Bittersweet

Sustainability issues in the sugar cane supply chain

Vincent Kiezebrink, Sanne van der Wal, Martje Theuws & Paul Kachusa

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Amsterdam, December 2015

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Summary

Sugar production and consumption is increasing globally. Awareness of health concerns linked to excessive sugar consumption is rising as well. However, there is less awareness of the often problematic socio-economic and environmental conditions associated with sugar cane production. Working conditions in sugar cane producing countries are often unacceptable: forced labour, child labour, lack of job security, low wages, and health and safety problems are rampant. The sugar cane industry is also linked to a range of harmful environmental impacts, including loss of animal habitats and biodiversity and pollution of land and water. Moreover, in a number of production countries cases of land grabbing are reported.

A case study of sugar production in Malawi, the centrepiece of this report, unearths and details many of these labour rights violations as well as land grab. For instance, at Illovo Sugar Malawi, the only sugar producing company in Malawi, there is evidence of increasing casualisation of the workforce. This means that, compared to workers that are on Illovo's pay roll, agency workers have lower wages (often below the minimum wage), no job security, are more exposed to unsafe situations, are generally not represented by trade unions and are not entitled to a range of benefits such as free medical care and accommodation. The company is also accused of land grab by a community neighbouring one of its two plantations in the country.

Eighty per cent of sugar produced worldwide comes from sugar cane, the remaining twenty per cent comes from sugar beets. For the EU, which is an important importer of sugar cane globally, the consumption figures are exactly the other way around. Most of the sugar cane imported into the EU is from lower and lower middle income countries for which income from EU trade in sugar is an important source of revenue. An unknown but likely substantial share of this sugar cane finds its way to the EU market anonymously as refined (white) sugar. Meanwhile industry sources report that buyers are seldom interested in knowing the source of the sugar they source.

While sustainability issues in the sugar cane sector are widespread this report shows that sugar buying companies are not doing enough to address them. For this research, the sourcing policies of leading Dutch retailers were analysed. In their role of producers of store (private label) brands, retailers are an important group of sugar buyers. However, this report concludes that the policies of Dutch supermarkets are not specific and ambitious enough to address the range and complexity of the sustainability issues affecting the production of sugar cane in their supply chains. In addition, compared to other commodities that are predominantly produced in lower and middle income countries such as coffee, tea, cocoa, bananas and palm oil, the share of sustainability certified sugar cane production is relatively low. In order to address sustainability issues in the sugar supply chain, sugar buying companies should first identify the source of sugar used in their products. Sugar buying companies should further conduct proper due diligence to identify, prevent and mitigate and account for adverse impacts and be transparent about these efforts.

1 The cane sugar supply chain

This chapter outlines the international sugar supply chain, looking into the global trade, production and consumption of sugar. It also identifies major global industry actors in different stages of the supply chain that can possibly leverage more sustainable sugar cane production.

1.1 Production and refining

Sugar is extracted from both sugar cane and sugar beet. Sugar beet is grown during a five month season, after which it is harvested and quickly processed to keep it from perishing.[1] Harvest cycles for sugarcane are known to vary strongly, ranging from about 7 to 24 months, although this is generally said to take between 15 and 16 months.[2]

Once sugar cane has been harvested, it is processed in a mill where sugar-containing fluids are extracted. These fluids are then boiled, creating a thick syrup from which sugar crystals can be made.[3] To create refined white sugar, the raw sugar that comes out of the mill then needs to be transported to a refinery, where the refining process takes place. The refining of raw cane and raw beet sugar can be done in the same refineries.[4] While raw beet and raw cane sugar are chemically distinct, once refined, the white sugar made from cane or beet sugar is nearly (99.95%) identical.[5]

1.2 The global sugar production, trade and consumption

Eighty per cent of sugar produced worldwide comes from sugar cane, the remaining 20% comes from sugar beets. Table 1 shows the countries that produce or consume the most sugar. Brazil, India and China are the top three producers and consumers of sugar globally. As for consumption rates, India and China use about as much as they produce, while Brazil produces much more than it consumes, even when excluding the amount of sugar the country uses for ethanol production. The pattern of production and domestic consumption in India and China appears to be in line with the global sugar sector, where the majority of sugar produced is consumed domestically.[6] Brazil, on the other hand,

1 American Sugarbeet Growers Association website, What is a Sugarbeet, https://americansugarbeet.org/who-we-are/what-is-a-sugarbeet/ (20-10-2015).

2 Food and Agriculture Organization website, Crop Water Information: Sugarcane, http://www.fao.org/nr/water/cropinfo_sugarcane.html (20-10-2015).

3 Canadian Sugar Institute website, Cane Sugar Refining, http://www.sugar.ca/Nutrition-Information-Service/Educators-Students/Purification-of-Sugar/Cane-Sugar-Refining.aspx (20-10-2015).

4 Interview with anonymous industry sources on 29-09-2015 and 13-10-2015.

5 The Sugar Association website, All About Sugar, no date, http://www.sugar.org/all-about-sugar/ (20-10-2015).

6 Fairtrade Foundation, Fairtrade and Sugar, January 2013, http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/2013_Fairtrade_and_Sugar_Briefing.pdf (20-10-2015). International Institute for Sustainable Development, the State of Sustainability Initiatives Review 2014, 2014, https://www.iisd.org/pdf/2014/ssi_2014.pdf (20-10-2015).

exported over 68% of its domestically produced sugar[7], and accounted for 21% of global sugar exports in 2014/2015 also (see Table 2).[8]

Table 1: **Sugar production and consumption by globally leading countries in 2014/2015**[9]

Global top 10 sugar producers			**Global top 10 sugar consumers**		
Country	Production (1,000 tonnes)[10]	Share of global production	Country	Consumption (1,000 tonnes)[11]	Share of global consumption
Brazil[12]	35,850	21	India	27,000	16
India	29,483	17	China	17,400	10
China	11,000	6	Brazil	11,300	7
Thailand	10,970	6	United States	10,758	6
United States	7,735	4	Russia	5,700	3
Mexico	6,360	4	Indonesia	5,500	3
Pakistan	5,230	3	Pakistan	4,700	3
Australia	4,700	3	Mexico	4,505	3
Russia	4,350	2	Egypt	2,930	2
Global total	173,405	100	Global total	173,413	100

Table 2: **Sugar imports and exports by globally leading countries in 2014/2015**

Exporting country	**Export value in million Euros**[13]	**% of total global exports**	**Importing country**	**Import value in million Euros**[14]	**% of total global Imports**
Global Total	40,593	100	Grand Total	37,145	
Brazil	8,852	21.8	USA	3,637	9.8
Thailand	2,735	6.7	Germany	1,966	5.3
Germany	2,383	5.9	United Kingdom	1,846	5
France	2,361	5.8	China	1,640	4.4
USA	2,151	5.3	Indonesia	1,442	3.9
Netherlands	1,677	4.1	Italy	1,297	3.5
Mexico	1,584	3.9	Rep. of Korea	1,147	3.1
China	1,418	3.5	Netherlands	1,129	3
Belgium	1,256	3.1	Spain	1,088	2.9
India	1,202	3	France	1,068	2.9

7 US Department of Agriculture, Sugar: World Markets and Trade, May 2015, http://apps.fas.usda.gov/psdonline/circulars/Sugar.pdf (20-10-2015).

8 United Nations, Comtrade Database, http://comtrade.un.org/data/ (20-10-2015).

9 Excluding the EU, because only aggregated, instead of country level data were available for the EU.

10 US Department of Agriculture (May 2015).

11 Ibid.

12 Sugar cane for the production of ethanol is not represented in this table. In 2014- 2015, approximately 56% of Brazilian sugar cane was used for the production of ethanol.

13 Using the 6 November European Central Bank currency exchange rate for US Dollars to Euros of 1:0.9205, retrieved from European Central Bank website, https://www.ecb.europa.eu/stats/exchange/eurofxref/html/eurofxref-graph-usd.en.html (20-10-2015).

14 Ibid.

Depending on the area and country, sugar cane can be grown on small-scale plantations, as is common in the Philippines[15], or on large-scale industrial plantations, as is common in Brazil.[16] On industrialized plantations, harvesting is often done with the use of machines that both cut sugarcane close to the ground as well as cut off the leafy tops. Small-scale sugarcane farmers, on the other hand, will do this manually. Furthermore, both types of farmers may choose to burn sugarcane in the field in order to remove leaves and weeds, while leaving the sugarcane intact.[17] Due to the perishable nature of sugar cane, harvesting and milling need to be done in quick succession.

While milling needs to happen immediately after harvesting, the refining process can take place within a longer time span, allowing sugar refining companies to source their raw sugar from all over the world. White sugar is traded as a commodity; produce from different sources is generally bought and sold at the same price, and used in the same types of products.[18]

1.3 Corporate actors in the global sugar cane supply chain

Two-thirds of the trade in both raw and refined sugar worldwide is controlled by six trading companies also (see Figure 1): Bunge, Cargill, Czarnikow, ED&F Man, Louis Dreyfus and Sucden.[19] They act as middle men, buying sugar from production areas to sell to refiners in other places across the globe, and they buy refined sugar from refineries which is sold to sugar-using companies.[20] Meanwhile, sugar refiners may also buy directly from sugar plantations and sell to sugar users.[21] Once sugar has been refined, it can then be packaged and sold as table sugar, or sold to companies that use sugar processed foods and beverages (hereafter referred to as *sugar-using companies*).

Among the most important global buyers of sugar are Associated British Foods (ABF), Coca-Cola, Danone, General Mills, Kellogg, Mars, Mondelez International, Nestlé, PepsiCo and Unilever.[22] Other important sugar using companies in the EU include Barilla, Orkla Foods, Ferrero, Refresco Gerber, Lactalis, Lotus Bakeries, Müller Einkauf & Service and United Biscuits.[23] Although they are not usually referred to as sugar-using companies, retailers, in their role of producers of store brands, are perhaps

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15 Sugar Regulatory Administration, Sugarcane Industry Roadmap, November 2012, http://www.sra.gov.ph/wp-content/uploads/downloads/2012/12/SUGARCANE-INDUSTRY-ROADMAP_nov12-1.pdf (20-10-2015).

16 L. Ortiz et al., New roads to the same old place: the fals solution of agrofuels, October 2008, http://www.cancun2003.org/downloads/New_roads_to_the_same_old_place.pdf (20-10-2015).

17 Sugar Knowledge International website, How Cane Sugar is Made – Harvesting, no date, http://www.sucrose.com/harvest.html (20-10-2015).

18 Interviews with anonymous industry sources on 29-9-2015, 13-10-2015 and 20-10-2015.

19 Fairtrade Foundation (January 2013)

20 ED&F Man website, Our sugar business, no date, http://www.edfman.com/edf-man-operations/sugar/our-sugar-business (20-10-2015).

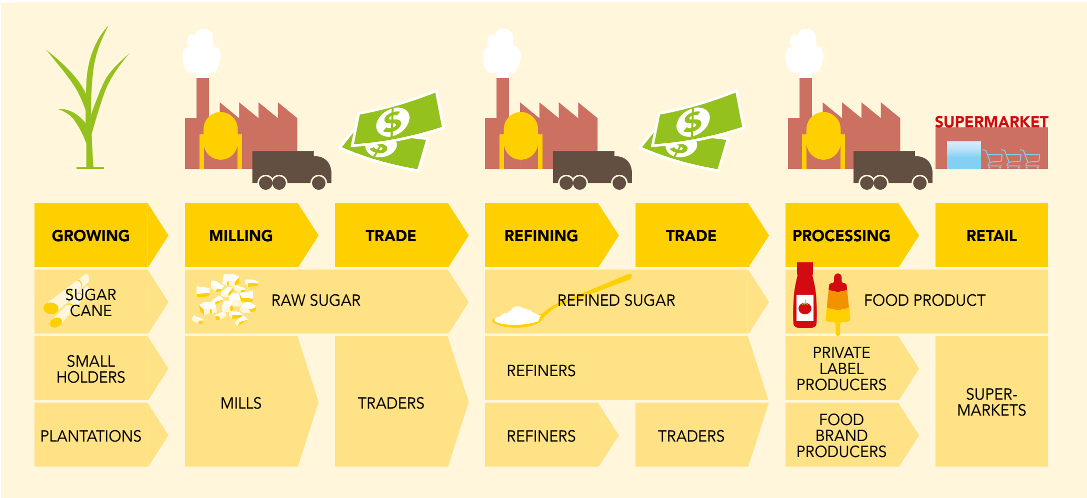
21 Like Tate & Lyle which buy in Cambodia, according to Inclusive Development (interview?, date?)

22 Oxfam, Nothing sweet about it: How sugar fuels land grabs, 2 October 2013, https://www.oxfam.org/sites/www.oxfam.org/files/nothingsweetaboutitmediabrief-embargoed2october2013.pdf (20-10-2015).

23 CIUS website, "Welcome" and "Who's who", no date, http://www.cius.org/home and http://www.cius.org/who-s-who (6-11-2015).

the most important company group of sugar users. The largest supermarkets globally include Walmart, Costco, Carrefour, Tesco, Lidl and Aldi.[24]

Figure 1: **Different phases, product transformations, company types and major global corporate actors in the sugar cane supply chain**



24 Supermarket news website, "Top 25 Global Food Retailers", http://supermarketnews.com/top-25-global-food-retailers-2015 (6-11-2015).

2 Trade and production regulation in the EU sugar sector

This chapter briefly analyses trade and production regulation in the EU: different aspects of this regulation directly affect the volume, price and origin of sugar cane imported to the EU.

The EU's sugar market is governed foremost through the so called Common Agricultural Policy (CAP), introduced in 1962. The CAP determines that sugar beet farmers in the EU receive subsidies per hectare of land cultivated with sugar, which amounted to € 272.28[25] per hectare in 2014.[26] In 2002, this EU policy led to a dispute with the World Trade Organization. Australia, Brazil and Thailand claimed that these subsidies had amounted to state aid, creating unfair competition in the sugar market.[27]

In reaction, the EU decided to keep the subsidies, but also set up an EU quota system with the aim of putting a cap on production. Other measures included subsidies to EU processors to reduce their capacity. Following this, in 2010, sugar processing companies were among the largest beneficiaries of CAP subsidies, ranked in the first place side by side with milk processors.[28] For the year 2014, only one French sugar beet producer could be identified among the top five CAP subsidy-receiving companies. However, the CAP subsidy data available since 1997 show that three of the five top recipients are also sugar companies.[29]

The EU sugar quota system specifies how much sugar each country within the EU is allowed to produce, limits the amount of sugar that can be imported annually, sets the level of import tariffs used and curbs export of sugar produced in Europe.[30] An adjustment to the quota system in 2001 – the Everything But Arms (EBA) initiative – allows all least developed countries[31] to export sugar to the EU tariff-free, while quotas still limit the amount that can be exported to the EU.[32] Malawi is one of these countries. Altogether, this has led to a system where the EU produces roughly 80% of its annual sugar needs from beets, while importing cane sugar for the remaining 20%.[33] In 2014-2015,

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25 Using the 6 November European Central Bank currency exchange rate for Great British Pounds to Euros of 1:1.3934.

26 Fairtrade Foundation, Sugar Crash, February 2015, http://www.fairtrade.org.uk/~/media/fairtradeuk/what%20is%20fairtrade/documents/policy%20and%20research%20documents/policy%20reports/faitrade%20foundation%20sugar%20crash%20report.ashx (20-10-2015).

27 World Trade Organization, Dispute DS265, 19 May 2005, "European Communities – Export Subsidies on Sugar" (20-10-2015).

28 The Guardian, EU sugar and dairy companies largest recipients of farm subsidies, 4 May 2010, http://www.theguardian.com/environment/2010/may/04/eu-sugar-dairy-farm-subsidies (20-10-2015).

29 FarmSubsidy.org website, EU Farm subsidies for All Countries, All years, no date, http://farmsubsidy.openspending.org/EU/ (20-10-2015).

30 European Commission website, Sugar, no date, http://ec.europa.eu/agriculture/sugar/index_en.htm (20-10-2015).

31 European Commission, Everything But Arms (EBA) – Who Benefits?, 30 April 2013, http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_150983.pdf (20-10-2015). United Nations, List of least developed countries in 2014, 2014, http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_list.pdf (20-10-2015).

32 European Commission website, Sugar, no date, http://ec.europa.eu/agriculture/sugar/index_en.htm (20-10-2015).

33 European Commission, Sugar Balance Sheet, 29 October 2015, http://ec.europa.eu/agriculture/sugar/balance-sheets/balance-sheet_en.pdf (20-10-2015).

the EU produced about 13.5 million tonnes of sugar, while importing 3.2 million tonnes of sugar from abroad. In the same year, 77% of the EU's sugar imports, or 2.5 million tonnes of sugar, came from EBA countries.[34]

Most of these cane sugar imports come in the form of raw cane sugar to be refined in the EU.[35] Five importing countries[36] account for over half of the EU sugar imports.[37] In terms of companies, it is not clear who imports what amount of cane sugar into the EU. However, at least six of the EU's largest sugar producers, namely Azucarera, Südzucker[38], Nordzucker[39], Suiker Unie[40] and Tereos, state that they refine sugar imported from outside the EU. The European Sugar Refineries Association unites 11 European refiners under its banner.[41]

In the EU, internal production limitations and import tariffs for non-EBA countries have been blamed for artificial sugar supply shortages, resulting in higher sugar prices in the EU than the global level.[42] However, this situation is likely to change again in 2017, because the European Parliament and Council have decided to reform the EU quota system. From 2017 on, production quotas will be stopped, allowing EU beet producers to determine their own production levels, while still enjoying EU subsidies.[43] This development appears to have taken place at least partly due to lobbying by European sugar-using companies, which objected, among other things, to the relatively high prices they had to pay for sugar.[44]

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34 European Commission, Sugar Trade Statistics, 29 October 2015, http://ec.europa.eu/agriculture/sugar/presentations/trade-statistics_en.pdf (20-10-2015). European Commission, Sugar Balance Sheet, 29 October 2015, http://ec.europa.eu/agriculture/sugar/balance-sheets/balance-sheet_en.pdf (20-10-2015).

35 European Commission website, Sugar, no date.

36 The UK, Germany, Portugal, Romania and Italy

37 European Commission, Sugar Trade Statistics, 29 October 2015, http://ec.europa.eu/agriculture/sugar/presentations/trade-statistics_en.pdf (20-10-2015).

38 Südzucker refines cane sugar through its subsidiary Tiense Suikerraffinaderij, and possibly through other refineries. Tiense Suiker Raffinaderij website, 'Onze organisatie', no date, http://www.tiensesuikerraffinaderij.com/nl-BE/Wie-we-zijn (20-10-2015).

39 Nordzucker refines cane sugar through its subsidiary Nordic Sugar, and possibly through other refineries. Nordic Sugar website, 'Cane Sugar', no date, http://www.nordicsugar.com/industry/cane-sugar/ (20-10-2015).

40 Suiker Unie refines cane sugar through its subsidiary Limako, and possibly through other refineries. Limako website, 'About Limako', no date, http://www.limako.com/index.php/en/over-limako-2 (20-10-2015).

41 ESRA's members are: Agrana Romania, Azucarera, DAI, Finnsugar (now Nordic Sugar), Litex, RAR Açúcar, Saint Louis Sucre, SFIR Raffineria di Brindisi, Sidul Açúcares, Tate & Lyle Sugars, and Zahar EAD.European Sugar Refineries Association website, Members, no date, http://www.sugarrefineries.org/about-us/members/ (20-10-2015).

42 Reuters, EU negotiators agree to end sugar quota regime in 2007, 26 June 2013, http://www.reuters.com/article/2013/06/26/eu-sugar-quotas-idUSB5N0F100120130626 (20-10-2015).

43 European Commission, Regulation No 1308, 17 December 2013. Fairtrade Foundation (February 2015).

44 Committee of European Sugar Users et al., Open letter to European leaders: Put an end to distorting sugar production quotasand support jobs and growth across the EU food chain, 25 February 2013, http://www.ftm.nl/wp-content/uploads/content/files/CIUS%20open%20letter%20to%20European%20Leaders.pdf (20-10-2015).

According to the UK's Department for International Development, an end of the EU's quota system will lead to increasing EU sugar production and export, and to a subsequent decline in global prices which could push 200,000 people who depend on the sugar cane industry into poverty.[45] To add to this, a slump in global sugar prices in the past three years has already halved the value of sugar, further complicating the position of sugar cane producers around the world.[46]

45 UK Department for International Development, The Impact of EU Sugar Policy Reform on Developing Countries, February 2012, http://r4d.dfid.gov.uk/pdf/outputs/TradePolicy/LMC-ODI_SugarReportPublicVersion(Final).pdf (20-10-2015).

46 Fairtrade Foundation (February 2015).

3 Sustainability issues in the sugar cane industry

This chapter provides an overview and short description of some recurring sustainability problems that affect the cane sugar sector. These issues were identified through a review of existing literature, and they can roughly be divided into labour rights issues, land rights issues, and environmental degradation. This, however, should not be seen as an exhaustive list of sustainability issues affecting the production of sugar cane.

3.1 Land rights issues

One of the biggest problems associated with the production of sugar cane is generally referred to as *land grabbing*. The International Land Coalition defines land grabbing as methods of appropriating land that are:

> *"in violation of human rights, particularly the equal rights of women; (ii) not based on free, prior and informed consent of the affected land-users; (iii) not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered; (iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and; (v) not based on effective democratic planning, independent oversight and meaningful participation."*[47]

In developing countries, communities often do not formally own the land they may have lived on for generations. This creates a situation in which communities are vulnerable to lose their land to investors that acquire the right to lease said land from their governments. Such a situation took place in the Brazilian state of Mato Grosso do Sul, where, over the course of multiple decades, an indigenous community was displaced from a large portion of their ancestral land, on which they depended for hunting, because companies cleared out the forests for the creation of sugar cane plantations. Similar reports of land conflict were found in Pernambuco state in Brazil, Sierra Leone, Indonesia, Kenya[48], as well as Zambia and Mali, the last two involving Illovo Sugar.[49] Regarding Cambodia,

47 International Land Coalition, Tirana Declaration, 27 May 2011, http://newsite.landcoalition.org/en/tirana-declaration (22-10-2015).

48 Ethical-Sugar, Sugarcane and the global land grab: A primer for producers and buyers, August 2012, http://www2.warwick.ac.uk/fac/soc/pais/people/richardson/publications/sugarcane_and_the_global_land_grab.pdf (22-10-2015).

49 Oxfam, Nothing sweet about it: How sugar fuels land grabs, 2 October 2013, https://www.oxfam.org/sites/www.oxfam.org/files/nothingsweetaboutitmediabrief-embargoed2october2013.pdf (20-10-2015), Inter Press Service, Malian Farmers Want Their Land Back, 12 September 2012, http://www.ipsnews.net/2012/09/malian-farmers-want-their-land-back/ (22-10-2015); The Oakland Institute, Understanding Land Investment Deals in Africa, 2011, http://www.oaklandinstitute.org/sites/oaklandinstitute.org/files/OI_country_report_zambia.pdf (22-10-2015).

the sugar cane industry has even been referred to as one of the country's worst land grabbers.[50] Many of those who have been displaced have chosen to migrate illegally to Thailand.[51]

3.2 Environmental pollution and health impacts

The sugar cane industry has been linked to a range of harmful environmental impacts, including loss of animal habitats and biodiversity, excessive water use in production and processing of sugar cane, soil erosion, and agrochemical pollution of land and water.[52] As an illustration of this, in the aforementioned land grab case in the Brazilian state of Pernambuco the use of pesticides on the new sugar cane plantation led to the pollution of water sources. This in turn harmed local fishermen, because fish and shellfish were killed on a large scale. In addition, fishing is now impossible for days at a time whenever pollution levels reach high levels.[53] In Cambodia the pollution of water sources following land grabs by the sugar industry has been reported to be widespread.[54] In the case of the extorted indigenous community in Mato Grosso do Sul in Brazil, the community members suffered health problems like vomiting and diarrhoea following exposure to pesticides used on nearby sugar cane plantations.[55]

3.3 Labour rights issues

Reports on different important sugar cane producing countries indicate working conditions in the industry are often problematic. In Brazil – the world's largest sugar producer – forced labour in the sugar cane sector is known to be widespread, and Brazilian authorities liberated over ten thousand sugar cane workers from slavery-like conditions between 2003 and 2011. This accounts for close to 30% of all slave liberations in Brazil during that period.[56]

In Cambodia, people who had been evicted from their land to make room for sugar cane plantations had no other option but to go to work on those same plantations for lack of alternative income. On these plantations, work is reported to be irregular and payment is low, while compliance with

50 Equitable Cambodia & Inclusive Development International, Bitter Harvest, 2013, http://www.inclusivedevelopment.net/wp-content/uploads/2013/10/Bittersweet_Harvest_web-version.pdf (22-10-2015).

51 Equitable Cambodia & Inclusive Development International (2013).

52 WWF-US, Sugarcane Production and the Environment, assets.panda.org/downloads/sugarcaneproductionandtheenvironment.pdf (22-10-2015).

53 Oxfam, Nothing sweet about it: How sugar fuels land grabs, 2 October 2013, https://www.oxfam.org/sites/www.oxfam.org/files/nothingsweetaboutitmediabrief-embargoed2october2013.pdf (20-10-2015).

54 Equitable Cambodia & Inclusive Development International (2013).

55 Oxfam, Nothing sweet about it: How sugar fuels land grabs, 2 October 2013, https://www.oxfam.org/sites/www.oxfam.org/files/nothingsweetaboutitmediabrief-embargoed2october2013.pdf (20-10-2015).

56 Repórter Brasil, Brazil's ethanol in the world, May 2011, http://reporterbrasil.org.br/documentos/Sucarcane2011.pdf (22-10-2015).

health and safety regulations is lacking, which led to the death of several workers operating dangerous machinery in 2013-2014.[57]

An epidemic of chronic kidney disease (CKD) has been reported along the Pacific coast of Central America.[58] Workers in the sugar cane sector, among others, are heavily affected by this ailment.[59] In 2008, a Nicaraguan association of former sugar cane workers who suffer from CKD filed a complaint with the grievance mechanism of the International Finance Corporation (IFC), which had financed the company that had employed them. The complaint process closed in August 2015 and resulted in improvements to health care and economic and social benefits to those suffering from the disease, as well as independent, epidemiological studies to determine the cause(s) of the disease.[60] Although the definitive cause of the disease is still unknown, the research supports the conclusion that one or more of the risk factors of the disease are occupational.[61] In particular, heat stress is "likely to play a role in the development of this type of CKD," but on its own would not explain the epidemic.[62] Further research is being conducted outside the framework of the complaint process. In September 2015, a new complaint was filed by another association of former sugar cane workers who had been employed by a different sugar company, also a recipient of financing from the IFC.

A brief survey of labour rights issues in the sugar cane sector for this report unearthed further recent reports from Colombia[63], Mozambique[64], Sierra Leone[65], and the Dominican Republic[66], illustrating how widespread labour rights issues in the sugar cane industry are.

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57 Inclusive Development International website, Cambodia: Sugarcane land grabs, no date, http://www.inclusivedevelopment.net/what/advocacy/cambodia-anz-backed-sugar-land-grabs/ (22-10-2015).

58 D. Brooks et al., Summary report: Boston University investigation of chronic kidney disease in Western Nicaragua, 2009-2012, August 2012, p.15, http://www.cao-ombudsman.org/cases/document-links/documents/BU_SummaryReport_August122012.pdf (22-10-2015).

59 D. Brooks et al. (August 2012), p. 10.

60 IFC Compliance Advisor Ombudsman, Dispute Resolution Conclusion Report-Nicaragua Sugar Estates Limited-01, August 2015, http://www.cao-ombudsman.org/cases/document-links/documents/CAOConclusionReport_NSEL_August2015_ENGLISH.pdf (22-10-2015).

61 IFC Compliance Advisor Ombudsman (August 2015), p. 3.

62 IFC Compliance Advisor Ombudsman (August 2015), p. 3.

63 Pulitzer Center, A Struggle for All of Colombia's Workers, 24 August 2013, http://pulitzercenter.org/reporting/south-america-colombia-el-cerrito-union-human-rights-sugar-cane (22-10-2015). Chicago Religious Leadership Network on Latin America, Take Action! Striking Sugar Cane Workers in Colombia under Attack!, no date, http://www.crln.org/Sugarcane_Workers (22-10-2015).

64 Ethical-Sugar, Sugar cane in Southern Africa: A sweeter deal for the rural poor, October 2010, https://ethicalsugar.files.wordpress.com/2014/02/sugar_cane_in_southern_africa_-_a_sweeter_deal_for_the_rural_poor-2.pdf (22-10-2015).

65 CorpWatch, Sierra Leone Farmers Evicted for Sugarcane Biofuel Plantations, 5 March 2013, http://www.corpwatch.org/article.php?id=15822 (22-10-2015).

66 US Department of Labor, Public Report of Review of U.S. Submission 2011-03 (Dominican Republic), 27 September 2013, http://www.dol.gov/ilab/reports/pdf/20130926DR.pdf (22-10-2015).

3.5 Child labour

Children are currently reported to be employed in the sugar cane sector in at least 15 countries.[67] In the Philippines, for example, children as young as seven years old face hazardous circumstances as they participate in work on sugar cane plantations alongside their families.[68] In Brazil, El Salvador and Bolivia, prevalence of child labour on sugar cane plantations is said to have receded in the past years, but it still remains a widespread problem to this day.[69]

67 US Department of Labor website, List of Goods Produced by Child Labor or Forced Labor, no date, http://www.dol.gov/ilab/reports/child-labor/list-of-goods/ (22-10-2015).

68 ABK3 LEAP website, Child Labor in Sugarcane Farms, no date, http://abk3leap.ph/child-labor-in-sugarcane-farms/ (22-10-2015). CNN, Life not sweet for Philippines' sugar cane child workers, 2 May 2012, http://edition.cnn.com/2012/05/01/world/asia/philippines-child-labor/ (22-10-2015).

69 Ethical-Sugar, Sugar Cane and Child Labour: Reality and Perspectives, 2011, https://ethicalsugar.files.wordpress.com/2014/02/ethical-suagr-sugarcane-and-child-labour.pdf (22-10-2015).

4 Sustainability issues in the Malawian sugar cane industry

Sugar is one of the three most important export crops for Malawi. The country's sole sugar producer is Illovo Sugar (Malawi) Limited (hereafter referred to as Illovo Malawi), a subsidiary of the UK based multinational Associated British Foods (ABF). The research conducted for this case study focuses on working conditions at Illovo Malawi plantations and factories. In addition, it brings to the fore information from communities around Illovo sugar plantations who accuse the company of grabbing their ancestral land which they had been using for subsistence agriculture. This case study presents findings from interviews conducted both in 201370 and 2015, and assesses all changes and developments that occurred during the research period.

During the span of this research, Malawi CARER interviewed a total of 78 respondents working at the Nchalo operations (plantation and factory) of Illovo Malawi (permanent, seasonal and agency workers[71]) and 83 villagers who have been affected by land disputes. Table 3 summarises a few key features of these interviews.

Table 3: **Details of interviews conducted in Malawi[72]**

Workers	
2013	
50 workers interviewed	30 individual worker interviews
	20 workers participating in focus group discussions
2015	
28 workers interviewed	9 permanent workers
	8 seasonal workers
	11 agency workers
Total: 78 workers	
Community members	
2013	
40 community members interviewed	Villagers from Bangula, Nsanje District and Nchalo in Chikwawa District[80]
2015	
43 community members interviewed	Villagers from Nchalo in Chikwawa District
Total: 83 community members	

70 Illovo Sugar Malawi Limited was sent draft versions of the 2013 research but has not responded.
71 These are workers hired by agencies that are contracted to this end by Illovo Malawi.
72 Only the results of the interviews in Chikwawa district are used in this briefing.

4.1 About Illovo

Illovo Sugar Limited (Illovo Sugar) is Africa's biggest sugar producer. It has operations in six African countries: Malawi, Mozambique, South Africa, Swaziland, Tanzania and Zambia. The group produces raw and refined sugar for local, regional African, European Union (EU), United States of America (USA) and world markets from sugar cane supplied by its own agricultural operations and outgrowers who supply cane to Illovo Sugar's factories. Illovo Sugar is listed on the *Johannesburg Stock Exchange* (JSE) and is a subsidiary of Associated British Foods plc which holds 51.4% of the issued share capital (since 2006).[73]

In Malawi, Illovo is active through Illovo Sugar (Malawi) Limited (Illovo Malawi) a company listed on the Malawi Stock Exchange. Illovo Malawi is the only producer of sugar in Malawi, producing raw, refined and specialty sugars. Illovo Malawi's corporate office is located in Limbe. The company owns two production estates and factory operations (mills and refineries) at Nchalo in Chikwawa and Dwangwa in Khotakota districts[74]. These two operations account for all of Malawi's milling and refining capacity. In 1997 Illovo Malawi bought Lonrho Sugar Corporation Limited (Lonrho), a company with sugar assets across Malawi, Swaziland, Mauritius and South Africa and in 2003 the company acquired a 76% share in the previously state-owned Sugar Corporation of Malawi (SUCOMA).[75]

Illovo Malawi, together with its 3,700 outgrowers, has the capacity to produce 2.4 million tons of sugar cane and approximately 290,000 tons of sugar annually. Approximately half of the sugar produced is sold locally and 20% is sold throughout regional African markets.[76] Roughly 30% of all production is exported to the European Union and the United States of America. Of the total sugar export value of € 105 million, about € 82 million's worth[77] (or 78%) is exported to the European market.[78] In turn these exports make up 7.4% of total Malawian exports by value.[79] Three per cent of all EU sugar imports and 0.6% of total EU consumption originates in Malawi.[80] Of Illovo's Malawian sugar export to the EU, both Portugal and the UK receive over 35%, while 12% goes to Belgium.[81] Hence, while Malawi may not be a top supplier of sugar to the EU, the EU is an important export destination for Malawi.

73 Illovo Sugar Limited website, "About us – Group overview", http://www.illovosugar.co.za/About-Us/Group-Overview (accessed on 18-10-2015).

74 Illovo Sugar Limited website, "About us – Malawi", http://www.illovosugar.co.za/About-us/Malawi (18-10-2015).

75 Ide Jetro website, "Illovo Sugar (Malawi) Ltd", http://www.ide.go.jp/English/Data/Africa_file/Company/malawi01.html (18-10-2015); Illovo Sugar Limited, "Illovo response to SOMO report 6 November 2015", email received 6 November 2015.

76 Illovo Sugar (Malawi) Limited, ISML – Annual report 2015, http://www.illovosugar.co.za/About-Us/Malawi/Illovo-Sugar-%28Malawi%29-Limited.

77 Using the 6 November European Central Bank currency exchange rate for US Dollars to Euros of 1:0.9205.

78 United Nations, Comtrade Database, http://comtrade.un.org/data/ (20-10-2015).

79 United Nations, Comtrade Database, http://comtrade.un.org/data/ (20-10-2015).

80 European Commission, Sugar Trade Statistics, 29 October 2015, http://ec.europa.eu/agriculture/sugar/presentations/trade-statistics_en.pdf (20-10-2015).

81 United Nations, Comtrade Database, no date, http://comtrade.un.org/data/ (20-10-2015).

Company reply to case study findings

Ilovo Sugar produced a very elaborate response to the draft findings of this case study that were presented to them before publication. In broad terms, the company response stresses that the findings are inaccurate and unfounded. However, to support this view, the company almost exclusively elaborates on the, often recent, policies it has in place. The company is thus ignoring that the present case study is focused on the reality on the ground, rather than on the policies that may be in place. Consequently, it was only when Illovo Sugar's reaction was helpful in understanding the findings better, or when it effectively corrected inaccuracies, that this information found its way into this case study.

4.2 Workforce: permanent, seasonal and agency workers

Illovo Malawi employs around 10,000 people[82] of which 55% are permanent workers and 45% are seasonal workers. Illovo Malawi also hires workers indirectly through independent agencies. These workers, referred to here as agency workers, are employed by these agencies to work at the Nchalo and Dwangwa estates in the tasks of harvesting, building, transportation, pest control, cane planting and weeding. Illovo Malawi does not publish information on the number of agency workers it hires indirectly each year through contractors, however, it is estimated that there may be up to 20,000 agency workers.[83]

- **Permanent workers**
  Most of the 5,500 permanent workers work in shifts in the sugar processing factories and in the warehouses. Only a few permanent workers are engaged in agricultural work. The permanent employees at Illovo Malawi have job security and enjoy benefits such as free housing, free medical services, sick leave, pension scheme, lunch allowances, bonuses and educational loan services for themselves and their children. They are accommodated in good houses close to the company's operations and some of these houses are connected to free electricity. There is a job grading system, with a corresponding salary structure, which categorises permanent workers' functions in different ranks.

- **Seasonal workers**
  Approximately 4,500 seasonal workers are employed every year during peak periods. These workers sign an eight-month contract every year, running from April to November. Seasonal workers are entitled to the same benefits as permanent employees, but only during the period that they are employed (from April to November).

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82 Illovo Sugar (Malawi) Limited, ISML – Annual report 2015, http://www.illovosugar.co.za/About-Us/Malawi/Illovo-Sugar-%28Malawi%29-Limited.

83 Estimate of Malawi CARER.

Every year in December, all the seasonal workers are laid off for four months until April of the coming year. According to the workers interviewed, most of them have been working this way at Illovo Malawi for over eight years. All the seasonal staff interviewed complained that despite working for Illovo Malawi for so many years, workers have no job security and they are easily dismissed. They cited a recent example (in March 2015) at the pre-pack/marketing section where Illovo Malawi dismissed 25 workers. According to these workers, the reasons of their dismissal included the fact that they had complained about working conditions. These workers consequentially filed a complaint at the Industrial Relations Court, which ordered Illovo Malawi to compensate them for due to breach of contract. Instead of paying out the money, Illovo Malawi called the complainants back to continue with their work. The workers are now very worried that their contracts will no longer be renewed in April next year. Illovo Sugar claims to be unaware of these dismissals. It also denies that there has been a court case and that there were ever dismissals on these grounds.[84]

- **Agency workers**
  Most of the work on the sugar plantations - planting, weeding, cane cutting and transportation – is carried out by agency workers. Illovo Malawi outsources most of its plantation work to contractors who engage in a bidding process, and then recruit their own workers who, do not get to sign any written contracts. The actual number of agency workers is unknown, but there are more than ten contracting companies that supply workers to Illovo Malawi. Illovo Sugar, in its reaction, stated that it employs approximately 10,000 'contractor employees' in Malawi.[85] Agency workers do not belong to the workers' union (Sugar Plantation and Allied Workers Union of Malawi) and do not enjoy any benefits. They are not entitled to free medical services, food allowances, free housing or bonuses. Whenever they get sick or injured, even at Illovo Malawi plantations, these workers have access to Illovo Malawi's clinics but are required to pay the medical bills themselves, which many workers cannot afford.[86]

According to ten agency workers interviewed, the contracting companies only write down the names of the people who offer themselves for employment, give them necessary equipment and deploy them where they are needed. These workers are the most vulnerable group. They are not unionised and have no job security. In the absence of a contract, these workers are at increased risk of unfair dismissals and hindered from obtaining any redress as they have no proof of employment.

84 Illovo Sugar, email in reaction to a draft version of this report, 6 November 2015.

85 Ibid.

86 Illovo stresses that contractors are to "adhere to Illovo Malawi's Code of Conduct and Business Ethics and related policies" and that "supply chain compliance audits are conducted." Illovo Sugar, email.

4.3 Working hours and overtime

In Malawi, a normal working week consists of 48 hours and six working days. Any hours worked in excess of 48 hours are treated as overtime and should be paid at the rate of at least 150% of normal hourly wages.[87]

During the interviews conducted in 2013, workers reported that they were expected to work on Sundays. Although overtime was paid, providing a much needed supplement to workers' income, those who refused to work on Sundays could expect disciplinary actions or even dismissal. Illovo Sugar claims that workers accepted Sunday shifts voluntarily, and that the *Industrial Relations Court even turned down a worker request for an order to be allowed to continue working seven days a week.*[88]

Recent interviews (August – September 2015) revealed some major changes regarding working hours and overtime work. The most significant one is the removal of overtime work and payments in almost all departments (except for the irrigation section). In addition, information provided by the workers surveyed suggests that Illovo Malawi has made this possible by shifting some of the work previously done by its permanent and seasonal workers to its agency workers.

For all permanent and seasonal workers compulsory overtime on Sundays is no longer required; workers now enjoy a day off on Sundays. In addition, the working week has been reduced to five days. However, working weeks for permanent and seasonal workers still add up to 48 hours. Three days a week, they work 8 hours a day, while two days a week they work for 12 hours a day. The Malawi Employment Act (2000) is silent on this practice of subjecting workers to 12 hour shifts. The emphasis is on 48 hours per week; hence employers may take advantage of this loophole.

According to the permanent and seasonal workers interviewed, this removal of overtime has significantly reduced their monthly income. The company notes that it has introduced a 'shift allowance' to compensate for loss of overtime payments. Still, the fact that there was no reference to this measure in the interviews suggests that this measure is not fully making up for the income loss derived from less overtime work.[89] Workers complained that the removal of overtime work and payments has forced them to find alternative additional sources of income. According to them, they are now depending on informal money lenders who may charge 100% interest for any amount of money borrowed just for a month.

Working hours among agency workers often exceed eight hours a day, and they are required to complete daily targets. For instance, sugar cane cutters have to complete a daily target of 40 by 35 metres before they receive the daily wage of Malawi Kwacha (MK) 551 (€ 0.88[90]). If the target is not met, the worker can choose to continue working or the task will be added

87 Malawi Government, "Employment Act", article 36, 2000 http://www.malawilii.org/files/mw/legislation/act/2000/6/ea2000149_pdf_93336.pdf.

88 Illovo Sugar, email.

89 Ibid.

90 Euro/MK 0.0015900659, XE website, http://www.xe.com/currencytables/?from=MWK&date=2015-09-28 (9-11-2015) .

to their target for the following day. Those who fail to meet the target are eventually penalised by having part of their wages deducted. Since plantation work is very tough, most workers, especially women, fail to reach the targets and hence they suffer from wage cuts or even loss of jobs.

4.4 Wages

The 2013 study found that wages at Illovo Malawi were above the legal minimum wage of MK 8,242 (€ 17[91]) per month at that time. In 2013, average monthly basic wages of Illovo workers were around MK 14,000 (€ 29, based on 48-hour working weeks). In addition, workers received MK 10,000 (€ 21) in overtime payments a month (overtime hours were remunerated at MK 150 (€ 0.30) per hour and workers received a MK 5,200 (€ 11) food allowance. The average monthly net pay in 2013 including overtime wages and food allowance was about MK 29,000 (€ 60).

In January 2015, the legal minimum wage in Malawi was adjusted from MK 317 (€ 0.50[92]) to MK 551 (€ 0.88) per day. The minimum monthly wage was thus increased to MK 14,326 (€ 23) per month. In response Illovo Malawi increased wages (up to 28%) for all workers hired directly by the company (both permanent and seasonal workers) as well. Average daily wages for Illovo workers are now around MK 900 (€ 1.43) a day and the monthly basic wage is around MK 23,000 (€ 37). The average monthly net pay in 2015 for a permanent worker was about MK 31,000 (€ 49[93]). This is well above the legal minimum wage.

Comparing wage slips collected from workers 2013 to those of 2015, a number of developments can be observed. For instance, the food allowance has been adjusted from MK 5,200 in 2013 study to about 8,400 (€ 13) in 2015. In addition, the house allowance of MK 4,353 (€ 7) has also been introduced into the earnings of those workers who do not live in free company houses. However the most significant change is that there are no longer overtime payments or attendance bonuses for Illovo Malawi workers. Indeed, while basic wages increased, net total monthly payments decreased by about 10%, as permanent and seasonal workers no longer earn overtime wages or an attendance bonus.

All the permanent and seasonal workers interviewed complained about the removal of overtime work and overtime payments. According to them, the removal has significantly reduced their monthly income. It is not clear why Illovo Malawi removed overtime payments and even introduced an extra day off in addition to Sunday, but it is likely this was done to save costs. Indeed, according to the Sugar Plantations and Allied Workers Union of Malawi (SPAWUM) and interviewed workers, there are no overtime payments because Illovo Malawi has transferred some of the tasks previously carried out by permanent and seasonal workers to agency workers.[94]

91 Euro/MK 0.002074723, XE website http://www.xe.com/currencytables/?from=MWK&date=2013-09-28, (9-11-2015).

92 See footnote 70.

93 In just two years the Malawi Kwacha depreciated about 25% against the Euro.

94 Sugar Bulletin, Newsletter of the Southern African Farm Workers Network, Issue 2, March 2011, http://farmworkers.org.za/sites/default/files/sugar%20bulletin%20TO%20PRINT.pdf (20-10-2015).

Further, it was observed that despite the fact that permanent and seasonal workers receive equal allowances (house allowance, food allowance, etc.), differences in monthly incomes exist within the two categories. According to the seasonal workers in the survey, they all belong to the same grade and receive equal payments. In contrast, permanent workers are graded, and they therefore receive higher remuneration which as their grade increases.

Another observation is that although Illovo Malawi payments are comfortably above the government minimum wage, and also above average wages in other important agricultural industries, such as the tobacco and tea industries, they may not be enough to sustain a worker and his/her family for the whole month. The daily living wage for rural Malawi as of January 2014 was calculated at MK 1,531[95] (€ 2.63[96]) for workers without in kind benefits, MK 1,408 (€ 2.42) for workers with some in kind benefits and MK 1,193 (€ 2.05) for workers receiving most in kind benefits. Workers on Illovo Malawi's pay roll receive a number of benefits and their average daily take home pay was MK 1,192 (€ 1.90[97]) in 2015. Hence wages at Illovo are somewhat below the living wage.[98] According to the company, entry level wages are well above the living wage level. It is, however, unclear exactly how the company comes to this conclusion.[99]

Wages of agency workers

The follow-up study further established that the 2015 wage increments only affected workers directly hired by Illovo Malawi. Agency workers - who constitute the majority of the workforce at Illovo Malawi – are not covered by this wage increment.

The agency workers interviewed indicated that they receive a daily wage of MK 551 (€ 0.88) per day for an eight-hour working day, which is equal to the legal minimum wage and far below calculated daily living wage levels. As noted before, their eight hour working day only exists on paper, as in practice they may work much longer to reach their target. Agency workers receive their wages once a month but do not receive pay slips.

Unlike other categories of Illovo workers, agency workers do not enjoy benefits such as free housing, medical services and food allowances. They rent houses in the surrounding villages which are about 3-5 kilometres from Illovo Malawi plantations. Most of them commute from their homes to the agency's offices, and are transported from there to their designated work stations.

Clearly, agency workers earn much less than workers hired directly by Illovo Malawi, and they also lack job security altogether. In its reaction to the draft version of this report, Illovo Sugar stated that 'independent contractor' employees are required to be paid the equivalent of Illovo Malawi's 'negotiated wage rates', and that where contractors pay their workers based on completion of tasks,

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95 R. en M. Anker, 2014, Living wage for rural Malawi with focus on tea growing areas of southern Malawi, http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/LivingWageReport_Malawi.pdf (20-10-2015).

96 Euro/MK 0.0017207529, XE website, http://www.xe.com/currencytables/?from=MWK&date=2014-01-31 (9-11-2015).

97 For 26 days a month (48 hours a week).

98 It should be noted that the living wage level will have risen in 2015 compared to that in 2014.

99 Illovo Sugar, email.

'this requires monitoring from a human rights perspective'[100]. However, from the worker interviews it becomes clear that, taking into account the number of hours worked, agency workers are often paid below the legal minimum wage and clearly earn less than those workers hired directly by Illovo Malawi. There seems to be a clear gap between company policy and practice in this regard.

4.5 Health and safety

According to Illovo Malawi, daily safety briefings are undertaken to enforce and bolster safety measures; constant efforts are applied to inculcate an awareness of safety issues throughout all areas of the business. In addition, in-company theatre plays are used to highlight safe behaviour. Visible signage has been introduced in strategic locations as a constant reminder of a safety-first culture[101].

The 2013 study revealed that despite all these efforts to ensure safety, accidents are still common: snake bites, caustic soda burns, and other injuries to machine operators and vehicle drivers in the sugar factory and plantations. Field workers, as well as factory staff, indicated that they are given a single pair of personal protective equipment once a year, but this gear does not last long enough. As a result, most of the workers do their jobs unprotected.

The workers interviewed in 2013 reported that if a worker is involved in an accident it is difficult to receive compensation, because the company often ascribes accidents to negligence. There is also reference in the interviews to workers who were involved in accidents and requested for compensation who were subsequently fired. A number of examples were mentioned where victims underwent a disciplinary hearing instead of being compensated.

Although the victims are rushed to Illovo Malawi clinics and treated there, they also suffer from intimidation and undergo harsh interrogation. One of the victims interviewed claimed that he was assigned to do a task in the plantation without protective gear. While working, he was bitten by a snake and he was rushed to a hospital. At the hospital bed, the section manager issued the victim with the necessary protective gear and told what to say to the authorities, if he failed to follow these orders he would suffer reprisals.

The 2015 follow-up study revealed that in the plantations and the factory, permanent and seasonal workers are given all the necessary personal protective equipment (PPE) such as boots, gloves, masks and work suits. [102] However, it was observed that the agency workers did not have full protection. They were seen working in the plantations barefoot and without gloves. According to workers interviewed, some agencies provide their workers with all the necessary PPE once a year. However, as just noted, plantation work is so intensive that PPE easily wears out, and replacements fail to arrive timely. Hence, many workers still go into the fields without adequate protective material.

100 Illovo Sugar, email.

101 Illovo Sugar (Malawi) Limited, ISML – Annual report 2015 (20-10-2015). This constitutes an improvement for seasonal workers that received PPE less frequently in the 2013 study.

102 These are provided twice a year. Illovo Sugar, email.

According to one of the victims who was injured while on duty, the company used interrogations to intimidate the victims and prevent them from demanding compensations. When a worker is injured, he/she is expected to fill in forms explaining what really happened during the accident. These statements are then used by the company to determine if the victim flouted any of the set safety procedures. According to workers interviewed, many people lost their jobs after applying for compensation following the accidents. They were accused of not following safety regulations and therefore bringing the company into disrepute. As in 2013, Illovo Malawi management still considers accidents to be the result of negligence because the workers are given necessary PPE as well as safety training. The victims are said to undergo intense interrogations just to establish whether they themselves failed to follow safety regulations. Following such interrogations, victims have been sued and dismissed.

In reaction to the health and safety findings, Illovo Sugar notes that their safety statistics indicate they are achieving 'world class status'. The authors are not in position to verify this qualification or the statistics themselves, but the figures presented for Illovo Malawi show that the relative number of injuries has indeed decreased during the period 2013 – 2015.[103]

Regarding health care, only permanent and seasonal workers on Illovo Malawi's payroll qualify for free medical services in company clinics. Just as agency workers the seasonal workers have access to Illovo Malawi clinics but they need to pay the bills on their own account during lay–off from December to April.

4.6 Freedom of association and labour relations

The 2013 interviews revealed that all workers directly employed by Illovo Malawi are Sugar Plantations and Allied Workers Union of Malawi (SPAWUM) members by default. The follow-up interviews observed that workers are expected to join the union on the first day of their employment. According to the permanent and seasonal workers interviewed, no written consent is provided. The employees are told about the union on their first day, and they are not given time to think about joining or not. According to them, all workers are then subjected to a union subscription fee of roughly 1% of the worker's monthly basic pay. This fee is collected by the Illovo Malawi management and indicated accordingly on the pay slips.

According to the interviewees, workers are not allowed to express themselves or complain about the working conditions outside SPAWUM. This fear was observed during the interviews to be real, as workers were patently restless despite the fact that all were interviewed off-site and without the knowledge or consent of the management. Indeed, many expressed that the working conditions are awful, but they choose to remain silent because they are afraid of losing their jobs.

Many workers referred to an incident in 2011 when workers went on strike to call for better wages. In response, Illovo Malawi summarily dismissed key union leaders who played a pivotal role in organising this strike. In addition, SPAWUM representatives complained about how they were

103 Illovo Sugar, email.

subjected to intimidation by the Illovo Malawi management after this strike. The grounds that the company dismissed the workers on included, amongst other things, holding a union meeting without the knowledge and permission of the company.

After the 2011 incident, SPAWUM was severely obstructed in its ability to perform its functions as an independent and democratic union. First, the union had its access to email restricted by the company. The company also colluded with the local police, and two union leaders involved in organising the strike were later detained. According to the interviewed workers, the trade union is very weak due to interference by Illovo Malawi management. The current leaders have been imposed by, and work in support of, Illovo Malawi management. Workers interviewed in 2013 indicated that the workers who complain are often dismissed and the union does not take any action to help them.

The 2015 interviews revealed little progress on this issue. Workers interviewed expressed their dissatisfaction with the way union elections were conducted. Most of them felt cheated when the elections resulted in the appointment of a different person than those most workers had voted for. This particular union leader is accused of siding with the company administration when dealing with issues affecting the workers. Out of 28 workers interviewed in recent months, 15 believe that management interferes with the elections and they expressed their wish to disassociate themselves from the union. However they cannot say anything openly without inviting reprisals. Agency workers, for their part, could in theory become members of SPAWUM, but there was no evidence from the interviews that they do so in practice. .

In reaction to the findings in this section, Illovo Sugar stated that 'throughout the group, workers are free to report grievances to their line managers or other members of management, internal audit, or to the well-publicised Crimeline and Tip-offs Anonymous operated by Deloitte, which allows for confidential reports to be made to an impartial third party.' However from the findings it is clear that workers are unaware of these mechanisms or do not trust them.

4.7 Accommodation

Illovo Malawi offers free accommodation to many of its workers, both permanent and seasonal. The compounds for permanent workers are located near Illovo Malawi factories, whereas the compounds for seasonal workers are located near the plantations. The former are better valued than those for seasonal workers. Most permanent workers are satisfied with the company-provided houses, some of which are supplied with electricity by the company. Workers who do not live at the company compound are entitled to a housing allowance of about MK 4,500 (€ 7.74[104]) per month.

In contrast, the seasonal workers interviewed were not satisfied with the accommodation offered by the company. They complained that the houses are too small and that they have to share one toilet and one bathroom with ten workers. Moreover, these workers complained that every year they are forced out of company houses in December and then allowed back in April. For four months these compounds remain locked. Most of the seasonal workers go back to their home villages and come

104 Euro/MK 0.0017207529, XE website, http://www.xe.com/currencytables/?from=MWK&date=2014-01-31 (9-11-2015).

back in March, when the company starts to recruit seasonal workers. Others stay behind and borrow houses near plantations. Those who stay behind earn their living by doing casual work within Nchalo township.

The outsourced workers are treated differently. Since they are not considered Illovo Malawi employees, they are not offered any accommodation and they are not entitled to house allowances. These workers live in surrounding villages where they rent grass-thatched houses. Most of them travel for three to five kilometres either on foot or on bicycles, as they cannot manage to pay for transportation. These workers spend around MK 2,000 (€ 3.18) per month on rent.

4.8 Gender Issues

According to one member of Illovo Malawi's management, the company is an equal opportunity employer, and women are encouraged to come forward and apply to work with the company. However, researchers' observation found very few female employees at Illovo. Most of these women work in lighter jobs or in the administration department.[105]

Most of the women working in the plantations were employed by recruitment agencies. Four female agency workers that were interviewed complained about sexual harassment from their immediate agency supervisors, who ask for sexual favours in exchange for job opportunities, promotion and lighter work.

However, the study failed to source any records of complaints at the police station or the local courts. This absence of records might be the result of a culture of silence in Malawian society. People do not discuss sexual issues openly and those who complain about harassment are usually rebuked and seen as prostitutes who were seducing men deliberately. Hence, women workers suffer silently and do not complain to management, trade unions or authorities.

4.9 Land conflict

In Malawi, there are a number of laws that deal with land issues, but they discern between different types of land. The Land Act distinguishes among private, public, government and customary land.

More than 60% of the country is customary land, meaning that it is mostly untitled. This customary land is administered by traditional authorities on behalf of the government, with local communities merely enjoying user rights.[106] This means that all rural households that use the land for subsistence in Malawi do not have a title deed for the land, and farmers have no guarantee that they will farm

105 In their reaction, the company suggest this can be explained by women not wanting to do sterneous manual labour. This research, by contrast, found many women to be more than willing to work in the fields but not being able to get a job. Illovo Sugar, email.

106 IRIN news website, "Malawi: Without land reform, small farmers become 'trespassers'", 26 Apr 2012, http://www.irinnews.org/report/95363/malawi-without-land-reform-small-farmers-become-trespassers (20-10-2015).

on the same land next season, seeing as the government could claim it. On the other hand, the government of Malawi has a land lease system where corporations or people who want to farm on commercial basis can lease land for a period of 99 years subject to renewal.[107]

These two land right systems have often collided, with villagers claiming the land as ancestral, on one hand, and individuals/companies claiming the same plots with title deeds. The problem seems not to be the land system itself but the individuals (traditional authorities) who are given the mandate to administer the customary land. These traditional authorities, most of whom are "illiterate"[108], are easily enticed with money to sell off customary lands. Smallholder farmers and their households are left dispossessed or competing for the dwindling arable land as Malawi's population increases.

In August 2013, the Malawi Parliament debated a new land bill, which among other things seeks to set new conditions for land ownership and convert foreign owned freehold land to leasehold. Freehold land permanently confers title and ownership. In this case government does not collect ground rentals as is the case with lease hold land. The new land policy/bill has had a lot resistance especially from traditional leaders. In this proposed new law, chiefs will lose all the conclusive power on land to allocation committee. However, due to an injunction petitioned by the local chiefs, the new land laws are not yet in place pending court ruling. Therefore, Malawi is still using the old customary laws.

Gaps in governance have allowed many individuals and companies to obtain title deeds and land leases from corrupt local chiefs with the help of government officials. Most of the customary land in many districts in Malawi has been claimed through these methods, at the expense of illiterate villagers.[109]

Malawi CARER has documented many cases of villagers from communities around Illovo Malawi sugar plantations in Nchalo/Chikwawa districts who claim to have been victims of land grabbing. The office of the Ombudsman has also received complaints from people from Chipakuza village in Chikwawa where the villagers claimed that Illovo Sugar has grabbed their land.

107 Malawi Government, "Land Act", 1990 (amended 2004), http://www.malawilii.org/mw/legislation/consolidated-act/57-01.

108 Local chiefs inherit the chieftaincy from parents and many people in rural areas are illiterate.

109 Malawi: Without land reform, small farmers become "trespassers", 26 Apr 2012, http://farmlandgrab.org/20412.

The Nchalo case

This case study involves the people of Chipakuza and Thom Villages in the jurisdiction of paramount chief Lundu in Chikwawa District. They accuse Illovo Malawi of land grabbing. The people of these two villages claimed that, in 2008, Illovo Malawi forced the people out of their customary land that was being used for subsistence farming.

According to the 43 victims interviewed, villagers have been using this land since the 1960s. The villagers insist that this disputed land has belonged to them since the 1960s, when the government relocated them from the Shire river bank to give way for the Sugar Company of Malawi (SUCOMA). Since the government at that time - under the dictatorship of the first president of Malawi, Hestings Kamuzu Banda - was so powerful, the villagers could not resist nor ask for compensation.

In the early 1970s, the Sugar Company of Malawi (SUCOMA) in which Lonrho Sugar Corporation was the largest shareholder, embarked on an expansion programme. The sugar company started buying off villages surrounding the Nchalo Sugar Estate. This exercise saw the following villages bought off: Biasi, Chazuka, Nthipiya, Mangulenge and some parts of Thom Villages. Those affected by this pressure were compensated for the loss of land and settlements.

The government identified a new area where the affected people in question were supposed to be relocated. The villagers claimed that all the people who were compensated moved out of the area, and SUCOMA (through Lonrho) immediately converted the newly acquired area into sugar plantations.

According to the villagers interviewed, the whole of Chipakuza and some of Thom's villagers remained on their land, but Lonrho officials promised them that they would come back to buy their land at a later date. In the end however, these Lonrho officials never came back to these two villages; the people stayed put and continued using their land for subsistence farming.

Evicted villagers

The land dispute started in 1984 when Lonrho tried to take over the land by force. Security officers were sent in to forcefully vacate the villagers from their fields. This first land dispute was settled by a Malawi Congress Party District chairman who defended the villagers and made sure they could continue using this disputed land. The villagers were not bothered again until early 2000, when Illovo Malawi took over the sugar estate from Lonrho.

In 2002, Illovo Malawi started constructing roads and irrigation furrows in this disputed land. When villagers protested, Illovo Malawi assured them that the company was not taking over the land, but just minimizing transportation costs by constructing roads and trenches.

The Nchalo case continued

A trench was dug to indicate a border line, and the company instructed the villagers not to use land beyond that demarcation. Approximately 20 villagers witnessed this agreement.

In 2008 Illovo Malawi staked a claim to the land. Officials from the company and from the Chikwawa land department arrived to notify the villagers to vacate the land, arguing that the new paramount chief had agreed to Illovo Malawi's use of it as the legal title holder. The villagers resisted; the police intervened and arrested some of them. Since then, Illovo Malawi has been using the disputed land with the backing of Traditional Authority Lundu and the office of the District Commissioner. About 60 villagers lost their lands on that occasion. Forty-three villagers have since been demanding proper compensation by raising the issue with various authorities (new paramount chief, district commissioner, office of the ombudsman, members of authorities) and seeking legal assistance, but so far, to no avail.

Seeking remedy and clarity

At one of these occasions the affected villagers also met the company and asked it in vain to produce the Illovo Malawi map showing the disputed land to be under Illovo Malawi title deeds. On another occasion in the village, the company claimed that compensation would be paid, but, according to the villagers, only farmers that leased their plot subsequently received compensation for crop loss. Villagers whose families had been cultivating and using areas of this land since 1964 received no compensation at all.

To shed some light on the conflict, CARER visited the Ministry of Lands in September 2015, where they were told that a title deed is a private matter and only Illovo Malawi's Land Officer could assist in this issue. However, maps showed by the Regional Lands official to the affected villagers and Malawi CARER from 1976 displayed the disputed land as not leased. It should also be said that senior lands officers refused to meet with the villagers to discuss the matter.

Malawi CARER asked Illovo Malawi in October 2015 to provide them with Illovo Malawi's land claim, a map of the 1974 and current boundaries of the Illovo estate, and the list of people who were compensated in 1974 and 2008. In their reaction to the draft findings of this report presented to them by SOMO, the company shared the lease document and produced a map of what appears to be the area of the plantation bordering with Thom village. For the lists of villagers compensated in 1974 and 2008, Illovo referred to the District officer.

The company also noted that the compensation paid to affected villagers in 2008 amounted to MK 4,788,200 (€ 21,589). This constituted compensation for loss of crops not for loss of land or income, as the company underlines that the affected villagers illegally occupied their land.

The Nchalo case continued

Illovo position to the evicted villagers' claims

In its response to the above account Illovo Sugar's notes that "land is an extremely contentious issue across Malawi". By referring to a number of activities and policies, the company also provides some evidence of its eagerness and willingness to deal with land conflict in good faith. In March 2015, for instance, they adopted guidelines on land and land rights for which a so called road map for Malawi is being developed. Another recent example is a participatory boundary retracement of the Nchalo estate they initiated in 2014, which also shows they are aware of the specific conflict raised in this report.

Despite these positive developments, the company clearly states that they are not grabbing land around their Nchalo operations, but have a long-term lease of a large area that not only includes the current plantation but also its surroundings. The boundaries of this lease are however still not clear to the victims, and despite several efforts to this end, neither the company nor district officers have yet come forth with a map of the lease. Moreover, the company is seemingly blind to the fact that their lease is on land that was illegitimately expropriated, and that the victims of that process were forced by the government to resettle in an area that may be within the boundaries of the same lease. By pushing these villagers again off these now customary governed lands, without the free and prior consent of all of the affected community members, for the purpose of enlarging their operations, Illovo Malawi effectively is committing an act of land grabbing. Consequently, while their new company policy and elements of the company reaction to this research seem to provide some perspective on a settlement of this conflict, a more critical self-reflection on the part of the company may be needed to make this a reality.

5 Addressing sustainability bottlenecks in sugar supply chains

From the previous two chapters, it is clear that sugar cane production can cause numerous problems for workers, communities and the environment, and that these affect some of the world's most important sugar cane exporting countries. Hence, any sugar-using company that takes supply chain responsibility seriously has good reasons to take measures to adequately identify, prevent, mitigate and, where appropriate, remediate adverse human rights impacts they may be associated with through their sourcing. This chapter takes a closer look at the policies of important players in the EU sugar sector, and at retailers' policies in particular.

5.1 Supermarket purchasing policies for cane sugar

Retailers are among the most important sugar users in their role of producers of store brands. This research assessed the policies of the leading five Dutch retailers[110] to get a better idea of the kind of human rights due diligence measures that prominent sugar-using companies take.

In October 2015 a survey was sent to the five supermarkets (Albert Heijn, Aldi, Jumbo, Lidl and Plus) with the largest market share in the Netherlands to assess their purchasing policies for cane sugar in store brands. Albert Heijn (Ahold), Jumbo and Plus answered all the questions in the survey. Aldi answered some of the questions and Lidl did not answer any.

Albert Heijn, Jumbo and Plus do not specifically ask store brand suppliers to use sugar cane when sugar is needed as an ingredient.[111] Whenever suppliers do use sugar cane for their store brands, they can access the information concerning its country of production through their suppliers.

Plus indicates that they are aware of the need to take measures to address sustainability issues in their supply chain for sugar cane. They always ask whether sugar cane or beet sugar is used and what the country of origin is. They ask of their store brand producers to source only sustainability certified sugar cane (Bonsucro or equivalent). However, from their answer it is also clear that this policy still needs to be implemented fully, suggesting that not all their store brand suppliers adhere to this policy yet.

In contrast to Plus, Albert Heijn, Aldi and Jumbo do not have a specific policy for sugar cane. All their suppliers, including those sourcing sugar cane for store brands, need to comply with their general terms of engagement. This also entails that suppliers in so called risk countries[112] need to

110 A decision was made to focus on Dutch supermarkets so as to restrict the number of companies in focus. SOMO also has a long history of engagement with Dutch supermarkets, which it wishes to persue in the future.

111 With the exception of course of products that are formulated specifically to contain it e.g. sugar cane sugar cubes.

112 These are mostly developing countries (low and middle income countries according to World Bank). In the case of sugar cane this includes most exporting countries.

be audited for compliance with the Business Social Compliance Initiative (BSCI) standard. However, the inclusiveness or comprehensiveness of these policies cannot be assessed based on the information provided by the companies or publicly available information from BSCI. It is therefore unclear whether audits extend to all, or even any, producers that supply sugar cane processors, or to exporters that in turn supply their store brand suppliers.

No reference to company policies specific to sugar cane could be found on the website of Lidl. But LIDL is also a BSCI member and therefore its policies are likely to be similar to those of Albert Heijn, Aldi and Jumbo. While a more comprehensive discussion of BSCI lies outside of the scope of this report, a few comments on this business initiative seem appropriate.

BSCI is not a certification or product specific system which hinders non-participants to know details about policies applying to specific suppliers or products, as just noted. However, recent SOMO research on supermarket policies concludes that there is only evidence of a very small numbers of developing country farms being audited, if at all, among BSCI supermarket members.[113] Moreover, it seems unlikely that BSCI would play a role in helping its members address complex issues such as land conflict in relation to sugar cane production: the BSCI code refers once to communities but fails to mention land rights or land grabs.

It can be concluded that all leading Dutch supermarkets have policies in place to address the risk of being associated with unsustainable practices in their supply chains. However, with the exception of Plus, these policies are not specific to sugar cane and are not very ambitious. This research did not find specific evidence of Dutch supermarkets sourcing sugar from Malawi, or from any of the other producing countries highlighted in this report as having sustainability issues in production. However as they all sell private label products consisting of, or containing cane sugar, and there is no policy for avoiding specific countries, it is possible that they are sourcing from any of these countries. There is the real risk of being linked to unsustainable practices in the sugar cane sector through these countries.

5.2 Opacity of the sugar cane supply chain

From interviews with a number of sugar refiners and industry organisations[114] there is evidence that there is little awareness among sugar-using companies of the origin of the sugar they buy. This in turn raises doubts about the willingness and ability of sugar-using companies to verify that the sustainability policies they may impose on their suppliers are effectively implemented.

As mentioned earlier, the origin of sugar on the market is obscure for buyers, because sugar from different plants and geographical origins becomes mixed in the refining process.[115] However, sugar refiners and traders generally know the country of origin and the exporter of the sugar cane they

113 SOMO, EU Action Needed for Fair Supermarket Supply Chains, May 2014.
114 Interview with 2 different anonymous industry sources on 29-9-2015 and 5-10-2015.
115 Interview with 3 different anonymous industry sources on29-9-2015, 13-10-2015 and 20-10-2015.

source from. Still, according to one of Europe's largest sugar refiners, buyers hardly ever ask for this kind of information.[116]

The opacity of the sugar cane supply chain is an obstacle to sustainability improvements, given that civil society organisations (CSOs) cannot verify the effectiveness of policies adopted in the supply chain either. Sugar-using companies do not generally specify from which countries or suppliers they source their sugar, or in what quantities.[117] In fact, it appears that only one large sugar-using company, Coca Cola, has gone so far as to make a commitment to publish the names of all its first tier suppliers, which it will do in 2016.[118] Although this will not immediately reveal the original source of the sugar it uses, but rather the companies Coca Cola directly buys from, it will bring interested parties one step closer to being able to track the sugar used by Coca Cola to its origin. So far, Coca Cola has published the names of its top three sugar suppliers only.[119]

5.3 Developments in sustainability policies of sugar using companies

The findings of this research provide some evidence that increasing awareness of sustainability bottlenecks in the sector are leading to better practices to address such issues. To illustrate this, a European refiner who was interviewed for this research stated that, following Oxfam's recent food and beverage company campaign, it had been required by its buyers – Coca Cola and PepsiCo – for audits to prevent sourcing from sugar plantations on contested land. As a result, the company started to source from plantations and traders that are certified by what it called 'internationally accepted inspection firms'.[120] Because its sugar is refined in bulk, the refiner said they were unable to track the origin of sugar throughout their own refining process. Therefore, in order to be certain that all sugar provided to Coca Cola and PepsiCo lives up to the newly adopted policies, the refiner was forced to start sourcing all its imported sugar from audited suppliers. As a result other customers now also unwittingly buy from plantations with certifications from inspection firms.

116 Interview with anonymous industry source 13-10-2015.

117 Oxfam, Nothing sweet about it: How sugar fuels land grabs, 2 October 2013, https://www.oxfam.org/sites/www.oxfam.org/files/nothingsweetaboutitmediabrief-embargoed2october2013.pdf (20-10-2015).

118 Oxfam, Nothing sweet about it: How sugar fuels land grabs, 2 October 2013, https://www.oxfam.org/sites/www.oxfam.org/files/nothingsweetaboutitmediabrief-embargoed2october2013.pdf (20-10-2015).

119 The Coca-Cola Company, The Coca-Cola Company Commitment Land Rights and Sugar, 2013, http://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/2013/11/proposal-to-oxfam-on-land-tenure-and-sugar.pdf (20-10-2015).

120 The company spokesperson that wished to remain anonymous could not tell us what the nature of the standard was that sugar cane producers/exporters needed to comply with in order to receive certification by these auditors.

Concerning land rights, five leading sugar-using companies, PepsiCo, Unilever, Coca Cola, Nestlé, and Illovo Sugar, have made a commitment to 'zero tolerance on land grabs'.[121] PepsiCo published the results of an audit carried out by Control Union at its foremost sugar supplier in Brazil.[122] Nestlé has set up specific supplier requirements concerning land rights.[123] Illovo Sugar has committed to a comprehensive examination of land rights issues in Mozambique. Illovo Sugar also stated that it is committed to address competing land rights claims in the Dwangwa area of Malawi through a multi-stakeholder engagement process. These commitments were made in March of 2015, and are planned to be implemented in the course of the following year.[124]

5.4 Sustainability certification

A number of sustainability certification schemes aim to address problematic issues in the sugar cane sector.[125] The most significant of these in terms of volume of certified production is Bonsucro. This initiative, which certifies 3.5% of the global annual sugar cane output[126], has drawn up production standards against which companies can assess the mills and farms that sell them sugar cane. Of the 47 mills currently certified, 40 are in Brazil and five are located in Australia, which makes the initiative's scope geographically limited.[127] Other sustainable sugar production initiatives, including certification schemes such as Fairtrade, Rainforest Alliance, and Organic, collectively account for less than 1% of global sugar cane production.[128]

121 Oxfam website, What is Illovo – and three reasons you should care..., 29 April 2015, http://www.oxfam.org.uk/get-involved/campaign-with-us/latest-campaign-news/2015/04/behind-the-brands (20-10-2015).

122 PepsiCo, Summary Report of the Social, Environmental and Human Rights aspects of PepsiCo's Sugarcane Supply Chain in Brazil, 1 June 2015, http://www.pepsico.com/docs/album/policies-doc/pwp/pepsico-brazil-sugarcane-supply-chain-assessment.pdf?sfvrsn=0 (20-10-2015).

123 Nestlé website, Land rights, http://www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing/land-rights (20-10-2015).

124 Illovo Sugar Limited, Illovo-Newsbrief, 19 March 2015, http://www.illovosugar.co.za/UserContent/Documents/Announcements/Illovo-Launches-Group-Guidelines-on-Land-and-Land_Rights.pdf (20-10-2015).

125 J. Potts et al., The State of Sustainability Initiatives Review 2014, 2014, http://www.iisd.org/sites/default/files/pdf/2014/ssi_2014.pdf (20-10-2015).

126 Bonsucro website, In Numbers, http://bonsucro.com/site/in-numbers/ (20-10-2015).

127 Bonsucro website, Certified Members, http://bonsucro.com/site/certification-process/certified-members/ (20-10-2015).

128 J. Potts et al., The State of Sustainability Initiatives Review 2014, 2014, http://www.iisd.org/sites/default/files/pdf/2014/ssi_2014.pdf (20-10-2015).

6 Conclusion/recommendations

Sugar consumption is increasing worldwide and there is rising awareness of health concerns associated with growth. However there is much less attention in the media for the often problematic environmental and socio-economic conditions associated with sugar cane production. This research aims to raise awareness among sugar using companies, such as supermarkets, of these sustainability concerns and outline suggestions for better company policies.

Recent reports on different important sugar cane producing countries indicate working conditions in the industry are often problematic: forced labour, child labour, lack of job security, low wages, and health and safety problems. The sugar cane industry is also linked to a range of harmful environmental impacts, including loss of animal habitats and biodiversity and pollution of land and water. Land conflict is one of the biggest problems associated with the production of sugar cane. In a number of countries cases of land grabbing are reported. The inventory of reports this report has made shows that such sustainability issues are widespread. A case study of sugar production in Malawi, that unearths many of the same problems, also brings new research to the table.

This research concludes that among sugar-using companies there is little awareness of, or interest in, the origin of the sugar they buy. This raises doubts about the willingness and ability of sugar-using companies to verify that the sustainability policies they may impose on their suppliers are effectively implemented. Leading Dutch supermarkets generally have policies to mitigate the risk of unsustainable practices in their supply chains. However, addressing the range and complexity of the sustainability issues affecting the production of sugar cane requires more ambitious policies that are specific for sugar cane.

The research also finds evidence of companies improving their policies to address sustainability issues in sugar production. One supermarket reviewed (Plus) has committed to source only sustainability certified sugar. Several globally leading food producers have recently adopted policies to address land conflict in their supply chain. Also present among these companies is Illovo Sugar, the parent company of the sugar plantation that was subject of the case study. And there are also the efforts of Coca-Cola to be more transparent about its direct suppliers.

Currently, at most 4.5% of global sugar cane production is sustainability certified. Compared to other important commodity sectors that have their production base predominantly in lower and middle income countries such as coffee, tea, cocoa, bananas and palm oil, this is rather low. This suggests that there is still much potential for growth.

From another perspective, however, the forecast for more sustainable practices in this sector looks grim. Markets for sustainability certification, and other policies for better production practices, are predominantly in higher income countries. One of the most important export markets for lower income sugar producing countries is the EU. With the abolition of production quota for sugar beet in 2017 expectations are that the EU will absorb less sugar cane and will depress world sugar market prices.

This creates a tremendous challenge and may require that sugar buying companies not only set targets for sustainability performance but also for the relative volume of sugar cane in their sourcing.

Recommendations

Sugar-using companies are recommended to:
- Commit to sourcing sustainably certified sugar cane, as a first step in properly implementing human rights due diligence.
- Investigate human rights and negative environmental impacts in their sugar cane supply chains
- Identify sugar cane plantations and mills at the origin of their supply chain.
- Verify compliance with their policies at the origin of their sugar cane supply chain
- Mitigate negative human rights and environmental impacts in their supply chain through a targeted and coordinated engagement with different stakeholders including NGOs, trade unions and governments in producing and importing countries.
- Support sugar cane producing companies that have been identified by the company as having specific negative human right and environmental impacts in their remediation efforts that engage affected communities and workers.
- Publish the names of the companies that produce the sugar cane they use, so that their responsibility can be publicly examined, and their progress can be independently evaluated.

Bittersweet

Sustainability issues in the sugar cane supply chain

This report provides an overview of different sustainability issues in the production of sugar cane globally. Based on new field research the report expands on working conditions and land conflict in Malawi's sugar industry where Illovo Sugar (Malawi) Limited, a subsidiary of UK-headquartered Associated British Foods (ABF) is the country's only producer. To better understand the dynamics in the sector and the possibilities for addressing these issues it also discusses international trade and governance, identifies important corporate actors and analyses supply chain policies of leading Dutch retailers.