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An overview of Guyana's sugar industry: Perspectives on contraction and prospects

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Abstract

Guyana's sugar industry is marked by significant development, importance, and political relevance. The Dutch developed and managed the sector, followed by the British and then the Government of Guyana, each with their style that either propelled or stagnated the industry. This stagnation occurred post-independence owing to changing world dynamics, internal mismanagement, and emigration of talent. The resulting fallout caused the industry (embodied as GuySuCo) to become unprofitable. To ensure the continued survival of the industry, albeit a shadow of its former self, the government instituted regular bailouts, a practice still used today. Being a financial liability, GuySuCo underwent a series of contraction measures in a bid to return the industry to profitability. However, the reversal of recent contraction measures presents challenges to the sector. Nevertheless, no clear path has been identified for profitisation; as such, alternative measures should be considered.

***Keywords*:** Guyana, sugar, sugar industry, GuySuCo, agriculture

1. Introduction

Guyana is an English-speaking country along the northern coast of South America. The country's economic sectors reflect the extractive sectors typical of a developing nation (Bureau of Statistics, 2012). Besides the oil and gas industry, Guyana's economy is primarily based on producing and exporting gold, bauxite, rice, and sugar (Singh, 2021). For decades, sugar was the backbone of Guyana's national economy. The sugar industry was founded in 1658 under the directive of the Dutch West India Company in the then Essequibo Province (Guyana Sugar Corporation, 2018). Throughout the ages, the Dutch, British, and Guyanese governments managed the industry. In the 16th century, sugar production in Guyana enjoyed a long, productive history and benefited from its cultivation and manufacturing spread. From the 17th through the 19th centuries, greater development in sugar production came, allowing sugar to become one of the most economically viable sectors in the country (i.e. before oil and gas) (Davis et al., 2004; Demas, 1987).

After years of unsteady development due to power struggles in Europe, the Dutch were able to stabilise sugar production in the country. The industry quickly rose to great importance in the Guyanese economy, albeit through the exploitation and abuse of enslaved and indentured workers. Post-independence Guyana saw the sugar industry producing over 325,000 tonnes of sugar in the 1970s and supported 20,000 salaried workers (Davis & Piggott, 2015; Demas, 1987; Merrill, 1992). Additionally, about 85 per cent of Guyana's annual sugar output was sold externally, aiding the foreign exchange reserve (Fry, 1999). However, due to several factors, the industry fell and relied heavily on the preferential market arrangement from Europe (EU) and the United States (US) (Davis, 1967). As quickly as the sector rose, it fell to unprofitability requiring regular government subvention to keep the industry afloat.

The sugar industry in Guyana has a rich history. It continues to play a significant role in the country's economy, but it faces numerous challenges that must be addressed for it to thrive in the future. This paper aims to present the decline post-independence, viewpoints on contraction, and potential pathways forward.

2. Overview of Guyana's Sugar Industry

The early beginnings of sugar production in Guyana can be traced back to the 17th century when the Dutch Empire settled in the then-Essequibo province and quickly consolidated the land as an external territory (Merrill, 1992). The Dutch settlers established sugar plantations along the coast and used enslaved Africans as the primary source of labour. The Dutch West India Company managed the colony for much of the 17th and 18th centuries. By 1838, there were approximately 380 sugar estates with approximately 85,000 enslaved people serving the industry (Davis, 1967; Merrill, 1992). In the early 19th century, the territories of Essequibo, Demerara and Berbice were established as a British colony, which continued to develop the industry (World Bank, 1993). This resulted in the attraction of large numbers of East Indian indentured labourers who replaced many Africans on the plantations. At the industry's height, it had croplands amounting to 113,474 acres and an excess of 340,000 tonnes of sugar per annum being produced (Guyana Sugar Corporation, 2018).

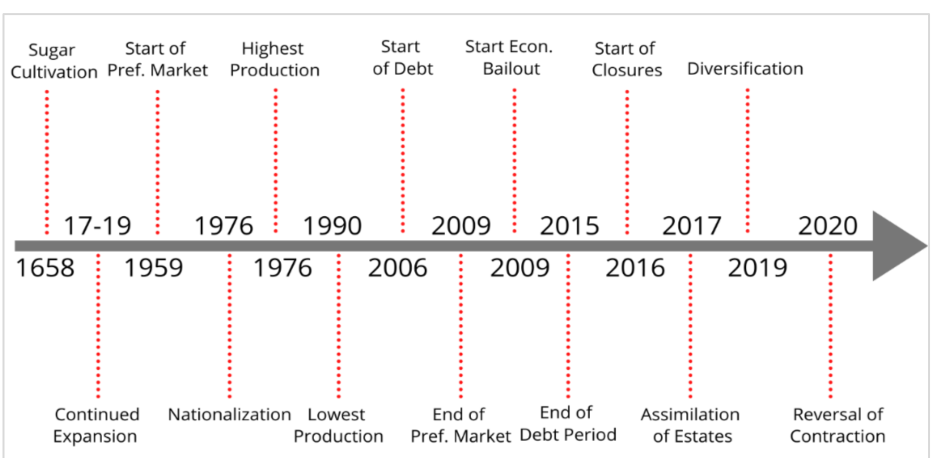
British authorities encouraged the sector's development in the colonial period by introducing new technologies and production methods for more efficient and profitable sugar production. For example, steam-powered machinery was introduced, allowing for greater production efficiency and increased yields (Davis, 1967). Sugar became the country's dominating force, which saw the transfer of some 240,000 indentured East Indians and several Portuguese and Chinese workers (Merrill, 1992). The industry continued to grow, and by the mid-20th century, Guyana was one of the world's largest sugar-producing countries (Guyana Sugar Corporation, 2018).

The independence of Guyana resulted in a change of ideals; however, the precarious independence and relative underdevelopment of the country's social, economic and political infrastructure severely strained the newly formed governments (Davis, 1967). The sugar and bauxite industries were seen as the workhorses of the country to ensure the solidification of the new republic state (Demas, 1987, Greene, 2013). The shift of ownership from Booker McConnel Limited and Jessels Securities to the Demerara Company estates and eventually the Guyana Sugar Corporation (GuySuCo) was part of the nationalisation efforts of the Government (Merrill, 1992). A combination of falling world prices, severe management difficulties and emigration of talent caused the Government to restructure the industry in the 1980s, restoring its profitability (Merrill, 1992). However, the government could not modernise the century-old infrastructure and equipment, which set the plot for the eventual unprofitability of the industry (Merrill, 1992; UWI-CARICOM Project, 2007).

Though stabilised in the 1980s, the industry suffered major setbacks in the 1990s from the rejection of the IMF loan. The loan was geared towards the structural reinforcement of the sugar estates across the country; however, in the view of the IMF, the Government was unable at the time to show avenues of repayment and ultimately rejected the issuance of the loan (UWI-CARICOM Project, 2007). This forced the Hoyte Government to issue a contract for the management of the industry to Booker Tate Limited in the 1990s. Through their leadership, wages increased, thus reattracting workers, and recommendations were made for rationalising the factories and cane hectares (Goodwin, 2022). However, with a change in the administration, the new Government did not welcome the import of UK staff and the restructuring of the industry, ultimately leading to a loss of skills and experience (Thomas, 2016). Nevertheless, the sugar industry remained a cornerstone of the Guyanese economy and significantly shaped the country's history and cultural identity.

Figure 1

Progression of the Sugar Industry in Guyana



3. Current State of the Sugar Industry

In the early 2000s, the Government made waves of investments in the sugar industry to keep up with the demands of the EU/US preferential market arrangements and world market competition (Persaud, 2015; UWI-CARICOM Project, 2007). The plans revolved around reducing production costs and improving productivity. However, GuySuCo faced issues such as a lack of technology, shortages of labour, and unfavourable weather conditions (Davis et al., 2004). Subsequently, it started to lag, and it became increasingly challenging to modernise the industry. Further, the removal of the preferential treatment due to global pressures to liberalise trade resulted in Guyana having to sell its sugar on the world market after 2009 at a lower price than the production cost (Davis & Piggott, 2015; Holder, 2017).

Production in 2016 dropped by 18.7 percent, and foreign currencies earned decreased by 15 percent (Holder, 2017). This poor performance led to a pattern of a decrease in the average yearly sugar output by 14 percent between 2006 and 2015 (Figure 4) (Persaud, 2015; Thomas, 2015). This caused GuySuCo to suffer a debt of over G$82 billion by 2015, making it a burden for the Government to finance (Guyana Chronicle, 2017). In 2016, the A Partnership for National Unity and Alliance For Change (APNU/AFC) coalition government decided to contract the industry. The closure of the La Bonne Intention (LBI) estate was followed by a series of other closures, such as the Wales, Enmore, and Skeldon estates (Holder, 2017). A change of government in 2020 saw a reversal of many contraction measures (IUF, 2021); however, billions are still being pumped into the industry with no profitability projection.

4. Perspectives on Contraction

a. Arguments for contraction

The decision to contract the sugar industry was met with both a sense of liberalisation and scepticism. Several economic and social reasons exist for the industry's failures; the non-acquisition of loans is exceptionally prominent. The closure of estates stands as a salient case for the ripple impacts that have and can be felt in the political, economic, and social lives of all Guyanese (see Figures 2-6). Some of the primary arguments for contraction include:

Non-acquisition of loans. By the turn of the millennium, Guyana was one of the leading sugar exporters in the Caribbean (UWI-CARICOM Project, 2007). However, simultaneously the sugar industry had dire challenges regarding market and capital access (UWI-CARICOM Project, 2007). The capital access issues lay in government policies which used income from sugar for other activities (World Bank, 1993). This resulted in the Company's inability to maintain and replace century-old British machinery (World Bank, 1993). The Guyana Government lobbied the IMF to borrow approximately $41 billion GYD to modernise the machinery, but the IMF denied this request because the Government could not guarantee repayment (UWI-CARICOM Project, 2007).

Close of preferential market. For 50 years, the sugar industry held the protected market (Holder, 2017). This enabled a bulk of the sugar to be exported to the EU/US. The agreement was seen as a buoyant factor, as the preferential prices ensured that the industry made a profit (Parvatan, 2015). Moreover, the EU market accounted for 50 percent of sales and 70 percent of all revenue (Guyana Chronicle, 2017). By the late 20th century, the industry was in a considerable downturn; profits decreased by $4 billion GYD in one year from 1994 to 1995 (Davis & Piggott, 2015). This downward trend continued when prices fell drastically due to high production costs, financial challenges in the EU due to the Second World War, and the rise of new sweeteners (Fry, 1999).

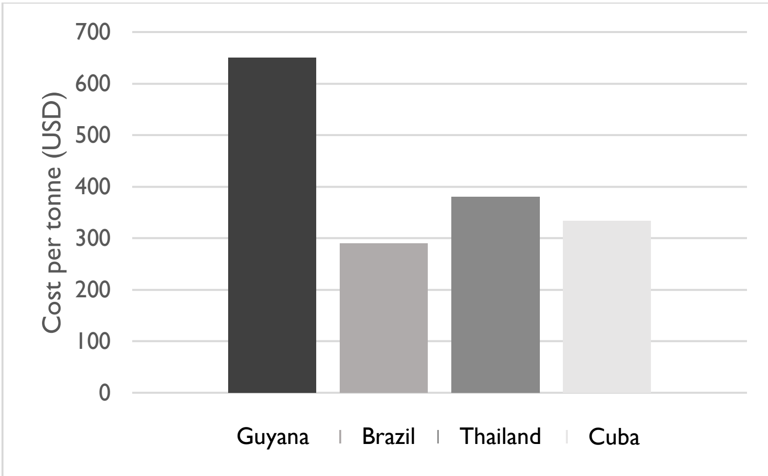
Competition with other crops and nations. Guyana always had a market access issue; however, this issue was even more critical with the rise of artificial sweeteners and other forms of sugar such as corn and beet (Fry, 1999). In American markets, alternative sweeteners took hold; thus, sugar was less used; further, in European markets, pressures by eastern European nations caused the introduction of beet sugar (Fry, 1999). Other nations such as Brazil and Thailand started to invest and investigate different forms of sugar; thus, they were able to drive prices down (Figure 2). This led to problems in Guyana as it was unable to compete and is still unable to do so (Persaud, 2015).

Wage bill and cost of production. GuySuCo is a labour-intensive industry with the largest employee base of 28,406 in 1992 and 16,000 in 2016 (Holder, 2017; Persaud, 2015). Employment accounted for 48 percent of all costs from 2010 to 2015 (Holder, 2017). In comparison, Second Wind Consultants suggests that the wage bill for any agency should not surpass 30 percent of the gross revenue (Ferguson, 2012). Secondly, the cost of production is determined by the amount of cane needed to produce one tonne of sugar. Generally, it takes 11.2 tonnes of cane to make one tonne of sugar for GuySuCo (Davis & Piggott, 2015). However, the estate with the highest efficiency is Albion, and the lowest is Skeldon (Paravatan, 2015).

Brain drain due to migration. Guyana has one of the highest levels of migration of skilled labour (Bureau of Statistics, 2012). Around 55 percent of citizens live abroad, and over 80 percent of university-educated nationals have emigrated (Bureau of Statistics, 2012). This has roots in how the government seeks to make its economy more robust, as the economic prospects have not changed in rural areas for decades. Thus, people are forced to move to places with better opportunities, which are often not in Guyana. The sugar industry is consequently starved of managerial and technical skills in every major area of activity (Guyana Sugar Corporation, 2018) and struggles to manage its activities effectively.

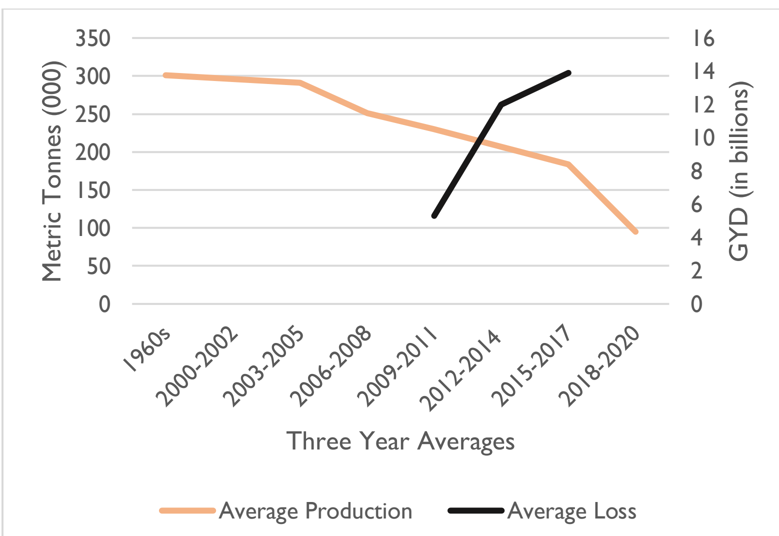
Union and politics. The Guyana Agricultural and General Workers Union (GAWU) has been noted to be a pervasive agent in the fight against GuySuCo; in most cases, it quotes discriminatory treatment of workers as a means for action (GAWU Guyana, 2019). However, in more cases than not, the workers union places unrealistic demands on the industry regarding wage increases, among other issues. Further, political and racial differences and allegiances influence strike action; however, GAWU remains proactive irrespective of government (Greene, 2013).

Figure 2
Cost of Sugar



Source: Selina Wamucii, 2023.

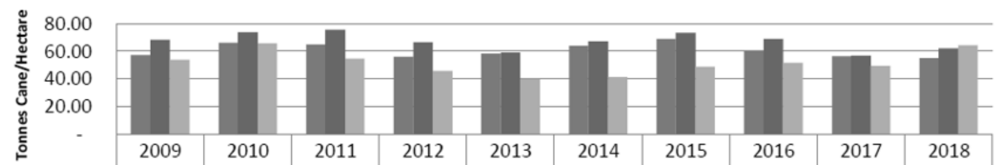
Figure 3
Sugar Outputs and Loss Averages



Sources: Guyana Sugar Corporation, 2018; Ministry of Agriculture, 2022; Paravatan, 2015.

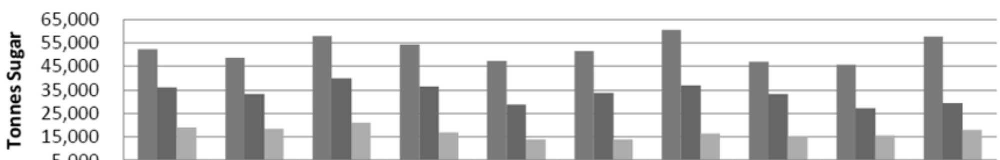
Figure 4

Cane yields and sugar production, 2009-2018



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Albion	57.36	66.10	65.11	56.06	58.37	63.80	68.86	59.99	56.65	55.08
Blairmont	68.44	73.84	75.45	66.61	59.16	67.25	73.47	69.17	56.87	62.17
Uitvlugt	53.85	65.62	54.66	45.67	39.90	41.37	48.62	51.70	49.69	64.34

a. *Cane yields at Albion, Blairmont and Uitvlugt estates*



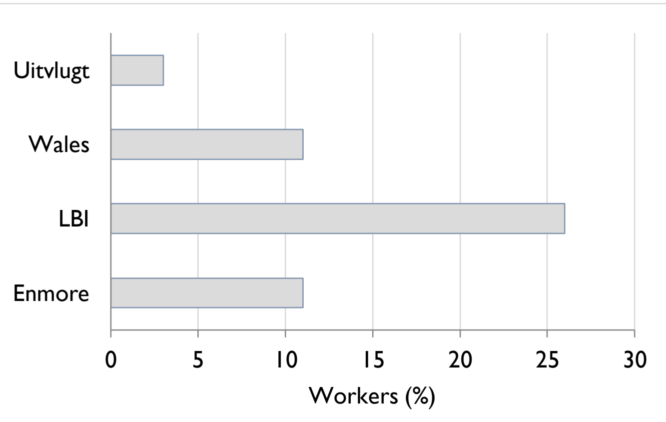
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Albion	52,271	48,629	57,838	54,022	47,257	51,294	60,390	46,771	45,563	57,486
Blairmont	35,950	33,039	39,768	36,224	28,528	33,499	36,695	33,000	27,096	29,245
Uitvlugt	18,978	18,279	20,806	16,922	13,907	13,916	16,392	15,330	15,459	17,910

b. *Sugar production at Albion, Blairmont and Uitvlugt estates x*

Source: Taken verbatim from Guyana Sugar Corporation, 2018.

Figure 5

Percentage of workers who left the industry voluntarily in 1994, by sugar estate



Source: Persaud, 2015.

b. Arguments against contraction

While many logical considerations exist for the contraction of the industry, many also exist to keep the industry (see Figures 2-6). Loss of direct and indirect employment is a central factor given GuySuCo's large labour force of approximately 16,000 workers (Holder, 2017). About 48,000 persons were instantly affected by contraction measures, and 15 percent of the country is reportedly directly dependent on the industry for basic needs (IUF, 2018). Singh (2021) also found that household income fell by 64 percent (G$32,238 to G$18,450) after the estate closures.

Other considerations against contraction include:

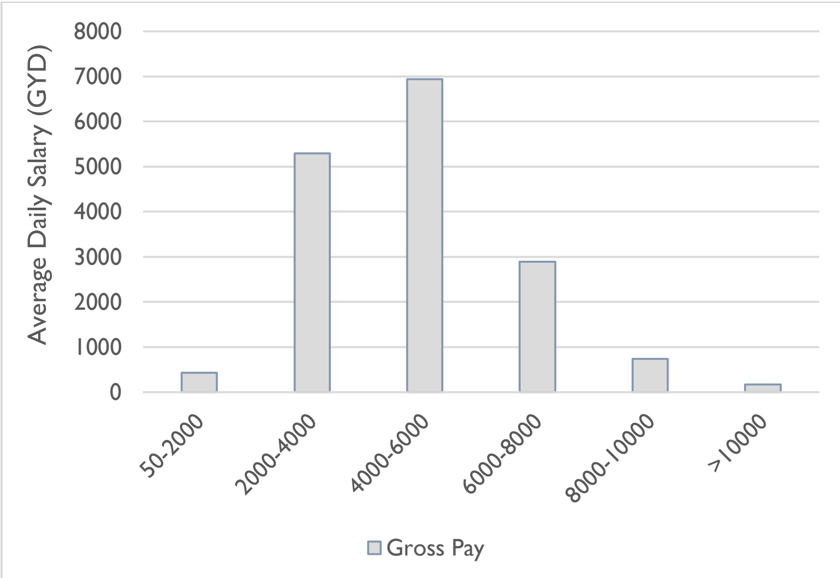
Rum industry. Guyana's rum industry depends highly on the molasses produced by the factories. Thus contraction profoundly affects this sector and its profitability. Demerara Distillers Ltd (DDL) is the largest producer of rums in Guyana; after the contraction, they were investigating ways to get molasses from Barbados as the local supply was insufficient (Caribbean Council, 2022). This makes further losses for the country's economy as the import bracket rises. Thus, the Government of Guyana reopened the Enmore Estate to support the 70,000 tonnes of molasses needed (Caribbean Council, 2022).

No feasible alternative posited. Noted from the Commission of Inquiry's report is that no recommendation was made to close the sugar industry; the main proposal was to privatise the sector (Persaud, 2015). Privatisation can be seen as a viable alternative to reduce the wage bill and inefficient redundancies, which will overall prove the performance of the industry (Holder, 2017; Persaud, 2015; Singh, 2021). As such, the move to contract the industry by the then-Government seems to lack basis; however, it has been argued that the decision may have been political, given the relationship between the political parties (Nandlall, 2017). Further, even within the State Paper on the industry, no measures were mentioned to absorb the workforce (Holder, 2017).

Auxiliary services. The sugar estates are noted to control a mass of facilities around which they operate. As such, a closure of estates will result in that responsibility falling on some government ministry. GuySuCo controls the coastland's floodwater doors and interlinked drainage canals; thus, if estates are closed, these channels are likely to fall into disrepair (Guyana Sugar Corporation, 2018). Moreover, 60 percent of GuySuCo's drainage and irrigation infrastructure is in dilapidated condition, resulting in repair costs falling to the central government (Holder, 2017; Nandlall, 2017). Further, certain estates like the Albion Estate manage the Albion Community Centre; this cost will also fall on the government.

Figure 6

Employees average daily pay (Guyana dollar), 2014



Source: Paravatan, 2015

5. Potential Pathways for the Sugar Industry

Sugar offers an avenue for the use of by-products and the sale of value-added products. Firstly, molasses, one of the primary by-products, is already used extensively in the rum industry (Caribbean Council, 2022); and may be the best-used by-product of the sugar industry. However, its use can be extended into the candy industry, where sweets such as toffee can be made (Encyclopaedia Britannica, 2023). Additionally, the lowest grade of molasses can serve as a vital component of animal feed (Encyclopaedia Britannica, 2023). Secondly, the principal waste from sugar extraction is bagasse, which can be used for power generation by acting as fuel or making paper and cardboard for writing and shipment activities (BYJU'S, n.d.). Thirdly, filter mud (impurities from the filtered juice) is high in nitrogen and can be used for fertilisation and animal feed (Dotaniya et al., 2016).

As it relates to value-added produce, sugar can play a large role in ethanol production, and the upscale of this area is timely considering moves toward hybrid and electric vehicles (Guyana Sugar Corporation, 2018). White and powdered sugar are also value-added avenues the industry can look into, especially through private investment (World Bank, 1993). Private investment is critical to the future of the sugar industry in Guyana. The Government could encourage this by providing incentives such as tax breaks and subsidies (World Bank, 1993; Singh, 2021). These measures can be viewed in the broader context of the oil and gas sector, where fortification of the agricultural sector could buffer the eventual decline of the oil sector.

Another possible avenue for Guyana's sugar industry is using a portion of GuySuco's assets for agricultural diversification. Diversifying the agricultural production base within the sugar industry could be a critical structural transformation component towards recovery efforts. Abandoned GuySuCo sugarcane lands with existing drainage and irrigation systems can be used to grow crops such as tomatoes, coconuts, and peppers (Guyana Chronicle, 2015; Ministry of Agriculture, 2022). Closed GuySuCo estates may be retrofitted to process these crops. Moreover, the diversification of sugarcane fields in GuySuCo may be used for both poultry and animal husbandry activities (Ministry of Agriculture, 2022). In this way, GuySuCo can utilise its filter mud and lower-grade molasses for its subsidiary crops and husbandry activities which may help bolster the industry (BYJU'S, n.d.; Dotaniya et al., 2016).

6. Conclusion

This paper sought to present perspectives on the contraction of Guyana's sugar industry and consider where the industry may go from here. The pathways suggested for the sugar industry may open the opportunity for GuySuCo to sell its products to a broader clientele. Similarly, privatisation could inject much-needed technical skills, labour, and administrative support. Crop and husbandry activities, ethanol production, and bagasse use could also assist in covering the high-end cost of production. By-products and value-added products may be a viable means of supporting the sugar industry.

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