independent sugar control authority with statutory powers offers an effective way of dealing with the varied and continuing differences which inevitably arise between sugar groups of basically divergent interests. Yet their interests are all interlocked in industry terms, and the constant conflicts and delays in resolving them, result in a constant drain on efficiency and money, affecting all concerned.”

The importance of the implementation of this recommendation is confirmed by the Mills Commission of 1988.

In section 1.3 of the Report of that Sugar Industry Enquiry Commission chaired by Professor Gladstone Mills it states that:

“ Unfortunately few of the numerous recommendations resulting from that lengthy and most thorough investigation were implemented, and some of these only long after the event”.

In section 1.8 the report states:

“ A most important innovation since Mordecai, but also flowing from that report, has of course been the creation, in 1970, of the Sugar Industry Authority (SIA) with its research arm, the Sugar Industry Research Institute (SIRI), to assume the responsibility for regulation of the industry and the marketing of sugar”

The need for a strong independent regulatory body is evidenced by the series of events leading to the establishment of the SIA.

Government’s first formal move to regulate the industry was by the Sugar Industry Aid Law in 1929. The Law prescribed a Sugar Control Board to regulate ‘ inter alia’

- (a) licensing of sugar imported
- (b) grades, prices and distribution of sugar for local consumption,
- (c) machinery for fixing quotas for export sugar.

In 1937 a new Sugar Industry Control Law was passed in the context of the need for firmer control to meet the quota restrictions agreed on at an international conference in that year.

A new Sugar Industry Control Board was instituted by the 1937 Law, which re-enacted most of the functions of the 1929 Law, but vested the new Board with wider powers. Since 1937, through modifications and additions to the Law, the constant trend was to enlarge the power of the Sugar Industry Control Board from which the Authority was created.

Ministry of Agriculture

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

Sugar Industry Authority (SIA)

The Sugar Industry Authority is a statutory body which was created in 1970 by way of an amendment to the Sugar Industry Control Act of 1937 (The Act) to succeed a weaker body, the Sugar Industry Control Board. The Authority was vested with wide powers to regulate and control the industry, including the functions of arbitration, monitoring, planning, research and development and monitoring and overseeing the marketing of sugar and molasses.

Prior to its establishment there were four Commissions of Enquiry in seven years, 1959 to 1966. After its establishment there was no further Enquiry but for the Mills Commission 20 years later and this was convened under the aegis of the SIA.

The Authority is the industry forum for dispute resolution. This is reflected in the composition of the Board of Directors which consists of farmers, manufacturers and trade unions. To date the SIA has resolved the disputes referred to it.

The SIA, in the industry's interest, retained the services of the necessary expertise such as a cost accountant and economist/statistician to deal with the development of the industry throughout the country.

The Authority discharges its responsibilities through four departments, namely,

- Finance and Administration
- Information and Planning
- Quality Control and Regulation, and
- The Sugar Industry Research Institute (SIRI).

Government only got involved in the industry when they purchased the factories at Frome and Monymusk in 1968. This was followed by the acquisition of cane lands at Frome, Monymusk and Bernard Lodge estates in 1971 from their overseas owners who left the island without retooling the factories.

Divestment

In 1994 the Government divested its assets in the industry with the sale of three publicly owned factories, Frome, Monymusk and Bernard Lodge, the leasing of some of the sugar lands to the new factory owners and the reservation of the remainder for leasing to cane farmers.

In 1999 these assets reverted to the government because of the failure of the divestment.

In 1994 the SIA appointed Jamaica Cane Products Sales Limited as its agent for the marketing of sugar pursuant to Section 6 of the Sugar Industry Control Act.

Role and Functions of SIA

The SIA began focusing its attention on the following:

- 1) Evaluating and advising government on the state of the industry and the correctives required, in keeping with the Sugar Industry Control Act
- 2) Arbitration of all disputes regarding cane quality and the fulfillment of export quotas.
- 3) Registration of cane growers. All cane farmers have to be registered by the SIA and be given a number in order to facilitate the orderly delivery of cane to the factories. The SIA has a data base of all registered farmers.
- 4) Provision of research and extension services through its research arm, the Sugar Industry Research Institute (SIRI).
- 5) Gathering, collating, analyzing and disseminating industry and world sugar data through its Information and Planning Department. This includes the preparing and disseminating of a **Daily Factory Operations Report** which provides information to all players in the industry, government ministries, statutory bodies and other local, regional and international organizations on daily volume and quality of sugar produced at each operating factory. Information is provided by **Quality Control Officers** stationed at the factories.
- 6) The Authority is the organization responsible for the Government's and the industry's intelligence with respect to what is happening in the international marketplace. As a member of the Sugar Association of Caribbean(SAC), the International Sugar Association(ISO) and other international sugar organizations the SIA reports to them on the status of the local industry and receives reports from them on production and developments in other sugar industries regionally and internationally.
- 7) The importation of raw sugar.
- 8) The SIA has forged a protocol with the European Union to establish a Cane Expansion Fund through which some 200 million dollars is being loaned to cane farmers utilizing the administrative and monitoring resources of the SIA/SIRI.

The Sugar Industry Control Act (SICA)

Provisions under the Act include the following:

- The power to determine individual factory quota as and when the necessity arises (i.e. if local sugar production exceeds domestic market demand).
- The Authority registers all cane farmers to specific factories to which they are expected to deliver their cane. No manufacturer shall purchase canes from a cane farmer unless that farmer is registered by the Authority in respect of canes to be supplied to a particular factory.

Section 40 of the Sugar Industry Control Act (SICA) stipulates that regulations be developed to operationalize several aspects of the Act. It is the regulations which govern the day-to-day operation of the industry. They elaborate on the obligations of cane growers and millers in the production process.

They, ‘inter alia’

- Allow for the establishment of Harvesting Committees at each factory, which bring together factory personnel and cane growers to manage the harvesting of cane. Their functions include the synchronization of delivery and crushing of canes.
- Allow for the establishment of a Cane Prices Committee with the requisite expertise to adjudicate on matters relating to cane prices.
- Set standards for the timing and quality of cane delivered to the factories.
- Set the conditions under which factories can accept, reject or classify cane as sub-standard.
- Monitor the conditions under which cane is cored by a core sampler for sucrose content, that is, the amount of Recoverable Sugar (JRCS) is in the cane, as it is being delivered to the factory. This is critical since growers are paid for the sugar in cane when delivered.

- Set the level of efficiency at which factories operate – the Factory Recovery Index (FRI) which is set at 0.91. All factories are expected to extract a minimum of 91% of the sugar in the cane they receive. It is on this basis that cane growers are paid for the cane they deliver to the factory according to the formula specified in the regulations.

The formula includes a payment for molasses produced as a by-product in the manufacture of raw sugar from cane.

- Cane payments. All payments for cane are calculated at the factory to which the cane is delivered to be submitted to the SIA for verification and certification before any payment is made.
- Ensure that the quality of sugar leaving the factory satisfies market requirements.
- As a part of the regulatory framework Quality Control Officers employed to the Authority are assigned the factories to monitor and report on all aspects of factory operations.

It is anticipated that the industry will become totally private again thus returning to its original status.

SUGAR INDUSTRY AUTHORITY
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