

Public Discussion Report

30th July, 2014

1. Introduction

The discussion was held to share and raise debate on the findings of the scoping report which look at the pricing and structural dynamics in the sugar industry. This is under a broader research project Consumer Unity and Trust Society (CUTS) International Lusaka is implementing which seeks to bridge the knowledge gaps on the sugar sector. The scoping study reviewed existing research and evaluated the authenticity of these studies as well as establishing where the research gaps were. More importantly, the study was aimed at establishing whether there was convergence on the on the current sugar pricing. Specifically, the study was probing whether there was an agreed position that sugar prices were high or excessively priced.

The study provoked an intense debate and to some extent intellectual confrontations. Perhaps, this shows the significance of sugar to the economy, industry and house hold consumers. On the panel included CUTS International which gave the presentation, Consumer Alliance representing other consumer organisations, Kaleya Small Holder Farmers Association representing Small Scale Farmers engaged in sugar farming and providing vertical linkages with key sugar players, Eastern and Southern Africa Farmers Forum (ESAFF) which represented the different Farmer organisations. Also in the ring was the Competition and Consumer Protection Commission (CCPC) who has an interest on structural, pricing and behavioural issues in any sector. Most importantly, was the presence of Zambia sugar which spoke from the terraces?

2. PROCEEDINGS

Welcoming Remarks by Mike Muleba, Board Chairperson CUTS International Lusaka

The discussion was opened by CUTS International Lusaka board chairperson **Mike Muleba**. While Welcoming and thanking everyone in attendance, he stated that sugar is a very important product at household as well as at individual levels. Sugar being also an industrial product means it has wide ranging implications on the value chain. It is therefore important to understand sugar pricing. He further mentioned that CUTS may not be conclusive in the study hence your feedback will go a long way in advocating for sugar pricing. He further stated that this was an open discussion and everyone's information was critical to clear the gaps in the scoping study.

2.1 OPENING SESSION

Presentation by Simon N'gona, Centre Coordinator, CUTS International Lusaka

Simon N'gona started the presentation by acknowledging the presence of the market regulator and other distinguished guests for taking their valuable time to participate in the discussion forum. He went on to pose the question to the audience: "how many in here love or hate sugar?" He further gave a brief background of CUTS International Lusaka stating that it functions as a centre of excellence for action (policy) research, advocacy and networking on issues of competition policy and consumer protection and welfare. He added that although there is a perception that non-governmental organisations are enemies to the government and private sector, CUTS international Lusaka does not consider itself to be an enemy of the government or the private sector but rather an ally where we can all complement one another and find workable solutions to our problems.

Furthermore, he elaborated more on the scoping study on sugar prices that CUTS International had undertaken by stating the objectives, methodology and its findings. According to him, the scoping study concluded that sugar prices in Zambia are high, however the scoping study was not clear on what was causing these high prices of sugar. He highlighted three factors in the study that could account for the high prices. These are costs of production, retail and wholesale prices and market structure and policy initiative by the government (fortification with vitamin A). However, he pointed out that since this was a scoping study, it could not pin point what was really causing these high prices of sugar. He ended by emphasizing the need to undertake a more detailed study that will pin point the exact causes of high prices of sugar in Zambia. Such a study he felt will only be made possible by engagement of participants in such a discussion so that all asymmetries in information between the different stakeholders can be corrected.

Presentation by Marriot Nyangu, Executive Director, Consumer Alliance

Marriot Nyangu started by emphasizing the importance of sugar to the household by stating that the price of sugar will impact positively or negatively on the family since sugar has no substitute. He highlighted the fact that Zambia Sugar is still dominating the sugar sector in Zambia. He also found it paradoxical that the cost of production for Zambia Sugar is not coming down given the fact that they producing their own power which they use for production purposes on site. He also wanted to find out from Zambia Sugar why the quality of sugar has not changed despite increases in price. He ended by saying the fortification policy should be reviewed and looked at critically.

Presentation by Morrison Mwanangonze, Chairperson, Kaleya Small Holders Association

Morrison Mwanangonze was in agreement that sugar prices are high in Zambia; however, he justified the high price of the commodity to the high cost of doing business in Zambia. He alluded to the fact that input prices at the farming level such as labour and fertilizer are very expensive and categorically stated that farming is very costly in Zambia. He also argued that fortification further adds to the cost of producing sugar since it's done with imported chemicals which are very expensive. He was of the view that countries where sugar is cheap have some form of subsidies

in place unlike in Zambia where the sector operates on its own. He ended by stating that if production costs are high, then players in the industry have no choice but to increase the price of the commodity.

Presentation by Simon Mwamba, Country Director, Eastern and Southern Africa Farmers Forum

Simon Mwamba started the presentation by giving thanks to CUTS International Lusaka for organizing the forum, stated that development becomes easier in a nation of dialogue. He took a rights based approach to the issue at hand by emphasizing the rights of people and in particular their right to food. He put across many thought provoking questions on the vitamin A fortification program, “did many of us have vitamin A deficiency for government to introduce such a policy”? He further stated that fortification is a misplaced policy and that at the end of the day the poor for whom the policy was made will not be able to afford sugar. He ended the presentation by arguing that more studies need to be done to find a cost effective way to distribute vitamin A to the majority of the population.

Presentation by Chilufya Sampa, Executive Director, Competition and Consumer Protection Commission

Chilufya Sampa started the presentation by clearing the misconception running in the audience that fortification of vitamin A was a Zambia sugar policy by otherwise stating that it is a government policy designed with the best interests of the Zambians at heart. He however stated that the commission does not necessarily support the policy initiative of fortification as it hinders competition which his organization tries to promote. He also wondered why it is difficult to import industrial sugar which does not need to be fortified with vitamin A. He also argued that the market for most industries in Zambia have not changed much in terms of market structure and the case of dominant position is not only peculiar to Zambia Sugar. He further stated that the commission has always tried to engage with companies deemed to have dominant position in the market. He added that the commission has conducted studies which have concluded that sugar prices in Zambia are generally high, however he clarified that the commission is not worried about high price but excessive price. In this regard, Mr **Sampa** said that the commission has not yet concluded whether the price of sugar in Zambia is excessive.

Response by Zambia Sugar, Dr Chibumba, Managing Director

In response to the various issues raised against the company, **Dr Chibumba** said there was a misconception about the added costs of the fortification program and that is actually not the 10% which is being put across in studies but much less than that. He further argued that every country in the world has the interests of its citizens at heart and therefore fortification of sugar with vitamin A is one way in which government can protect its citizens from deficiencies. He added that the logistic costs for the company are very high and the company faces challenges with infrastructure. He ended by saying that it is relatively easy to shout out that

something is expensive but most of the participants are not qualified to know how business is run in the real world.

Floor Discussion

- **Moses Mwakoi**-Lecturer Evelyn Hone college wanted to find out how Zambia Sugar would address the issue of spreading the cost over the company and the institutional content of price discrimination based on the colour of sugar. **Rebecca Hatoonga** from the University of Zambia Business and Economics Association (UNZABECA) also wanted to find out why Zambia Sugar cannot come up with a tracking system to avoid dumping of sugar and why it cannot minimize the cost of production by expanding its scale of production. There was also a concern from **Elizabeth** as to why Zambia Sugar was dodging the discussion.
- **Charles Bwali** from African Life assurance inquired why Zambia Sugar has been contributing only 1% to GDP when there is market demand in and outside the country and whether it is planning to open another factory in other parts of Zambia.
- **Kelvin Mupeta**- Agriculture Consultative Forum wanted to find out if there could be some other factors such as endogenous issues within the Sugar market-vis-a-vis productivity levels of the estate of sugarcane and efficiency levels within producers (millers) otherwise calling upon government intervention into the market could cause serious distortions that can affect both consumers and producers. **Simon** from Kafue sugar also wanted to find out if there will be a comprehensive study that will be undertaken regarding production costs per tonne in Zambia instead of relying on old data.
- In response, **Dr. Chibumba**, Managing Director from Zambia Sugar said that Zambia Sugar was not dodging the discussion as they would have simply not showed up if they wanted to dodge it. He went on to say that they have no intentions of expanding to other parts of the country other than Mazabuka. **Doreen Kabunda**, Public Relations Officer Zambia Sugar added that it would be better if there were facts before holding such a meeting because you have not even gone out to other countries to check why prices are low. She went to say that CUTS should have communicated with them when they were undertaking the study to get collect the correct information instead of misleading the public by presenting studies with inaccurate information.
- **Simon N'gona**, CUTS International Lusaka Centre Coordinator, in response to **Doreen Kabunda** stated that CUTS International on several occasions did communicate with Zambia Sugar. He further categorically stated that CUTS is a research institution and data quality and credibility is not something it can compromise with. **Marriot Nyangu** added that the sugar sector has not been effectively engaged and as consumers, they have the right to information.
- **Chilufya Sampa**-Executive Director CCPC suggested that the medicine to all the problems is competition as there is not enough competition as Kafue and Kasama sugar were too small to offer competitive restraint.

4. Concluding Remarks

In concluding, Mike Muleba emphasized that the discussion was about the product being expensive and that the study was not to understand the inefficiency or efficiency of Zambia Sugar but to find out the factors accounting to the rising price of sugar. He further appreciated the input that came from all the stakeholders. He ended by urging the various organizations in attendance to open their doors for more clarity in future.