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**Contract Farming and Peasant Livelihoods: The case of Sugar Outgrower Schemes in
Manhiça District, Mozambique**

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1.0 INTRODUCTION

The integration of smallholder farmers into global value chains through contract farming is increasingly being recognised as a strategy to eliminate poverty in African countries by development agencies and institutions such as the World Bank (WB) and the Food and Agricultural Organisation (FAO) (World Bank 2007; FAO 2012). Such “developmental” conceptualisation of this institutional mechanism is shared by New Institutional Economists who argue that, by virtue of providing input and output markets, technology transfer and access to capital to resource constrained smallholder farmers, contract farming is beneficial for farmers (Kirsten and Sartorius 2002). Contract farming has gained momentum as a financing mechanism for export crops on the African continent, largely driven by international capital working with African states who have created conditions for its development (Yaro, Teye and Torvikey 2017).

The arrangement is, however, also associated with an array of problems such as the displacement of smallholder farmers through the process of land concentration and dispossession, increased food vulnerability as farmers devote land and family labour towards cash crops at the expense of food crops, consequently undermining food security (Patnaik 2011; Moyo 2011; Shivji 2011; 1992). It is also criticised for entrenching gender disparities in control and access to land (Shivji 2011). Contract farming has also received widespread criticism from some analysts who argue that it creates conditions for labour exploitation by capital through the tendency to work beyond normal working hours, as well as the model’s inability to meet social reproduction needs of smallholders (Clapp 1988; 1994; Shivji 2009). Emanating from such relations between contracted growers and contracting firms, terms such as “disguised workers”, “self-employed proletariat” and “quasi-employees” are deployed to describe the adverse incorporation of smallholder farmers into the Global Value Chains (GVC) (see Perez 2016).

As contract farming is growing in Africa, Mozambique has been one area where agribusiness expansion has been occurring with speed over the past three decades (Paradza and Sulle 2015). This is largely because the policy making space since the end of the civil war in 1992 in Mozambique has been under the influence of International Finance Institutions (IFIs) such as the WB and the International Monetary Fund (IMF) who have strongly advocated for the retreat of the state in agricultural marketing and in this process allowed private capital to gain

foothold in the country's agriculture sector (Smart and Hanlon 2014). While the initial strategy of the government was to boost foreign currency revenues and revamp infrastructure left derelict by a civil war through the promotion of large-scale investments in the bio-fuel sector, some concerns regarding the socio-economic consequences of such investments on the well-being of the peasantry were raised. This in turn led the government to embark on policy shifts where local communities are incorporated into global commodity markets as primary producers through large-agro industrial operations, a phenomenon also referred to as "inclusive business models" (Buur *et al.*, 2012).

This promotion of "inclusive business" models in agriculture by the state and the private sector is backed by IFIs who have now come to the realisation that large-scale investments are detrimental to the livelihoods of small producers, giving rise to the expansion of contract farming in sugar and palm oil sectors in different parts of the continent (see Buur *et al.*, 2012; Sulle and Smalley 2015). In Mozambique, the expansion of investments in sugar has also been driven by the expansion of South African capital to many parts of the continent (Dubb *et al.*, 2016). Contract farming is a post-war phenomenon in Mozambique widely practised in the production of cotton, tobacco, sugar and soya beans to a limited extent (Smart and Hanlon 2014). The liberalisation of the Mozambican agriculture and economic sectors following the end of civil war (1977-1992) has brought relatively huge investments in the agriculture sector mainly dependent on contract/out-grower models for production. This becomes critically important to examine if the forms of integration to global markets are beneficial for smallholder farmers or not.

Contract farming has been practiced in Mozambique, particularly for cotton and for tobacco, since 2000 (Hanlon and Smart 2013). Tobacco is the highest agricultural export commodity in Mozambique earning about 40.5 percent total value of agricultural exports, as per 2015 statistics, followed by sugar (25 percent) (Perez-Nino 2016). Nonetheless, challenges still remain in Mozambique's contract farming with relation to the pricing of commodities and the monopolistic nature of markets which creates asymmetrical power relations in favour of agribusiness firms. Due to such challenges, scholars from the critical/radical agrarian political economy tradition raise concerns of income returns, the immiserisation of smallholder farmers and unequal gendered outcomes in contract out-grower models (Perez 2016; Amin 2012; Shivji 1992).

Although there is no specific policy governing contract farming in Mozambique, the government facilitates dialogue between the farmers and the contractors (Smart and Hanlon

2014). This is achieved through regular joint meetings and platforms where contracting parties are given an opportunity to discuss contractual terms, respective roles and how conflicts should be resolved. The Mozambican government is known to convene an annual meeting of representatives of cotton producers and processors as a neutral facilitator in price negotiations (Pultrone 2012). Generally, contracting parties have autonomy to structure contracts in their own way, but in compliance with other national laws.

This study on sugar out-grower production examines the livelihood impact of the integration of smallholder farmers to the Maragra Estate in Manhiça District while also raising awareness on the skewed power relations between out-grower farmers and the Maragra Estate. To achieve this, the study utilised a mixed methods approach which combines quantitative and qualitative methods. The qualitative approach entailed review of literature and analysis of existing information, supported by strategic group and individual key informant interviews. *Key informant interviews* were carried out with strategic stakeholders and key informants in Mozambique who included policy makers, civil society organisations, out-grower representatives, labour organisations, farm workers and local land governance institutions in October 2016. Such interviews enabled the researchers to generate data to develop a definition of dimensions, identify diversity and increase knowledge of the issues under inquiry. A small quantitative survey was conducted using a questionnaire which was administered to 40 workers employed by Maragra Estate. The sample targeted workers in an effort to understand land access dynamics, accumulation trajectories and their linkages to employment.

This paper shows that “accumulation from below” at local level is being driven by off-farm incomes and participation in Maragra Estate, thus accelerating social differentiation. As highlighted by earlier studies in agrarian political economy (see Anyang’ Nyongo 1981; Buch- Hansen and Marcussen 1982), the intrusion of capital has also established distinct classes, namely; the “poor”, “middle” and “rich” based on differential land sizes, asset ownership, labour hiring and access to non-farm sources of income. The study also shows gender inequalities in access to employment at the estate, access to land and participation in out-grower schemes and attributes this to women’s lack of education and the existing patriarchal relations in Manhiça District.

Section two of this paper examines the political economy of sugar production in Mozambique while also linking it with the political economy of Southern Africa. This is

followed by section three which focuses on sugar production in the same case study area and examines the nature of contracts entered between out-growers and Maragra Estate and the power relations embedded in such relations. Section five present results of fieldwork conducted in Maragra Estate by analysing the differential livelihood impacts of out-grower schemes with a specific focus on income returns from out-grower sugar production, food production trends, asset accumulation and peasant differentiation, as well as the gender dynamics and employment outcomes in out-grower schemes.

2.0 POLITICAL ECONOMY OF SUGARCANE PRODUCTION IN MOZAMBIQUE

2.1 History of sugar production (including the emergence of contract farming schemes)

Sugar production in Southern Africa is reported to have first occurred in Mauritius during the early colonial period before it spread to Natal in South Africa, and then to Mozambique before it was finally established in Zimbabwe (then Southern Rhodesia) in the 1930s (Richardson 2010). The history of sugar production in Mozambique has shaped the current political economy, with the external market conditions, such as preferential access to the European market and bilateral agreements over the trade of sugar, having a bearing on the direction of investments, and with politics largely shaping the engagement of small farmers via different arrangements of out-grower schemes with plantation estates (Dubb *et al.* 2016).

Sugarcane is produced in the country's three provinces and largely in plantation estates that evolved during the colonial period. Currently, the two estates in Maputo Province contribute the largest share of sugarcane produced in the country (67 percent), followed by those in Sofala (25 percent) and Gaza Provinces (8 percent) (Tongaat Huletts 2016). This production structure is a product of the uneven development of irrigation infrastructure and transportation networks that were largely biased towards Maputo Province (*ibid*). By the time of independence from Portugal, Mozambique was a major producer of sugarcane with an annual output of over 325,000 MT around the 1972/73 season (van Delden 2016). Sugarcane production was severely dented by the two decades' long civil war between the ruling FREELIMO and the RENAMO insurgents. The armed conflict in Mozambique which took 16 years crippled the economy, including the sugar estates and production. Although the Xinavane Mill kept operating, the town and plantation bore direct attacks and the cane fields became danger zones to work on. Sugar production plummeted and the mill fell into disrepair

(Lazzarini 2017). South African capital, Tongaat-Hulett and Illovo Sugar, were invited to invest in the sugar sector, with the former acquiring a 49 percent stake by 1998 in the Xinavane Mill and the Government of Mozambique (GoM) retaining 51 percent, which has since changed over the years. Currently, Tongaat-Hullet has a greater stake of 88 percent and the GoM 12 percent (Lazzarini 2017). Nationally, the GoM has rebuilt 4 sugar mills to improve milling capacity (see Table 2.1).

Since the return of peace in Mozambique, the state has been actively engaged in the resuscitation of sugarcane production as part of the broader economic revival with the assistance of the European Union (EU). Production subsidies were offered to sugar plantation estates in 2010 by the state in the form of a 10 percent electricity reduction Kwh (Sulle and Paradza 2014). However, this does not benefit the small-scale producers who mainly produce rain-fed sugarcane. As has been highlighted before, key to this strategy has been the country's access to the EU market since 2002 through the African, Caribbean and Pacific (ACP) Sugar Protocol (van Delden 2016).

Contract farming and/or out-grower schemes were outlined as part of the strategy to increase the competitiveness of Mozambican sugar in the global markets in the National Adaptation Strategy for the Sugar Sector and Sugar Action Plan from 2006-2012 (*ibid*). Moreover, the inclusion of small-scale farmers in the sugarcane production was considered to be part and parcel of a broader poverty reduction strategy of the GoM in the countryside. The EU heavily financed these plans as it also sought to guarantee its access to sugar.

2.2 Importance to the agricultural economy

It is worth noting that Mozambique has perfect conditions for sugar production, with economic growth projections of over 8 percent per year, a population of 28.9 million people (Frey, 2018) and total agricultural land area of 48 million hectares, 36 million of which is arable land and 41,000 hectares under sugarcane (Kegode 2015). Four mills have been developed with a total production of 349,000 tonnes and capacity of 546, 000 tonnes during 2015/16 season (see table 2.3). The sugar industry has played a pivotal role in Mozambique, enhancing the government and private enterprise since 1996, capitalising on the notion of Africa being a 'last frontier' of investment (see World Bank 2015), and recoup an economy previously overwhelmed by civil war.

The Mozambican sugar industry contributes significantly to the economy through employment creation. It is the second largest employer following the public sector (Delden 2016), with over 37,000 jobs having been created over the years (see Kegode 2015). Sugar represents about 25 percent of total agricultural exports in Mozambique, and is also the second largest agricultural export product (Muntrakis 2014) after tobacco. However, some (Oxfam 2004) suggest that large estates in Mozambique pay low wages, which according to the trade unions and certain civil society organisations do not constitute a living wage. Nevertheless, the same 2004 Oxfam Report also noted that jobs in the sugar industry are highly valued and better considered compared to available alternatives. This is evidenced by the increasing employment rates and declining poverty rates since the rehabilitation of the two sugar mills in Sofala Province, and an increase in the immigrants in the province who work on seasonal basis, with about 70 percent of the 1,500 cane-cutters recorded in August 2014 coming from outside Xinavane (see Table 2.1).

Table 2.1: Overview of agricultural employment origins, 2014

Agricultural employment origins	February	% of workers	August	% of workers
Local	4953	93	5034	79
Elsewhere	141	2	1114	17
Unknown	250	5	277	4

Source: Adopted from Lazzarini 2017

Table 2.2: Permanent and temporary workers in the sugar industry

Employment	2002	2004	2006	2008	2010	2011
Permanent	4,574	8,370	10,100	10,279	12,384	12,515
Temporary	13,945	13,085	11,532	15,353	17,538	15,637
Total	18,519	21,455	21,632	25,632	29,922	27,834

Source CEPAGR 2012

It is worth noting that apart from Mozambique, there has also been enormous growth of sugar production in other countries in the region such as Tanzania, Zambia and Zimbabwe in the last 25 years (see Table 2.3). Sugar cane production in the seven Southern African countries covers above 500 000 hectares, although overall cane harvested in the region has plummeted by about 80 percent in the last two decades (see Dub *et al.* 2016). However, Mozambique, presents an outstanding expansion in area harvested, with a recorded growth of over 300 percent from 1992 to 2012, followed by Zimbabwe which stretched from 14 000 hectares to 45 000 hectares while Swaziland presented the lowest expansion during the same period (see Table 2.3). The expansion in the Mozambique and Zimbabwe sugar industries has presented

an opportunity for the scaling up of out-grower production which has been taken up by smallholder farmers in both countries (Tongaat Hulett 2016).

Table 2.3: Sugar cane area, production and yield in Southern Africa, 1992–2012

Countries	Harvested area			Cane production			Cane yield		
	('000 ha)			('000 t)			(t/ha)		
	1992	2002	2012	1992	2002	2012	1992	2002	2012
Malawi	18	24	27	1,900	2,600	2,800	105.6	108.3	103.7
Mozambique	15	35	46	159	1,586	3,394	10.6	45.3	73.9
South Africa	275	330	320	12,955	23,012	14,278	47.2	69.7	54.0
Swaziland	40	47	56	3,885	4,600	5,400	97.1	98.9	96.4
Tanzania	17	17	29	1,410	1,750	2,900	83.8	106.1	100.0
Zambia	14	22	39	1,300	2,300	3,900	96.3	104.5	100.0
Zimbabwe	14	40	45	125	4,200	3,700	8.9	105.0	82.2
Total	393	515	562	21,734	40,048	36,372	64.2	91.1	87.2

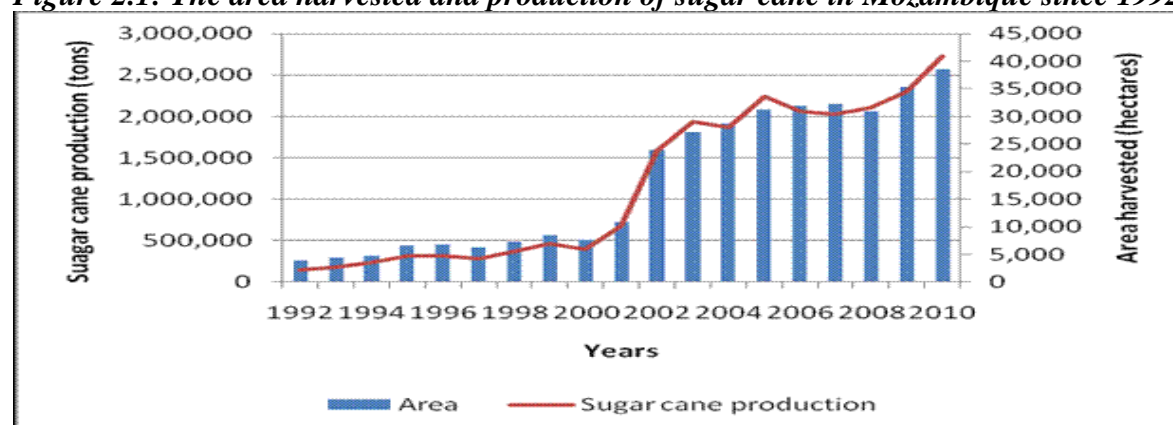
Adopted from Dub *et al.*, 2016

2.3 Production trends

As has been highlighted in previous sections, the GoM has rehabilitated and modernised the sugar industry, and given its natural resources, the country now has a comparative advantage in producing sugar over other countries in the region. The rehabilitation programme resulted in the area planted to sugar increase from about 15,000 hectares in 1992 to more than 40,000 hectares in 2010, with sugar cane milled increasing from 159,000 metric tonnes in 1992 to over 2.73 million metric tonnes in 2010 (GAIN 2011; see also Figure 2.3).

A sharp increase in the cane production however started being witnessed in 2000 (see. Figure 2.1), partly driven by stable economic and political conditions post the civil war in 1992, which enticed substantial foreign capital to the sugar sector (GAIN 2012). This increase in production was also as a result of the sugar mills that were rebuilt in the 1990's which spiked an upsurge of cultivated area and productivity at the farm and mill levels (Dias 2013). In 2010 alone, sugarcane production covered 215, 000 hectares, a 700 percent increase compared to that of year 2000 which was at 27, 000 hectares, constituting almost 4 percent of the entire cultivated area in Mozambique, at 5.6 million hectares (*ibid*). The larger share of cane is produced by the Maragra Estate (74 percent) while independent out-growers contribute 26 percent of the production (Illovo 2014).

Figure 2.1: The area harvested and production of sugar cane in Mozambique since 1992



Source: GAIN 2012

2.4 Structure of sugar industry

Sugar in Mozambique is the second largest agricultural export product after tobacco, representing about 25 percent of total agricultural exports or 3 percent of Mozambique’s total exports (GAIN 2012). The sugar industry comprises of four major commercial sugar companies, all with independent sugar estates and mills. These four companies are Maragra, Xinavane (both in the Maputo Province), Sena and Mafambisse (both in the Sofala Province). Two South African sugar companies, Illovo and Tongaat-Hulett, invested in Mozambique’s sugar industry. Tongaat Hulett is the largest sugar miller in Mozambique; it acquired the Mafambisse and Xinavane operations in 1998. In the 2015/16 season, the sugar miller produced about 66 percent of the country’s total sugar. The Xinavane Mill has a capacity of 250, 000 tonnes sugar per annum (see Table 2.4), representing about 46% of the sugar milling capacity in Mozambique. The local sugar consumption in Mozambique is currently at about 200, 000 tonnes per annum, with the balance of the sugar produced sold primarily into EU, US and regional markets (Tongaat Hullet 2016).

Table 2.4: Sugar production levels: 2015-16

Milling capacity in Mozambique	2015/16 Actual Production	Capacity	Percent
Xinavane mill (Tongaat Hulett)	168 000	250 000	46
Mafambisse mill (Tongaat Hulett)	64 000	90 000	16
Maragra mill (Illovo Group)	68 000	96 000	18
Sena mill (Tereos)	49 000	110 000	20
Total	349 000	546 000	100

Source: Compiled by authors from various reports

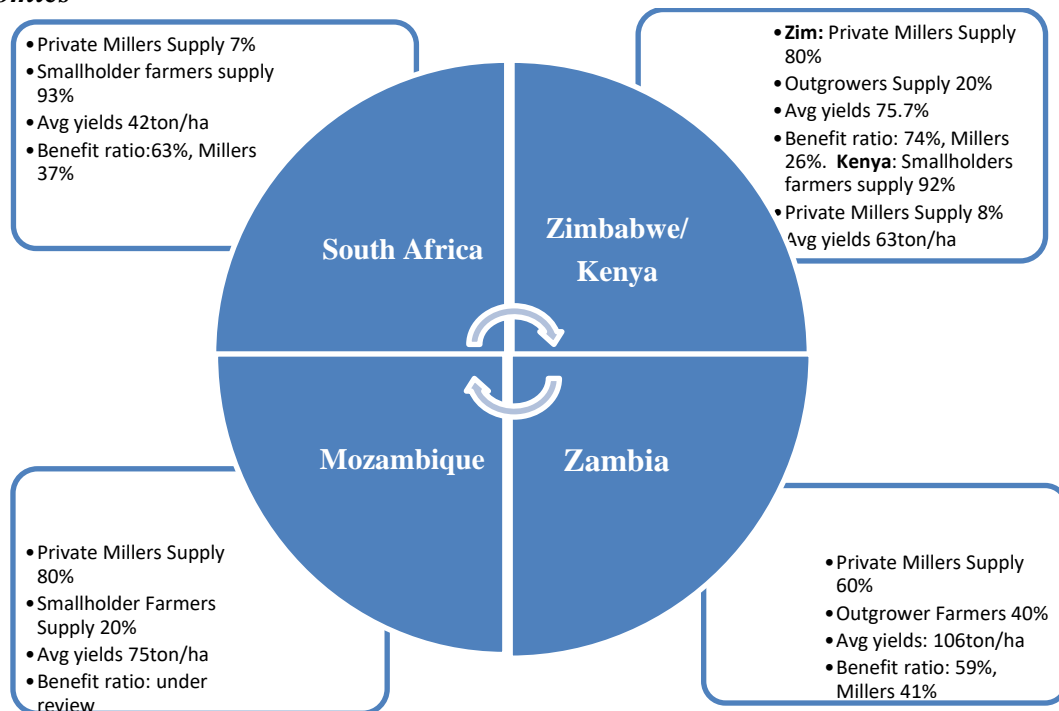
Current sugar consumption in Mozambique is 9 kilogrammes per capita per annum, with Maputo only consuming about 18,55 kilogrammes per capita per annum. Nonetheless, when

available, the consumption in rural areas is as low as 4 kilogrammes per capita per annum. According to Dias (2013), large estates in Maputo province produce 67 percent of sugar in Mozambique, while the remaining 33 percent is produced in Sofala (25 percent) and Gaza (8 percent). Maputo Province is more dominant in sugar production because of the availability of irrigation infrastructure in Chokwe (Regadio do Chokwe), and well-established transportation network (roads and railways), together with supplementary EU aid for irrigation infrastructure around Maragra Plantation for out-growers.

At present, the milling companies' processing capacity is limited to only brown sugar. Further processing of raw brown sugar produced in Mozambique is undertaken in South Africa at a cost of US\$80 per metric tonnes and re-exported to the country. Xinavane Estate is, however, currently developing a white sugar refinery that is nearing completion (van Delden 2016). The limited processing capacity of the milling companies also imply that small-scale farmers do not benefit from the value of the other byproducts from the sugarcane they sell to the plantation estates.

The plantation estates produce 92 percent of the sugarcane output in Mozambique and the remainder originates from the small-scale out-growers (Kegode 2015). The production is unevenly distributed amongst the milling companies, with Tongaat Hulett's Xinavane Estate contributing about 46 percent of the output in the 2015/16 (see Table 2.4). The other three remaining estates contribute between 14 and 19 percent each (Table 2.4). In addition to the plantation estates, small-scale farmers have been integrated into the sugar value chains as out-growers producing cane for the latter.

Figure 2.2: Sugar Cane Production Business Model and Comparative Yields for Selected Economies



Markets

Mozambique is a member of the African Caribbean and Pacific Group of States (ACP) and the World Trade Organization (WTO), with special trade agreements with the member states since 2009. This arrangement makes it easier for Mozambique to export raw sugar to the EU market through its share of the preferential tariff-rate import quota (TRQ), which gives it comparative advantage by earning higher price per tonne of raw sugar compared to the world market price. As a result, the EU market attracts Mozambican sugar producers who then prioritise exporting raw sugar to their markets rather than selling locally-processed sugar.

In addition to the EU, Mozambique also enjoy the same preferential trade agreement with the United States, although the prices are a bit lower than on the EU market, they are higher than the world market prices. Because of the special trade agreements, all the exported raw sugar enjoy tax free status (MozSAKSS 2012). Furthermore, the country is a SADC member state which specify for the trade barriers removal among members, which facilitates, with much ease, sugar imports from other member states such as South Africa, since the import companies pay nothing for the preferential tariff (Dias 2013).

2.5 Sugarcane contract farming in Mozambique: Structure of power and asset control

Sugarcane is grown under a wide variety of management regimes in Mozambique, ranging from large commercial plantations to smallholder farms. Sugar companies in Mozambique control the cane supply model by supplying themselves with over 80% of the sugar cane (Kegode 2015), with about 4,000 smallholder farmers supplying the remaining 20% to the millers through grower schemes. The Mozambique cane supply model enhances greater yields and better cost structures, placing the sector more competitively than anyone else in Southern Africa. The national average yield has a potential to reach 100 tonnes per hectare, but has a current actual yield of 75 tonnes per hectare. The sugar companies possess both the cane fields and the processing mills, and function on a commercial scale with enhanced mechanisation. The cane supply model puts the companies in a better position to control the market and able to pursue internal sugar pricing without the influence of small producers who account for 20% sugarcane to them.

Though they are not formal employees, out-growers and independent cane producers are essential to the sugar industry in Mozambique as they control the land and labour which the estates seek to control and represent a conduit through which the industry positively contributes to the local economies. As in other studies on contract farming models in Africa and elsewhere, out-grower schemes are critical for plantation estates in that the estates reduce operational costs by transferring labour hiring costs to smallholder farmers (Sachikonye 1989; Clapp 1988). Although in many instances out-grower schemes focus on small-scale producers, it is critical to know that in some instances, there are some large-scale and technically sophisticated independent cane growers (Hess *et al.* 2016).

Some studies have also recognised positive effects of out-grower schemes on incomes and impact on poverty rates of smallholders (Clancy 2008). Although it is not the focus of this study to understand whether large estates are better than out-grower schemes, or whether emerging business models which combine small-scale agriculture with large-scale plantations should be followed, it is critical to understand how these different models deliver more equitable economic growth. The government's role in the sugar industry in Mozambique has been the construction of physical infrastructure and the putting in place of a policy framework such as the National Adaptation Strategy for the Sugar Sector and Sugar Action Plan (2006-2012) which paved way for investments in the sugar sector and facilitated contract farming (van Delden 2016).

3.0 SUGARCANE PRODUCTION IN MANHIÇA

3.1 Peasants and state interaction in contract farming and the outcomes

Manhiça, our area of study, is a district located in the Maputo Province, in Southern Mozambique, connected to the Maputo-Beira road and the Maputo-Xai-Xai rail road. The district has an area of 2 373 square kilometres, and divided into six administrative regions, with two villages, Manhiça and Xinavane (Muntrakis 2014). A portion of the district is sparsely populated, but has fertile soils, which make it conducive for sugarcane and fruit plantations (Delden 2016). Manhiça is mostly inhabited by smallholder farmers and people who provide labour in sugarcane, bananas and rice production (*ibid*). The district is dominated by agriculture as the main activity, with 77 percent of the 200 000 citizens involved in the sector (Muntrakis 2014). Most people in the district cultivate land for their subsistence, but some work in the agricultural sector, although the sector offers the lowest wages, with a monthly salary of 3 642 meticaïs, which is about US\$56 (Wage Indicator 2017).

Manhiça has two companies that are involved in sugarcane production, namely, Açucareira de Maragra (called Maragra in short) and Açucareira de Xinavane (called Xinavane in short) which work on a contract basis with individual farmers and farmer associations to supply sugarcane (Delden 2016) and the companies account for 65 percent of the employment and use 20 000 hectares for their plantations, almost half the land used for agriculture in Manhiça (Muntrakis 2014).

More than 90 percent of Manhiça area, 236 000 hectares, is suitable for agriculture, but only 20 percent of this is used for agricultural purposes (*ibid*), although land used informally and fallow land is not included. Family farms which consist of about a hectare are most common in the district, although they occupy only 20 percent of the agricultural land. Agricultural production is mainly rain-fed and operated naturally without the use of chemicals, using crop rotation as a traditional method of cultivation (Delden 2016). Food crops such as maize, cassava, beans, peanuts and sweet potatoes dominate the agricultural sector, although the production is not adequate to supply all the people in Manhiça. To supplement their income and food for their households, small-scale farmers outsource their labour by working on the farms and doing other chores. According to Muntrakis (2014), on average people spend almost 50 percent of their income on food and 90 percent on both food and living.

According to Laughlin and Ibraimo (2013), the recovery and expansion of sugar production in Manhiça District was planned to improve rural livelihoods through creating employment and income for families in an economically crippled region. The district has good soil quality, temperatures and a river called Incomati, perfect conditions which make the district very conducive for agriculture, particularly sugarcane production which needs a lot of water and sunshine as primary inputs. Also, the district's position near the ocean and the presence of a port in Maputo make the transportation of sugar easier. These perfect conditions have contributed to the district being the second most developed district of Maputo, following Matola (*ibid*).

According to Delden (2016), sugarcane production in Manhiça District contributes to critical progressive outcomes. Primarily, there is creation of employment by companies, both permanent and contracts, which results in-migration in the district by people in search for work. During the harvest season, the out-growers also hire people to work on their lands. Moreover, there is development of private and public infrastructure through incomes realised by the farmers. There is also development in the education and health sectors through construction and maintenance of schools, hospitals, houses and roads, by companies in the district. Access to funds has also increased in the district through the establishment of six commercial banks, and four micro-financing institutions. Also, foreign investors and sugarcane companies have assisted to in the expansion of agricultural land to 245, 000 hectares after the Cyclone Eline floods in 2000, which before the floods, only 4,000 hectares was used for agriculture due to lack of mechanisation and infrastructure.

Table 3.1: Sugar Production in Maputo

Cane Milled and Sugar produced	Actual 2013/14 Season	Actual 2015/16 Season
Total hectares farmed as at 1 April (beginning of the season)*	16,891	18,364
Hectares milled*	15,746	16,367
Cane yield (tcphm)*	92,75	88,48
Cane tons 000*	1,460	1,447
Cane to sugar ratio*	7,94	8,57
Sugar production-raw (tons)*	184, 600	168,000
Mafambise sugar production-tons	65,000	64, 000

Total sugar production	249, 000	232,000
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* Xinavane Mill only

A study conducted by Laughlin and Ibraimo (2013) concluded that the local economy in Manhiça and Magude was revived by the renewal of cane production at Xinavane and Maragra Estates. Immigrants from other towns and provinces flock to the district in search of seasonal jobs in the cane fields. Demand for small-scale construction has risen due to wages from work at the sugar estates, with brick-firing ovens found throughout the rural landscape. Wages have also fuelled local trading as evidenced by jammed streets with itinerant traders and shops full with people buying during month ends (O’ Laughlin 2016).

Figure 3.1: Map: Republic of Mozambique



Source: Mozambique Happenings

4.0 MARAGRA ESTATE AND THE SUGARCANE OUTGROWER SCHEME

4.1 Origins and ownership of the Estate

Maragra Estate was established as a family owned plantation in 1968, seven years before independence (van Delden 2016). Prior to its nationalisation after 1975, production on the estate had grown to over 44,100 metric tonnes. The family managed the estate for a few years after it regained possession in 1992 before it was sold to a South African multinational sugar company, Illovo Sugar, in 1997. Illovo owns 90 percent shares of Maragra, with 51.4 percent

shares of that being owned by a British company, Associated British Foods plc (Muntrakis 2014). The estate controls about 6,500 hectares of land held under a 50-year DUAT (Paradza and Sulle 2015). It employs over 1,043 permanent workers and a further 3,760 seasonal workers that are engaged during the peak periods (van Delden 2016). Prior to the rolling out of the outgrower scheme, the estate had been accumulating land from the surrounding small-scale farmers to expand the area under its control.

The estate has been enlisting small-scale out-growers as part of the Maragra Smallholder Sugar Development Project (MSSDP). By 2016, about 1,625 people had been incorporated as out-growers through their respective associations (van Delden, 2016). Four sugarcane production associations are part of Maragra Estate's outgrower network and supply about 250,000 metric tonnes of cane every year (Paradza and Sulle 2015). Together with the estate's own production, the company still has not yet exhausted its milling capacity. It is against this background that the EU, since 2014, has been providing financial support to expand the sugar out-grower scheme by an additional 1,540 hectares and incorporate 4,000 households into the sugarcane production value chain (Augusto Mambero, Director for Infrastructure and Environment, Manhiça District, 20 October 2016. Apparently, the production levels of the Maragra out-growers have to reach about 400,000 metric tonnes of cane for the 100 percent milling capacity to be attained (*ibid*).

4.2 Types of producers involved in out-grower scheme

There are various types of producers who are integrated to global markets via the Maragra Estate and these include small producers with land sizes ranging from less than 1 hectare to 20 hectares, middle scale producers whose average land varies between 20-120 hectares, large-scale growers with land sizes exceeding 120 hectares, and farmer associations involving small-scale farmers who combine their pieces of land for collective production (Illovo 2014). Large-scale growers account for 45 percent of output produced by out-growers while middle-scale growers and small-scale farmers account for 37 percent and 17 percent of the production respectively (*ibid*). Membership into associations is determined by the geographic location of the farmers' plot and in some instances, unwilling farmers whose plots lie in the planned block reluctantly join the sugarcane production associations. Alternatively, some farmers have been forced to surrender their land in planned sugarcane block farming in exchange for other plots elsewhere. The challenges, as van Delden (2016) reports, have entailed farmers neither getting land of similar size nor quality. Furthermore,

field interviews revealed that there were no procedures of how farmers could disengage from an association under block farming and retain control of their land.

4.3 Types of contracts offered in the sugar outgrower schemes

Maragra Estate enters what are called ‘Cane Supply Agreements’ with small-scale farmers, whereby the company provides inputs and technical assistance to the farmers on credit for sugarcane production. The small-scale farmers are then obliged to sell the sugarcane to the company on harvest. The company, ostensibly on the basis of the sugar/sucrose content for the cane delivered, determines the price of sugarcane. Transparency in the determination of the quality of sugarcane delivered by the farmers to the companies was another key source of grievance outlined by the farmers in their ‘contractual’ relationships. Farmers receive the value of the sugarcane delivered after the company has deducted costs of inputs and services advanced to them during the season on the basis of 95 percent of the price (Paradza and Sulle 2015) as determined by the company. The price received by the company on the world market determines whether or not farmers receive the remaining five percent of the price pegged by the milling companies. Maragra Estate pays its out-growers 40 percent of the value of sugarcane on delivery and the balance is calculated and paid after the cane has been processed and sold in local and international markets (*ibid*). Out-growers receive 60 percent of the sugar sale revenue obtained from their processed cane, while the milling company retains 40 percent.

Beyond their limited influence on the price paid by the milling companies, out-growers are exposed to the volatile global markets, which determine the final returns they receive from cane production. Specifically, the price shifts are influenced by the level production amongst the major world sugarcane producers such as Brazil and India (FAOSTAT 2015; Kegode 2015). Since 2007, the price of sugar has been on a decline, thereby impacting negatively on the incomes received by out-growers and reflecting the adverse nature of the integration of Mozambique producers to world markets (Dubb *et al.* 2016). The returns from sugarcane production for out-growers in Mozambique are also undermined by non-receipt of the value of other by-products of cane processing such as ethanol, bagasse and molasses. In contrast, out-growers in South Africa are recipients of the value generated from these by-products from cane processing.

Quality controls are used by the Maragra Estate as a tool to extract surplus value from the cane supplied by farmers, and this phenomenon is not only confined to sugar but other

contracted commodities in Mozambique such as tobacco, soybean and cotton (Perez-Nino 2016; Hanlon and Smart 2014). The Cane Supply Agreement stipulates that “the producer agrees to supply sugarcane with a standard quality or with a better quality....” (CPA 2015). This standard of quality is only measured by the estate, resulting in an outcry from out-growers who feel the process is used to ensure they receive low output prices, thus further immiserising them (Augusto Mambero¹). Disproportionate power relations in the contract is further reflected by a clause which states that, “The supplier shall inform the factory prior to 12 months when he wishes to interrupt his supply or change to another buyer”. The same contract does not compel the Maragra Estate to give notice when it no longer requires supplies from outgrowers, a situation which can leave outgrowers with no markets in the event that the estate ceases to purchase sugarcane. Martiniello (2014) has shown how the Kilombero Estate in Tanzania has refused to buy sugarcane from out-growers, leaving the latter with no markets.

Under the Cane Supply Agreements, the farmers retain control of their land and the production process. It is different from what obtains in the Xinavane Out-grower Scheme where Tongaat Hulett takes over the management of the land for at least seven years when farmers enlist for the scheme. According to the company officials, this is meant to guarantee the repayment of debt advanced to the farmers for land development such as building of infrastructure on the farm and other associated costs. However, it is important to note that even the Maragra Out-grower Model also entails loss of autonomy of land control if the farmers are part of an association. In order to reduce the transaction costs, the milling companies prefer to deal with groups of small-scale farmers rather than individual farmers. Therefore, farmers within the same vicinity tend to form an association, which involves joining their pieces to form a ‘block’ that they deploy to join the out-grower schemes. This is also called ‘block farming’ and farmers collectively exploit the joined pieces of land as a single collective unit (UNAC Chairperson, Maragra).

The level of involvement of members of the associations in the operation of the block differs from association to association. Evidence from the field interviews indicates that it is the leaders who overly influence the production process and negotiation of contracts with the estates in the majority of the associations. A notable challenge regarding the ‘Cane Supply

¹ Key informant

Agreements' relates to the non-specification of the price of the cane on the contract. Illovo Sugar only determines the price after the delivery of the cane.

4.4 Power relations between the estate and out-growers

The balance of power in the sugar industry in Mozambique is heavily tilted in favour of the milling companies or the plantation estates. Unlike its counterparts in the region, sugarcane out-grower schemes in Mozambique are a relatively new phenomenon, less than two decades old. As such, the contribution to the overall sugarcane output through which small-scale farmers could derive their market power is still limited to only 8 percent (USAID 2015). Therefore, the four milling companies, which produce 92 percent of the sugarcane output, dominate the market power, including setting the prices for sugarcane and determining their relationship with small-scale out-growers. The market power of the milling companies also arises from the monopsony nature of the sugar industry, which sees the industry being dominated by only a few South African buyers.

In contrast, small-scale sugarcane out-growers in South Africa and Kenya derive their market power from their contribution of over 90 percent of sugarcane output (USAID 2015). There, sugar cane farmers associations are involved in the pricing negotiations and have been able to extract concessions from the milling companies, including being paid not only for the sucrose content in the raw sugar, but also the associated by products (e.g. ethanol, molasses and energy). Without the output from small-scale out-growers, capital accumulation in the agribusiness milling companies is affected.

Interviews with small-scale out-growers revealed that the prices they sell the sugarcane they produced and supplied is determined by the milling companies. Most of the farmers spoken to during the field research complained of the poor prices of cane they received from the milling companies and were not aware of how the prices were determined. Although small-scale farmers within associations produce sugarcane, their collective voice is weak because these associations are fragmented and are not linked up into a national association that can countenance the power of the agribusiness milling companies. The tendency has been for associations to negotiate on an individual basis with the companies.

Furthermore, there were problems with the internal democracy of the sugarcane production associations of small-scale farmers, as the leaders were overly powerful and handled the business of the associations without the involvement of the membership. For instance, some

members were not aware that their group had a contract with the Maragra Milling Company, let alone the nature and/or provisions of such an agreement. This is largely attributable to low literacy levels amongst the out-growers which assumes a gendered dimension affecting women mostly given their low education status which constrains their upward social mobility (Paradza 2012). Even if available, high levels of illiteracy, the peasantry, especially women, are not conversant in the Portuguese language that is used in drawing up sugar cane production contracts. Men monopolised the leadership positions in cooperatives despite women being the majority of the members. Sharing of the proceeds within the associations was also another notable challenge. Tellingly, many members of cooperatives interviewed have not had sight of the contracts from the agribusiness milling companies.

Small-scale farmers sugar production associations are also sometimes the initiative of the milling companies to promote cane production, facilitate the coordination and registration of producers (Paradza and Sulle 2015). The investor wants farmers to form an association for ease of access to land. So instead of negotiating with 650 individual farmers, the investor will sign an agreement and negotiate with one entity- the cooperative. Instead of providing a collective voice for the out-growers, these associations therefore mostly serve as conduits for Maragra Estate to grow its feedstock for its mill (*ibid*). The national peasant union, UNAC, does not actively support its members in negotiating contracts with agribusiness milling companies. Apparently, there is a growing distance between the secretariat of UNAC and the members due to the ‘endorsement’ of large-scale agricultural investments by the former (Interview with Mr Xai, Donor Worker, 21 October 2016). Indeed, the fallout has resulted in the retrenchments of radical elements within UNAC bureaucracy and the remaining members were banned from doing any advocacy work on behalf of the farmers. Instead, as revealed by our informants, UNAC now plays a ‘developmental’ role supporting the GoM policy agenda. Yet, state repression of farmers’ movements and CSOs, the interviews exposed, has led to increased ‘cooperation’ between the two parties, with the latter afraid of being labelled as ‘anti-developmental’.

NGOs, at least the ones we spoke to, were not actively involved in contract farming advocacy issues. Most NGOs were seized in assisting small-scale producers to register their land for DUAT in line with the GoM land registration programme. The NGOs were also divided on the issue of large-scale agricultural investments. ORAM, one of the oldest NGOs in Mozambique, was the first to embrace the latter on condition they are prefaced by community

consultations and have the potential to bring ‘development’ to the people. Others such as Fórum Mulher (Women’s Forum) are vehemently opposed to the growth of contract farming schemes and have been building an evidence to expose the negative effects of sugar cane out-grower scheme.

5.0 DIFFERENTIAL LIVELIHOOD IMPACTS OF THE OUTGROWER SCHEME ON PEASANTS

5.1 Income returns from sugarcane production

Income returns from sugar out-grower production in Manhiça in particular and Mozambique in general are low when compared to incomes received by their counterparts in Zimbabwe as the crop is grown on small acreage and relies on rain in Mozambique (Dubb *et al.* 2016). According to Sachikonye (1989), for sugar outgrowing to be productive, a minimum of 20 hectares of land is required. In Zimbabwe, sugar out-growers have an average of 20 hectares and grow the crop under irrigation, making their returns higher when compared to their counterparts in the region (Dubb *et al.* 2016; Mazwi and Muchetu 2015). In associations, incomes for out-growers vary depending on the amount of land each household commits to the cooperative, or whether the association owns productive assets such as tractors or not. The sourcing of inputs from the Maragra Estate on credits attracts interest, which leaves farmers with low incomes (Key informant Interview October 2016). Associations who source their inputs independently and have productive assets and transport tend to realise more profits when compared to those whose inputs are advanced by Maragra Estate (*ibid*). Van Delden (2016) shows that incomes for individual members in three different associations were differentiated per hectare, with Combate à Pobreza Association farmers receiving 2000 meticaís while those in the Churamate Farmer Association getting 5000 meticaís and Macuvulane farmers being paid 45 000 meticaís, which is way more than the others.

Incomes among out-growers: A Case of an Association: Codmhalie a Pobneyo Rihangua

The association produces sugar through contracts entered into between the cooperative and Maragra Estate. The sugarcane is produced under rain-fed agriculture due to lack of irrigation infrastructure, a development which compromises the quality of cane. Rain-fed sugarcane fetches lower prices on the output market when compared to cane produced under irrigation. The leaders of the association also expressed dissatisfaction over the contracts, citing high interest rates which are charged by the estate. In their view, the Maragra Estate takes

advantage of the low educational qualifications of most members to pin associations and individual out-growers into unfavourable contracts

Table 5.1 Sugar reference prices in Mozambique

	2001 US \$/ MT	2008 US \$ MT	2015 US \$/MT	World Market Prices	% Increase of reference price
Reference Price for Raw Brown Sugar	385	347.18	806	250	109%
Reference Price for White Refined Sugar	450	388.09	932	350	107%

Source: Centro de Produção de Agricultura **CEPAGRI** 2016

A leader from one of the farmer associations (The Associação Codmhalie a Pobneyo Rihangua) with a membership of 45 farmers indicated that the group received 1 million meticaís in 2016 after selling raw sugar to Maragra and most of the proceeds were used to pay workers, repay inputs provided by the estate and to cater for machinery costs. According to the leader, each farmer received an average of 5000 meticaís gross income depending on the average hectare committed to sugar before a 50 percent to pay for inputs was deducted. Maragra estates deducts 6 percent from the gross income to recover input costs supplied to the out-growers and if the out-grower did not receive inputs on credit from the estate the amount is paid back to the farmer in the following agricultural season. A number of out-growers interviewed in Maragra highlighted that income received from the estate for the sale of sugar mainly covers basics such as the purchase of food, payment of children's school fees, and is rarely adequate to purchase inputs for the following agricultural season, hence explaining why most farmers are always tied to resource-providing contracts instead of going independent.

Moreover, the income returns from sugar cane production for small-scale out-growers in Mozambique are dented by the non-receipt of value generated from the other by products from cane processing beyond raw sugar as noted above. At present, milling companies in Mozambique are also only able to produce raw sugar and the production of refined sugar and associated products is outsourced to the parent company in South Africa at a cost of US\$80 per metric tonne (Kegode 2015).

5.2 Apportionment of costs and benefits of the contract farming

The impact of sugar out-grower production on land use patterns and food security is differentiated based on the production model practiced by the farmers. For smallholder

farmers in Manhiça, participation in out-grower sugar production has resulted in changes in land use patterns where land allocated for food crops such as maize, sweet potatoes and potatoes has significantly declined with more land now being committed to sugarcane (Interview with Key Informant 1 18 October 2016). Involvement in sugar contract farming has however not completely eliminated food crop production as farmers still continue with the production of maize, sweet potatoes and potatoes for auto-consumption. The findings are confirmed by Van Delden (2016) who observed that subsistence farming remains a primary source of income for the majority of households, while formal and informal employment at the Maragra Estate is also another source of income for the rural households. In contrast to the arguments posited by some analysts that contract farming results in food insecurity and the further immiserisation of the peasantry (Little and Watts 1994; Singh 2006), our findings are in tandem with what has been observed in Zimbabwe where tobacco contract production does not completely eliminate food production (Sakata 2016; Chambati and Mazwi 2017; Shonhe 2017).

Yet it is true that resource allocation, including land and labour, by peasants is skewed towards contract farming commodities in order to meet the productivity targets imposed by agrarian capital. The latter impose strict production practices and exercise oversight over the farmers through its fieldworkers. In Manhiça, we saw that more often than not, small-scale producers had to give up their best lands for sugar cane out-grower schemes. Our research in Zimbabwe also showed that the bulk of the arable land amongst peasants immersed in contract farming schemes was allocated to tobacco production (up to 45 percent) (Chambati and Mazwi 2017). Shonhe (2017) also equated the supervision of peasants by agribusiness companies to that of wage labourers.

Other studies highlight the special relationship between Maragra Estate and farmer associations where the former provides farmers with inputs and water resources for food production (Paradza 2012). Such a relationship between capital and smallholder farmers also exists in some Zimbabwe tobacco contracting arrangements where contracting firms provide inputs for food crops to smallholders as a way of averting food insecurity (SNV 2016; Interview with Key Informant 2 March 2017). The provision of inputs has ensured that there is household food self-sufficiency among smallholders involved in farmer associations as own-production was ranked a primary source and purchases ranked second (Interview with Key Informant 1 October 2016). These farmers commit part of their land to associations

while retaining some for the production of food crops since the income derived from sugar is rarely adequate to meet their food requirements (Van Delden 2016).

Field observations also point to the growth of informal food markets in the peri-urban district to meet the gaps occasioned by the reallocation of land towards sugar cane production. Food that is sold at the informal markets, the fieldwork revealed, was originating from other parts of the districts that are not integrated into the sugar cane value chain.

Middle and large-scale sugar out-growers were found to grow less food crops when compared to small-scale farmers and mainly utilise the income realised from sugar sales to purchase food from local markets (Interview with Key Informant 2 October 2016). Due to the labour intensity of sugar production, large-scale farmers reported that they grow less food crops, not because they are prohibited by the Maragra Estate, but because they spend more time in the cane fields, thus highlighting the adverse incorporation of producers where their participation in sugar production compromises food security. The less production of food crops affects the nutritional diet of farmers as the income they get from out-grower sugar production is inadequate to meet their socio-economic needs such as health and education. Nonetheless, they still continue to engage in sugar production because of a ready market available for the crop when compared to food crops and other horticultural crops. Increasingly, the expansion of the sugar industry has meant the displacement of a considerable number of poor small-scale sugarcane outgrowers who now have to rely on volatile food markets to meet their requirements. It was observed that farmers are mostly giving up the best lands for sugarcane production. It was also witnessed that the agricultural and food markets that have sprouted in Maragra, are selling mostly food produced from non-sugarcane producing administrative posts in the district.

5.3 Land concentration from above and below

A process of “accumulation from above” was noted where a few select farmer’s business people, urban elites, who are connected to the local authority, traditional leaders and local political structures, are displacing the smallholder farmers through land purchases. It is important to note that this group of “elites” tend to instrumentalise both political and financial muscle to intensify land inequalities in Manhiça. As land purchases intensify in Maragra, so is the process of social polarisation accentuated, as reflected by land concentration in the hands of 10 farmers whose land sizes currently range from 20 to 200 hectares, while the majority of out-growers who number 390 own an average of less than 1 hectare. The social

stratification is a product of weak tenure laws which allow for easy land transfers as well as the adverse incorporation of smallholders to contract arrangements which expose them to poor output prices which fail to address their social needs, leaving them with no option but to sell their land informally without any proper documentation. The adverse incorporation of producers which is taking place at Maragra was also observed at Kilombero Estate where low prices have resulted in a group of large-scale farmers dominant when it comes to land ownership and the production of sugar (Martiniello 2016; 2015).

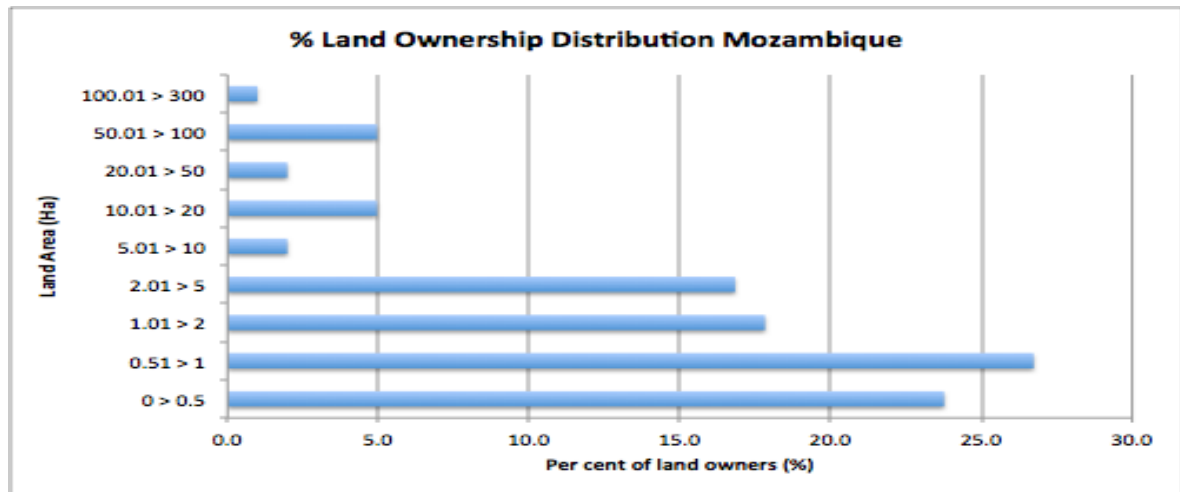


Figure 5.1: Percentage of land ownership distribution in Mozambique

NB: Total arable area in the village is 917.45ha, and one landowner of Manhiça Council controls 29% (265.88ha) of the total arable land.

Such differentiation in land ownership, even at the village level, vindicates the arguments made by some scholars that land inequalities are not only prevalent in former Settler colonies (Moyo 2008; 2011; Moyo, Tsikata & Diop 2015), but also exist in former non-settler colonies on account of processes of accumulation from above and below.

Table 5.2: Land access and agricultural production by Maragra Estate workers

Characteristics		Workers in Maragra	
		No.	%
Place of birth	Manhiça	28	70
	Another province	12	30
	Total	40	100
Age	20 – 23	5	12.5
	24 – 28	12	30.0
	29 – 32	10	25.0

	33 – 37	7	17.5
	38+	6	15.0
	Total	40	100
Residency of family	Manhiça	40	100
	Outside Manhiça	0	0
	Total	40	1000
Land Ownership	Yes	36	90.0
	No	4	10.0
	Total	40	100
Second Occupation	Work in own field	30	75.0
	Other	10	25.0
	Total	40	100

Source: Survey Data, 2016

The land markets have both a residential and farming dimension. Demand for land is associated with the close proximity of the district to Maputo. Urban elites have been investing in both residential and farming land in order to profit from the sugar boom and the low land values compared to the capital city, Maputo.

In an informal scheme, land in the area costs an average of 100 000 meticaïs per hectare which is equivalent to US\$ 1450.00. This is insignificant to meet social reproductive needs for a household in a single year. Another phenomenon which is promoting social differentiation in Manhiça District are land leases which are entered with poor farmers by those who are becoming successful in outgrowing and those with links to local officials, thus creating classes of rich and poor smallholders in the process. Women and the poor lose because they are voiceless and subjugated.

Survey data reveal that land transactions, which are occurring in Manhiça *albeit* at a smaller-scale, are fuelled by incomes derived from the Maragra Estate. Of the 40 interviewed Maragra workers, 90 percent possess land while the remaining 10 percent do not own any form of land. The 24-28 years age group had more people owning land (30 percent) followed by 29-32 years (25 percent), 33-37 years (17.5 percent) and 38 years and above (15 percent). The age groups of the workers owning land, mainly young people, confirm what was revealed by Key Informants that land transactions have become a main way of accessing land in Maragra, and that the phenomenon is largely fuelled by the commercialisation of agriculture where the Maragra Estate workers are key players. As the survey data show, 30 percent of Maragra workers originated from other provinces while only 10 percent of the workers do not have access to land. This again demonstrates the prevalence of land markets in Maragra.

Illiterate old widows, the field data show, were on the receiving end of land dispossession as their land is being registered for DUAT by their neighbours without their knowledge. The old widows are then employed as wage labourers on ‘their’ land by the ‘new’ owners or are evicted outright on the strength of the DUAT.

More land is still required for sugar cane production given that Maragra Estate is yet to reach its full processing capacity of 110,000 metric tonnes. With support from the GoM and EU (€2.4 million), plans have been underway since 2014 to expand the outgrowers scheme by 1,540 hectares covering 4,064 peasant households via the Maragra Smallholder Sugarcane Development Project (MSSDP). This has entailed rehabilitation of marginal and flood prone land owned by peasants (Illovo 2014). Projections by Illovo suggest that the expansion will contribute about 100,000 metric tonnes of sugar cane per annum. An additional 462 hectares has been set aside for the production of food crops (maize, rice and vegetables) by the peasant households. This will further intensify the competition for land as farmers jostle for control of the rehabilitated land in order to be integrated into the sugar cane out-grower scheme. Of major concern was that the GoM was actively encouraging the peasants to register DUAT on this land, which they can use as collateral to borrow money from Standard Bank – the financial partner in the project. Failure to pay back the loans might result in the foreclosure of land belonging to peasants. Yet the state insists, as supported by the law, land is not for sale in Mozambique and foreclosures using the land are out of the question. Instead, the state officials interviewed claimed that the bank will have to look at other assets to recover their finances.

Beyond total land dispossession, the peasants are losing control of their land when they ‘voluntarily’ or are forced to join the out-grower schemes because their land falls within a block of land owned by others who are interested in joining the sugarcane out-growers scheme. Unlike peasants who enter contracts individually and can easily disengage, exit procedures are not so clear in this group type amalgamation of land in order to enter out-grower schemes. Control is either lost to the estate who can take over the management of the land for a given period of time (usually seven years) so that they recoup the loans advanced to leaders of the groups who manage production on behalf of the group. In this scenario, it may not be too far-fetched to argue that sugarcane out-grower schemes, by withdrawing the autonomy over land control, are converting the peasantry to wage labourers on ‘their’ land (Clapp 1988).

5.4 Asset accumulation and peasant differentiation out-grower relevance

Studies on out-grower sugar production in East and Southern Africa generally reflect a higher degree of social contradictions among out-growers in countries such as Zimbabwe, Tanzania and Uganda as a result of agriculture commercialisation (see Scoones *et al.* 2016; Martiniello 2016; Martiniello 2015). The situation is not unique in Mozambique where out-grower sugar production has generated mixed fortunes for farmers integrated to the estate. At one level is a group of few farmers who are accumulating, utilising opportunities created by their participation in sugarcane production and investing in the purchase of motor vehicles, construction of housing infrastructure and buying more land from poorer farmers (Field Observation, October 2016). Non-agricultural sources of income have been shown to be instrumental and pivotal for the process of peasant differentiation in Manhiça District, with finances being largely obtained from employment and remittances from household members working as migrant workers in South Africa (Interview with Key Informant two, October 2016; see also Paradza 2012).

Migrant workers who work as semi-skilled personnel, small-scale miners, also known as *zama zamas* and mechanics in South Africa, and workers employed by the Maragra Estate were observed to be doing better in terms of sugar production and accumulation when compared to households without alternative sources of income (Field Observation, October 2016; Paradza 2012). As is the case in other Southern African countries, it was observed in Mozambique that successful farmers tend to invest in transport and power-driven implements such as tractors, thereby playing a critical role in the local economy, a development which further accelerates social polarisation (Interview with Key Informant, two October 2016). Muntrakis (2014) observes that it is mainly out-growers with middle to large-scale land sizes who have been able to accumulate from sugar production, thereby cementing uneven development among the farming classes. Box 5.1 below presents a case study of an out-grower at Maragra Estate, illuminating how the contract works and how farmers managed to increase their income through non-farm sectors, and resultantly leading to the process of social differentiation.

Land concentration fuelled by the purchase and leasing of land is stimulating class differentiation in Manhiça, creating rich peasants who own huge tracts of land operating alongside the poor smallholders who constitute the majority and own an average of 1 hectare or less, and sometimes sell labour to capitalist farmers. Peasant differentiation is also notable

within farmer associations where farmers with bigger pieces of land in cooperatives are purchasing transport vehicles and residential property in Manhiça when compared to out-growers who contribute less than a hectare into those cooperatives. Land and non-farm employment are thus critical factors which stimulate social differentiation in Maragra. The social stratification spurred by land ownership was found to be the case in Kilombero, Tanzania, where a minority of sugar out-growers are seen making investments and selling more sugar to the plantation estates (Martiniello 2016).

Figure 5.2: Differentiated investments in housing infrastructure



Source: Author Fieldwork

Box 5.1. Asset accumulation and drivers of peasant differentiation among out-growers: The Case of Oliveina Jacinto

Oliveina Jacinto, 48, who is polygamously married and has 10 children, owns a 1.5-hectare piece of land which he purchased in 2004 from another farmer. Prior to settling in lands adjacent to Maragra Estate, Oliveina worked in South Africa as a mechanic and he used part of his wages to purchase his piece of land. He started selling sugar to the Maragra Estate in 2010 under a contract system and highlights that in selecting contracted farmers, the estate does not consider the amount of land owned by a farmer. Under the contracts, he has been provided with fertiliser, pesticides, equipment to clear land and cash for labour by the Maragra Estate. He states that the crop is rain-fed. The estates deduct 6 percent of his income to recover input costs and the farmer earns an average of 240 000MT annually from the crop which he utilises for the purchase of food while also paying for social services needs such as education and health for his family. Oliveina does not produce any other crop besides sugar, thus making the household rely on income obtained from sugar to purchase food from local markets. Sugar outgrowing has brought with it changes in land use patterns which have led to the abandonment of the production of potatoes, maize, sweet potatoes and tomatoes which used to be grown by the household before. Utilising income from his earlier job as a mechanic and part of the income obtained from sugar sales, he has managed to purchase four trucks which are also contracted to the Maragra Estate to ferry sugarcane from out-grower farmers to the milling estate. The transport industry is his biggest cash cow which gives him an average of 1 million MT annually. Oliveina hires about 45 workers as drivers and manual labourers to load sugar cane into his truck. His case is an example of how farmers have been able to invest in non-farm sectors to increase their income, in the process facilitating the process of social differentiation.

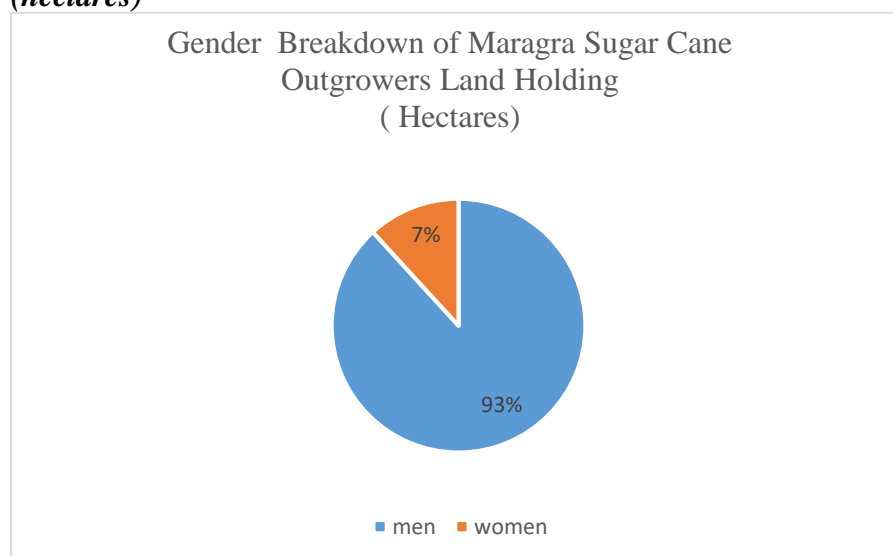
Another key outcome of agriculture commercialisation in Manhiça has been the proletarianisation of smallholders as they lose their land through land transactions. Growing land markets in Maragra have resulted in poor smallholders who lack capital and other productive assets selling their pieces of land to middle and capitalist farmers as they fail to meet their social reproductive needs from agricultural activities (Interview with Key Informant three October 2016). It was noted during the field visit (October 2016) that not all farmers are benefitting from agriculture commercialisation as some have been converted into workers who sell their labour to the emerging class of middle and capitalist farmers.

5.5 Gender dynamics and participation in out-grower schemes

While access to and ownership of land in the Northern parts of Mozambique is matrilineal in nature which results in women being less marginalised, the southern part of the country is dominated by patrilineal customs where women's access to and control over land is curtailed (Lidstrom 2014). The fieldwork shows that land ownership and control is largely in the hands of male out-growers who also wield significant influence in the marketing of sugarcane. For example, the Armando Emílio Gubuza Association, which has 60 members, is dominated by males (46) when compared to women (14) who constituted a minor proportion. This study, however, reflects that women supply the bulk of the labour in weeding and fertiliser application. Such findings are corroborated by Delden (2016) who found out that despite the 90 percent participation by women in agricultural activities, the majority of them do not control the land they work on in out-grower schemes. This is not the same as contract schemes. Other studies have shown that women's work in agriculture is mostly concentrated in food crops such as maize and horticultural crops for household consumption while labour in sugar-cane plantations is mainly male dominated (Munrankis 2014).

Figure 5.3 depicts that land ownership is skewed largely in favour of males (93 percent) while women only have access to 7 percent of land in Manhiça. Apart from cultural and educational barriers which hinder women's social mobility, lack of capital was also noted to be a key constraint. As has been highlighted earlier, men have more access to other forms of employment at the Maragra Estate and in the neighbouring South Africa, thus placing them an upper hand in land purchases in an environment where land markets have largely become informalised as is the case in Manhiça (Interview with Key Informant three October 2016).

Figure 5.3: Gender breakdown of Maragra Sugar Cane Outgrowers Land Holding (hectares)



Source: SMAIAS Survey 2016

The emergence of land markets in Manhiça has impacted negatively on the livelihoods of females as evidenced by their disposal of land in local land markets and resorting to the sale of labour power to the new owners of land, which is less evidenced among their male counterparts. Women’s low levels of education also easily make them fall victim to “land accumulators” who take advantage of their limited understanding of land registration laws and transactions to displace them from their land. This ultimately results in the “feminisation of poverty”.

5.6 Employment outcomes in out-grower schemes

The Maragra Estates contributes to the local economy of Manhiça through employment generation, recruiting about 972 permanent workers and 4 806 seasonal workers during peak periods (Illovo, 2015). The number of workers employed by the estate is however lower when compared to those employed at the Tongaat Hulett-owned Xinavane Estate which recruits about 10 000 workers annually (see Lazzarini 2017). In between contracts at the Maragra Estate, migrant labourers also seek employment from small-scale sugar cane outgrowers who employ additional workers depending on their plot sizes drawn from neighbouring provinces of Gaza and Inhambane (Interview with Key Informant four October 2016). The recruitment strategy of the estate is a continuation of the colonial era practice where labour was hired from the neighbouring districts (see Perez Nino 2017; Lazzarini 2017). Our Maragra survey shows that the estate recruits labour for cutting sugarcane (22.5 percent), irrigation (25 percent), fertiliser application (17.5 percent) and the collection of

sugarcane (20 percent). Middle to large-scale out-grower farmers and farmer associations however employ casual workers for a few tasks such as weeding, fertiliser application and cutting of sugarcane and wages are differentiated based on the activity (Interview with Key Informant four October 2016). It was also revealed that casual workers are paid 230 and 100 meticaís for cutting and weeding respectively on a daily basis upon completion of task.

The survey in Maragra shows that the workers at the estate are employed on a contract basis (100 percent) and that the majority of them only went to school up to primary level (87.5 percent) while the remaining attended school up to secondary level. The survey also highlights unfair working conditions where workers who have worked for 6-8 years (25 percent) are still considered contract workers. A similar proportion of workers have also worked for 3-5 years and their relationship with the employer is still governed under contracts while 5 percent of workers have been working for Maragra for 12-14 years and are also still under contracts.

Table 5.3: Nature of employment at Maragra

Character		No	%
Gender	Male	25	62.5
	Female	15	37.5
	Total	40	100.0
Marital status	Yes	27	67.5
	No	13	32.5
	Total	40	100.0
Education level	Primary	35	87.5
	Secondary	5	12.5
	Total	40	100.0
Type of work	Cutting Sugarcane	9	22.5
	Collecting Sugarcane	8	20.0
	Irrigation	10	25.0
	Wedding	6	15.0
	Apply fertilisers	7	17.5
	Total	40	100.0
Contract or permanent	Contract workers	40	100.0
Nature of contract	Witten contract	40	100.0
Number of years working at Maragra	<= 2	11	27.5
	3 - 5	10	25.0
	6 - 8	10	25.0
	9 - 11	6	15.0
	12 - 14	2	5.0
	15+	1	2.5
	Total	40	100.0

Source: SMAIAS Survey (2016)

The obtaining labour arrangements at Maragra are reflective of how workers in Mozambique have been exposed to precarious working conditions in an attempt to bring foreign investment and how such investments fall far short to being described as a “win-win arrangement”, where both the farmers and investors should be mutually benefiting. This raises serious questions about the nature of employment promised under the “inclusive business model” promised by the World Bank in its report of 2008.

From a gendered perspective, the number of females working in the sugar industry nationally has been disproportionately lower, constituting 17 percent as of 2010, with engrained gender ideologies playing a crucial role in the division of labour (Lazzarini 2017). Women are seen as passive, susceptible to changes of tasks at work and less troublesome (*ibid*). Our survey at Maragra Estate reveals that employment is male dominated (62.5 percent) while females contribute 37.5 percent of the labour, a share much higher when compared to the national figure discussed above.

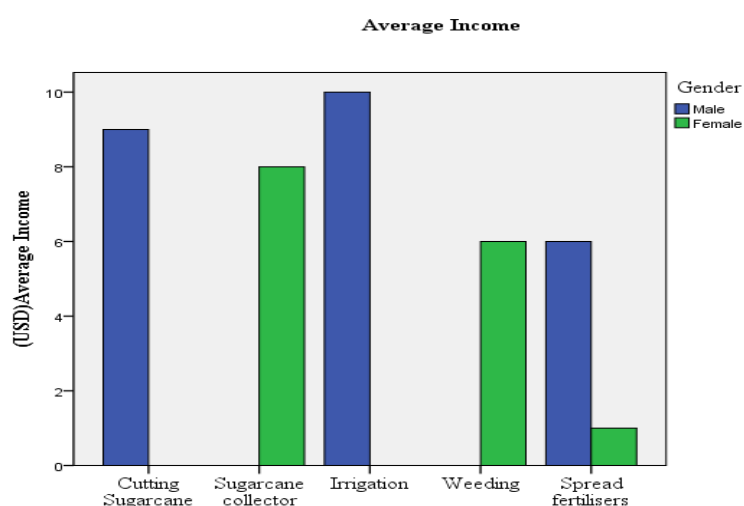
Table 5.4: Type of work by gender

Characteristic		Males		Females		Total (n=40)	
		No.	%	No.	%	No.	%
Type of work	Cutting Sugarcane	9	36	0	0	9	22.5
	Sugarcane collector	0	0	8	53.3	8	20
	Irrigation	10	40	0	0	10	25
	Wedding	0	0	6	40	6	15
	Spread fertilisers	6	24	1	6.7	7	17.5
	Total	25	100	15	100	40	100

Source: SMAIAS Survey 2016

Survey results also confirm Lazzarini’s (2017) thesis that gender ideologies influence labour patterns as is shown in Table 5.4 that tasks such as sugarcane cutting and irrigation are dominated by men only at Maragra Estate. The majority of the females are engaged in activities such as collecting sugarcane and weeding. Activities practised by males require more skill and were shown to be more rewarding when compared to the collection of cane and weeding, a situation which gave males more income when compared to females.

Figure 5.4: Incomes by gender



Survey results show that financially rewarding activities are practiced by men and these include sugarcane cutting and irrigation where workers are paid an average of US\$ 8.5 and US\$10.00 per day respectively, while weeding and the spread of fertilisers which are predominantly practiced by women paid less at US\$6.00 and US\$1.00 respectively. Wage disparities in favour of males were observed, with the spread of fertiliser activity being the only activity performed by both males and females where the former are paid US\$6.00 per day and the latter only receive US\$1.00. The gender bias of sugar estate work is shown in the monthly wages where women receive US\$ 52.00 while males get US\$84.00.

The working conditions for labourers employed by out-grower farmers both in large-scale farming and farmer associations are precarious as they are not given protective clothing such as gloves, gumboots and nose masks which are critical in cutting sugarcane, applying fertilisers and herbicides, thus exposing workers to various ailments (Interview with Key Informant four October 2016). Although some employees of the estate are provided with protective clothing, cases of ailments have been reported post-employment, implying there are long term health risks associated with working at a sugar plantation or mill (Interview with Key Informant four October 2016).

Figure 5.5: Wage labourers employed by a middle-scale sugar cane producer



While the local community in Manhiça has benefited from the expansion of the town as a result of sugar expansion in the form of banking services and a shopping centre, the private estate has done little in terms of improving health and education facilities (Interview with Key Informant October 2016; Paradza 2012). The Maragra Estate has only constructed one health centre whose services are only available to its workers, whereas the rest of the community rely on health facilities constructed by the government with under staffed health personnel and inadequate medical supplies (Interview with Key Informant Four October 2016). Such inability to provide basic health facilities for out-growers by the estate points to the adverse circumstances where the out-growers are exposed to ailments. The estate's health policy restricts from taking care of the health needs of the out-growers as they are regarded as informally employed. The estate has also not been able to construct any primary or secondary schools for the local community in Maragra, which contrasts with what Tongaat Hulett has done in Zimbabwe where it has constructed health and education facilities accessible to all.

6.0 CONCLUSIONS AND RECOMMENDATIONS

The paper highlights how the opening of Mozambique agriculture land has brought with it mixed fortunes on the livelihoods of farmers. The paper also confirms what has been highlighted by several scholars that agricultural commercialisation accelerates the pace of differentiation within and among communities (see Yaro *et al.*, 2017; Martiniello 2016; Sulle

2016). 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 calls on 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 out-growers are now solely reliant on local markets to purchase food. Such trends are likely to affect smallholder farmers in the short to medium term as their integration in the Maragra Estate increases. Our projection of food declines and insecurity is based on the overall declines patterns of production which have 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.

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