IN DRAFT FORM – PLEASE DO NOT QUOTE

"Don't Stop the Mill": South African Sugar-Business, Agrarian Change and Outgrowers' schemes in the Kilombero Valley, Tanzania.

Giuliano Martiniello, Makerere Institute of Social Research

Introduction: Land Acquisitions, Agribusiness and Smallholders' Integration

The recent wave of large-scale land acquisitions in Africa, that international development and financial institutions see as "development opportunity" (WB, FMI, FAO, 2010) and critics as "land grabbing" (GRAIN, 2008; La Via Campesina, 2011), gave renewed vigor to debates over land, food and agricultural issues. The term "land grabbing" generally refers to large-scale, cross-border commercial land deals carried out by transnational corporations or initiated by food-insecure foreign governments (Zoomers, 2010: 429). Suddenly, the subject of land returned to the core of development discourses and of foreign and national direct investments. Yet large-scale land deals are not epiphenomenal if seen from the perspective of countries in the Global South, entailing both historical continuities and discontinuities with colonial and post-colonial patterns of land acquisitions. The African continent seems to have been the epicentre of the new wave of land acquisitions. The World Bank Development Report estimated that 45 million hectares of land have been involved in commercial deals in Africa since 2009 (Voegele, 2010: vi). The re-emergence of large-scale land deals in the context of a triple financial, food and energy crisis brings to the fore the question of renewed competition for natural resources, not simply within the traditional north/south dichotomy, but within a wider geographical spectrum that this time includes BRICS (Brazil, Russia, India, China, South Africa). The involvement of BRICS has led to charges of a "new scramble for Africa" (Moyo, Yeros, Jha, 2011).

South African corporate agribusiness and large-scale commercial farmers have been critical of the current acquisitions of large tracts of very fertile land in Africa (Hall, 2011a). Agricultural deregulation and trade liberalization, that characterized the transition to democratic rule in post-apartheid South Africa, created the preconditions for the consolidation of land and agricultural resources among fewer large-scale producers, which decreased from 60,000 in 1996 to 45,000 in 2002, and below 40,000 in 2007 (du Toit, 2013). In 2002, large farms received 99.7% of all profits made from farming in the country (quoted in O'Laughlin et al., 2014: 9). Expanding concentration of ownership in food and agricultural sectors rapidly ensued after the removal of state support, price controls, grants and marketing boards, and the abolition of quota systems. About 35,000 commercial producers, owning 87% of the country's agricultural land account for 99% of the food produced (Chikazunga and Paradza, 2013:

9). Four retail chains — Shoprite-Checkers, Pick n Pay, SPAR and Woolworth's — control 55% of the food retail sector (Greenberg and Paradza, 2013). Mergers and acquisitions started, and increased the foreign control of SA agri-food companies: 51.4% of Illovo Sugar Ltd, the larger producer of sugar in the continent, was purchased by Associated British Foods, a British multinational food processing and retailing company; Mass Mart by Walmart; and SABMiller by Philip Morris (Greenberg, 2013: 6-8). In addition Standard Bank, now a major investor in food companies, is 20% owned by the Industrial and Commercial Bank of China. Capital concentration also went along major value chains: input industries; processing, packaging & logistic industries; agricultural finance; commercial banks; investment funds; and food giants, such as Tiger Brands and supermarkets like Shoprite. These trends of "financialization" and "supermarketization" of the food sector underpin the expanding interpenetration of different segments and fractions of capital into complex assemblages of global interests, and underscore increased concentration and power within the changing international food regime (McMichael, 2009).

Increased concentration and strictures of land reforms in South Africa, coupled with new opportunities created by waves of agricultural restructuring, land reforms and privatization in Southern African countries, pushed many important players to expand their acquisitions in the region. In this regard, Ruth Hall (2011b) argued that the rush for bio-fuels, mining extraction, forestry, tourism and agricultural deals, which are major drivers of the current wave of acquisitions, are creating the conditions for the "South Africanization" of the region. Richardson (2010) similarly argued that South African sugar giants and processing industries with their mixed construction, manufacturing and finance components, are establishing an oligopoly in Southern Africa more strictly connected to the production of ethanol (Richardson, 2010). Often encouraged by Pretoria, South African agribusiness investments are shaping the contours of agrarian social formations in ways that are reminiscent of prior waves of dispossession experienced in the region's settler-colonial societies. The centralization of control over land and the concentration of other commodity-chains are increasingly pushing the agrarian structure of surrounding countries to follow the "dualistic" model that underpinned agrarian social change in South Africa. Indeed, South African multinationals were dynamic agents of socio-economic transformations and new regional contradictions in the late apartheid years (Chossudovsky, 1997) and during the first democratic decade (Miller, 2005). Issa Shivji (2005) labelled it the "Second Great Boer Trek".

This brief historical excursus is relevant as the current "literature rush" around "land grabbing" has often been grounded on unscrupulous assumption and un-rigorous methodologies (Oya, 2013; Edelman, 2013) often based on data collected by agitprop organizations. This often ended in Manichean and dualistic constructions which ignored the socially diversified character of rural populations. Moreover,

the overall research focus has been extremely epiphenomenal in character, and mainly interpreted land acquisitions through the prism of global (foreign) capital. Though very important, these analytical trajectories have paid scant attention to intermediate levels of analysis at the national, regional and local levels, often neglected the role of the state, and ignored historical dynamics of social change and existing class- and land-based social relations.

The expansion of South African capital has been the subject of significant debates as the politico-economic relations of African countries with BRICS expanded. The debate, mostly grounded within international political economy, has been extensively dualistic in character. Critics have argued that South African investments in the region increasingly assumed a sub-imperialist character, i.e. playing the role of a hub or bridge between international capital and the continent (Bond, 2013). To some observers of the South-South solidarity persuasion, economic and political exchanges between South Africa and the rest of the continent are mutually beneficial in helping to reclaim Africa from the fringes of the global economy where powerful globalization forces had pushed it (Tandon, 2014). According to William Martin, South Africa is instead still playing its characteristic but contradictory role of semi-periphery in the world system, i.e. assuming a Janus-faced position generating under-developed relations with northern countries, and exercising unequal power relations with its southern partners (Martin, 2013: 180). Looking at the question from a legal perspective, Ferrando (2011) argued that there is a clear convergence between classical imperialist countries (Western) and emergent economies (BRICS) in the practices and terms of access to land in African countries.

Though a convergence of practices and interests is probably also in place among BRICS, substantiated by the establishment of the first BRICS Development Bank, there exist important elements of competition in accessing natural resources and international markets, as the case of dumped Brazilian sugar imports in Southern Africa, or the competition for land resources in Mozambique showed. Other major differences can be seen with respect to agri-business models of production and the character of investments. Chinese investments, for example, are mostly state-led and target mineral-rich and agricultural fertile areas, such as in Tanzania, Ethiopia and Uganda. Indian investments are often based on private capital, and their significance in the region is linked to historical and cultural ties. The Brazilian model in sugar production, currently exported to Mozambique, is characterized by large-scale mechanization and chemicalization projects, and increased reliance on high numbers of migrant labour. Other investments in sugarcane cultivation, mainly driven by South African capital, opted for a business model based on the integration of large-scale nucleus estates plus outgrowers or contract farming

schemes. This model is currently replicated and expanded on in Busoga (Uganda) by the Madhvani Group, one of the leading corporate groups in the region.

This paper explores the socio-ecological implications of large-scale agricultural investments by using as a case study the 1998 Illovo acquisition of the Kilombero Sugar Company Limited (KSCL) in the Morogoro region of Tanzania. The focus on a single investments needs to be both historicized and situated in the larger global political and economic context of accelerating industrialization of agriculture. In this way, the case-study methodology offers the possibility to move beyond the conjunctural focus contained in the current land rush literature, and to understand the linkages between earlier and current trends and trajectories of agrarian change through the years of structural adjustment and neoliberalism.

Policy-oriented literature and corporate discourse framed KSCL as an example of a collaborative and inclusive business model, characterized by the virtuous combination of business imperatives with human and social development (Thomilson, 2005; Sulle and Nelson, 2009). This paper aims to explore these claims, by trying to understand how changing state-capital relations affected the expansion of South African sugar corporate capital in Tanzania, while simultaneously asking how agricultural investments differentially affected particular geographical areas and social groups or classes. It will do so by analysing the implications of agricultural commercialization on a group of outgrowers in the Msolwa-Rwembe area. This research trajectory acquires further relevance in the face of the current re-emergence of contract farming and outgrowers schemes among governments and global development institutions interventions often framed as an alternative to “land grabbing”. In this sense, it contributes to the already widespread literature and debate on agricultural modernization and smallholders’ integration within global commodity chains (Daviron and Gibbon, 2002; Gibbon and Ponte, 2005), deagrarianization and diversification of livelihood strategies (Bryceson 1996, 1999), and class differentiation of petty-commodity producers (Oya, 2012; Bernstein, 2001) or commercially-oriented smallholders (Cousin, 2014).

This case study gains further significance, as the Kilombero valley has been in the last few years the centre of large-scale land acquisitions for conservation, tourism and agricultural purposes (see Chacage, 2010), and was recently targeted for the further expansion of sugar and other agricultural investments under the South Agricultural Growth Corridor of Tanzania initiative. In the context of deregulation, liberalization and privatization of land and agricultural resources under Kilimo Kwanza (Agriculture First), the policy document which aimed at expanding modernization and commercialization of

agriculture in Tanzania, insights from already existing experiences in the area can help to illuminate the key trends and trajectories of agrarian change, and provide useful policy orientation.

Fieldwork conducted in South Africa and Tanzania between September 2013 and October 2014, involved the collection of quantitative and qualitative information from major stakeholders: Illovo Sugar Ltd and KSCL company managers; researchers at the Sugar Mill Research Institute; representatives of the South African Sugar Association; regional and local land and agricultural officers in Kilombero; NGOs in Dar es Salaam; the chairman and secretaries of the Msolwa Ujamaa Cane Growers Association; a small sample of small- and medium- outgrowers in Msolwa Ujamaa; and a focus group of migrant (seasonal) cane cutters in the plantation area.

The paper argues that the expansion of large-scale agricultural initiatives in sugarcane cultivation, and the ensuing forms of peasants' integration into capitalist markets, stimulated the creation of a class of small-scale agricultural entrepreneurs or commercially-oriented smallholders. Such processes re-created uneven geographies of class relations and differentially impacted on rural communities, by transforming patterns of land use, intensifying food insecurity, promoting social polarization, and badly affecting the environmental landscape.

Origins of the Plantation System in the Kilombero Valley

Large-scale plantations based on slave labour were initially set up by wealthy landowners of Arab and Swahili origins along the East African coast and inland by the 16th century to cater for the expanding markets of the city-states (Sheriff, 1987). The Omani rulers of the Zanzibar Empire organized an intricate state apparatus network, which expanded the territory and supported the plantations in their need for slaves, land, market and credit. When the system of slave labour gave way to other unfree forms of forced and waged labour, white settlers had already established coffee and sisal plantations with the support of their nation states. The German, and later the British, colonial governments gave preferential treatment to large-scale European growers, which consisted of private affluent individuals engaged in mixed farming, large coffee estates and huge corporations, such as: the United Africa Corporation's Groundnut Scheme; Brooke-Bond Liebeg tea plantations in Iringa and Rungwe; and Amboni sisal plantations in Tanga (Mbilinyi, 1986: 109-111; Mbilinyi and Semakafu, 1995: 22). Colonial authorities further supported large-scale plantations' "success" by assuring a regular flow of cheap labour power through the enforcement of 60-day contracts for indigenous African workers under the Masters and Natives Servant Ordinance (Shivji, 1988).

Simultaneously, spurred on by the mercantilist influences of the world capitalist economy (1840-1890) and the coercive interventions of colonial rule (1890-1961), peasant commodity production was substantially intensified. The progressive integration of peasants into commodity production for export, and as migrant workers, was aimed to further monetize the natural economy and extract a surplus from the colony. In other words, peasants have been compelled to produce more commodities and exchange values (cash crops) in order to maintain certain levels of consumption of use values (Bryceson, 1980: 282). The intensification of cash crops in the Tanganyika economy by colonialism was part of larger processes aimed at integrating the colonial economy into the metropolitan capitalist structures of accumulation. As a consequence, it set into motion processes of social differentiation within the peasantry with its poor sections being subordinated to, and exploited by, both internal and external classes, as workers in the plantations, migrant labourers and petty-commodity producers (Shivji, 1975: 10). Simultaneously, its more affluent components tended to benefit from privileged relations with state bureaucracy and re-invest the profits of commercial agriculture into petty trade, transport, and shops and real estate.

Different from trends of agrarian change in Kenya, where paramount importance was given to large-scale capitalist plantations and peasant production was generally prohibited (Cliffe, 1977: 211), or in Uganda, where rural transformations were promoted by forcing large peasant populations to regularly produce for the market (Mamdani, 1976), the trajectories of rural change in Tanzania were more ambiguous in character, often combining elements of both (see Iliffe, 1971). Recognizing significant differences in the region, Lionel Cliffe identified the main trends in class formation in Eastern Africa which emerged from the articulation between the penetration of capital in the countryside, the colonial dynamics of power and the (pre)existing forms of political organization and social reproduction: labour supply, cash-crop production, and quiescent and frontier areas (1977: 201).

The Msolwa-Ruembe zone in the Kilombero Valley can be conceived as a “frontier area”, where increased capitalist production methods, and the ensuing needs for labour, generated an increase in African population, communication infrastructures, and penetration and settlements of European (and other foreign) farmers. The great agricultural potentialities of this lowland, enhanced by its fertile alluvial soils, attracted attention as long ago as 1909 when the Germans surveyed a possible railway route through the valley. Experts proposed large-scale expansion of irrigated cultivation. Further on, the members of the East Africa Royal Commission, 1953-1955, drew attention in their Report to the Kilombero valley region of south-central Tanganyika as an agricultural zone of high potential (Beck, 1964).

Sugarcane cultivation was introduced to the Msolwa-Ruembe zone, in the northern part of the Kilombero Valley, before the colonial period. Different varieties of cane were grown on a small scale in different river valleys of Ruaha, Msolwa, Kilombero, and Msowero, and generally processed into beer or chewed for the juice (Kopoka, 1989: 8). The first large-scale commercial plantation was established in the 1930s by an Indian landowner who used to cultivate sugarcane, extract the juice, concentrate and process it into slices of coarse sugar, and market it as "sukari-guru" (Sprenger, 1989: 11). By the 1950s, the number of plants producing "sukari-guru" managed by Arabs and Asians had greatly expanded, thanks to privileged access to bank loans under colonial rule (Kopoka, 1989: 9). A soil survey published by the FAO in the Rufiji basin (1961) showed that future expansion of irrigated agriculture on a scale unprecedented in Tanganyika would have been technically possible and economically advantageous. Favourable conditions of climate, soil and water supply made it possible to grow a wide variety of crops in the Kilombero Valley. The fertile nature of soil, enhanced by the river's transportation of sediment to the valley, paved the way for other experiments with tea, rubber, hevea, cocoa and tobacco (Beck, 1964). Apart from two or three acres cultivated with sugar or cotton, peasants were self-sufficient in food crops like rice, groundnuts, maize and cassava. In August 1960, under the spur of the erstwhile Dutch consul, the Kilombero Sugar Company was officially formed under joint private ownership by the International Finance Corporation, the Commonwealth Development Corporation, the Standard Bank of East Africa, and the Netherlands Overseas Financierings Maatschappj HV (Kopoka, 1989: 18). The management of the company's operations was held by Dutch companies (Sprenger, 1989: 11). The sugar estate was located close to the Great Ruaha River, a tributary of the Kilombero. The total concession was 25,000 acres, but in the first milling season in 1962, only 2,200 hectares were planted under cane, providing jobs for 3,000 people (ibid). Four other privately-owned sugar estates, plus three government-sponsored land settlement schemes, were located in the proximities, and it was the policy of the Company to encourage and assist outgrowing of cane by African smallholders. The company was presumed to operate under the pattern of nucleus estate plus outgrowers, with the former producing 70% of the cane and the latter 30% (Kopoka, 1989: 19).

The Arusha Declaration and the Nationalization Period

The political scenario was radically altered by the implementation of policies of nationalization which followed the Arusha declaration in 1967. As a consequence, all the shares of KSCL were sold to the government and entrusted to the National Agricultural and Food Corporation (NAFCO), a parastatal set up by the government to manage the affairs of the rapidly expanding sugar industry. Yet the government did not possess the management skills needed, and so it left management to Handels Vereniging

Amsterdam (HVA) (Sprenger, 1989: 11). The plantation sector encountered growing ambivalence in the 1970s, as the government channelled for the first time in its history substantial amounts of funds, credit, farm inputs and equipment to indigenous farmers, by developing crop schemes and rural development programs, including areas such as Mbeya and Iringa that represented major labour sources for the sugar industry (Mbilinyi and Semakafu, 1995). The government placed further emphasis on outgrowers with the aim of increasing the cash income to the surrounding rural households, expanding its fiscal basis and control, enhancing the use of agricultural inputs, creating employment, and expanding sugar production. Ujamaa villages were presumed to play an important part in this process. At that time, the work of planting, harvesting and loading of produce was done by hand, while the Tanganyika Agricultural Corporation arranged road transport. Money accruing from the sale of cash crops was returned to the grower, less costs for seeds, transport, fertilizers, etc. As a result, many crops grown by small-scale farmers reached their highest output in the 1970s as compared with production in the colonial years and 1960s (Mbiliny and Semakafu, 1995: 24). By the end of the 1970s, the plantation/estate sector produced nearly 50% of total export value and 25% of total domestic value (Tibaijuka and Msambichaka, 1984: 68).

In the 1970s, the Tanzanian government aimed to reach self-sufficiency in sugar production, and to expand its projects of rural industrialization. Therefore the sugar industry received substantial stimulus. In 1974, the building of a new plant, Kilombero II (Ruembe), just three kilometres away from Kilombero I (Msolwa), had started with the support of the Dutch government (20%), the Danish government (31%), IDA/IBRD (32%) and the government of Tanzania (17%) (Kopoka, 1989: 20). The assumption was that sugar production would rapidly increase with the injection of fresh capital investments for the purchase of technologically advanced machineries used for cane harvesting and transporting to the factories.

The 3,000 ha of land targeted for the new estate was entirely inhabited. The process of relocation of the squatter population (mainly composed of local inhabitants, workers of Kilombero I, and workers who settled in the area in the period of construction of the new railway (Tazara Railway)), resulted in serious confrontations with the Field Force Unit. In 1976, the production of sukari-guru was banned by the Tanzanian government within a 50km radius. Therefore, all the sugar producers were compelled to sell their sugar to KSCL. Justified in the name of the nation's development, these measures involved punitive treatment for those households who refused to do so. The government’s intervention, coupled with a renewed campaign aimed to stimulate outgrowers' participation in sugarcane cultivation, increased sugar production from 43,800 tons to 66,000 tons in 1978 (Sprenger, 1989: 13). In the same year, the number

of outgrowers reached 1,000 units, who accounted for 42% of the total cane delivered to KSCL (ibid). Allegedly, to respond to a growing mismatch between domestic demand and supply, increased sugar production found its way onto international markets, particularly between 1975 and1980 (Kopoka, 1989). In the period 1973-1975, the Convention of Lomé I allocated sugar quotas at favourable prices to Tanzania as part of the agreement between ACP and EEC, allowing them to reap benefits substantially higher than those guaranteed on the global markets. In this way, a virtuous circle of expanded foreign exchange currencies for the state, increased satisfaction from the donor community, and enhanced availability of sugar in the European markets, sustained sugar production in a way that mainly benefitted large corporations.

The management, technical and consultant contract with HVA — which included agreements on licensing, patents, trademarks, managerial, technical and marketing knowhow, importation of machinery, equipment and blueprints, and the recruitment of foreign technicians, experts and consultants — placed all the responsibilities of technology transfer and development in the hands of foreign control (Kopoka, 1989: 13). The process of reorganization, aimed at maximizing productive capacity, demanded an increased reliance on foreign technology. Contractors and providers of equipment and machinery were imposed by donors , and the general pattern of production increasingly relied on sophisticated technologies and large-scale capital intensive production techniques. The flow of hardware technology was not matched by similar efforts in local skill transfer and development, and outgrowers' education and training. By the early 1980s, it was estimated that the expenditure on milling expansion was about 30% of the total net industrial investments during the Third Five Year Plan, making sugar processing the most expensive single food industry investment (Kopoka, 1989: 17). The result, however, was an excess capacity of about 57% in the country’s sugar processing factories (ibid).

Limits and Challenges in the Era of Structural Adjustments

This apparently successful model, which had generated a certain convergence of interests between the Tanzanian state, foreign and national capital interests, soon showed major fractures in its edifice as the era of structural adjustment started. First of all, problems in the “villagization” schemes started to unfold, as voluntary membership of the Ujamaa villages was replaced by compulsory measures (Mbilinyi and Semakafu, 1995). In addition, communal work was not properly implemented and supported by adequate leadership and education, and gave way to more individualized forms of agricultural production or block farms, which mostly benefited the best positioned agricultural entrepreneurs. The main hope, therefore, was laid in the agricultural initiatives that included packages of improved seeds and fertilizers which characterized the large agricultural World Bank projects of the

1970s, who became consistent with villagization since they implied rather intensive cultivation of small areas by large numbers of individual farmers (Coulson, 1982: 257). Government became increasingly dependent on external funding for agriculture, largely from global financial institutions and from bilateral institutions like USAID and CIDA. By the end of 1975, the WB had invested Tsh 2,015 million in Tanzania, with 40% in agriculture, primarily geared towards the promotion of export crops (Dinham and Hines, 1983: 125). Partially as a result of the great Sahelian drought of 1973-1975, marketed production of almost all crops fell considerably, leading to a deficit of over a million tons of cereals in the years 1974-1977. These were bridged through expensive imports, which led to an exhaustion of the Bank of Tanzania's foreign exchanges holdings, but also with 200,000 tons of food aid (1/3 from the United States (Coulson, 1982: 260)).

Mainstream explanations of the agricultural crisis of the 1980s mainly defined it in relation to declining output and foreign exchange earnings, and simultaneous poor agricultural policies, poor policy pricing, too much state intervention, and inadequate allocation of resources (World Bank, 1981; Hyden, 1980). These narratives assumed peasant households produced mostly or all marketed crops, and therefore that declining production must have necessarily been caused by the peasants themselves. The internalist and economistic character of these explanations neglects the integration of Tanzania within the global dynamics of capital accumulation, and the political imperatives of structural adjustment policies (Arrighi, 2002). Moreover, it ignores the effect of agribusiness on national political economies and the underpinning social structures (Mbilinyi, 1986). Established as mechanisms of externalization of the costs of the crisis of over accumulation at the core, and as a strategy to roll the state back, structural adjustment programs included liberalization of trade and currency, privatization of public companies and institutions (including social services such as schools and hospitals), deregulation of price controls, devaluation of local currency, a tight fiscal policy, high interest rates, cost sharing, export-oriented growth, and a shift of national and global resources from less too more productive districts, territories and regions. To say it with Bernstein, structural adjustment, and the increased agricultural commodity production which ensued, exasperated the historical contradictions of "actually existing capitalism, to manifest both environmental problems (of sustainability) and social tensions (of marginalization and insecurity) disproportionate to any short term gains in national income, foreign exchange earnings, or accumulation" (1990: 27).

By reducing agricultural wages — considered necessary to make the Tanzanian economy more competitive — structural adjustments measures also strengthened the position of large-scale growers in terms of direct access to other resources, such as land and credit. Similarly, the adoption of price policies

which favoured the most productive producers allowed big growers, both public and private such as SUDECO, to export directly to favourable regional or international markets, thus maintaining their earnings in foreign currency. In contrast, smallholders were compelled to sell to local traders or government/cooperative boards, and were generally paid in local currency. Rural credit once channelled through CBRD (Cooperative Bank of Rural Development) became mainly oriented to big growers: loans to parastatals and private companies grew from 6.4% to 70.7%, while loans to individuals for food production dropped from 6.7% to 5.1% between 1972 and1980 (Dinham and Hines, 1983: 120). Money formerly advanced to cooperatives — which received a substantial portion of credit and benefited kulaks and large producers more, but provided marketing and other services to small producers as well — was shifted to the corporate sector (Mbiliny, 1986: 115).

Whereas large-scale producers, private and public, complained about the crisis of labour, foreign exchange, inputs availability and state regulations, poor peasants and worker-peasants experienced a serious decline in farm income, along with the non-availability of farm equipment, inputs and credit. This produced further suffering from more direct and indirect forms of taxation and state surplus extraction (Ellis, 1983). In the 1990s, the industry had negotiated with the government to get: tax exemptions for goods imported with foreign loans; exemption from duty; and sales on agricultural equipment and spares, which were imported with import support funds and the rehabilitation fund. In 1992, the sugar market was opened up to allow companies to sell directly to traders.

The Privatization Escalation: South African Sugar Expansion and Illovo Acquisitions

In the mid-1990s, Tanzania followed a path of liberalization and privatization. Illovo Sugar LTD (55%), and Ed&F MAN, a British commodity trader (20%), and the Tanzanian Government (25%) took over the Kilombero Estates in 1998. According to the actual Corporate Manager of KSCL, privatization was due mainly to the obsolete state of the factory, lack of service employees, and the absence of spare parts (interview, company official, 10 June 2014). It aimed to redress the downturn in production by expanding capacity and developing bigger mills.

Yet in the early 1990s, when discussions over privatization under the guise of neoliberalism started, SUDECO's General Manager argued that production had increased from 29,000 tons under European management in 1989/1990 to 70,000 tons in 1991/1992, challenging the notion that privatization must necessarily have meant sale to foreign buyers (SUDECO, 1991). Mere economistic explanations of

privatization silenced the many political imperatives that underpinned the entire process of deregulation and private re-organization of sugar industry in the years of disciplining neoliberalism.

Since 1994, the dominant mode of capital-intensive agriculture that characterized the agri-food system in South Africa underwent major de-regulation, with a drastic reduction in subsidies and marketing boards. The process of agricultural restructuring had already started in the 1980s, though the roots can be traced to financial deregulation in the late 1970s (Bayley, 2000). Trade liberalization reforms, implemented at a rate faster than requested by IFIs themselves, were further reinforced by South Africa's signing of the Uruguay Round of the General Agreement on Trade and Tariffs (GATT) in 1993. Pressure for agricultural and trade liberalization and restructuring plus the challenges of land restitution, pushed Illovo to start to decentralize their operations in Southern Africa and differentiate their portfolio of investments. Indeed thirty-eight percent of the total area supplying cane to Illovo in South Africa was the subject of long-standing land claims in terms of the Restitution of Land Rights Act of 1994 (Illovo Sugar Ltd, 2013: 41).

Overall, these processes constructed South Africa as a gateway to Africa as it increasingly positioned itself as a route to investment in Africa. As a result of this South Africa has become the key import partner, accounting in 2004 for 45% of Mozambique's import, 44% for Zambia, 33% for Malawi, and 32% for Zimbabwe. By 2008, direct investments in Africa amounted to US$100 billion, which represented 25% of total foreign direct investment in the continent (Martin, 2013: 176-177).

Starting in the transition period, Illovo (Africa's leading and largest sugar producer) expanded agricultural estates and built sixteen manufacturing sites across six Southern African countries. In 2013, Illovo Group's ownership structure included: 100% of Illovo Sugar SA in South Africa; 76% of Illovo Sugar (Malawi); 90% of Maragra Acucar in Mozambique; 60% of Ubombo Sugar in Swaziland; 82% of Zambia Sugar; and 55% of Kilombero Sugar in Tanzania. Though the group still maintains the high numbers of mills and factories in South Africa, the contribution to the Group operating profit — which amounted to 1,901 million Rand in 2013 — was distributed in this way: 47% from Malawi; 25% from Zambia; 8% from Swaziland; 6% from Mozambique; 5% from Tanzania; and only 9% from South Africa (Illovo Sugar Ltd, 2013: 12-13). In doing so, Illovo progressively acquired quasi-monopolistic control of significant shares of sugar industry production: 100% in Malawi; 93% in Zambia; 40% in Tanzania; 35% in Swaziland; 30% in South Africa; and 21% in Mozambique (Illovo Sugar Ltd, 2013: 6). According to Graham Clark, the Managing Director, the Group expanded its sugar production over

that of the previous season by 14% to 1,746 million sugar tons, engendering a growth of group total revenues to 11, 129 billion Rand (Op. cit.: 28).

The ongoing growth of sugar consumption, which increased by around 2% per annum, and the growing demand for bioethanol, represents other important elements underpinning South African expansion. The SADC region is ranked eighth among the top sugar producers in the globe. The Illovo Group is simultaneously expanding sugar production and differentiating its arrays of downstream products (which now include also bioethanol, food flavours and margarine, syrups, furfural, agricultural nematicides, pure alcohol, and power to the grid) by further investing in value addition to its core products of fibre, sugar and molasses. Interestingly, downstream operations are still primarily based in South Africa, highlighting the hierarchized nature of the international division of labour among countries and branches within the Group. Control of key activities in the development of global commodity value-chains as technological development, research and innovation remain concentrated in the "mother" country.

Changes in the pattern of commercialization and marketing also underpin the current location of agribusiness in the continent. Illovo's marketing strategy is in fact increasingly based on domestic sugar sales which represent 63% of total sugar sales (Op. cit.: 46). Sugar surplus is sold on preferential markets in the EU under EBA (Everything But Arms) and the US, which represents twenty-four percent of total sugar sold. The remaining is sold within regional markets (East African Union and SADCC) and only two percent is dumped onto global markets. As GDP growth across Africa continues to increase at higher rates than developed economies, prospects for enhanced levels of consumption growth on the continent remain positive. Interestingly, the countries where Illovo is expanding its operations are also ranked as those with highest per capita consumption rates at a global level: South Africa (6th); Swaziland (10th); Malawi (11th); Tanzania (13th); Zambia (14th); and Mozambique (15th). Another driving factor may have been the growth of domestic retail sugar prices. In 2012-2013, the SADC domestic retail prices were among the highest when compared with global standards: Zambia (4th); Mozambique (7th); Tanzania (10th); Malawi (12th); Swaziland (14th); and South Africa (15th). This is revealing, in that strategies of decentralization of production have been underpinned by the attempt to carve out shares in profitable and expanding markets.

David Harvey (2003) characterized the current phase of global restructuring of political and economic relations as one of "accumulation by dispossession". In doing so Harvey illuminated the extra-economic character of current dynamics of capital accumulation. The privatization of state assets is characterized as the quintessential expression of the re-organization of production relations on a global scale. Justified

in the name of economic efficiency, the wave of privatizations of public assets often entailed an undervaluation of their monetary values, driven by the devaluation of local currencies that characterized the years of structural adjustment.

The company succeeded in increasing sugar output from less from 29,000 tons in 1998 to 127,000 tons in 2002-2003 (Smalley et al., 2014: 12). It successively expanded its milling capacity to crush 250 tons of sugarcane every hour (interview, company official, 10 June 2014); a major achievement of KSCL restructuring, as it brought the rate of mill capacity utilization to 99%, the highest in the Illovo Group (Illovo Sugar Ltd, 2013).

Class Formation and Differentiation Among Outgrowers Before and After Privatization

This section aims to analyse the socio-economic implications of privatization for outgrowers in the Msolwa-Ruembe area. Contrary to many assumptions found in the mainstream "grey" literature (policy, donors and consultants), outgrowers do not constitute a homogeneous category. In this regard Sprenger (1989: 16) identified the crystallization of four social groups, each one with distinctive features with regard to land access, productivity and shares of cane delivered to KSCL: ten large-scale private estates harvesting a total of 83,340 ha, which represented 38.5% of cane delivered to the company with a productivity of 32.5 tons of cane per ha; eight Ujamaa villages harvesting 24,318 ha (7.5 % of total cane delivered by outgrowers to KSCL) with a productivity of 21.3 tons per ha; thirteen associations of small-scale cane farmers, whose members amounted to five-hundred individuals with an average acreage of cultivated cane of 1.63 ha per farmer (representing 37.5% of total cane to KSCL); and thirty individual small-scale cane farmers, with a total area of harvested cane of 22,250 ha, representing 13.0% of cane to KSCL, and with the highest productivity per ha of 40.6 tons of cane.

Large-scale capitalist farmers maintained a certain degree of independence from the company, especially for labour supply, though their level of self-sufficiency gradually reduced, especially with regard to cane cutting, weeding and transportation services. Large-scale capitalist growers simultaneously held other agricultural investments in order to differentiate their portfolios, and often re-invested profits into non-farming activities, mostly in trade, equipment and transport. Interestingly, at the time, only 25% of this category used artificial fertilizers while herbicides are not used. In Msolwa Ujamaa, one of the villages established in the area to facilitate the provision of social services and to develop forms of collective production, people used to grow (collectively and individually) maize, cane and paddy. Villagers would work a piece of land, and collectively combine with other households accessing their own individual plot. In the Msolwa-Ruembe area, Ujamaa villages received preferential access to most fertile lands and

reached a peak in 1978. A rapid decrease after 1978 was mostly due to leadership problems regarding disagreements over the spending of collective income, unmotivated villagers, and emerging conflicts between the individual and collective instances of farming. Small-scale Cane Growers Associations represented the main bulk among outgrowers. Associations were created as result of farmers' initiatives, though they were also stimulated by KSCL and the government. In the Msolwa-Ruembe zone, associations were established around 1969, in the aftermath of the Arusha Declaration. In Ruembe, these were set up at the same time as the establishment of the Kilombero II factory. These maintained on behalf of the growers' relationships with KSCL, and coordinated the use of machinery and means of transport owned by the Association. KSCL mostly helped with cutting and transportation of cane, though it progressively took control of 80% of land operations. In 1980, it reached its production record of 60,577 tons, accounting for 37% of the total amount of outgrowers' cane (Op. cit.: 22). This category of outgrowers did not use artificial fertilizer and herbicides (mostly because of high prices and lack of availability). Finally, Group Farms established between 1959 and 1973 were mainly an assemblage of medium-farmers who used to pool their land resources in order to access better services.

Sprenger estimated that production costs per acre of sugarcane are distributed in this way: land preparation 4%; seedcase 4%; weeding 33%; cane cutting 14%; and transportation 45% (1989: 28). She also estimated that approximately one-fifth of the total value produced by outgrowers was returned to them. Overall, outgrowers boosted in numbers and in terms of cane cultivation, reaching a peak in 1978-1980, and then declining as a result of cost-price squeeze in the years of structural adjustment (Sprenger, 1989; Mbilinyi and Semakafu, 1995).

As a result of the changes in land use (from food crops to sugarcane) she estimated that 70% of total land was under cane and 30% under food crops (Sprenger, 1989: 25). The rush for sugarcane translated into raising settlers' inflow and ensuing pressures over land. In very few cases the increase in sugarcane production was translated into more food production. This was the case for medium and large growers who were able to diversify agricultural production as food crops also become important vectors of capital accumulation, especially in local markets. The expansion of sugarcane cultivation in the area generated food insecurity for one-third of small outgrowers (Op. cit.). The inclination of the majority of rural households towards food crops was still the most significant aspect to enhance their standard of living. Local markets for food crops seemed to be more profitable than the vertically-organized and controlled sugar markets. Moreover food production could be possible without outside means, allowing a certain degree of relative autonomy in social reproduction strategies, as it was mostly based on family labour (mostly women and children). Sugarcane cultivation was less labour-intensive but more capital-

intensive being therefore already extremely selective. The changes in land use had also major repercussions on the sexual division of labour within the household, as it often meant an increase in the labour burden of women (Mbiliny and Semakafu, 1995). Furthermore, escalating competition over land resources compelled many smallholders to look for land elsewhere in the valley, generating forms of "commuter farming" (Makungu, 2011).

This brief sketch of the agrarian structure of outgrower schemes in the Msolwa-Rwembe area underscores the existence of trends of social differentiation, land competition and food insecurity among the different groups of farmers involved in cane cultivation. The privatization era further accentuated these instances exponentially, projecting these dynamics of class formation and agrarian change, as the success in the productive performances of KSCL after privatization was not simply due to higher rates of productivity. A larger involvement of outgrowers was stimulated by both the new owners and the government, for different reasons. Campaigns of sugarcane promotion were launched in the area and credits were allocated along with free seeds for the first year. There existed basically no legal constraints nor minimal acreage endowment to participate in outgrowers schemes. Preparing the ground for privatization, the government supported these initiatives by providing residents in Msolwa Ujamaa with 2 acres of land between 1990 and 1995 (Smallet et al., 2014: 7). A general effort was deployed to reacquire trust among local farmers. Before Illovo's acquisition there were no incentives and little motivation to grow sugar, as previous initiatives experienced major limitations in terms of access to inputs and transport services (Sprenger, 1989), and skill and technology transmitted (Koopoka, 1989). Interviews with a group of outgrowers in Msolwa Ujamaa revealed that company officials started to actively campaign, parading the virtues of sugarcane cultivation and promising the construction of new infrastructures and social services such as roads, schools and hospitals, and access to electricity.

As one outgrower put it: "they motivated the people to grow more cane inside and outside the plantations and factories, the more you produce more money you will get" (interview, Msolwa Ujamaa outgrower, 15 June 2014). In this way a new wave of farmers joined the ranks of outgrowers, which increased from 3,384 small, 8 medium, and 3 large outgrowers in 2002 to 5,718 small, 56 medium and, 11 large out growers in 2005/2006, respectively accounting for 59, 17 and 24 percent of total outgrower production. (Smalley et al., 2014: 12). Outgrowers' production also rapidly increased from 100,000 tons of cane a year before privatization to 500,000 by 2004/2005 (interview, company official, 9 June 2014).

The Cane Supply Agreement signed between the company and the Cane Growers Associations, which today includes approximatively 8,000 members, establishes the distribution of cane quotas, with relative schedules for cane harvesting and factory-delivery, and the cane price per ton (at an average level of sucrose content), among associations and the different groups of farmers within them.

Spurred on by increasing global prices in the early years of privatization, KSCL used to buy all the cane produced by outgrowers and demanded further expansion of land areas. The stimulus to expand sugarcane cultivation also came from outgrowers associations themselves, as privatization had basically transformed them into services providers and contract managers. The most influential social groups therefore drew plenty of opportunities for capital accumulation by the uncontrolled expansion of sugarcane production. The result was a rush for sugarcane cultivation (and its related set of capital-intensive activities), which led to an inflow of settlers in the area and generalized cane over cultivation.

Below is a small-scale outgrower's description of the set of operations undertaken to cultivate sugarcane on his three acre farm (1.2 ha) in Msolwa Ujamaa:

> "First you need to prepare land by removing grass. Then you hire a tractor, generally from private local people, to dig (60,000Tsh per acre), spin and soften the soil (40,000Tsh per acre).
> Furthermore you need to hire another machine to make the lines for the cane planting (40,000Tsh per acre). Then you buy seeds from other large cane growers at 200,000 Tsh per acre as buying it from the factory is too expensive. Cane seeds are in the form of sticks – five tons per acre, so you need to pay between 40,000 and80,000Tsh according to distance. I do planting by myself and weeding by my wife and children. Cover up everything with soil and in one month it will start growing. After three months you start applying fertilizer (called urea): 60,000Tsh per acre. Correspondingly you start weeding mostly by hiring (casual) workers in the community at 50,000Tsh per acre because at that time children are in school. Then you apply fertilizers again. Nine months from planting, you have to put fire on the farm so that only the cane remains as leaves can wound and to chase away the animals and insects.
> Then you cut it by hiring migrant labour at 6,500Tsh per ton as locals find the work too hard. Then you need a loader to put the cane on the truck (3,000Tsh per ton) and transport itself to the factory at a cost of 6,000Tsh per ton. Then the load is weighed, and sucrose content measured. The cane is crushed, and sugar refined, then packaged and sold. Rendement[1] is calculated. Payment generally take 45 days. This year I got 58,000 per ton x 75 tons. 4,500,000Tsh (net) harvesting 20-25 tons per acre. When you deduce the expenses you end up with 1,500Tsh (US$1,000).

[1] Rendements are calculated according to sucrose content. The company establishes an average theoretical level of sucrose at ten percent, against which it calculates the price per ton. Ten percent of the outgrower's payment is retained until the end of the season when variations of the actual market prices are considered.

Oscillating and (marginally) decreasing global prices, increased international competition, and cheap importation from Brazil and Indonesia have resulted in reduced tariffs,and KSCL has been unable to harvest all the cane cultivated by outgrowers for a number of years. In 2012/2013 the company estimated that 65,000 tons of outgrowers' cane could not be harvested (interview, company official, 10 June). The Msolwa Ujamaa Cane Growers Association (MUCGA) in fact harvested a total of 29,000 tons of sugarcane in 2009-2010 though the target was 45,000, leaving 16,000 tons of sugarcane in the field. Conditions for outgrowers have since deteriorated as a result of simultaneously increasing prices for inputs and energy, and decreasing sugarcane price per tons paid by the company, which decreased from 68,000Tsh in 2011, to 65,000Tsh in 2012, and 58,750Tsh in 2013 (MUCGA, 2013). The case of Msolwa Ujamaa Cane Growers Association, formed on 1st December 2008, is revealing as, in the face of decreasing revenues from cane, the number of hectares of land under cane increased from 3,190 acres in 2010/2011 to 3,591 in 2011/2012, 5,416 in 2012/2013 and 5,210 in 2013/2014 (MUCGA, 2013). Association members increased from 410 (97 women and 308 men) to 1,152 (215 women and 931 men). Notwithstanding the enduring decrease of sugarcane revenues, the harvested tons of sugarcane went from 29,000 in 2009 to 50,850 in 2013. In the same year, the company reached its record estate cultivation of 726,000 tons (Illovo Sugar Ltd, 2013: 43).

How do we explain this apparent paradox of simultaneous reduction of revenues from sugarcane and increase of acreage under cane and maximized production? I suggest that these dynamics can be best interpreted as coterminous manifestations of adverse incorporation of smallholders within agribusiness-led value chains (Hyckey and Du Toit, 2007), and differential impact of large-scale initiatives of industrialization of agriculture on various social groups of outgrowers in a context of systemic overproduction.

In many cases, the combination of rising costs for inputs and loans, poor harvests and low sucrose content dramatically affected the social reproduction strategies of the small-scale commercially-oriented smallholders. In 2011, of a total of 6,292 outgrowers, approximately 501 members were considered “inactive” (MUCGA, 2013). Furthermore, debt spread in the area, pushing some outgrowers to leave the sugar business. In some cases, small outgrowers have lost access to land, as it was used as collateral to guarantee credit from local banks. In these cases, growers' associations themselves act as solicitors of the payment. In this way, land currently lost by smallholders is re-purchased by larger growers, further stimulating dynamics of social differentiation and polarization. Large and medium outgrowers expand their landholdings and differentiate between sugar and other crops, such as maize and rice elsewhere in

the valley, and/or re-invest part of their profits into lucrative initiatives. In this way a crisis for the majority meant simultaneously opportunities of expansion for a few. Furthermore, the quotas system allowed the price of the crisis to be externalized to small outgrowers who got much less bargaining power in the negotiation of cane quotas.

As a result of the unrestrained expansion of sugar cultivation, further fragmentation of landholdings ensued. In Msolwa Ujamaa, we found many outgrowers with very limited access to land starting from 0.1 ha. Interviews with both small and medium outgrowers revealed that rural households suffer periodically from food insecurity. Although households try to combine both cash and food crop production, this is often not sufficient to cover the needs of physical reproduction, as sugarcane almost entirely extinguished land availability for food crops in the area. Consequently, poor outgrowers heavily depend on local markets to access food which is simultaneously becoming more expensive. Today only very limited food production is found in the area, as evidenced by the growth of house gardens. The spread of thievery and lack of supervision made food cultivation increasingly problematic, engendering further shifts in land use from food crops for local consumption to cash crops (sugarcane) for national consumption and export to regional and global markets.

Poor outgrowers seem to be caught in a contradictory condition, as in the face of decreasing revenues from sugarcane, they have no option but to remain in the business because of the absence of alternatives. Constantly deteriorating conditions often compel the household to combine farm and off-farm incomes (where available), increase the labour burden of family members, and initiate commuter farming (Nakagu, 2011). Consequently, small-scale outgrowers find it very difficult to move away from sugarcane, as crop diversification has become basically impossible, because access to credit, inputs, and social services (including school access for the children) can only be obtained through Association membership, and because escalating pressures over land have reduced the options for crop diversification.

Fieldwork in Msolwa Ujamaa revealed the crystallization of five distinct social groups: a few large-scale cane producers owning more than 100 hectares, who manage the farms in purely capitalistic terms; a group of medium-scale agricultural entrepreneurs with access to 3-10 ha (roughly 20-25% of local populations); an overwhelming majority of the local community (70-75%) composed of small-scale commercially-oriented petty-commodity producers with holdings generally slightly smaller than 1 ha, with restricted access to food plots; a tiny a minority of subsistence-oriented smallholders producing

maize and rice and not taking part in the outgrowers' schemes; and a small rural (semi-)proletariat mainly composed of company workers residing in the area.

The Kilombero Sugar Company Ltd: An Inclusive Business Model?

Nowadays, the entire complex of KSCL includes large-scale irrigated plantations totalling 10,445 ha, two sugar factories (KI and KII) and a recently built 12 million litre distillery, which started to produce extra-neutral alcohol from molasses in October 2013. As an intermediate product to produce cognac and other beverages, this is sold mainly to Tanzanian distilleries, Tanzanian breweries, and to the medical and health sector. With an annual income of 240 billion Tsh and production estimated at 129,737 tons of sugar per year — a 15% increase over that produced in the previous year (Illovo Sugar Ltd, 2013: 43) — the complex is recognized by the Illovo Group as combining high levels of productivity, full-capacity utilization, energy efficiency and corporate social responsibility (Illovo Communication Manager interview, 2013). In this regard Sulle and Nelson (2009) defined the system of large-scale estates plus nucleus outgrowers an “inclusive business model”. This argument is resonant with pro-inclusion donor-driven and policy-oriented analysis based in new institutional economics, which argue that outgrowers' schemes protect small-scale farmers against market risks, as companies provide farmers with reliable access to input supply and guaranteed market access (Oya, 2009). Outgrowers' schemes have found increased political legitimization among transnational corporations and governments, as claims of inclusivity allow them to repel allegations of “land grabbing” by advocacy and civil society groups. Though it is indisputable that KSCL has been increasingly sharing profit opportunities with local accumulating classes, it is equally important to underscore that the exposure to market risks, especially in relation to price volatility and cost-price squeeze, similarly increased.

The preoccupation of corporate and donor discourses is extremely biased towards how to make markets work, silencing questions of how markets have been historically and asymmetrically constructed. This perspective of enquiry is extremely ahistorical and also ideological, as the focus of the question is devoid of political content and ignores the uneven power relations in which these schemes are embedded. It in fact neglects the ways in which risks have been externalized by companies to smallholders who have been increasingly bearing the costs of an increasingly over-subsidized and distorted sugar market.

EU Common Agricultural Policy (CAP) and the US Farm bill encouraged overproduction of sugar in western countries. OECD aid to sugar producers in developed countries amounted to US$6.35 billion in the period 1980-2000, while the total value of sugar exports in developing countries amounted to US$6.5 billion in the same period (Mitchell, 2004). In a context of highly subsidized sugar producers and increasingly dominant exporters, such as Brazil, Thailand, India and Indonesia, over-production is pushing many global players to take advantage of "dumping"; i.e. the market price is below the global cost of production. Brazil produced around 34-35 million tons of sugar in 2013, an exceptionally high yield. India also experienced substantial increases in sugar production from 22-23 million tons to 23-24 in the following year (Illovo Sugar Ltd, 2013: 227). The decision of the Federal Reserve in September 2013 that the United States would continue their accommodative monetary policy, further added to the general instability of the world sugar market by generating a widespread rally across most commodities, including sugar. It is estimated that speculators bought an equivalent of 5.0-5.5 million tons of sugar in the space of three weeks as the market rallied from 16.47 c/lb to a high of 17.64 c/lb towards the end of the month (Ramlochan, 2013: 245).

In this context, the proposition that the crisis of sugar revenues in Tanzania is merely the result of illegal sugar imports or low import duties in the East African Community ignores the systemic trends of global overproduction, the proliferation of speculative influences, and the wider dynamics of power and accumulation on a global level within which Tanzania is implicated. In the same guise, the idea that the solution to the crisis of revenues in sugarcane simply derives from greater regulation of the sugar industry in Tanzania (Smalley et al., 2014) seems equally naive, especially in a political environment of unrestrained neoliberal deregulation and agricultural modernization under Kilimo Kwanza. Interestingly, this argument corresponds to the demand of corporate capital from the Tanzanian government to protect agribusiness interests against international competition. Paradoxically, the same actors who have been lobbying for trade liberalization and agricultural deregulation now demand protectionist measures.

According to Sprenger (1989), outgrowers have been integrated into the production process to carry out extra production as a guarantee against low harvests and poor deliveries. In this sense outgrowers have been used as an instrument to optimize the capacity utilization of mills, and as a buffer against risks of underproduction. Monson (2009) sees the promotion of outgrowers' schemes by KSCL as linked to the reduction of labour costs per unit. Mbiliny and Semakafu (1995) refer to them as proletarian labourers working for the company. Smalley et al. (2014) highlight the emergence of small-scale capitalist entrepreneurs. To Bernstein, they are petty commodity producers who embody a contradictory combination of capital and labour, which paved the way for social differentiation and the

commoditization of subsistence (2010). The last definition is particularly useful as it captures the tension of commercially-oriented smallholders' agriculture: partly entrepreneurs and partly labourers. Yet in the case of cane cultivation, capital-intensive activities greatly outpace the working activities performed by family members. Ougrowers, therefore, are left with minor chances to internalize the costs involved in cane cultivation through extra labour efforts, and relying on the market and monetary mechanisms. The outcome is an amplification of the overall exposure to, and dependence on, market forces.

Though through contract farming the company has devolved some portions of business activities to local accumulators, it has simultaneously widened the spectrum of risks smallholders face by incorporating them in the vertically-organized and corporate-led global value chains. The outcomes in Kilombero seem to have coincided with increasing dependence on the company and local capitalists to access capital and other key resources, and on markets to access food.

Further deleterious implications can be inferred from an ecological point of view. The highly water- and energy-intensive character of the sugar industry, which is also based on a fossil fuel economy, contributes to the already devastating impact of agricultural industrialization on climate change, causing the deterioration of the material basis on which production is built. Sugar production requires huge amounts of water for irrigation and for sucrose extraction. Some residents lamented that sometimes the level of the Ruaha River, from which the company draws its water, has often gone below one meter in the last few years (interview, Msolwa Ujamaa outgrower, 1 July 2014). Furthermore, the sugar agro-industry generates air pollution, mainly from pre-harvest burning and effluent from sugar mills, which have elevated levels of carbon monoxide and ozone in the atmosphere. Burning itself has been found to be a major cause of the decline in the soil’s microbial activity and the deterioration of its physical and chemical properties. The widespread use of fertilizers, which exert higher concentrations of ammonia in the soil, list among their undesired effects that of retarding the soil of its natural fertility. As sugar mono-cropping prevailed in the area, a serious reduction of biodiversity has been denounced by environmental NGOs. Moreover discharges of water from sugar factories and distilleries rendered the water unfit for drinking.

Rather than sustainable, the model is further problematic from a social point of view, as it replicates the same migrant labour system which characterized the colonial and apartheid era as the company still relies on this form of labour to recruit seasonal cane cutters (1,000-1,500 per season). A focus group with migrant cane-cutters (all from the Southern regions of Iringa and Mbeya) brought to the surface long-term contracts (9 months), hard living conditions (in workers' compounds), hard working

conditions (10 hours a day), very low pay (150,000Tsh - US$100 - per month), extenuating daily piece-work (corresponding roughly to twenty meters and fifteen cane lines), sanctions in the case of unfinished work (one-day's pay deducted), low consumption and nutrition levels (one daily basic meal of rice, ugali and beans), injuries from cuts, malaria, chest problems, respiratory problems, and skin diseases.

The massive exploitation of migrant labour by cane outgrowers represents in this context a further insight into the dynamics of class differentiation and fragmentation. These trends in social differentiation and intra-class relations illuminate the social and political instabilities of the class around sugar production. Social fractures and frictions, which have progressively emerged, question the reliability of win-win narratives. Already in 1998, when KSCL was privatized and cane cultivation maximized, widespread protests emerged especially as a result of forced displacement. In 2007, cane cutters organized a strike for better working and wage conditions. The police did not authorize the strike and five people were killed. In 2009, a land NGO reported serious conflicts in the area of Ruipa and Namawala southward in the valley, as Illovo had approached village officials to obtain further land access (AKHIARDHI, 2009). Villagers organized and mobilized. State repression ensued and arrests followed. In 2013, the company reported several "malicious fires" on its own estates (interview, company official, 8 June 2014). In 2014, the leaders of growers' associations formally protested in Dodoma about declining revenues, and asked the government to build a new mill in the area to absorb the excess cane production. The government refused, as a new mill in the radius of 40-50km would have represented more competition for KSCL, the company in which it has shares. These events signalled the emergence of a multiplicity of political responses from below which, though fragmented and diversified, expressed the lineages of hidden and/or confrontational struggles against dispossession and over the terms of incorporation (Borras and Franco, 2013).

Conclusions: Future Prospects

Launched in 2009, Kilimo Kwanza represents one recent policy initiative pushing for a transition away from subsistence farming and towards commercial agriculture. Allegedly with the aim of developing the agricultural sector and increasing food security for the majority of its population, Kilimo Kwanza is seen as Tanzania's Green Revolution to transform agriculture into a modern and commercial sector. In this policy discourse, agricultural production and exports are deemed necessary to curb poverty rates (Ngaiza, 2012). The Sugar Board of Tanzania is working to prepare new sites for leasing to investors in the Southern Corridor of Tanzania. Driven by growing global demand for sugar, power, and ethanol, Tanzania has put a strong focus on foreign investments into new sugar projects in order to boost sugar output, reach self-sufficiency and become a net sugar exporter. But whether this should be grown on small farms or large is still debated, and has been ever since Tanzania's independence (Coulson, 2010). A major weakness of the Kilimo Kwanza policy is that it lacks detail on how the transition from small- to large-scale should be accomplished, and how in the process small-scale farmers can ensure their livelihood (Hakiardhi, 2011). Findings presented in this work show some of the potential socio-ecological implications of the expansion of large-scale agricultural deals in the area. By calling for an exploration of the alternatives, the paper suggests the need to move beyond propositions of autonomous smallholder agrarian lives (which are virtually impossible in this context of expanded commoditization), or wage and income questions (which only affect a minority segment of population in capitalist enclaves), and to focus on new ways of organizing the intersections between agricultural, service and industrial work as part of rural livelihoods today (O'Laughlin, 2013).

References

Arrighi, G. 2002. “The African crisis: world systemic and regional aspects”. *New Left Review*, 15: 5-36.

Bayley, B. 2000. *A revolution in the market: the deregulation of South African Agriculture*. Oxford Policy Management Report n.6. Oxford: Oxford Policy Management.

Beck A. D. 1964. “The Kilombero valley of south-central Tanganyika”. *East African Geographical Review*, 2, 37-43.

Bernstein, H. 1990. “Agricultural ‘modernization’ and the era of structural adjustment: observations on sub-Saharan Africa”. *Journal of Peasant Studies*, 18, 1: 3-35.

Bernstein, H. 2001. “‘The peasantry’ in global capitalism: who, where and why?”. *Socialist Register* 2001, 25-51.

Bernstein, H. 2010 *Class dynamics of agrarian change*. Halifax: Fernwood Publishing.

Bond, P. 2013. *BRICS in Africa: anti-imperialist, sub-imperialist or in between?* Centre for Civil Society. University of KwaZulu-Natal.

Borras J.S. and Franco, J. 2013. “Global land grabbing and political responses ‘from below’”. *Third World Quarterly*, 34, 9: 1723-1747.

Bryceson, D., 1996. “Deagrarianization and rural employment in sub-Saharan Africa: a sectoral perspe tive”. *World Development*, 24, 1: 97-111.

Bryceson, D., 1999. “African rural labour, income diversification and livelihood approaches: a long term development perspective”. *Review of African Political Economy*, 80: 171-89.

Bryceson, D. 1980. “Changes in peasant food production and food supply in relation to the historical development of commodity production in pre-colonial and colonial Tanganyika". *Journal of Peasant Studies*, 7, 3: 281-311.

Chacage, C. 2010. *Land Acquisition and Accumulation in Tanzania: The Case of Morogoro, Iringa and Pwani Regions*. Pelum Tanzania: Dar es Salaam.

Chikazunga, D. and Paradza, G. 2013. “Smallholder farming: a panacea for employment creation and enterprise development in South Africa? lessons from the pro-poor value chain governance project in limpopo Province”. Working Paper 27, PLAAS, UWC: Bellville.

Chossudovsky, M. 1997. *The globalization of poverty: impacts of IMF and World Bank reforms.* Zedbooks: London.

Cliffe, L. 1977. “Rural class formation in East Africa”. *Journal of Peasant Studies*, 4, 2: 195-224.

Coulson, A. 1982. *Tanzania: a political economy.* Oxford: Clarendon Press.

Coulson, A. 2010. “Kilimo Kwanza: a new start for agriculture in Tanzania?”, Institute of Local Government Studies, University of Birmingham. http://www.btsociety.org/app/imagezs/events:kilimo_kwanza-paper.pdf

Daviron, B. and Gibbon, P. 2002. “Global commodity chains and African export agriculture”. *Journal of Agrarian Change*, 2, 2:137-161.

Dinham, B. and Hines, C. 1983. *Agribusiness in Africa*. London: Earth Resources Research.

du Toit, A. 2013. “Structural transformation and the agro-food system: challenges for South Africa”. Structural transformation, growth and development in low income countries, Overseas Development Institute, 28 October.

Edelman, M. 2013. “Messy hectares: questions about the epistemology of land grabbing data”. *Journal of Peasant Studies*, 40, 3: 485-501.

FAO 1961. *The rufiji Basin: FAO Report to the Government of Tanganyika on the preliminary reconnaissance survey of the Rufiji Basin.* Rome: FAO.

FAO, IFAD, UNCTAD and World Bank 2010. “Principles for responsible agricultural investments that respect rights, livelihoods and resources. A note for discussion”. Washington, DC: World Bank.

Ferrando, T. 2013. “BRICS grab African land and sovereignty”, in Bond, P. (ed), *BRICS in Africa: anti-imperialist, sub-imperialist or in between?* Centre for Civil Society, University of KwaZulu-Natal.

Gibbon, P. and S. Ponte, 2005. *Trading down. Africa: value chains, and the global economy.* Philadelphia: Temple University Press.

GRAIN, 2008. *Seized: the 2008 Land grab for food and financial security*. Barcelona: GRAIN.

Greenberg, S. 2013. “The disjunctures of land and agricultural reform in South Africa: implications for the agri-food system”. Working Paper 26, PLAAS, UWC: Bellville.

Greenberg, S. and Paradza, G. 2013. “Smallholders and the “Walmart effect” in South Africa”, in Greenberg, S. (ed), *Smallholders and afro-food value chains in South Africa: Emerging practices, emerging challenges*. PLAAS, UWC: Bellville.

Ellis, 1983. “Agricultural marketing and peasant-state transfer in Tanzania”. *Journal of Peasant Studies*, 10, 4: 214-242.

Hakiardhi 2009. *Facts finding mission report on the prevailing land dispute at Namawala village in Kilombero District, Morogoro Region.* Land Rights and Resources Institute, Dar es Salaam, Tanzania.

Hakiardhi 2011. *Kilimo Kwanza and small scale producers, an opportunity or a curse?* Land Rights and Resources Institute, Dar es Salaam, Tanzania.

Hall, R. 2011a. “The next great trek? South African commercial farmers move north”. Working Paper 19. PLAAS, UWC: Bellville.

Hall, R. 2011b. “Land grabbing in Southern Africa: the lang faces of the investor rush”. *Review of African Political Economy*, 38, 128: 193-214.

Hickey, S. and du Toit, A. 2007. “Adverse incorporation, social exclusion and chronic poverty”. Working Paper 81, Chronic Poverty Research Centre

Hyden, G. 1980. *Beyond Ujamaa in Tanzania.* London: Heineman.

Iliffe, J. 1979. *A modern history of Tanganyika*. Cambridge: Cambridge University Press.

Illovo Sugar Limited 2013. *Integrated report*. Mount Edgecombe: Illovo Sugar.

Kopoka, P. A. 1989. *Acquisitions and utilization of technological skills for industrial development: a case study of the sugar industry in Tanzania.* Report to IDRC, Dar es Salaam: University of Dar es Salaam.

La Via Campesina 2011. *Conference declaration: stop land grab now*. International Peasant Conference. Nyeleni, Mali, 17-19 November.

Makungu, C. 2011. *Young people in self-care: behaviors and experiences in farming households in Kilombero Valley, Tanzania*. Unpublished MA thesis, University of Durham.

Mamdani, M. 1976. *Politics and class formation in Uganda*. New York and London: Monthly Review Press.

Martin, B. "South Africa and the 'new scramble for Africa': imperialist, sub-imperialist, or victim?" *Agrarian South: Journal of Political Economy,* 2, 2: 161-188.

Mbilinyi, M. 1986. "Agribusiness and casual labour in Tanzania". *African Economic History*, 15: 107-141.

Mbilinyi, M. and Semakafu, M. 1995. *Gender and employment on sugarcane plantations in Tanzania*. Geneva: ILO.

McMichael 2009. "A food regime genealogy". *Journal of Peasant Studies*, 36, 1: 139-169.

Miller, D. 2005. "New regional imaginaries in post-Apartheid Southern Africa: retail workers at a shopping mall in Zambia". *Journal of Southern African Studies*, 31, 1: 97-125.

Mitchell, D. 2004. "Sugar policies: an opportunity for change". Working Paper 3222, Washington, DC: World Bank.

Monson, J. 2009. "Africa's freedom railway: how a Chinese development project changed lives and livelihoods in Tanzania". Bloomington: Indiana University Press.

Moyo, S, Yeros, P. and Jha, P. 2012. "The agrarian question: past, present and future". *The Agrarian South: a journal of political economy*, 1, 1: 1-10.

Msolwa Ujamaa Cane Growers Associations 2013. *Historia fupi kuhusu chama cha MUCGA [A Brief History of MCGA Association]*. Msolwa Ujamaa.

Ngaiza 2012. "Kilimo Kwanza-Tanzania", Regional Workshop on an Integrated Policy Approach to Commercializing Smallholder Maize Production, FAO/University of Nairobi. June 6-7, 2012

O'Laughlin, B. 2013. "Burning cane: sugar, land, work and health in Southern Africa". Paper presented at the conference "Land Divided: Land and South African Society in 2013 in Comparative Perspective". University of Cape Town, 24-27 March.

O'Laughlin, B, Bernstein, H.,Cousin, B. and Peters, P. 2013. "Introduction: agrarian change, rural poverty and land reform in South Africa since 1994". *Journal of Agrarian Change*, 13, 1:1-15

Oya, C. 2012. "Contract farming in Sub-Saharan Africa: a survey of approaches, debates and issues. *Journal of Agrarian Change*, 12, 1:1-33.

Oya, C. 2013. 'Methodological reflections on "land grab" databases and the "land grab" literature "rush"'. *Journal of Peasant Studies*, 40, 3: 503-520.

Ramlochan, U. 2013. "World sugar news". *The South African Sugar Journal*, 97, 7:245-247.

Richardson, B. 2010. "Big sugar in Southern Africa". *Journal of Peasant Studies*, 37:609-629.

Shivji, I. 1975. Peasants and class alliances. *Review of African Political Economy*, 2, 3: 10-18.

Shivji, I. 1988. *Law, state and the working class in Tanzania*. London: James Currey.

Shivji, I. 2005. "South Africa's second primitive accumulation". CODESRIA Bulletin, 3-4: 37-38.

Sheriff, A. 1987. Slaves, Spices and Ivory in Zanzibar. London: James Currey.

Smalley, R., Sulle, E. and Malale, L. 2014. *The role of the state and foreign capital in agricultural commercialization: The case of sugarcane out growers in Kilombero District.* Tanzania. Working Paper 106, Future-Agricultures Consortium.

Sprenger, E. 1989. *Sugarcane outgrowers and Kilombero sugar company in Tanzania.* Nijmegen: Third World Centre.

SUDECO 1991. *National Sugar Institute, Ten Years After 1981-1991*. Kidatu.

Sulle, E. and Nelson , F. 2009. *Biofuels, land access and rural livelihoods in Tanzania*. London: IIED.

Tandon 2014. "On sub-imperialism and BRICS-bashing". *Pambazuka* 679. Accessed at http://www.pambazuka.net/en/category/features/91832

Thomilson, D. 2005. "Social development through outgrowers schemes: the private sector Kilombero Business Linkage Program". Presentation at the Partners for Africa Policy Dialogue Conference, Dar es Salaam, 22-24 June.

Tibajuka, A. K. and Msambichaka, L.A. 1984. "The role of large-scale farming in Tanzania", in Msambichaka and Chandrasekhar (eds) *Readings of Economic Policies of Tanzania.* University of Dar es Salaam: ERB.

Voegele, J. 2010. "Preface". In *Rising global interest in farmland: can it yield sustainable and equitable benefits?* Washington, DC: World Bank.

World Bank 1981. *Accelerated Development in Sub-Saharan Africa.* Washington, D. C.: World Bank.