The focus of the study was to investigate the effect of contract farming on peasant livelihoods in Manhica district, Mozambique. A mixture of approaches which combine qualitative and quantitative methods were used in the study. The results show that small scale farmers have no control over cane prices and there is a lack of transparency between outgrowers and the milling companies on price issues. Fuelling the power asymmetries between the plantation estate and sugar outgrowers is the monopsonistic nature of the sugar industry as well as the weak nature of producer associations in Mozambique. Women participation in out grower schemes and in employment opportunities at the Maragra estate was found to be very low and this is attributable to patriarchy and low levels of education. The study also established that the process of differentiation was taking place in Manhica and being driven by non-agriculture sources of income derived from working at Maragra Estate as well as migratory work. Accumulation in productive assets and land purchases was seen as one way in which social differentiation was occurring and this had an effect of turning small-scale farmers into wage-workers. Apart from social differentiation and power imbalances, the study also noted that the introduction of sugarcane through contract farming as also leading to greater food insecurity as households become landless while others become more engaged in sugarcane production.
Introduction

Development agencies such as the World Bank (WB) and Food Agriculture Organisation (FAO) have for some time been championing the inclusion of small-scale farmers into global markets through contract farming as a strategy to reduce poverty in developing countries (Oya, 2012). Such a view is supported by New Institutional Economists (NIE) who see the provision of input and output markets, technology transfer and capital access as beneficial to the resource poor farmers (Kirsten and Sartorious, 2002). The development of contract farming has also been boosted by post-independence African states which have been desperate to attract foreign investments as a way of increasing foreign currency reserves (Sachikonye, 2006,1989). Also, important in the spread of contract farming as a farming model post-2008 has been the backlash on land grabs which tended to displace farmers, and now contract farming is increasingly being promoted as a win-win arrangement.

However, contract farming, which is also known as out grower production, is viewed by some analysts as bringing with it a range of challenges such as asymmetrical power relations between the contractor and small-scale farmers, usually in favour of the former, food insecurity, exploitation and widening gender disparities, as well as the adverse incorporation of small-scale farmers into global markets (Patnaik, 2011; Moyo, 2011; Shivji, 2011; 1992).

This policy brief examines differential livelihoods impact of the integration of smallholder farmers to the Maragra Sugarcane Estate in Manhica Mozambique. Apart from livelihood impacts, the brief also focuses on the power relations embedded in contract farming. A mixture of approaches which combine both quantitative and qualitative methods were deployed in the study.

Political Economy of Sugarcane Production in Mozambique

A brief history of sugar production and the emergence of contract farming.

In Africa, sugarcane production started in Mauritius before spreading to Natal in South Africa (Pangeti and Mlambo, 1994). Around the 1890s, sugarcane plantations were already established in central Mozambique, before finally being established in Zimbabwe (Southern Rhodesia then) in the 1930s (Richardson, 2010). At independence in 1975, Mozambique emerged as the main sugarcane producer in the region, with an annual output of 325,000 MT. However, post-independence sugarcane production was affected by the two decades civil war between the ruling FREELIMO and the RENAMO insurgents (Lazzarini, 2016).

Sugar in the country is mainly produced in three provinces which are Maputo (67%), Sofala (25%) and Gaza (8%).

As contract farming continues to gain traction in Africa, agribusiness firms have grown at a tremendous rate over the last decades in Mozambique. Generally, this is because in the post-civil war era, the policy making space has largely been influenced by the Bretton Woods institutions, namely, the WB and the International Monetary Fund (IMF). What has followed has been a private capital expansion in the agriculture sector for crops such as tobacco, soya beans and sugar (Smart and Hanlon 2014). While the initial strategy entailed increasing foreign exchange earnings through large scale based investments in the bio fuel sector, this model has been fiercely resisted by social movements in Mozambique as it often leads to the displacement of smallholder farmers. Resultantly, the Government of Mozambique (GoM) changed strategy and is now promoting contract farming as a way of linking local communities to the global commodity markets as primary producers via large agro-industrial operations (Buur et al., 2011). Concerns however still continue to be raised within the contract farming model and these include asymmetrical power relations, unequal gendered outcomes in contract outgrower models, poor income returns and contract breach by buyer firms (Oya 2012; Smart and Hanlon, 2014).
After the civil war, with the backing of European Commission, the government has been heavily involved in the restoration of sugarcane production as part of its broader economic recovery programme. In that endeavour, the state has extended subsidies to sugarcane estates in the form of 10% electricity KwH reduction (PLAAS, 2015). However, small scale producers who produce sugar using rain-fed sugarcane, do not benefit from the subsidies extended by the state. This happens despite the fact that the National Adaptation Strategic Plan and Sugar Action Plan (2006-2012) outlined contract farming/ outgrower schemes as a strategy to improve Mozambican sugar competitiveness in the global markets while also reducing poverty.

**The Growing Importance Of Sugarcane To The Mozambican Economy**

On an annual basis, agriculture contributes about 24.2 to 25.6 percent of Mozambique's Gross Domestic Product (GDP). After tobacco, sugarcane is the second leading export crop accounting for about 25 percent of agricultural exports (GAIN, 2012). Over the years, sugarcane has proved to be critical for employment generation, creating 37,000 jobs thus coming second after the public service in terms of employment, although some literature describe this employment as “fragile and vulnerable” (Delden, 2016). They argue so because sugarcane plantations in Mozambique pay low wages said not to constitute a living wage.

**The Structure of The Sugar Industry**

The Mozambican sugar industry consists of four major commercial sugar companies which own independent sugar estates and mills. The four estates are Maragra, Xinavane (both in the Maputo Province), Sena and Mafambisse (both in the Sofala Province). In 1998, two South African MNC's Tongaat Hulett and Illovo Group invested in the Mozambique sugar industry. Tongaat Hulett presently has 85 percent stake in Mafambisse and 88 percent in Xinavane Mill, while Illovo Group holds 90 percent shares in Maragra Mill where this study was conducted. The South African based MNC's are thus the major beneficiaries of the post-war Mozambique liberalisation programme.

In the 2015/16 season, the sugar millers contributed about 66 percent of the country's sugar output. As shown in the Table above, 62 percent of the milling came from Xinavane and Mafambisse mills in the 2015/16 season. The major output in the sugar industry in Mozambique comes from plantation estates (92%), while the remaining 8 percent is produced by small scale outgrowers. Although sugar outgrowers in Mozambique are now incorporated into global production networks, their contribution to the country's output is relatively lower when compared to sugar outgrowers in Zimbabwe who contribute about 20 percent share of the total production (Tongaat Hullets, 2017). Mozambique consumes about 200,000 tonnes of sugar annually, and the surplus is exported to the European Union (EU) Market. The country is part of the African Caribbean and Pacific Group of States (ACP) and the World Trade Organization (WTO). In addition, Mozambique has entered into bilateral agreements with the member states of these organisations since 2009. As a member of ACP, Mozambique is able to easily access the European Markets for its raw sugar exports through its share of the preferential tariff-rate import quota (TRQ). This means a predetermined volume of raw sugar from Mozambique imported into the European Market enjoy favourable rates of duty. This gives Mozambique an advantage of earning

<table>
<thead>
<tr>
<th>Milling Capacity in Mozambique</th>
<th>2015/16 Actual Production</th>
<th>Capacity</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xinavane Mill (Tongaat Hulett)</td>
<td>168 000</td>
<td>250 000</td>
<td>46</td>
</tr>
<tr>
<td>Mafambisse Mill (Tongaat Hulett)</td>
<td>64 000</td>
<td>90 000</td>
<td>16</td>
</tr>
<tr>
<td>Maragra Mill (Illovo Group)</td>
<td>68 000</td>
<td>96 000</td>
<td>18</td>
</tr>
<tr>
<td>Sena Mill (Tereos)</td>
<td>49 000</td>
<td>110 000</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>349 000</strong></td>
<td><strong>546 000</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Table 1: Sugar Production Levels 2015/16*

*Source: Compiled by authors from various reports*
higher price per tonne for its raw sugar compared to international prices (MozSAKSS, 2012).

**Production Trends**

The rehabilitation and modernisation of the sugar industry infrastructure in the aftermath of civil war in Mozambique, and its perfect production conditions, have given it a comparative advantage in sugar production over other countries in the region, and also led to the expansion of outgrower schemes (Tongaat Hulets, 2016). The rehabilitation of degraded infrastructure programme has led to an increase in the area planted with sugarcane from about 4000 hectares in 1992 to more than 40,000 hectares by 2010. The milled sugar outputs urged from 151,000 MT in 1992 to nearly 2.73 million MT in 2010 (GAIN, 2011).

**Fig 1: The Area Harvested and The Production of Sugar Cane In Mozambique Since 1992.**

As shown in Figure 1, a sharp rise in sugar production started in 2000, attributed to a stable political and economic environment after the return of peace which lured substantial capital into the sector.

**Maragra Estate and the Sugarcane Outgrower Scheme**

**Maragra Estate: Origin and Ownership**

Maragra Estate is located in Manhica District of Maputo Province. The Estate was established in 1968 as a family-owned plantation, and after the nationalisation of land in 1975, the family abandoned the Estate. Later, in 1997, the South African multinational sugar company acquired about 90 percent stake in the Estate. The Maragra Estate controls about 6,500 hectares of land held under 50-year renewable DUAT (PLAAS, 2015). The Estate employs about 1,043 permanent workers. Further, at peak period, it hires about 3,760 seasonal workers (Delden, 2016). With financial assistance from the European Union, the estate established the Maragra Smallholder Sugar Development Project (MSSDP) which recruited many smallholder farmers into the outgrower scheme. The expansion drive of the Maragra sugar production through outgrower production was aimed at improving the livelihoods of small farmers through incomes and employment creation in the economically crippled region. Through the programme, about 1,625 households were recruited as outgrowers by 2016. However, the combined cane output of the estate and that of Maragra outgrowers has failed to meet the cane milling capacity. In order to increase output, the European Union has since 2014 been extending financial support to expand the outgrower scheme. The expansion drive added an extra 1,540 hectares with about 4,000 households included in the global commodity value chain (PLAAS, 2015).

**Types of Producers Involved In The Outgrower Scheme**

There are different types of producers integrated into the global value chain through Maragra Estate, and these are small producers with land sizes of about 1-20 hectares, medium producers with 20-120 hectares and large producers with greater than 120 hectares. Large scale, medium and small-scale producers account for 45 percent, 37 percent and 17 percent output respectively (Illovo, 2014).
Small-scale farmers enter into cane supply agreements with Maragra Estate where the estate advances them with inputs and technical assistance on credit (Chambati et al., 2017). Upon harvest, small scale farmers then sell sugarcane to the company which derives the price of sugarcane based on sugar/sucrose content of the delivered cane (Ibid). Part of the cane supply agreement stipulates that “the producer agrees to supply sugarcane with a standard quality or with a better quality (CPA, 2015). Also under the cane supply agreement, the farmer retains land control and the production process. The conditions are, however, different at the Xinavane outgrower scheme where Tongaat Hulett takes over the management of land for 7 years after the farmer has registered for the scheme. The company officials argue that this ensures loan repayment for land development and other associated costs.

With regards to the contracts, outgrowers cited the lack of transparency on quality determination of the delivered cane as a main grievance in their relations with the plantation estate (Interview with Key Informant, October 2016). Farmers receive a 95 percent value of the cane delivered after subtracting inputs and service cost advanced to them. The price on the world market determines if the farmer will receive the remaining 5 percent pegged price of the milling company or not. Further, the clause, “The supplier shall inform the factory prior to 12 months when he wishes to interrupt his supply or change to another buyer”, reflects the unequal power relationship in the contract. The same contract does not have a clause which compels the Estate to give notice to farmers in the event that it does not intend to purchase cane from the small-scale farmers. This situation is likely to leave small-scale cane producers vulnerable and exposed with no market if the estate decides not to purchase cane from them, thus reflecting the adverse incorporation of outgrowers into output markets

The sugar producing companies in Mozambique own plantations and processing mills which give them greater capacity to control sugarcane supply, costs, quality and delivery time. The four milling companies contribute about 92 percent of national cane output with the remaining 8 percent originating from small-scale producers (USAID, 2015). The model allows for greater production and market control by the estate without the influence of small-scale producers. The oligopolistic nature of the sugar industry is the source of the market power for the four sugar milling companies in Mozambique (Paradza and Sulle 2015).

However, in South Africa and Kenya, small-scale producers contribute about 90 percent of cane output and they have power to control the market. The sugar farmer associations negotiate cane producer price and they have been able to extract concessions from the milling companies, including being paid for the associated sugar by-products. The plantation estates are forced to make some concessions because a lack of supply by outgrowers inevitably halts the process of capital accumulation.

In Mozambique, interviews showed that small-scale producers are price takers and their collective voice is weak due to fragmentation, thus limiting their influence on price determination (Interview with Key Informant, October 2016). The associations are not linked to the national associations which have the power to influence sugarcane output price. Moreover, the associations have been individually negotiating with the milling companies, thus undermining their capacity to collectively speak with one voice. Further, farmer associations leadership have taken unilateral decisions without the involvement of outgrowers (Key Informant Interview, October 2016). In some instances, some farmers were not aware that they were involved in contract agreement with the Maragra Milling Company. However, this is mainly attributable to low literacy, particularly among women, which is a
major obstacle for their social upward mobility. In addition, some farmers are not conversant with the Portuguese language that is used in contracts which further aggravates the problems, particularly among women (Paradza, 2012).

Milling companies have also initiated the formation of small-scale farmers' sugar production associations to promote cane production to enable coordination and producer registration. The formation of associations enables the investor to enter into a contract with one entity, rather than with 650 individual farmers (PLAAS, 2015). These associations mostly act as channels through which the milling companies increase cane supply. For example, the national peasant association, UNAC, is not actively involved in contract negotiations for its members. Some NGOs are also not involved in contract farming advocacy, but instead assist small scale farmers in the DUAT land registration process. However, some NGOs were in favour of large land-based investments while others were not.

### Gender Participation in Outgrower Schemes

The northern parts of Mozambique use a matrilineal descent system whereas the southern part of the country utilises patrilineal customs. In the matrilineal custom, women are less marginalised in terms of land access when compared to patrilineal customs, which limit women land access and control (Lidstrom, 2014). Our study shows that the outgrower schemes in Mozambique are male dominated. This is largely as a result of the fact that land ownership is biased towards males. Figure 2 shows that 93 percent of males have land and participate in the scheme, whereas 7 percent of females own land and participate in the Maragra outgrower scheme (SMAIAS, 2016). Low female participation in outgrower schemes was also observed in farmer associations. In the Amendo Millie Bubuza Association, for example, there were more males (46) when compared to females (14) who constituted a minority.

Apart from cultural and educational barriers, lack of capital was cited as the major constraint impeding females from having access and ownership of critical resources such as land (Paradza, 2012). However, for men, access to capital has been much better when compared to women because they have access to other forms of employment at the Maragra Estate and in neighbouring South Africa as migrant workers. From the non-agricultural sources of income, men are able to purchase land informally, thus enabling their greater access to land and participation in outgrower schemes in Maragra when compared to females. Women dispose land in land markets with the hope of being employed by the new land owners, a development which negatively impacts on their livelihoods (Delden, 2016). The limited understanding of land laws and transaction processes make them fall victim of land accumulators, thus eventually resulting in the “feminisation of poverty”.

### Income Earnings of Outgrowers

In Mozambique, income returns for sugarcane outgrowers are very low when compared to their counterparts in Zimbabwe. Outgrowers in Zimbabwe own an average of 20 hectares and use irrigation to produce sugar, factors which make them derive higher incomes when compared to their counterparts in Mozambique (Dubb et al., 2016). Within farmer associations, outgrower incomes are determined by the share
of land each household contributes to the cooperative and factors such as the association endowment to productive assets such as tractors. Associations which do not own farm machinery often find themselves utilising more financial resources in hiring, thereby impacting on the profitability of the venture and farmer livelihoods (Interview with Key Informant, October 2016).

The sourcing of inputs from Maragra Estate leaves farmers with low incomes due to interest rates charged by the estate. It is, however, important to note that associations who source inputs independently while at the same time owning productive assets earn more income when compared to farmers with inputs advanced by the Maragra Estate. According to Van Delden (2016), the incomes received by individuals in different associations differed per hectare with outgrowers in the Combate Pobreza association, for example receiving 2000 MT, while those in the Churamate farmer association got MNT 5000 and the Macuvulane farmers receiving 45 000 MT. Additionally, at Maragra Estate in 2016, each farmer received an average gross income of 5000 Meticais conditional to the average land size devoted to sugar production before 50 percent input cost deduction. The interviewed farmers highlighted that the incomes they receive from the estate are inadequate for the purchase of inputs for the following agricultural season. This situation whereby outgrowers receive incomes inadequate to meet household needs and purchase inputs for the next agricultural seasons explains why most farmers continue to be dependent on the Maragra Estate contracts for input provision and exposes how contracts entrap farmers into a vicious cycle of debts.

**Asset Accumulation and Peasant Differentiation**

Research on sugar outgrower schemes in East and Southern Africa have demonstrated how outgrower sugar production sets in motion a process of social differentiation among cane outgrowers as a result of agriculture commercialisation. Such a process has been witnessed in countries such as Zimbabwe, Tanzania and Uganda (see Scoones et al., 2016; Martiniello, 2016; Martiniello, 2015). Similarly, in Mozambique some few farmers were found to accumulate assets more than others. Such outgrowers invested in assets like motor vehicles, housing infrastructure and purchasing land from poor farmers (Field Observation, October 2016). Field interviews revealed non-agricultural income as a key driver of this process of differentiation in Manhica District. The incomes were largely sourced from employment at the Maragra Estate as well as from migrant work from the neighbouring South Africa.

Small-scale cane producers with alternative sources of finance were found to be doing well in sugarcane production and asset accumulation. Successful farmers in Mozambique tend to invest in power-driven implements, a condition which further differentiates the farmers in terms of asset accumulation. Muntrakis (2014) observes that outgrowers with middle to large land sizes are able to accumulate assets from sugarcane production. The purchase and leasing of land has fuelled land concentration in Manhica, and has also been stimulating class differentiation, producing few rich peasants with vast tracks of land, while the majority are smallholder poor farmers who own an average of one hectare or less. In some instances, poor farmers hire out their labour to rich farmers. Peasant differentiation is also evident in cooperatives where farmers with large pieces of land accumulate more assets in the form of vehicles and residential property in Manhica when compared to farmers who contribute less than a hectare into those cooperatives. Related to the process of accumulation has been an increase in social downward mobility among the smallholder farmers in Manhica who are losing their land through land transactions. Resource-constrained smallholder farmers tend to sell their productive assets and land to the middle class and capitalist farmers due to their inability to meet their social reproductive needs from agriculture earnings. The sale of land is therefore seen as one way of fighting poverty, although this eventually perpetuates the immiserisation of the smallholder farmers.
Through this process of land sales which is also fuelled by weak land administration systems, it has been noted with great concern that the majority of the farmers in Manhica have not benefited from agriculture commercialisation as some are hiring out labour to the emerging class of middle class and capitalist farmers (Martiniello, 2016).

Outgrower Schemes and Employment Outcomes

Maragra Estate plays an important role in Mozambique through employment generation by employing about 972 permanent workers and 4,806 seasonal workers during peak periods (Illovo, 2015). Maragra Estate, however, employs less workers when compared to those employed at the Tongaat Hulett-owned Xinavane Estate which employs about 10,000 workers yearly (see Lazzarini, 2016). Migrant workers from neighbouring provinces such as Gaza and Nampula seek employment from small-scale outgrowers who recruit supplementary labour depending on their land sizes. From the survey we conducted in Maragra, labour at the estate was hired for the following activities; sugarcane cutting (22.5 percent), irrigation (25 percent), fertiliser application (17.5 percent) and the collection of sugarcane (20 percent) (SMAIAS,2016). The survey also revealed that the majority of the workers are employed on a contract basis despite having worked for the estate for periods ranging from 6-8 years, a factor which highlights the precarious and exploitative nature of employment. This raises great concern about the nature of jobs created from large-scale based investments. Of the workers who were interviewed, 87 percent attended school up to primary school level while the remaining went up to secondary school level.

In terms of gender, employment at Maragra Estate is biased towards males (62.5 percent), while females contributed 37.5 percent of labour. This indicates that employment opportunities in the sugar industry are skewed towards males. As our survey shows, intensive labour-demanding tasks such as sugarcane cutting and irrigation are male dominated. The majority of females perform tasks such as weeding and collecting sugarcane. Male activities are more rewarding than those performed by females as males earn an average of $8.5 to $10 per day, whereas females earn an average of $6 per day.

However, key informants also revealed that they have greatly benefited from the expansion of their town arising from the establishment of the Maragra Estate through the extension of other services such as banking and the construction of supermarkets in the area. They, however, pointed out that Maragra has done little to improve education and health facilities. The Estate has not been able to build a primary or secondary school accessible to the community. This is dissimilar to the case of Zimbabwe where the company has built health and education facilities accessible for all (See Scoones et al., 2016). At Maragra, the company has built one health centre for its workers and the rest of the community rely on government health facilities which have understaffed health personnel and irregular medical supplies (Interview with Key Informant, October 2016; Paradza, 2012).

Conclusion

The paper highlights how the opening of Mozambique agriculture land has brought with it mixed fortunes on the livelihoods of farmers. It also confirms what has been highlighted by several scholars (see Torvikey et al., 2017; Martiniello, 2016; Sulle, 2016) that agricultural commercialisation accelerates the pace of differentiation within and among communities. In our study, this is reflected by a contrast between accumulating farmers in Maragra who are investing in productive assets such as tractors and transport services, while poor farmers are being transformed into wage workers. The displacement of poor farmers as a result of insecure land tenure necessitates the government to protect the rights of smallholders on their land by ensuring that land
registration is a less costly and bureaucratic exercise.

While sugar outgrowing brings with it a possibility of earning income through agriculture, its potential of undermining food sovereignty is reflected by our study where some middle to large-scale outgrowers are now solely reliant on local markets to purchase food, and such trends are likely to affect smallholder farmers in the short to medium term as their integration into the Maragra Estate increases. Our projection of food declines and insecurity is based on the overall pattern of declining production which has been witnessed over the years. This downward spiral necessitates the enactment of policy compelling the estate to provide inputs for food crops to contracted growers.

**Recommendations**

- The market power is skewed in favour of the four sugarcane milling companies; therefore, the government should put in place regulatory measures to ensure farmers are treated fairly.
- The farmer associations should give each farmer a written copy of the contract to reduce chances of future disputes.
- The sugar milling companies should increase customised extension services to familiarise farmers with the best quality standards and production methods.
- The contracted farmers should access information about how they determine cane price and market conditions to avoid misunderstanding between two parties.
- The government should reduce land registration cost and ensure that land registration is a less bureaucratic process to enable women to register their land.
- A forum involving sugar milling companies, government and Non-Governmental Organisations should be organised to help in resolving problems.
- The sugar milling companies should set a clear target for women to be employed, for them to have equal employment opportunities just like men.
- The government should increase training of the illiterate farmers, particularly women, and encourage them to participate in outgrower schemes.

**References**


Muntrankis, E. (2014) Impacts of large scale sugar investments on local livelihoods seen through the Sustainable Livelihoods Approach – A case study on a multinational sugar company’s presence in Manhica, Mozambique, Sodertorn University.


United States Agency for International Development (USAID) Brief. Land Tenure, Property Rights, and Gender - Challenges and approaches for strengthening women’s land tenure and property rights, Property rights and resource governance briefing paper #7.


