The Sugarcane Value Chain in Latin America and Asia

Main Actors, Market Mechanisms, Labour Issues and Opportunities

Diana Quiroz, Barbara Kuepper, Gerard Rijk, Eline Achterberg

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Colophon

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Authorship

This report was researched and written by Diana Quiroz, Barbara Kuepper, Gerard Rijk and Eline Achterberg, with contributions of Ward Warmerdam and Mara Werkman. Correct citation of this document: Quiroz, D., Kuepper, B., Rijk, G., and E. Achterberg (2021, May), *The Sugarcane Value Chain in Latin America and Asia,* Amsterdam, The Netherlands: Profundo.

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Summary

This research project aims to inform the strategic development of the new CNV Internationaal programme and on developing lobby activities in its current programme in relation to the sugar sector, by identifying market dynamics, key actors, financiers, price setting, and social and environmental issues in a selection of producing countries. Geographically, the research focusses on five in Latin American countries (Bolivia, Colombia, Guatemala, Nicaragua, and Peru) and three countries in Asia (Cambodia, Indonesia, and Vietnam).

The global sugarcane sector

In many countries, sugarcane production generates important economic opportunities, providing income and employment for many farmers and workers. The global sugar market is dominated by a few large producing countries which account for a significant share of sugarcane production.

Sugarcane farms vary significantly in size, from just one or two hectares to tens of thousands of hectares. Generally, Latin America shows more mechanisation in sugarcane production than Asia and a structure with larger sugarcane-producing landholdings. This contrast is illustrated by the productive models of the two largest global sugarcane producers: while production in Brazil (the world's largest producer) is dominated by large plantations, small-scale farmers dominate in India (the second-largest producer), and in many other developing countries.

Reliable data on the number, size, and production levels of sugarcane farmers worldwide is scant. According to some estimates, as much as 40 % of sugarcane may be grown by as many as 60 million small-scale farmers, while the remaining 60 % is grown on large plantations. Next to large estates, small farmers supply the Latin American sugarcane sector, however, on average, their cultivation area is bigger than those of smallholder farmers in Asia.

The countries included in this research are all comparatively small producers with varying levels of development in their sugar industry. However, on the domestic market often a small number of companies controls the market. Across the countries analysed for this study, some level of vertical integration is observed, with companies often operating plantations, mills, and refineries, marketing sugar on the domestic market and playing an important role in exports. Some of the companies operating in Latin America are present in multiple countries, however, such movements are limited. In recent years, scandals around collusion, tax evasion or corruption involved key actors of the industry in several Latin American countries. For example. influential families control a significant share of the processing capacity in Colombia and Guatemala.

Especially in Cambodia, there is considerable insecurity around the status of production and processing and the role of specific companies in the sector. However, in contrast to the other countries included in the analysis, foreign-owned holdings seem to play a bigger role in Cambodia.

The use of bagasse for internal energy requirements as well as supply of surpluses into the national grids is observed across most countries. However, analysis of the potential for electricity generation from biomass sees opportunities for expansion in various markets. Overall, despite of government announcements and programmes for including bioethanol in gasoline, the development of the use of sugarcane-based ethanol for fuel use in several of the analysed countries is not developed yet or still in early stages.

Dutch financing of the sugarcane sector

This research found that between 2015 and 2020, three Dutch banks (ING Group, Rabobank, and ABN Amro) provided credit for a total US$ 13,740 million to the top five sugar-training agro-commodity traders: Wilmar International, Alvean (JV Cargill & Copersucar), ED&F Man, Sucres et Denrées (Sucden), LDC (Louis Dreyfus Company).

Moreover, nine Dutch bond- and shareholders invested in the commercial activities of three top global agro-commodity traders (Bunge, Cargill, and Wilmar. Also, TRUSTUS Capital Management (Dutch investment management company) held bonds and shares worth US$ 0,81 million in Vietnam-based Quang Ngai Sugar. In total, the nine Dutch bond and shareholders invested over US$ 140 million in Q4 2020 in the cane sugar sector.

Price-setting, sales, and profits in the sugarcane value chain

The total value generated in the cane sugar supply chain, is estimated at US$ 304 billion. This is the value embedded in each part of the chain. The various chains generate a total gross profit of US$ 82.4 billion on this. The operating profit is calculated at US$ 19.1 billion.

The highest value generated on cane sugar is by the Fast-Moving Consumer Goods (FMCG) companies. In net turnover, their share is 27%, but in gross profit and operating profit their share is respectively 52% and 50%. These high percentages are due to the strong pricing-up power by companies like Coca Cola. This leads to high gross profits and high operating profits.

Supermarkets also belong to the leaders in value generated. Their profit generation is less significant than that of FMCGs. This is because the pricing power for global brands is at the brand producers, while supermarkets generate below-average profit margins on non-perishable products such as soft drinks (versus the high margins for perishables like vegetables, meat, dairy).

Millers and farmers as a group belong to the top three in the value and profit chain. The division between farmers and millers cannot be made easily as farmers might be owners of a mill through a cooperative. The generated values and profits by the group need to be divided by millions of companies as it is a very fragmented sector.

From the various levels in the chain, the top 6 companies earn most in revenues and profits from embedded sugarcane. The top 6 generate 5.8% of the total value generated in the sugarcane chain, but in gross profit the share is 9.2% and in operating profit even 12.7%. In this context, Coca Cola is clearly the largest company and dominates the top 6, followed by Nestlé, PepsiCo, Unilever, Wilmar, and Shell.

Social and labour rights issues in the sugarcane sector

Social issues connected to the sugarcane sector are a common theme across regions and countries. Especially land conflicts are prevalent in the sector in Latin America as well as in Asia, with local communities losing their access to land where large-scale sugarcane plantations are expanding. Moreover, all but one country (Peru, where the minimum living wage at some mills was slightly above the national minimum) fail to provide sugarcane sector workers with a living wage.

To make matters worse, forced labour and debt bondage are prevalent in Guatemala, Bolivia, and Vietnam. Women and other minority groups such as (internal) migrant workers and indigenous peasant communities are the most affected by the lack of living wages. In addition, internal migrant workers and female migrant workers are the most vulnerable to debt bondage and labour exploitation. Globally, women working in the sector are also more prone to occupational health disorders, which in turns affects their capacity to negotiate better wages.

Abbreviations

Agexport	Asociación de Exportadores de Guatemala
AGI	Asosiasi Gula Indonesia (Indonesia Sugar Association)
AGRI	Asosiasi Gula Rafinasi Indonesia (Indonesian Refined Sugar Association)
APAAD	Asociación Peruana de Agroindustriales del Azúcar y Derivados
APECAÑA	Asociación Pro Caña de Azúcar y Derivados (Peru)
APINDO	Asosiasi Pengusaha Indonesia (Indonesian Employers Association)
APTRI	Andalan Petani Tebu Rakyat Indonesia (Indonesian People's Sugarcane Farmers Association)
ASAZGUA	Asociación de Azucareros de Guatemala
ATIGA	ASEAN Trade in Goods Agreement
CACIF	Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras (Guatemala)
CEDLA	Centro de Estudios para el Desarrollo Laboral y Agrario (Bolivia)
CENGICAÑA	Centro Guatemalteco de Investigación y Capacitación de la Caña de Azúcar (Guatemala)
CEPB	Confederación de Empresarios Privados de Bolivia
CIAMSA	Comercializadora Internacional de Azúcares y Mieles (Colombia)
CNPA	Comité Nacional de Productores de Azúcar (Nicaragua)
CNTPE	Consejo Nacional de Trabajo y Promoción del Empleo (Peru)
DRI	Democracy Reporting International
EBA	'Everything But Arms' scheme of the European Union
EC	European Commission
ELC	Economic Land Concession
EU	European Union
EVFTA	EU-Vietnam Free Trade Agreement
EVN	Electricity of Viet Nam
FCSC	Federación de Cañeros Santa Cruz (Bolivia)
FEDECAÑA	Federación de Cámaras de Productores de Caña (Bolivia)
FEPA	Fondo de Estabilización de Precios del Azúcar (Colombia)
FTA	Free Trade Agreement
FUNIDES	La Fundación Nicaragüense para el Desarrollo Económico y Social
GAPMI	Indonesian Food and Beverage Entrepreneurs Association (GAPMI)
GSP+	EU Generalised Scheme of Preferences
IABSA	Industrias Agrícolas de Bermejo (Bolivia)
IKAGI	Ikatan Ahli Gula Indonesia (Indonesian Sugar Expert Association)
INEI	Instituto Nacional de Estadística e Informática (Peru)
KADIN	Kamar Dagang dan Industri Indonesia (Indonesian Chamber of Commerce and Industry)
PPP	Public-Private Partnership
RVO	Rijksdienst voor Ondernemend Nederland
SOCA	Asociación de Productores Cañeros (Bolivia)
TRQ	Tariff-Rate Quota

Introduction

CNV Internationaal forms part of CNV, the Confederation of Christian Trade Unions in the Netherlands. CNV Internationaal works on promoting Decent Work worldwide, in close cooperation with Trade Unions in 14 countries in Latin America, Africa and Asia. CNV Internationaal's programme focuses on promoting social dialogue, labour rights in supply chains, employability of youth and gender equality at the workplace.

Over the years, the emphasis on labour rights in supply chains has increased. CNV Internationaal started developing activities in the sugarcane value chain in the context of its 2017-2020 programme, in Guatemala, Nicaragua and, to a smaller extent, in Bolivia. CNV Internationaal became a member of certifying organisation BONSUCRO in 2018. Since then, it has been involved in the revision of the BONSUCRO production standard in close cooperation with a network of Latin American Trade Unions in the sugarcane industry.

The efforts in the sugarcane value chain have shown promising results. Yet, there is a need to develop more profound insights in other countries where CNV does not yet work and to develop a more global view on this value chain to identify main actors, price-setting mechanisms, labour issues and the opportunities to improve labour conditions of workers in the production countries.

This research project focusses on the strategic development of the new CNV Internationaal programme and on developing lobby activities in its current programme. Geographically, the research focusses on eight countries:

- five in Latin America: Bolivia, Colombia, Guatemala, Nicaragua, and Peru; and
- three in Asia: Cambodia, Indonesia, and Vietnam.

The scope of work comprises three domains of work, each with its own objective and research questions:

1. **Mapping the sugarcane sector worldwide**

   This domain will identify the main sugarcane producing countries (by volume and type of products), as well as the main buyers and traders (companies) of sugarcane worldwide. Moreover, the venues where the price setting for sugarcane takes place on a global level are identified, as well as current trends in the sugarcane industry worldwide (overproduction, drought, COVID-19 impact, negative image of sugar). Further, this domain identifies specific differences between the sugarcane industry in Latin America and in Asia in terms of industry structure, ownership, supply chain connections, and prevailing social and environmental responsibility issues.

   This domain also zooms in on the eight countries included in this study to identify the main traders and buyers of the sugarcane products from these countries, as well as the main financial investors there. Lastly, this domain looks at possible financial links to Dutch investors, as well as direct imports from the focus countries into the Netherlands of sugarcane products (e.g., ethanol).

2. **Price-setting of sugarcane products along the value chain**

   This domain sketches changes to the value of a sugarcane product along the supply chain, from field to fork. Special attention is be paid to identifying the value chain stakeholders receiving largest economic benefits. Moreover, players are be identified who could be targeted by CNV Internationaal to influence the pricing mechanisms. Lastly, differences are identified in pricing for sugarcane products from Latin America and Asia.

3. **Labour conditions in the sugarcane value chain in eight countries**

   This domain looks at the panorama of the sugarcane sector in the countries of study, paying attention to how the industry is organised in each of these countries (owners of sugarcane plantations, concession size, owners of mills, processing capacity; share in the GDP and exports of the country). Moreover, production trends (growth, mechanisation, outsourcing of workers) are researched.

Also, this domain investigates the main labour rights and human rights issues in the sugarcane sector in the eight focus countries, including the level of unionisation and the main actors in these countries in relation to labour issues in the sugarcane sector. Moreover, this domain will sketch the sustainability certification schemes of sugarcane mills and plantations in these countries, including the impact of these schemes on the labour conditions of workers in the focus countries. Lastly, a controversy is conducted to identify any complaints issued at international level (ILO, OECD, IAO) or company level regarding labour rights violations in the countries included in these studies, as well as the outcome of these grievances.

A summary of the findings of this report can be found on the first pages of this report.

1

Methodology

This study seeks to inform CNV Internationaal's sugarcane strategy for Latin America and Asia. For this purpose, a combination of primary and secondary data sources was used. Under the primary sources, data was collected through interviews with key informants and through Profundo's price-setting estimations. Secondary data were drawn from a review of published sources and trade statistics.

1.1 Objective

The research aims to inform the strategic development of the new CNV Internationaal programme and on developing lobby activities in its current programme in relation to the sugar sector, by identifying market dynamics, key actors, and social and environmental issues in a selection of producing countries.

1.2 Sugar sector mapping

We mapped the Latin American and Asian cane sugar sectors to reach an in-depth understanding of the most pressing corporate social responsibility issues. In this, we assessed the sector's current dynamics and future trends. Moreover, we evaluated the importance of trade and financial links between Netherlands-based buyers of cane sugar and sugar products and five Latin American and three Asian sugar-producing countries. Additionally, we ascertained how prices are set along the cane sugar value chain and how much profit the different value chain actors draw from these prices. Lastly, we sketched the sectors' labour rights and environmental issues and analysed the legal framework that enables these issues. As much as data availability allowed, gendered issues of the sugar sector are presented in the different sections of the report.

The findings from the activities described below were triangulated with information obtained from interviews with four key informants with knowledge of the labour rights situation in the Latin American sugarcane sector. Moreover, CNV Internationaal consultants in each of the countries included in the analysis revised the draft report and provided input and additional sources to correct inaccuracies.

1.2.1 Global developments and dynamics in the sugar sector

The mapping of the global sugarcane sector and trade draws on a range of sources for statistical data, customs information, market analysis reports, financial databases, and other relevant sources. The analysis of industry trends, including the recent impact of the COVID-19 pandemic, relies foremost on media and company publications and market research reports as well as more generic reporting on the influence of the health crisis on commodity markets.

To identify differences between the sugarcane industry in Latin America and in Asia, information on industry structure, ownership, supply chain connections, and prevailing social and environmental responsibility issues is extracted from industry publications, market reports, financial media as well as research published in scientific and grey literature.

1.2.2 Country sector profiles

For the eight focus countries, country-specific data on the sugarcane sector and its key actors is identified based on market reports, company publications, local media coverage and other relevant data sources. Information availability differs between countries. Especially in countries with immature sectors and a small role on the global sugar market availability of detailed industry data tends to be limited. It is not always possible to identify reliable rankings of top companies, or even ascertain whether certain companies are still operating.

Aiming to map the trade relationships between the focus countries and the Netherlands in more detail, shipment data can be analysed for some countries, allowing to identify the shipper and in some cases also the consignee. However, this level of information is not consistently available, and consignments can sometimes only be linked to logistics companies.

Overall, supply chain transparency by companies active in agro-commodity sectors is still very low. An exception here is the palm oil sector, where civil society campaigning over the years has helped to increase supply chain disclosure. In the sugar sector, as in many other commodity chains, this level of transparency has not been reached yet. For the purpose of this research, information on sugar sourcing by consumer goods company Nestlé as well as the disclosure on private labels by some of the leading Dutch retailers are scanned for links with the focus countries.

As the basis of the analysis of financial relations, a list of 25 companies is selected. This list includes on the one hand large agro-commodity traders with interests in the national or international sugar market, and on the other hand the most important companies active in the sugar sector in the countries of interest. It must be noted that information availability differs significantly between countries. Availability of reliable and comparable information is often lacking for the countries with very small production.

1.2.3 Relationships with Dutch financial institutions

To identify Dutch investors in the sugarcane sector in the countries of study, financial research is conducted to investigate financing to and investments in the 25 companies selected during the market analysis.

For this purpose, financial databases (Thomson Reuters, Bloomberg, IJGlobal, TradeFinance Analytics, Thomson EMAXX and Thomson EIKON) and company publications, company registries, and media archives are consulted to identify financing by Dutch financial institutions in the form of investments in bonds and shares, and the provision of loans and issuance underwriting services to companies operating in the sugarcane sector. The type of investments and investment amounts are included in an easily interpretable overview.

1.2.4 Price-setting, sales and profits

This part of the analysis first focusses on how key players in the sugarcane chain add value to the processed or embedded sugarcane product. Subsequently, the field-to-fork price setting can be calculated, and conclusions can be drawn on the actors in the chain that benefit most from the trade of sugarcane and its products.

The underlying calculation is based on the estimated sugarcane volume multiplied by the price in the relevant part of the chain. As other factors need to be considered as well (e.g., for sugarcane-based products, such as rum, bioethanol, or degradable packaging, the gross margin of the product also included other inputs), estimates are applied as to the share of sugarcane in the total turnover and profit of these companies. The gross margin and the operating margin are applied in this approach, considering that the various supply chain participants have different margins. This methodology, which was developed by Profundo, has been used previously to assess other international value chains and it was approved by three peer reviewers.[1]

1.2.5 Environmental and social responsibility issues

This section investigated the main labour rights and human rights issues in the sugarcane sector in the eight focus countries, including the level of unionisation and the main actors in these countries in relation to labour issues in the sugarcane sector. Moreover, whenever information was available, the sustainability certification schemes of sugarcane mills and plantations in the countries of study are sketched, including the impact of these schemes on the labour conditions of workers in the focus countries. Lastly, a controversy scan was conducted to identify any complaints issued at international level (ILO, OECD, IAO) or company level regarding labour rights violations in the countries included in these studies. The findings from this controversy scan are presented throughout the report.

2

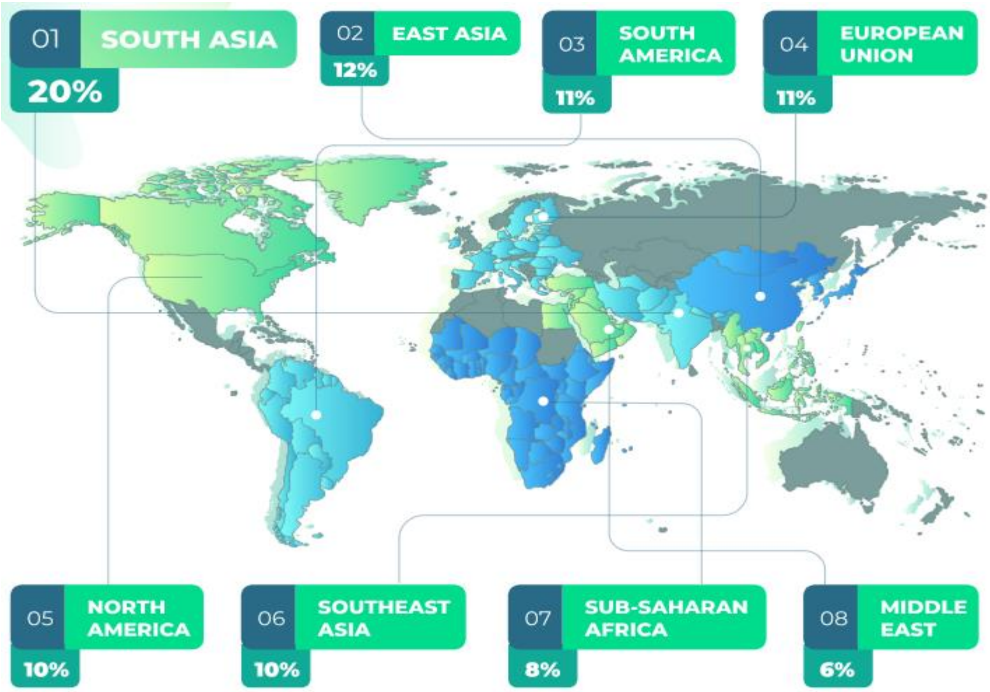
The global sugarcane market

This chapter provides a global overview of the global sugar market and zooms in on sugarcane production as the key sugar crop. It furthermore looks at key characteristics of the global sugar market, recent market developments and the top actors involved in the production, trade, and processing globally.

2.1 Global sugar crop production and the role of sugarcane

Sugar is produced from two main crops: sugarcane and sugar beet. About 110 countries globally produce sugar from either cane or beet, and eight countries produce sugar from both cane and beet. Asia, with India as the largest producer globally, accounted with around 42 percent for the largest share in global sugar production in 2019 (Figure 1). South American countries accounted for a combined share of 11 percent. Europe is the largest beet-producing region, with Russia as the leading grower. Smaller quantities of beet are also grown in in Southern China and the U.S.

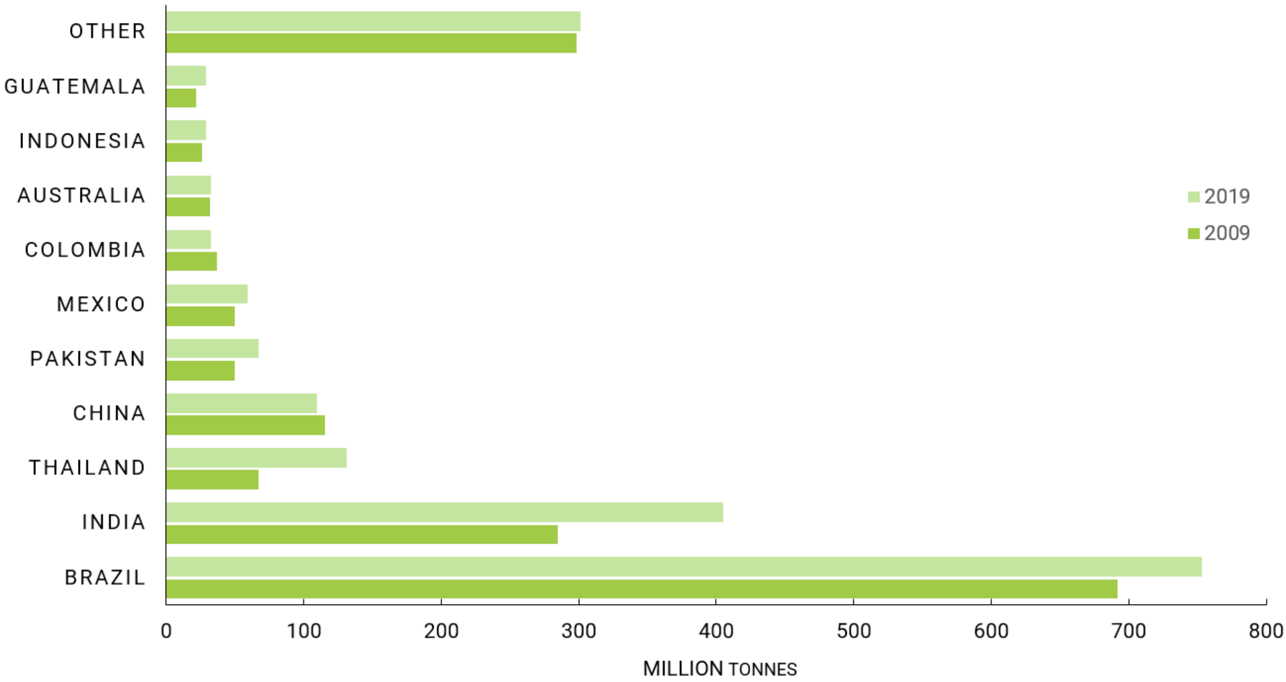
Figure 1 Sugar production globally, 2019



Source: Sugarcane.org (2020), “Sugar trade”, online: https://www.sugarcane.org/sugar-trade/, viewed in December 2020.

Sugarcane accounts with around 80 percent for the largest share of global sugar production and is the focus of this report.[2] In contrast to the annual sugar beet, sugarcane is a perennial crop that grows mainly in the tropical and sub-tropical regions of the world. Globally, sugarcane was cultivated on 27 million hectares in 2019, resulting in a sugarcane harvest of 1.9 billion tonnes.[3] Production increased by 11 percent over ten years. Overall, production is highly fragmented, as over 100 countries grow sugarcane. By far the largest producers of sugarcane are Brazil and India, with shares of respectively 39 percent and 20 percent of global production in 2018 (Figure 2).

Figure 2 Top sugarcane producers (based on volume), 2009 and 2019



Source: *FAOStat* (2021), "Production – Crops", viewed in January 2021.

Especially the output in Brazil showed a strong increase, from 645 million tonnes in 2008 to 747 million tonnes in 2018.[4] However, sugarcane production fluctuates from year to year as weather conditions can have considerable impact on output (see section 2.3.1).

2.2 Key products derived from sugarcane

Sugarcane has a high water content of about 75 percent of its weight, while the sugar content ranges from 10 to 15 percent of the total weight. Key products from sugarcane processing are cane sugar and alcohol.[5] On average, around 75 percent of sugar cane are used for sugar and 22 percent for ethanol.[6]

Cane sugar production increased from 94 million tonnes in 1999 to 140 million tonnes in 2019, an increase by almost 50 percent.[7] Next to sugar, another key product resulting from sugarcane processing is ethanol or ethyl alcohol, mainly from molasses. Ethanol of 95 percent alcohol content is used for producing alcoholic beverages, while ethanol of 99 percent alcohol content is used as ethanol for fuel or other chemical applications.[i,8] Globally, around 25 percent of ethanol for fuel use is produced from sugarcane, while maize accounted for about 60 percent. Coarse grains, especially maize, and sugarcane are expected to continue to dominate ethanol feedstock. Ethanol production is projected to use 14 percent and 24 percent of global maize and sugarcane production respectively by 2028. The largest user of sugarcane for fuel ethanol is Brazil.[9]

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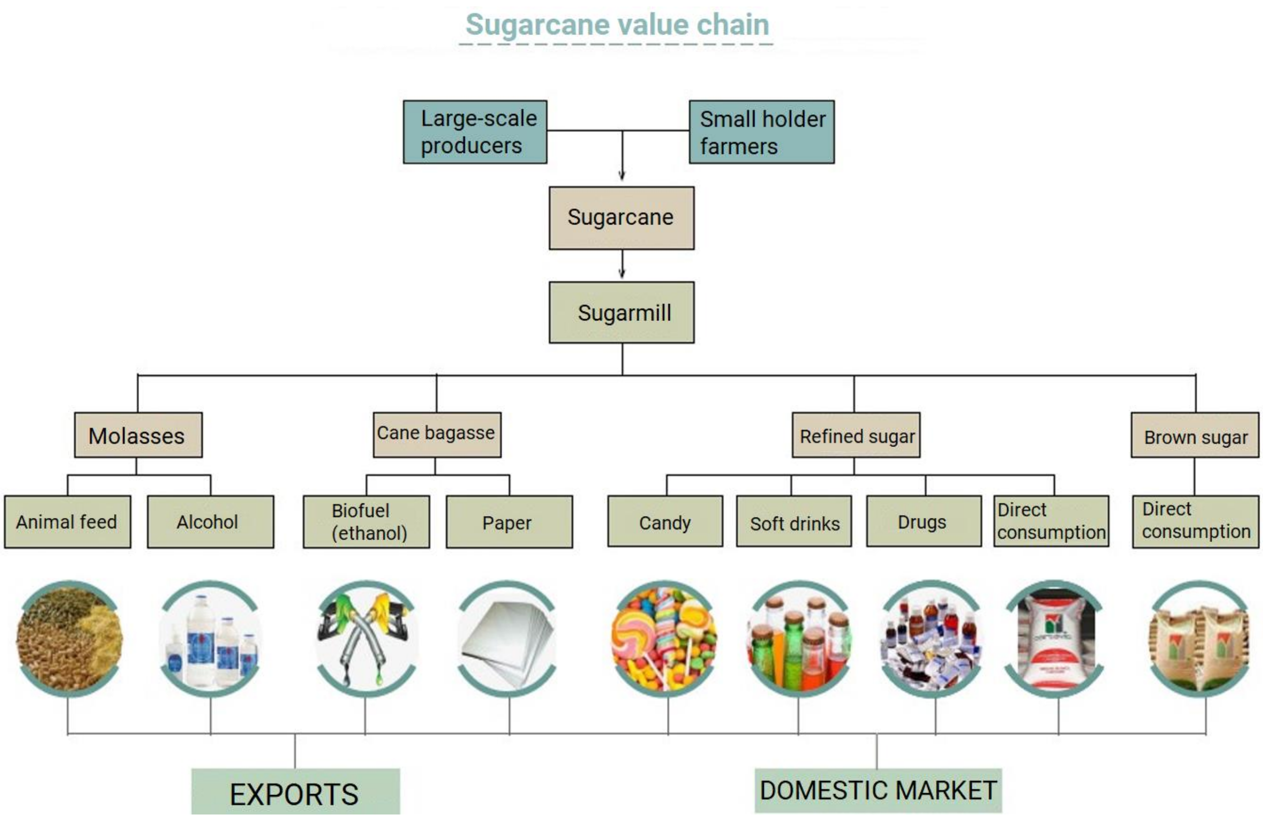
[i] Sugarcane typically has a total fermentable sugars (TFS) content of around 14%. Much of this TFS gets crystallised into sugar. At a high level of sugar-conversion, the un-crystallised, non-recoverable part results in so-called 'C' molasses (roughly 4.5% of the cane). C molasses have a TFS of 40%. Every 100 kg of TFS yields 60 litres of ethanol. By processing one tonne of cane, mills can thus produce around 115 kg of sugar (at 11.5% recovery) and 45 kg of molasses (18 kg TFS) that gives 10.8 litres of ethanol.
It is also an option to ferment the entire 14% TFS in the cane. This approach would result in 84 litres of ethanol and zero kg of sugar. In between these two extreme cases, there are also intermediate options.

Furthermore, cane bagasse is used for co-generation of electricity, animal feed, and increasingly also for products like bioplastics.[10]

Figure 3 Sugarcane processing stages and derived products



Source: APAAD (2018), *La Importancia de la Produccion de Caña de Azúcar en El Perú*, p. 2.

Researchers see additional untapped opportunities for the sugarcane industry. These options refer particularly to environmental issues associated with the handling of waste products from traditional process chains, including for example straw, bagasse, filter cake and molasses.[11]

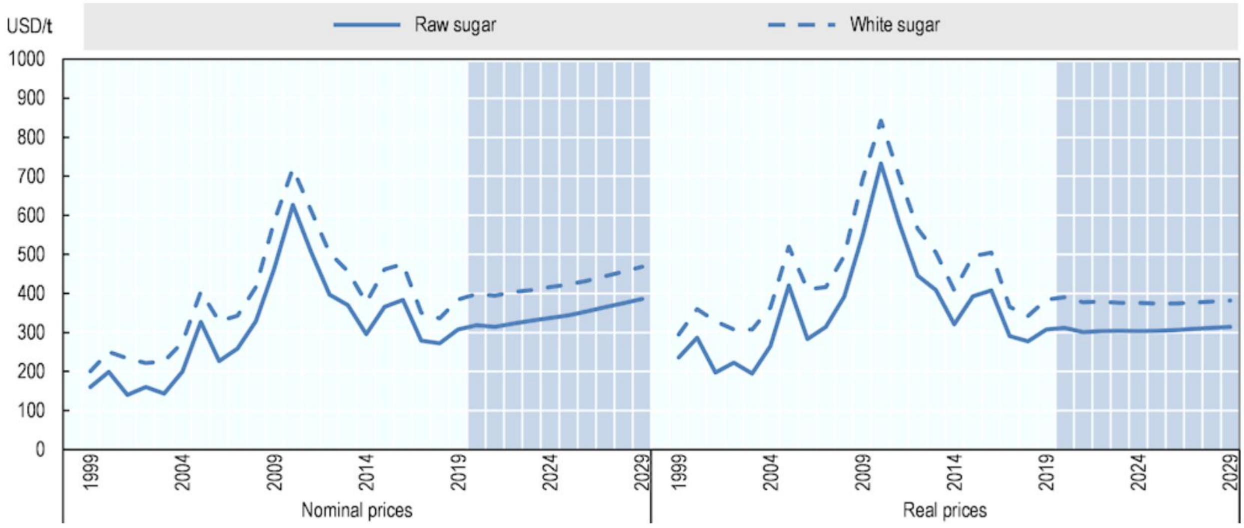
2.3 Global sugar market developments and drivers

2.3.1 Market volatility

The sugar market is highly volatile, more so than other agro-commodity markets like wheat or maize.[12] At the same time, sugar is a highly politicised sector in many countries. As the analysis of the selected sugarcane producing countries confirms (see Chapter 3), it often involves family-owned companies with links to the government. Moreover, government interventions on the sugar market are more prevalent than on other commodity markets.[13] Information obtained from interviews with sector experts confirm the prevalence of business oligarchs that dominate Latin America sugarcane production and of tycoons, especially in Indonesia. These business owners are usually involved in the production not only of sugarcane of other cash crops, including palm oil and soy, but also in national or even regional political processes.

Sugar is a multi-year crop and difficult to store. Therefore, surplus, often from subsidised production, continues to be dumped at prices below the cost of production during low-price periods, leading to further price decreases.[14] Figure 4 illustrates the development of world sugar prices since 1999.

Figure 4 Evolution of world sugar prices, 1999 to 2019

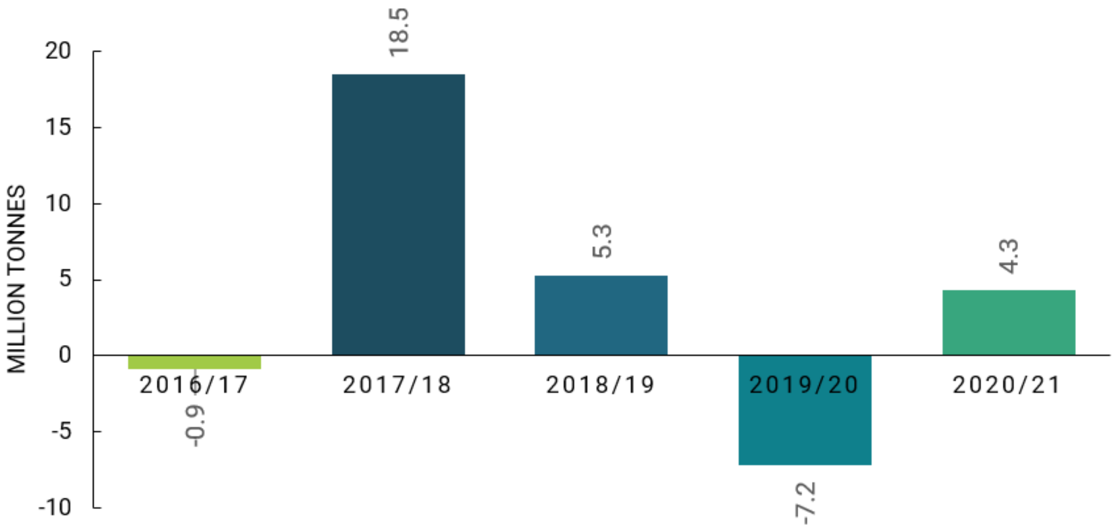


Source: OECD-FAO (2020), *Agricultural Outlook 2020-2029*, p. 153.

It is expected that trade distortions on international sugar markets will persist also in the coming years. Many countries continue to use trade policy instruments to protect their domestic markets, such as out-of-quota tariffs, high import tariffs or regional trade agreements.[15]

Meanwhile, sugarcane is a very water-intensive and water-sensitive crop and distressed by slight changes of temperature and other climatic conditions. Sugarcane is also among the crops that are most affected by the impact of the El Niño weather phenomenon. Droughts can significantly reduce production of the water-sensitive sugarcane as it reduces its sugar content.[16] This impact could recently be observed for example in Thailand, where drought has driven reductions in cultivation area, yields and extraction rates in 2019/2020 and presumably into 2021; in Mexico, where a historic drought led to a significantly reduced harvest in 2019/20;[17] or in India, where unfavourable weather conditions negatively impacted sugarcane production in the same season.[18]

Figure 5 Global sugar surplus and deficit, 2016/17 to 2020/21



Source: Wright, C. (2020, May 20), “Sugar consumption update: The first fall in 40 years”, Czarnikow, viewed in January 2021.

2.3.2 Global sugar consumption

Global sugar consumption reached 172 million tonnes in 2018, with major markets in India, the EU, China, Brazil, the US, Indonesia, Russia, Pakistan, Mexico, and Egypt. Between 2001 and 2018, world sugar consumption increased by around 40 percent, or an average annual growth of 2.01 percent. However, between 2016 and 2018, the growth of world sugar consumption has been slowing down to less than 0.84 percent and showed no growth in 2018.[19]

Key factors which influence sugar demand include:

- population growth;
- per capita incomes;
- the price of sugar and alternative sweeteners; and
- the debate around detrimental health impacts.[20]

The food and beverage sector is a major driver of sugar consumption. The sector has experienced ongoing growth and is relatively immune to economic fluctuations, and therefore expected to also create a positive impact on the sugar industry.[21] However, the discussion about high sugar intake and connected health impacts is also leading to reactions by consumer goods manufacturers, stressing their support to the WHO recommendations for lowered sugar intake and presenting products with lower sugar content.[22] As an example, Coca-Cola in 2018 piloted a version of its soft drink with 30 percent less sugar, in initially in nine markets and by 2019 expanded to 25 markets.[23] More of such developments among leading sugar processors could impact global consumption in the years to come.

2.3.3 The impact of the COVID-19 pandemic

In previous years, global sugar consumption showed a roughly parallel development with population growth at 1 percent per year. In 2020, this development was reversed due to the wide-reaching impacts of COVID-19. Among the wide-ranging impacts are trade disruptions due to border closures and other supply chain problems, shortage of inputs in field and mill operations, and labour shortages, including through outbreaks among workers.[24]

Out-of-home consumption has decreased significantly because of the COVID-19 pandemic, leading to considerably decreased sugar demand. Large consumers like Coca-Cola and Pepsi saw sales volumes drop significantly, largely as a result of the closure of hospitality and entertainment.[25] As an example, Coca-Cola's sales volume was down by around 25 percent in April 2020.[26] While lockdowns slashed out-of-home spending in the short term, the emerging global recession may hurt demand going forward.[27]

Ethanol demand also saw a significant decline in demand during lock-down.[28] However, in many countries the pandemic has led to increased demand for alcohol as sanitiser.[29]

Projections for market developments are based on productivity trends, macro-economic conditions, national domestic sugar sector policies and other assumptions. While many factors play a role, the COVID-19 pandemic poses a major uncertainty in predicting market developments for the sugar industry. Impacts are expected to be most pronounced in labour-intensive production systems.[30] A further uncertainty in the current market year is created by allocation decisions of top-producer Brazil, that is whether the Brazilian industry opts to produce more lucrative sugar at the expense of cheaper ethanol.[31]

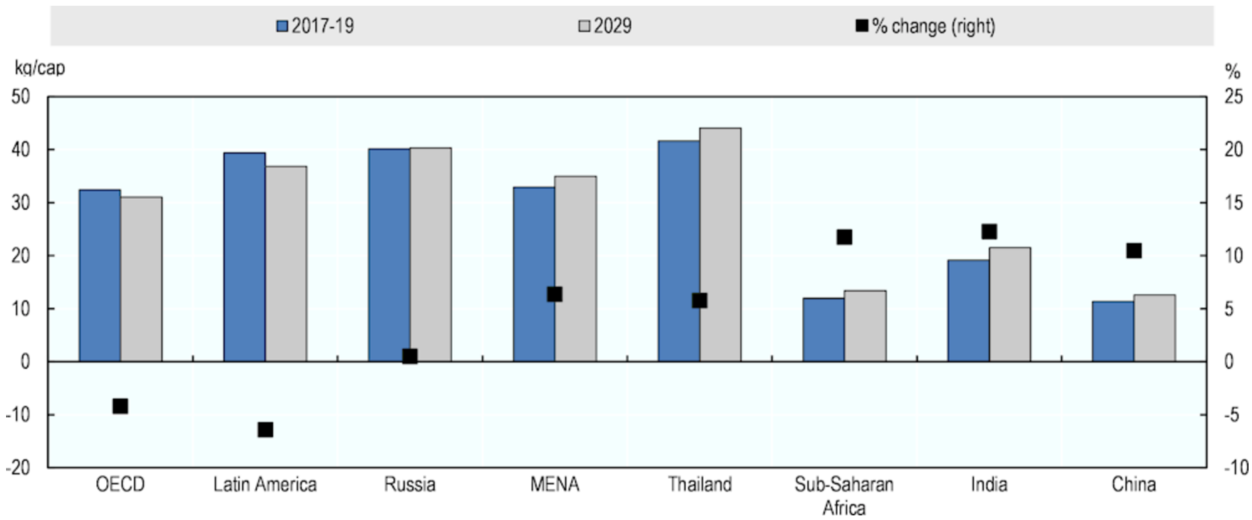
2.3.4 Sugar consumption outlook

While it is expected that global per capita consumption of sugar continues to rise, noticeable regional differences can be observed. Consumption has reached high levels in developed countries, South America and some Asian sugar producing countries. These regions see low or even negative growth because of changing consumer habits.[32]

Globally, Latin American and Caribbean countries consume the largest amounts of sugar-sweetened beverages and fruit juices. The consumption of high-sugar products like non-alcoholic soft drinks has continuously increased over the years. Especially in Central American countries, children and adolescents are consuming large amounts of ultra-processed products and foods with high content shares of sugar, as well as salt and fat. Meanwhile, Latin America is marked by a high prevalence of overweight and obesity, co-existing with high rates of malnutrition.[33] Coming from this high level, it is expected that per capita sugar consumption will decrease somewhat in Latin America in the coming 10 years (Figure 6). Similarly, a slight decrease is expected in the OECD countries, which are also showing comparatively high consumption rates.

However, the recognition of the negative health impacts of high levels of sugar consumption increasingly leads to action by countries with high sugar consumption to reduce intake. Programmes to reduce sugar intake may be accelerated by COVID-19 in the future driven by the broad recognition of the link between high levels of sugar consumption and health issues like diabetes, overweight and obesity on the one hand, and the increased risk for COVID-19 complications caused by these factors on the other hand.[34]

Figure 6 Per capita sugar demand in major countries and regions, 2017-19 and 2029



Source: OECD/FAO (2020), "OECD-FAO Agricultural Outlook", OECD Agriculture statistics (database).

Meanwhile, consumption levels are still comparatively low in Africa and many Asian countries. High growth expectations for the coming decade apply especially for Asia, driven by sustained economic and population growth. However, demand growth driven by developing countries slowed in recent years as lawmakers introduced taxes on sugary drinks and public campaigns urged people to reduce carbonic intake amid obesity concerns.[35]

In the global ethanol industry, the U.S., China, and Brazil are the major players. Driven by their pro-biofuel policies more processing of both maize and sugarcane into ethanol is expected globally in the coming years. In comparison, the EU as another big biofuel producer with a focus on biodiesel is mostly self-sufficient. Moreover, additional market growth can be expected as smaller markets further develop biofuel integration into their economies.[36]

2.4 Main social and environmental sustainability issues in sugarcane production

Many of the prevailing sustainability issues in sugarcane production are similar to those found in other tropical agro-commodities. These impacts are but not necessarily crop-specific. Their severity and nature depend on the local governance system, ecosystems, and the broader socioeconomic context.[37] Social impacts evolve around legislative compliance, land ownerships and rights, labour rights, and child labour (see also the country profiles in the Appendix in Chapter 0). Environmental and health effects are linked to biodiversity, soil, water, and climate impacts linked to crop production as well as high water use in sugarcane processing.[38] While the high water requirement of sugarcane has a detrimental environmental impact, it can also impact local communities, for example when rivers are diverted for the purpose of irrigation.[39]

As only some sugarcane production has integration between cultivation and milling, the industry is connected to a range of work settings, including formal employment as well as an informal and seasonal labour force.[40] A prominent problem in the sugarcane supply chain relates to seasonal and informal labourers, whose rights are often not properly respected in local law. Meanwhile, smallholders deal with low incomes in this agro-industrial sector, namely caused by their lack of negotiation power in a captive market, where a large number of farmers are dependent on a small number of buyers.

Mills often own plantations, but also purchase from surrounding small and medium farms. As sugarcane deteriorates quickly after harvest, producers are highly dependent on the mill in their vicinity. Value is added during processing and marketing activities, capital-intensive activities which are outside the reach of small-scale producers.[41] Mill operators have few incentives to pass profits on to the small farmers or workers linked to them.[42] At the same time, adverse weather conditions, strong competition, and price volatility hamper smallholders in covering their production costs. These difficult conditions may in turn increase the likelihood of child labour and other deficits in decent work.[43]

Moreover, the precarious situation of smallholders also impacts the participation of women in sugar harvesting in Latin American-producing countries. In Colombia, for example, in households with children it is mostly men who work in sugar harvesting, as women are relegated to (unpaid) care work. In this context, women's participation in sugarcane production increases two-fold in child-free households.[44] This situation is different in other countries such as India and Africa, where women's participation in the sector is much higher, however they are not exempted from gender inequalities. In South Africa, for example, there is a gendered imbalance of skill development, hiring and training.[45] Likewise, there is a general pay gap.[46] In many African countries, women are also more vulnerable to exploitation due to a lack of land rights. And in India, women who work in sugarcane plantations and mills are more prone to musculoskeletal disorders or diseases caused by carrying heavy loads than their male counterparts. This is due to their low qualification, which also makes them vulnerable to psychosocial stress in terms of exploitation and they even have less bargaining power for salaries.[47]

Besides the poor labour practices, the precarious situation of sugar farms has also led to adverse environmental outcomes. The main options available to farmers to expand profits or deal with falling prices is to either reduce the cost of operation or to expand production onto new land.[48] Sugarcane has been linked to increasing conversion of natural vegetation in several producing countries in the recent past.[49]

Sugar cane farmers are affected by unpredictable weather influences on their harvest as well as price volatility. Oversupply conditions mean that there is high competition on the global market and in this situation, political decisions can have considerable impact on small producers. For example, when an important market like the EU moved to abolish caps on its internal sugar beet production in 2017, small-scale sugarcane farmers around the world faced the prospect of losing a major market. Meanwhile, government subsidies to large-scale sugar producers in countries like Brazil, Mexico and Thailand further squeeze farmers in countries where governments cannot afford financial support to local production.[50] At the same time, agreements on preferential tariff treatment between selected producer and consumer countries can provide significant advantages in market access to the participating countries. For example, the tariff rate quotas (TRQ) for sugar under the Association Agreement between the European Union and Central America, which entered into force in 2013, was followed by a significant increase in EU sugar imports from participating countries.[ii,51]

With the outbreak of the COVID-19 pandemic, many of the sugarcane producing countries were hard hit. Among workers on sugarcane plantations, hand cutting, insufficient access to water, and crowded communal areas are seen as risk factors for increased infection numbers.[52]

The cane sugar sector is known for situations where unfair trading practices are imposed on small farmers. Being dependent on their local sugar mill, they have to trust the factory in fairly determining the sugar content of their cane, as this ratio determines the final price they get paid. The sugar content can be highly variable; however, farmers have no alternative possibilities to check whether the analysis is correct or to complain about their only purchaser.[53]

2.5 Voluntary certification schemes for sugarcane production

Initially, voluntary sustainability certification for sugar mainly fell under Fairtrade (FLO), Rainforest Alliance or Organic. Unlike for other Fairtrade products, there is no minimum price set for sugarcane, explained with the complexity and frequent distortions of the sugar market, although smallholders benefit from a Fairtrade Premium of US$ 60 per tonne of sugar, and US$ 80 per tonne of organic sugar, sold on Fairtrade terms.[54] As of 2017, 54,960 Fairtrade-certified sugar farmers within 99 producer organisations produced 686,800 tonnes of sugar produced across 146,400 hectares.[55] This volume equalled less than 0.4 percent of global sugar production.[56] The share of Fairtrade-certified cane sugar as well as certified land area has been decreasing since 2015.[57]

The Bonsucro Production Standard was introduced in 2011 as the first global sugarcane-specific standard and has grown rapidly since then. Bonsucro aims to provide independent certification of sugar cane production against a common standard of minimum social and environmental requirements. Although it is not connected to a premium, it can help producers secure long-term contracts.[58] Large consumer brands like Coca-Cola, PepsiCo, Unilever, and Ferrero have made public commitments to source 100 percent of their sugar from certified sources by 2020. [iii59]

In 2018/19, Bonsucro-certified producers covered 5.8 percent of global sugarcane land and produced 72 million tonnes of certified sugarcane. With over 550 members in 50+ countries and 123 certified mills, this makes Bonsucro the biggest certifier of sugarcane compared to other standards, although it still only covers around 4 percent of global sugar production.[60]

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ii Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama. While TRQs were agreed for eight quotas, as of 2015 only those for sugar and rum were used by the Central American countries, and only for sugar to the full extent.

iii 2020 sustainability reports of the companies were not yet available at the time of researching; therefore it could not be verified whether the goals were achieved.

Another certification scheme in the sugarcane sector is the International Sustainability & Carbon Certification (ISCC), which sets standards on environmentally, socially and economically sustainable production of biomass in supply chains. The certification scheme has been particularly growing in Latin America, also due to the growth in the use of sugar for biofuel, and currently covers over 200 sugar producers, processors and traders.[61]

2.6 Main traders of sugarcane products

As in several other agro-commodity chains, also in the sugar industry a handful of traders control a large share of the global market. Their involvement consists of the (co-)ownership of mills, participation in sugar futures markets, physical shipment of raw sugar, and production and marketing of ethanol fuel. The global sugar trading landscape has been marked by further consolidation in recent years, with several of the large actors exiting the market while others increased their volumes. For example, Bunge sold its sugar trading activities to Wilmar in 2018. As part of the streamlining of its business activities, Olam International announced in January 2019 that it would shut down its sugar trading desk.[62] That was followed by the sale of its remaining 50 percent equity stake in Indonesian sugar joint venture Far East Agri to its joint venture partner Mitr Phol Sugar Corporation in March 2020.[63]

Table 1 lists key players in the global sugar trade based on (estimated) sugar volume handled in 2018/19. As is often the case in agro-commodity supply chains, it is difficult to identify reliable figures for the sugar volume handled by individual companies due to a lack of transparency. It is also not possible to split out trade in cane and beet sugar.

Table 1 Top global sugar traders

Company	**Headquarter**	**Ownership**	**Sugar volume, 2018/19 (mln mt)** (estimated)	**Source**
Wilmar International	Singapore	Listed	13.6	64
Alvean (50/50 JV Cargill & Copersucar)	Switzerland	Private	>12	65
ED&F Man	UK	Private	11	66
Sucres et Denrées (Sucden)	France	Private	>6	67
LDC (Louis Dreyfus Company)[i]	France	Private	unknown	68

[i]LDC states to be among the top-5 global merchandisers, however, no volumes are published.

A notable recent development is the ending of RAW in 2020, a partnership between Wilmar International (Singapore) and Brazil's Raízen, the largest sugar making company in the world. The joint venture, that was set up in 2016, traded around 4 million tonnes of cane sugar out of Brazil annually.[69]

Based on an annual global sugar production volume of 179 million tonnes (both from sugarcane and beet), these estimates would suggest that the five traders handle at least one fourth of the global sugar volume.

2.7 Main buyers of cane sugar

Major cane sugar consuming companies with global operations are listed in Table 2. In total, these six companies accounted for around 9.4 million tonnes of cane sugar consumption in 2017.[70] Based on 140 million tonnes of global cane sugar production in 2019 and assuming stable sourcing, these companies processed a combined share of around 7 percent of global cane sugar production.

Table 2 Major cane-sugar consuming companies, 2017

Company	Volume sourced 2017, estimates (tonnes)
Coca-Cola	5,000,000
Associated British Foods	1,700,000
Nestlé	1,250,000
Pepsico	793,000
Unilever	400,000
Kellogg	271,000

Source: Voora, V., Bermúdez, S. and C. Larrea (2020), *Global Market Report Sugar*, Winnipeg, Canada: IISD, p.4.

Overall, cane sugar supplier transparency remains very low among consumer goods companies. An exception is Nestlé; the company publishes its tier 1 sugar suppliers as well as the sugar mills in its supply chain. Some other companies have in recent years disclosed some more generic information on their sugar supply chains.[71] While the large volumes of cane sugar are sourced from the leading producing countries like Brazil, India and Thailand, companies like Coca-Cola and Pepsico are also part of the supply chain of sugar from smaller producing countries.[72] This is presumably caused by their decentralised production model.

As explained by the German sugar producer Nordzucker, some of its imports are raw cane sugar in bulk delivery which is exported from large shipping terminals that mix supplies from several sugar mills. This sugar is no longer traceable to individual mills. Where cane sugar is purchased for direct consumption, the commodity is delivered in bags that can be traced back to mills.[73]

3

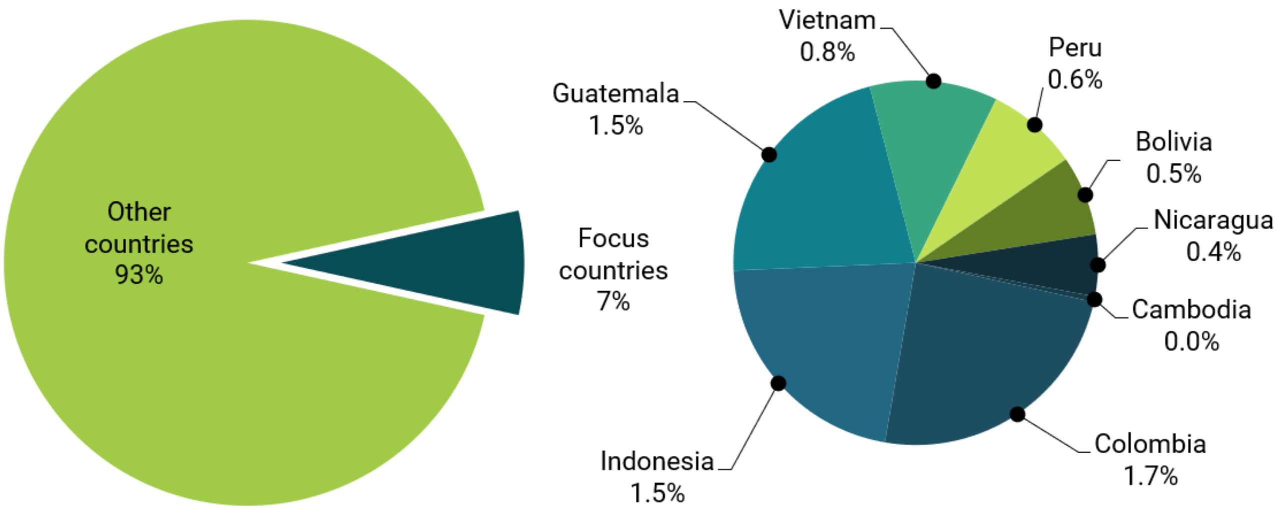
The sugarcane sector in selected countries

For this research, eight smaller sugarcane producers have been selected for analysis. This chapter first gives an overview of the role of these countries in global sugarcane production. This is followed by country profile sections, including a description of sugarcane production and processing, key industry actors and trade relationships. Moreover, the impact of the COVID-19 pandemic as well as the wage situation on the national markets are briefly analysed. Detailed profiles of the labour-related issues in the sugarcane sector of the focus countries are included in the Appendix in Chapter 0.

3.1 Role of focus countries in sugar production

For this research, eight focus countries have been chosen: five in Latin America (Bolivia, Colombia, Guatemala, Nicaragua, Peru) and three in Asia (Cambodia, Indonesia, Vietnam). None of the selected countries accounted for more than 2 percent of global sugarcane production in 2018 (Figure 7). Only Colombia and Guatemala are among the top-10 sugarcane producing countries. However, also these two countries only contributed a share of around 2 percent to global production.[74]

Figure 7 Share of the eight focus countries in global sugarcane production, 2019



Source: *FAOStat* (2021), "Production – Crops", viewed in January 2021.

The selected countries have different profiles in relation to developments in sugarcane production, industry structure, and supply chain relationships. These are described in more detail in the country profiles in sections 3.3 to 3.10.

3.2 Direct Dutch imports of sugarcane products from focus countries

Most sugar imports to the Netherlands arrive in the form of refined sugar and originate for almost 90 percent from other European countries. The largest share of this volume will be beet sugar, however, there are likely also small volume of cane sugar re-exports for which the origin cannot be traced. Direct imports of raw or refined cane sugar to the Netherlands are most likely to originate from Cuba (50,000 tonnes in 2019), Brazil, Colombia, and India (respectively 10,000 tonnes, 6,500 tonnes and 5,400 tonnes in 2019).[75]

Reflecting the comparatively small role of the analysed countries in global sugar production, they only play a relatively small role in sugar and sugar product imports to the Netherlands. Sizeable relationships accounting for more than 10 percent of total imports from outside the EU in 2019 include imports of ethyl alcohol from Peru, Guatemala and Bolivia, and imports of molasses from Guatemala (Table 3).

Where links with exporting or importing companies could be identified for the more substantial trade flows, this information is included in the country profiles in the following sections.

Table 3 Dutch imports of sugar and sugar products from focus countries, 2019

Tonnes	Cane sugar	Molasses	Undenatured ethyl alcohol (alcohol >= 80%)	Undenatured ethyl alcohol (alcohol < 80%)	Rum and other sugarcane-based spirits
Bolivia	-	-	48,819	4	-
Colombia	6,531	-	20	531	504
Guatemala	754	13,703	98,307	501	501
Indonesia	-	-	-	545	-
Cambodia	-	-	-	-	-
Nicaragua	-	-	-	18	18
Peru	0	-	105,185	65	48
Vietnam	-	2	-	13	-
Other extra-EU	76,658	77,205	302,223	49,838	35,892
Extra-EU total	**83,942**	**90,910**	**554,553**	**51,515**	**36,964**

Source: *Eurostat* (2021), "EU trade since 1988 by HS2-HS4", viewed in January 2021.

3.3 Bolivia

3.3.1 Production of sugarcane and derived products

Sugarcane area and output

Bolivia accounted for a share of 0.5 percent of global sugarcane production in 2019. In Latin America, it was the seventh largest sugarcane producer.[76] Sugarcane was cultivated on around 175,000 hectares in 2019. Production reached 9.6 million tonnes, up from 6.4 million tonnes ten years earlier. With around 55 tonnes/hectare, sugarcane productivity is very low in Bolivia, compared to neighbouring countries like Peru and Guatemala reaching yields more than twice as high and a global average of 73 tonnes/hectare.[77] According to estimates, the average potential yield in the country could be around twice as high.[78] The low productivity is explained with inadequate genetics of the crops, low levels of mechanisation, and poor agricultural practices.[79]

Cane sugar

Cane sugar production reached around 500,000 tonnes in 2018/19. This was an increase by around 25 percent over ten years.[80] According to the most recent data until August 2020, 70 percent of the harvested cane was destined to produce sugar, while 30 percent was used to produce alcohol.[81]

Alcohol

For 2021, the Bolivian industry expects to produce 60 million litres of alcohol. Of this total, 45 million are expected to be used to produce ethanol and 15 million to produce drinkable alcohol, predominantly for national consumption. Between January and November 2020, the export of ethyl alcohol showed a year-on-year increase by 14 percent in value and 1 percent in volume. The price increase was attributed to the higher ethyl alcohol demand caused by the coronavirus pandemic (see section 3.3.4).[82] As an example, the Guabirá mill increased its production of disinfectant alcohol (70 percent) by a factor of ten in response to the pandemic outbreak.[83]

Energy

Aiming to reduce its dependence on fossil fuel imports and to achieve greater energy security, the government of Bolivia launched Law N°1098/2018 to introduce liquid biofuel production and blending. The expectation is to reach 380 million litres of ethanol in 2025. The ethanol blending mandate started with 10 percent in 2018 and gradually increases to 25 percent by 2025.[84] In May 2020, the Ministry of Hydrocarbons in Bolivia announced another stimulus by increasing the use of anhydrous ethanol in gasoline from 8 to 12 percent.[85]

As a result of the initiative, the sugar producers are expecting to significantly increase the area planted with sugarcane to 305,000 hectares by 2025 to be able to reach the production targets.[86] In 2019, the industry reported US$ 150 million already invested in the adaptation of their facilities for ethanol production and announced future investments of another US$ 500 million.[87]

Before the announcement of the 'Law for Vegetable Derived Additives', hydrous ethanol (92-96 percent ethanol) was produced as a secondary product obtained by fermentation of sugar molasses. To meet the short-term mandated biofuel production targets, the sugar factories expanded their milling and distillation capacity and implemented molecular sieves to dehydrate hydrous ethanol to produce anhydrous ethanol (99.5 percent ethanol).[88]

Sugarcane refineries in Bolivia, including Guabirá, Unagro, Aguaí and IASBA, are generating electricity through biomass and partly also feed oversupply the national grid.[89]

3.3.2 Key industry actors

The Bolivian sugarcane processing industry pertained over a processing capacity of around 86,000 tonnes of sugarcane per day and a distillation capacity of 250 million litres per year in 2019.[90] Bolivia has seven sugar mills, of which some have own plantations.[91] Five of these mills, representing around 85 percent of the milling capacity, are located in Santa Cruz department, in the east of the country.[92] Table 4 lists these five companies, including their share in sugar production based on 50 percent of the 2020 harvest. The largest company is Unagro with its sugar mill Roberto Barbery Paz.[93] UNAGRO's shareholders are small- and medium-sized sugarcane producers.[94] Both the Guabirá and Aguaí mills are associated with the Grupo Industrial Roda.[95]

Table 4 Sugarcane processers in Bolivia, 2020 harvest

Owner	Mill	Milling capacity* (tonnes cane / day)	Sugar production (tonnes)	Alcohol production (million litres) (estimates)
Unagro	Roberto Barbery Paz	17,000	169,720	30
Guabirá	Guabirá	15,000	150,510	100
CIASA	San Aurelio	12,000	99,870	25
Aguaí	Aguaí	12,000	101,459	60
Planta Industrial Don Guillermo	Don Guillermo	7,000	60,530	unkown

*Data for milling capacity based on 2017 information.
Source: OTAI, in: Industrias Sucroalcoholeras (2016), *Prospecto Marco Para un Programa de Emisiones de Bonos*, p. 73; *Periodico Bolivia* (2020, December 23), "Guabirá produce 2,8 millones de quintales de azúcar"; *El Deber* (2020, September 9), "Ingenios de Santa Cruz destinan el 70 percent de la caña cosechada a la producción de azúcar"; Unagro (n.d.), "Alcohol"; Comexbo (n.d.), "Inc. Industrial Azucarera San Aurelio SA"; IBCE (2020, August), "Aguaí amplía su capacidad de producción con una nueva caldera".

Companies operating sugar mills in other parts of the country are Industrias Agrícolas de Bermejo (IABSA, Tarija) with a milling capacity of 6,000 tonnes of sugarcane per day and Ingenio San Buenaventura (La Paz) (state-owned) with a capacity of 7,000 tonnes.[96]

Guabirá is the only Bonsucro-certified producer in Bolivia. It joined the scheme in March 2018.[97]

Various industry associations and employers' organisations are active in Bolivia. The central organisation involved in social dialogue on behalf of employers is the Confederation of Private Employers in Bolivia (Confederación de Empresarios Privados de Bolivia, CEPB).[98]

The key industry associations in the sugarcane industry include La Federación de Cámaras de Productores de Caña (FEDECAÑA), the Federación de Cañeros Santa Cruz (FCSC), and the Asociación de Productores Cañeros (SOCA). The Comisión Nacional de Productores Cañeros de Bolivia (Concabol) is the producers' organisation, with which the trade union federation signs CBAs every year.

3.3.3 Trade relationships

Exports of cane sugar totalled 100,000 tonnes in 2019. This volume was a significant increase from previous years when exports reached volumes between less than 10,000 and up to 65,000 tonnes. The most important export destination is Colombia with a share of about 80 percent.[99] The exports reported for raw cane sugar include *chancaca*, a concentrated extract from raw, unrefined cane sugar. The latest available twelve months data from October 2017 to September 2018 show Japan as the main destination of chancaca exports of around 720 tonnes. These were all handled by Ishima, a company located in Santa Cruz which immigrated from Japan in the mid-90s.[100]

Exports of ethanol reached volumes between 72,000 and 113,000 tonnes between 2015 and 2019. The latest available shipment data of sugar-related products allows to analyse exports until September 2018. In the twelve months period from October 2017, Ingenio Guabirá, Ingenio Aguai, Ingenio Unagro and Ingenio San Aurelio show up as the most important exporters, with most of these exports being ethanol. These four companies accounted for more than 90 percent of all sugar-related exports.[101] A key destination for ethanol exports is the Netherlands, receiving around 33,000 tonnes in 2019 or 30 percent of total exports.[102] Based on shipment data for ethyl alcohol from Bolivia to the Netherlands in the 12-months from October 2017 to September 2018, CIASA (8,700 tonnes) and Guabirá (8,400 tonnes) were the leading suppliers.[103] No information on the consignees is available.

Bolivia is part of the EU Generalised Scheme of Preferences (GSP+). The trade scheme is supervised by Democracy Reporting International (DRI) and implemented in Bolivia by the Centre for Labour and Agricultural Development Studies (Centro de Estudios para el Desarrollo Laboral y Agrario, CEDLA) through EU funding. It allows EU countries to import Bolivian goods without paying import duties as an effort to foster economic growth and production in low-income countries. Another goal central to the scheme is the promotion of human and labour rights for workers in the supply chains that export goods to Europe. A study by CEDLA in 2018 found that the two main products exported from Bolivia to the EU under the GSP+ scheme are chestnuts and ethanol. Ethanol exports to the EU are mostly destined to France (58 percent) and the Netherlands (42 percent), with Guabirá and Aguaí as the leading Bolivian ethanol exporters to the EU.[104]

3.3.4 Impact of COVID-19

The demand for disinfectant alcohol due to the COVID-19 pandemic has greatly benefited the Bolivian sugarcane industry, which sold up to 1.5 million litres of alcohol per month during the outbreak. Overall, the two main mills, Unagro and Guabirá, indicated that their sales of alcohol went up by 70 percent, and the industry is expecting another growth year in 2021. [105]

At the same time, the industry had expected to sell 105 million litres to the national state oil company YPFB in 2019/20, however, YPBF eventually only purchased 36 million litres due to low oil prices.[106]

Harvest of sugarcane was temporarily halted in May due to the pandemic in combination with unfavourable weather conditions but continued in June 2020.[107] Producers claim that special measures were taken to guarantee the safety of workers during the crisis. Nonetheless, there have been several reports of infections among workers, including an outbreak among 165 workers at the Guabirá mill where at least two workers passed away.[108]

In other cases, workers reported deductions of up to 40 percent of their normal wages due to the days that they could not work in the ten-day lockdown in March.[109]

Over 200 workers from the Industrias Agrícolas de Bermejo (IABSA) sugar company reported in April 2020 that they had not received wages since December 2019 due to the poor financial condition of the company. Workers filed complaints together with the IABSA workers union with the Ministry of Labour, but management of IABSA blocked the subsequent inspection and refused to cooperate with the union and ministry to find a solution, putting workers in an extremely precarious situation and financial distress while facing the COVID-19 crisis.[110]

3.3.5 Living wages

Bolivia has a government-mandated minimum wage that is currently set at BOB 2,122.00 (€ 254.42) per month in 2021.[111] However, this minimum wage does not apply to agricultural workers.[112] Instead, agricultural wages in the form of piece rates have been negotiated through a tripartite negotiation between workers, employers, and the government prior to the harvest season. However, critics accuse that rather than taking a leading role, the government easily gives in to the pressure of the employers and as a result, the agreed prices are well below the demands of unions and workers. On top of that, despite the collective agreements, even formal workers usually do not receive the agreed piece rates. According to interviewed sugarcane workers, only around 10 percent receive the actual agreed incomes.[113]

With the low piece rates, workers are forced to make long days - up to twelve hours per day - for seven days a week, often assisted by family members and children, to make a reasonable salary. Even so, workers on average earn between BOB 2,000 to BOB 3,000 (€ 240 to 360) per month during harvest.[114]

Internal migrant workers, who are recruited by brokers in the harvest season, face even more precarious conditions, such as debt bondage or broker fees of around 10 percent of the salary, as well as deductions for housing and transportation, which is usually of extremely poor conditions putting the workers and their families at risk for a meagre pay.[115]

Details on labour rights-related issues in Bolivia can be found in section 6.1 in the Appendix.

3.4 Colombia

3.4.1 Production of sugarcane and derived products

Sugarcane area and output

Colombia accounted for a share of 2 percent of global sugarcane production in 2019. In Latin America, it was the third largest sugarcane producer. Sugarcane in Colombia was planted on an area of more than 458,000 hectares in 2019, resulting in a sugarcane production of 33 million tonnes. Average yields are high at around 120 tonnes/ hectare.[116] Sugarcane production is for the largest part taking place in the Cauca River valley (80 to 90 percent, on an area of about 240,000 hectares), where little agricultural land remains available.[117] Production is dominated by large plantations.[118] In the Cauca River Valley, 75 percent of the land used for sugarcane cultivation belonged to 2,750 suppliers as of 2018, while 14 mills managed 25 percent of the land. 69 percent of the units produced on less than 60 hectares.[119]

In the 1950s, leading Colombian sugarcane mills formed the sugar industry association, Asocaña. In the 1970s, Asocaña formed and funded Cenicaña, a technical non-profit organisation. The technical assistance and research provided to the sector by Cenicaña are seen as one of the reasons for the high productivity.[120]

Cane sugar

Around 80 percent of the country's sugarcane production in 2019/20 was used for cane sugar, while the remaining 20 percent went into alcohol production. Colombia produced a total 2.4 million tonnes of cane sugar in 2019/20. Including stocks and imports, 2.8 million tonnes of sugar were available in Colombia, of which 750,000 tonnes were exported, or around one quarter.[121]

Next to centrifugal sugar, non-centrifugal sugar is produced from sugarcane grown in various departments throughout the country by an estimated 350,000 farmers on 220,000 hectares. So-called *panela* or *rapadura*, an unrefined whole cane sugar derived from the boiling and evaporation of sugarcane juice, is processed in 18,500 crushing/milling facilities which are referred to as *trapiches*. In calendar year 2019, Colombia produced 1.3 million tonnes of non-centrifugal sugar production.[122] The product is increasingly exported in recent years, mostly to the U.S. and Europe. A director of the largest Colombian sugar mill operator, Riopaila Castilla, created in uproar in recent months with a plan to patent panela in Colombia as well as in several other Latin American markets.[123]

Sugar consumption is expected to grow marginally, in line with population growth. Moreover, sugar consumption is driven by increased exports of processed products by the confectionary sector. Colombian sugar mills prefer to produce refined sugar for the domestic market due to higher prices and higher returns compared to raw sugar. Meanwhile, raw sugar is mainly exported to the U.S. and the EU under sugar quotas as well as neighbouring countries.[124]

Alcohol

In 2018, Colombia's fuel ethanol production used approximately 5.7 million tonnes of sugarcane, a year-on-year increase of more than 19 percent. 2019 saw a further increase to around 5.9 million tonnes of sugarcane, which is the only feedstock for ethanol production in the country.[125] In 2019, ethanol production reached a total of 444 million litres. In the past two years, production remained high, driven by the 2018 decision of the Colombian government to increase the national biofuel blend mandate from E8 to E10.[126]

Energy

As of 2019, the Colombian sugar sector had an installed capacity of 296 MW, equalling almost 2 percent of the total national capacity. Of this production, 130 MW were surplus for sale to the network. This energy is mostly produced from bagasse.[127]

3.4.2 Key industry actors

In 2015, Colombia's Superintendency of Industry and Commerce (SIC) uncovered widespread colluding practices in the country's sugar industry to drive up prices and block foreign competitors. Involved were the sugar industry association Asocaña, the technical secretary of Colombia's Sugar Price Stabilisation Fund (FEPA), all leading sugar mills, and Comercializadora Internacional de Azúcares y Mieles (CIAMSA) (see below).[128]

Colombia has twelve sugar mills, of which nine are located in the Cauca River Valley and one each in Cauca and Riseralda. The top sugar and ethanol producers in Colombia in 2019 are shown in Table 5.

Table 5 Top sugarcane processors in Colombia, 2018

Owner	Mill	Sugar production (tonnes)	Alcohol production (million litres)	Energy generation (GWh)	Energy sales (GWh)
Grupo Agroindustrial Riopaila Castilla	Riopaila Castilla	1,017,488	86	293	6
Grupo Ardila Lülle	Incauca[i]	864,526	173	224	57
	Providencia	573,500	100	*34 MW/day*	*14 MW/day*
	Risaralda[i]	n/a	n/a	204	118
Mayagüez	San Carlos	180,000	-	39	9
Grupo Manuelita	Manuelita Azúcar y Energía[ii]	*508,196*	*168*	*167*	*28*

Notes: [i]2017 figures; n/a=not available; [ii]includes production in Peru (Agroindustrial Laredo). Estimates marked in italics. The sugar production volumes reported by these six producers sum up to a much higher volume than is reported in statistical databases. It is not clear what the reason for this discrepancy is. Source: Grupo Agroindustrial Riopaila Castilla (2019), *Informe Sostenibilidad & Gestión 2018*, pp. 33,37; Incauca (2018), *Informe Sostenibilidad 2016-2017*, pp. 8,83; Ingenio Providencia (2020), *Informe de Sostenibilidad 2018-19*, p. 47; Ingenio Risaralda (n.d.), "Energía"; Ingenio San Carlos (2020), *Informe Annual 2019*, pp. 9-10; , pp. 27,94; *El País* (2020, February 4), "Valle del Cauca le saca más 'jugo' a la agroindustria de la caña"; Agencia Logística de las Fuerzas Militares (2015, October), *Análisis del Sector Alimentos Caña de Azucar*, Ministerio de Defensa Nacional, p.1.

Further behind were Ingenio La Cabaña (including Agroindustrias del Cauca), Ingenio Pichichí, Ingenio Carmelita, Ingenio María Luisa, and Ingenio del Occidente.[129]

The Coca-Cola company disclosed that it sourced in 2019 Colombian sugar via Sucden Americas (from Manuelita mill), and directly from Manuelita, Incauca, Providencia, Risaralda, and La Cabaña.[130]

Four sugar producers in Colombia are Bonsucro certified:[131]

- Manuelita S.A. since September 2017.
- Ingenio Providencia since March 2019
- Ingenio Mayagüez since January 2020
- Ingenio San Carlos since February 2020

The main industry association in the Colombian sugarcane industry is the Colombian Association of Sugar Producers (La Asociación de Cultivadores de Caña de Azúcar de Colombia, Asocaña). Founded in 1959, Asocaña represents the biggest sugarcane mills (Cabaña, Carmelita, Del Occidente, Manuelita, María Luisa, Mayagüez, Pichichí, Risaralda, Sancarlos, Ríopaila-Castilla, Incauca and Providencia), as well as various sugarcane growers.[132]

In addition to Asocaña, Cenicaña (Sugarcane Research Center) is the main research institute in the Colombian sugar industry and Tecnicaña (Colombian Association of Sugarcane Technicians) provides technical training and technology to the sector.[133]

3.4.3 Trade relationships

Colombia exported around 700,000 tonnes of cane sugar in 2019. Key export destinations for cane sugar include Peru, the U.S., and Chile.[134] Exports to the U.S. benefit from a U.S. sugar tariff-rate quota (TRQ), which allows import of a certain volume under a low tariff.[135]

Colombia's sugar exports are handled by CIAMSA. This organisation, which operates an own sugar terminal, provides logistical and export services to the Colombian sugar mills. Sugar mills either sell their produce to CIAMSA or pay the company as a service provider but make the sale themselves.[136] In calendar year 2019, CIAMSA accounted for around 30 percent of Colombian sugar exports. Own exports by sugar companies were led by Grupo Manuelita with 15 percent, followed by Ingenio Risaralda with 12 percent and Incauca with 9 percent (both Grupo Ardila Lülle), and Riopaila Castilla with 8 percent.[137]

Imports of a total of 234,000 tonnes of sugar in 2019 originated predominantly from Peru, Bolivia, and Ecuador.[138] These countries benefit from duty exemptions. Moreover, ethanol imports from the U.S. have increased rapidly during the last years, accounting now for around 40 percent of the domestic market. This large role has led to calls by agribusiness on the Government to implement compensatory measures in the form of a countervailing duty of 22 percent, however, such a tariff has not yet been implemented.[139]

Based on shipment data for cane sugar from Colombia to the Netherlands in calendar year 2019, the key supplier with a share of around 94 percent was Ingenio Providencia. The two key recipients, Tradin Organic (based in Amsterdam) and Pronatec (Switzerland, with a Dutch subsidiary based in Hoofdorp), are both traders focussing on organic commodities.[140] Other Colombian suppliers account for shares in exports to the Netherlands of 2 percent and less.

Furthermore, some imports of Colombian rum to the Netherlands are documented. However, these only account for a small share of overall Dutch rum imports. For 2019, around 240 tonnes of imports could be traced, of which almost 70 percent were supplied by Destileria Colombiana Established in 1913, and the remaining 30 percent by Industrias Licorera de Caldas. Recipients in the Netherlands are logistics companies.[141]

3.4.4 Impacts of COVID-19

Although the COVID-19 pandemic had some impact on the Colombian sugarcane sector, the industry overall had a productive year in 2020, with a significant growth in the production of energy from bagasse, delivering 651 GWh to the national energy system as well as a growth in ethanol extraction and exports.[142]

The sugarcane sector claims to have taken measures to protect workers while continuing operations. While administrative staff can work from home, other workers over the age of 60 and vulnerable workers were sent home on paid leave, and mills implemented shift rotations to avoid overcrowding and limit contacts. However, there have been various reports of employers violating workers' rights and safety during the pandemic, including through overcrowded transportation of workers and a lack of hygiene protocols for work in the fields.[143]

In the midst of the pandemic, political unrest and tensions saw a rise in Colombia, with reported violence from guerrillas, gangs, and drug traffickers. In August 2020, five teenagers were found dead in a sugarcane field near Cali, and another massacre of seven men and one woman took place in a cacao plantation, raising significant concerns for the safety of communities in rural areas.[144]

3.4.5 Living wages

Article 56 of Colombia's Constitution confers the Commission Permanent Agreement of Salary and Labour Policies the duty to establish the general minimum wage in a concerted manner, taking into account that a decent quality of life must be guaranteed for the worker and his family. In this context, the minimum wage is revised on yearly basis. Colombia's Minimum Legal Monthly Salary in force for 2020 is 877,803 COP (ca. € 208).[145] While the law stipulates that no worker in Colombia can be paid less then this mandatory minimum wage, in 2019, about 22 million people were paid salaries below the minimum.[146]

While the Government of Colombia praises the country's minimum wage as "*amongst the highest in the world*",[147] the Ulandssekretariatet asserts that this is amongst the lowest in the Latin American region.[148] In fact, the Global Living Wage Coalition estimates the living wage in rural Colombia to be COP 1,644,569 (€ 391.50) for a standard family, and the cost of a basic but decent living for a family is estimated at COP 2,433,600 (€ 579.34).[149]

With respect to salaries in the sugarcane sector, ENS reports low wages for the sector workers. Sugar mills employees tend to receive, in their vast majority (80 percent), on up to the equivalent of one minimum wage and half of them up to half the minimum wage. There also seems to be high average income inequality between the different types of workers, especially between direct and subcontracted workers, but also within workers of the same category.[150]

Details on labour rights-related issues in Colombia can be found in section 6.2 in the Appendix.

3.5 Guatemala

3.5.1 Production of sugarcane and derived products

Sugarcane area and output

Guatemala accounted for a share of 1 percent of global sugarcane production in 2019. In Latin America, it was the fourth largest sugarcane producer. Sugarcane was cultivated on around 270,000 hectares in Guatemala in 2019. At around 107 tonnes per hectare, productivity in the country is high.[151]

Cane sugar

Sugar production from cane reached 2.8 million tonnes in 2019/20. In Latin America, Guatemala is the fourth largest producer and second largest sugar exporter, behind Brazil. Production is concentrated along the South Coast of the country, in the departments of Escuintla, Suchitepéquez, Retalhuleu, and Santa Rosa.[152]

Although domestic consumption of sugar has been increasing in Guatemala, particularly in soft drinks, confectionaries, bakeries, juice makers and pharmaceutical companies, it still only amounts to roughly 32 percent of total domestic production.[153] The remainder is exported, despite low prices in the international market. Due to rising stocks, Guatemala has been exporting sugar at below cost price, and has been accused of dumping by the Peruvian industry.[154]

Alcohol

According to the Guatemalan Sugar Association (Asociación de Azucareros de Guatemala (ASAZGUA)), the Guatemalan sugar industry currently has the capacity to produce up to 246 million litres of alcohol.[155]

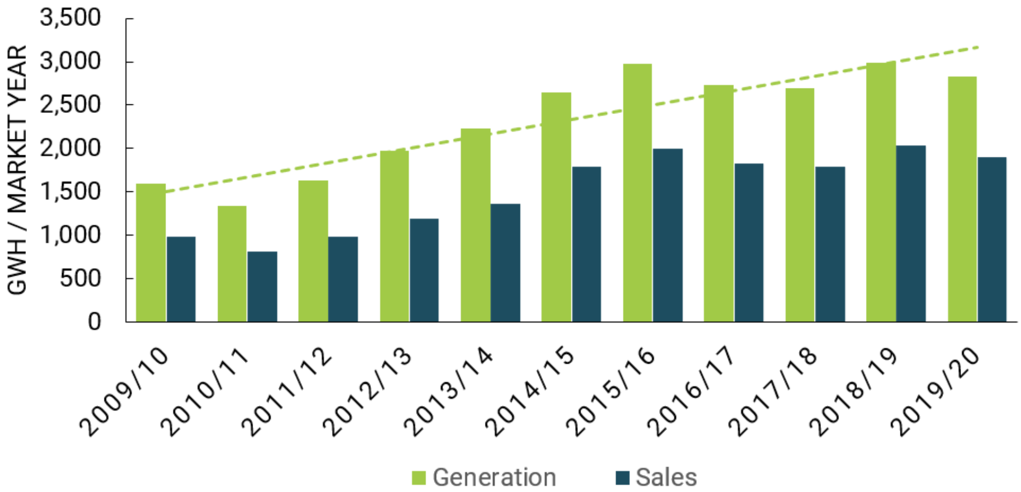
In 2014, a pilot plan was launched for the mixing of ethanol into fuel. At the end of 2020, this pilot was completed with mixing of between 5 to 10 percent ethanol in different types of gasoline. Based on the results of the pilot study, the government is expected to introduce a bill in the first quarter of 2021 to further stimulate the use of ethanol in gasoline, which expectedly will drive the sugarcane industry.[156] A recent analysis concludes that Guatemala could produce annually a maximum of 250 million liters of ethanol from molasses, which is more than the volume required to introduce an E10 mandate.[157]

Several of the sugar mills in Guatemala also produce rum, among them Ingenio Tululá with its distillery Destiladora de Alcoholes y Rones (DARSA),[158] and Casa Magdalena rum produced by Ingenio Magdalena.[159]

Energy

Next to cane sugar, Guatemalan sugarcane mills also produce energy, mostly from the bagasse. In the period from November 2019 to June 2020, the sugarcane mills accounted for 21 percent of the national energy production, second only to hydropower (37 percent). Total energy production by the industry in the market year 2019/20 reached 2,835 GWh, 5 percent less than in the previous year. Of this total, 33 percent were consumed internally by the industry in production processes while 67 percent were sold to the national system.[160] Figure 8 illustrates the development in sugarcane-based energy generation during the last ten years. Moreover, Guatemala produced 246 million litres of alcohol in 2019 as a by-product of the sugar extraction process.[161]

Figure 8 Energy generation and sales by in Guatemalan sugarcane mills, 2009/10 to 2019/20 (GWh)



Source: Cengicaña (2020), *Generación de Energía*, Boletín Estadístico, pp. 5, 7.

3.5.2 Key industry actors

The Guatemalan sugar industry can be characterised as an oligopoly, with few, family-owned companies controlling the market. This control expands across the different stages of the market. Since 1983, seven families have been controlling 88 percent of the sugar milling in Guatemala. According to an investigation by El Faro and El Diario from 2017, the industry forms "*[…] a cartel with deep political connections and whose power is often resented by communities in the countryside*". Reportedly, all seven families were suspected by authorities to use practices of tax evasion by way of offshore companies in tax havens.[162]

As of 2015, around 55 to 60 percent of the land cultivated with sugarcane was owned by the mills, while 40 to 45 percent was independently owned.[163] Sugar mill operators in Guatemala increasingly expanded monoculture sugarcane plantations. This development has exacerbated the already problematic access to land for food cultivation by rural families.[164] The government-supported expansion of sugarcane plantations since the mid-2000s has led to the displacement of many farmers as well as the diversion of water resources.[165]

The growing competition for land on the fertile volcanic soils of the Pacific Coast of the country, both among the sugar mills and with other agricultural sectors, has meant that small farmers were increasingly unable to rent land for subsistence farming. The sugar sector responded with intensification, helped by the sugar research institute Cengicaña.[166] Moreover, some mills relocated to other parts of the country, going along with allegations of land grabbing.[167] Others expanded into other countries. Grupo Pantaleón has sugarcane operations in Guatemala, Mexico, Nicaragua, and Brazil.[168]

The top mills in the country in 2019, the owners (where known) and their market shares are listed in 0. While sugarcane-based alcohol plays an important role, recent details on the production by individual mills not readily available. Ingenio Magdalena is also an important producer of rum, known by the tagline "Tierra Dulce".[169]

Table 6 Top sugarcane processors in Guatemala, 2019/20

Owner	Mill	Sugar production (tonnes)	Share sugar production (%)	Energy generation (GWh)	Energy sales (GWh)
Grupo Cayalá (Leal family)	Magdalena	692,184	24%	830	586
Grupo Pantaléon (Herrera family)	Pantaléon	477,647	17%	423	245
	Concepción	133,657	5%	91	49
Ingenio La Unión (García family)	La Unión	347,195	12%	316	200
Compañía Agrícola Industrial Santa Ana (Botrán family)	Santa Ana	313,059	11%	337	232
Servicios Agropecuarios San Diego (50%, remainder held by offshore company)	Trinidad	235,806	8%	380	293
Central Agro Industrial Guatemalteca (Caigsa) (Campollo Codina family)	Madre Tierra	211,064	7%	189	117
Ingenio El Pilar (Weissenberg/Campollo families)	El Pilar	156,428	6%	-	-
Other		259,831	9%	269	176
Total		**2,826,871**		**2,835**	**1,898**

Source: Cengicaña (2020, July), *Boletín Estadístico*, Año 21, No. 1, p. 1; Cengicaña (2020), *Generación de Energía*, Boletín Estadístico, pp. 8-9; Labardor, G., Villagrán, X., Sánchez, R. and J. Alvarado (2017, April 25), "El cartel del azúcar de Guatemala", *El Faro*; MT Holdings Capital (2015, July 27), *Written Consent of the Board of Directors of MT Holdings Capital Inc*.

The Coca-Cola company disclosed that it sourced in 2019 Guatemalan sugar via Sucden Peru and COFCO (both from Magdalena mill), and directly from Magdalena and Pantaléon.[170]

Five sugarcane companies in Guatemala are currently Bonsucro-certified:[171]

- Magdalena / Mag Alcoholes (Grupo Cayalá) since December 2016
- Pantaléon (Grupo Pantaléon) since May 2017.
- Bioetanol (Grupo Pantaléon) since May 2017
- Compañía Agrícola Industrial Santa Ana since June 2020
- Ingenio La Unión since July 2020

Guatemala's main industry association representing the sugarcane sector is ASAZGUA. ASAZGUA has launched several organisations and initiatives, including the *Azúcar de Guatemala* website with central information about the industry, the Guatemala Sugar for Good platform which promotes social responsibility in the sector, the FUNDAZÚCAR foundation, and a research institute (Centro Guatemalteco de Investigación y Capacitación de la Caña de Azúcar, CENGICAÑA).[172]

In addition, the Chamber of Industry of Guatemala (AGG) is the central association for employers in all sectors. The Coordinating Committee of Agricultural, Commercial, Industrial and Financial Associations (Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras, CACIF) represents 100,000 employers, including mostly SMEs, in the agricultural sector and participate in bipartite debates on labour issues. The Association of Exporters of Guatemala (Asociación de Exportadores de Guatemala (Agexport)) represents the interests of the export sector, including cane sugar and ethyl alcohol.[173]

3.5.3 Trade relationships

In 2019, Guatemala was the world's fifth largest exporter of sugar. Of all exports of Guatemalan sugar and derived products, 82 percent are sugar, 13 percent are alcohols, and 5 percent are molasses. With around 2.0 million tonnes, cane sugar exports accounted for around 71 percent of total cane sugar production. Key export markets were Canada (16 percent), the U.S. (13 percent) and Chile (10 percent).[174] Molasses export markets included South Korea, the U.S., the Netherlands, and Canada. Main destinations for sugarcane-based alcohol were the Netherlands, South Korea, the U.S., and Japan.[175] The importance of Guatemala as an exporter of ethyl alcohol can be explained with sizeable sugarcane production and processing while no blending of ethanol and gasoline is implemented yet beyond the pilot study phase.[176] No information on the recipient of the imports to the Netherlands is available.

While all other Central American countries signed a Free Trade Agreement (FTA) with South Korea in 2018, Guatemala is the only country that has not yet done this, leaving the Guatemalan sugar industry at a potential disadvantage compared to its neighbours.[177]

Located in Port Quetzal on the south-western coast, Expogranel S.A. is the major shipping terminal that handles the export of sugar produced by Guatemalan mills. The loading port has a capacity of 431,000 tonnes per year, mostly for bulk sugar (365,000 tonnes) and refined sugar (66,000 tonnes). Around the port, several warehouses are used to hold domestic stocks. Due to the low prices of sugar and overproduction in Guatemala, these stocks have been increasing.[178]

3.5.4 Impact of COVID-19

According to Agexport, the COVID-19 pandemic has posed trade opportunities for Guatemala despite drops in production, particularly for the sugarcane industry since the demand for ethyl alcohol has surged tremendously.[179]

The industry association ASAZGUA claims that sugar mills have taken safety and hygiene measures, including medical check-ups for migrant workers, adapting the housing conditions to allow for distancing, working in shifts to prevent overcrowding, and the provision of hand sanitiser, masks, and daily temperature checks.[180]

3.5.5 Living wages

The Guatemalan Labour Code establishes a right to a minimum wage to all workers to meet the material, moral and cultural needs of the worker and his or her family (Art. 103). In 2020, Guatemala's minimum wage for agricultural work was GTQ 90.16 per day (€ 9.55) or GTQ 2,742.37 (€ 290.55) per month.[181] Time worked in excess of eight hours per day or 44 hours per week is to be renumerated at 150 percent, though this is hardly, if at all, ever respected in agricultural work. Employers may also deduct a maximum of 30 percent of the wage as compensation for food and other goods, although again the remaining salary needs to meet the minimum wage requirement. Sugarcane workers are most commonly renumerated on a piece rate basis.[182] Although this is allowed under the Guatemalan Labour Code, this salary still is required to meet the minimum wage regardless of productivity (Art. 88).

The Canasta Básica de Alimentos, the income needed to meet basic nutrition, was determined at GTQ 4,098.60 (€ 434.24) in 2017. The Canasta Básica Vital, which is a basic living wage that also includes water, electricity, housing, health services, transport, recreation, and education, was GTQ 7,479.20 (€ 794). In other estimates, the minimum cost of living for a family in rural Guatemala was determined at least at GTQ 4,363 (EUR 462.255) per month.[183]

In other words: the minimum wage for agricultural workers does not provide a living wage, and to make matters worse, the vast majority of workers are paid far below minimum wage. Independent studies by CNV Internationaal and Fairfood International found that sugarcane cutters earned an average of GTQ 805 (€ 85) per month, less than a third of the 2015 minimum wage. Earning so far below the minimum wage, let alone a living wage, inhibits workers from meeting the basic needs of their families, which leaves many families indebted and malnourished.[184]

Most workers report that deductions are made from their wage to cover debts to stores on the plantation (who offer food and water as well as tools for exorbitantly high prices), health care and social security cost (even when workers are not actually enrolled in the social security system), PPE and tools provided to workers, as well as deductions for commissions to their labour brokers.[185] Workers often do not get compensated for overtime either, which is instead forced through the low piece rates and quotas that cannot be achieved within eight hour working days, and threats of penalties such as fines or dismissals when refusing overtime.[186]

According to the sources interviewed for this study, the fact that Guatemala can freely export sugar for dumping prices below cost of production to the Peruvian market (section 3.7.3) is a cause and effect of the high degree of outsourcing, precarious working conditions and child labor in sugar sector.

Details on labour rights-related issues in Guatemala can be found in section 6.3 in the Appendix.

3.6 Nicaragua

3.6.1 Production of sugarcane and derived products

Sugarcane area and output

Nicaragua accounted for a share of 0.3 percent of global sugarcane production in 2019. In Latin America, it was the ninth largest sugarcane producer. Sugarcane in Nicaragua is produced along the Pacific Coast. Production reached 7.1 million tonnes in 2019/20, all of which was used to produce sugar.[187] At around 95 tonnes per hectare, productivity is quite high.[188]

The Nicaraguan sugar industry employs around 160,000 workers during harvest season.[189]

Cane sugar

Cane sugar production totalled 787,000 tonnes, of which around 65 percent were exported. San Antonio is the only producer of refined sugar in the country.[190]

Alcohol

Industrial ethanol production from sugarcane does not play an important role in Nicaragua yet. The country lacks a legal framework to support the consumption of biofuels.[191] Nicaraguan sugarcane is an important source for the juice, syrup and molasses used in the production of rum, both for local rum brands such as *Flor de Caña*, as well as international brands who source from the region.[192]

Energy

Bagasse is used for internal energy production; however, the example of San Antonio shows that other biomass, in this example eucalyptus chips, are used outside of harvest times. The mill consumed around half of its energy production for internal processes, while the remainder is fed into the national network.[193] The industry contributes around 90 MW of energy to the public network during harvest time.[194]

3.6.2 Key industry actors

Nicaragua has only four sugar mills, of which the two largest, operating under Grupo Pellas and Grupo Pantaléon, account for around 81 percent of national sugar production (Table 7). San Antonio (Grupo Pellas) is the only refined sugar producer in Nicaragua.[195] Grupo Pantaléon, with headquarter in Guatemala, also has upstream sugar operations in Guatemala (see section 3.5), Mexico and Brazil.[196] Among the four mills, manual and semi-manual sowing and harvesting are dominant. [197]

Table 7 Sugarcane processors in Nicaragua, 2018/19

Company	Mill	Sugar production volume (tonnes)	Sugar production market share	Energy production (GWh)
Grupo Pellas	San Antonio	763,740	44%	220
Grupo Pantaléon (GT)	Monta Rosa	650,317	37%	162
Compañía Azucarera del Sur (CASUR)	Benjamín Zeledón	191,637	11%	120
Corporación Montelimar	Montelimar	139,383	8%	108
Total		**1,745,077**		**610**

Source: Morin, J. (2020, April), *Sugar Annual Nicaragua*, USDA GAIN Report NU2020-0004; SER San Antonio (n.d.), "Energía", viewed in January 2021; Grupo Pantaléon (n.d.), "Our operations", viewed in January 2021; CNPA (2020), "Ingenios", viewed in January 2021.

Two sugarcane producers in Nicaragua are certified as part of the Bonsucro Production Standard:[198]

- SER San Antonio since November 2016.
- Monte Rosa S.A. since January 2018

The National Committee of Sugar Producers (Comité Nacional de Productores de Azúcar (CNPA)) is a major industry association that represents the four Nicaraguan sugar mills.[199]

Another important industry association is the Unión de Productores Agropecuarios de Nicaragua (Upanic), which represents agro-industrial producers of various sectors.

3.6.3 Trade relationships

Nicaragua exported around 530,000 tonnes of sugar in 2019 to a diverse list of countries. With a share of 20 percent, the U.S. was the largest recipient in 2019. This was followed by Taiwan and Ghana with 12 percent each. Exports of molasses and ethanol are not significant.[200] The country has tariff rate quotas with the U.S., the EU and Taiwan.[201] Furthermore, Nicaragua is among the Central American signatories of an FTA with South Korea.[202]

Known brands importing rum from Nicaragua include Diageo (known for Captain Morgan rum) and William Grant & Sons (own rum brand Sailor Jerry, importer of Flor de Caña to the U.S., known for Glenfiddich and Balvenie whiskey brands).[203]

3.6.4 Impact of COVID-19

According to the Nicaraguan Foundation for Economic and Social Development (La Fundación Nicaragüense para el Desarrollo Económico y Social (FUNIDES)), the agricultural sector is one of the most vulnerable to the COVID-19 pandemic, facing halts in production, difficulties to attract seasonal workers, and a loss of sales for some crops.[204]

The National Committee of Sugar Producers (Comite Nacional de Productores de Azúcar (CNPA)) declared that the biggest challenges for the industry during the crisis was not availability of workers or productivity, but rather a drop in consumption and decreased domestic demand for sugar.[205]

3.6.5 Living wages

Nicaragua's minimum wage is determined per sector, between which significant differences exist. While the monthly minimum wage in agriculture is set at NIO 4,286.33 (€ 101.48), workers in construction, financial institutions and finance can count on a minimum wage of NIO 9,592.40 (€ 227.11).[206] This minimum wage is only enforced in the formal sector, which is around 20 percent of the economy, and even in the formal sector inspections are inadequate to ensure that the minimum wage level is respected.

The living wage in rural areas of Nicaragua, where most of the agricultural production takes place, is estimated at NIO 9,900 40 (€ 234.38) per month for an average family of four with 1.62 workers. The cost of a basic but decent living for that same family is estimated at NIO 14,915 40 (€ 353.11).[207] This suggest that the legal minimum wage in agriculture is by far insufficient.

Regarding wages in the sugarcane sector, just as in other countries in the region, harvesters are paid according to the amount of sugarcane they cut per da. In this context, in 2017 "a good cutter" made NIO 10,000 per month (€ 236, barely above the minimum wage), but average workers earned between NIO 7,000 and 8,000 monthly (€ 165 to 189).[208]

Details on labour rights-related issues in Nicaragua can be found in section 6.4 in the Appendix.

3.7 Peru

3.7.1 Production of sugarcane and derived products

Sugarcane area and output

Peru accounted for a share of 0.3 percent of global sugarcane production in 2019. In Latin America, it was the sixth largest sugarcane producer. Sugarcane production in Peru amounted to 11.0 million tonnes in marketing year 2019.[209]

Cultivation is concentrated in the Northern coastal valleys of the country, where the region of La Libertad produces around half of Peru's sugar. Lambayeque accounts for around 23 percent of production and Lima for 15 percent.[210]

Of the total area harvested, approximately 64 percent is owned by sugar companies and 34 percent by independent producers.[211]

Cane sugar

Of this total, 8.6 million tonnes were used for sugar production, resulting in 1.4 million tonnes of cane sugar. Alcohol production consumed 2.4 million tonnes of sugarcane.[212]

Alcohol

Peru has a mandatory blending rate of 7.8 percent ethanol. Ethanol consumption for 2020 was forecasted at 187 million litres, while production was expected to be 170 million litres, meaning that domestic demand for exceeded production. The key limiting factor was insufficient sugarcane feedstock. Ethanol production in Peru is concentrated in Piura and processed by the two main facilities, Agro Aurora (owned by COAZUCAR/Grupo Gloria) and Caña Brava (owned by Romero Group). In addition, some other sugarcane companies are evaluating the feasibility of producing ethanol, however, there are no immediate plans due to the high initial investment costs and thus far limited market. In 2019, Peru exported 170 million litres of ethanol, mostly to the European Union (94 percent) and particularly the Netherlands (75.9 percent) (see section 3.7.3 below).[213]

Energy

At around 37 GWh per month, bagasse and biogas are part of Peru's renewable energy mix.[214] It is not clear, however, how much of the energy is produced from bagasse.

3.7.2 Key industry actors

Peru has 13 sugar mills (Table 8), of which 5 are managed by Grupo Gloria via its holding Corporación Azucarera del Perú (COAZUCAR), the largest sugar and alcohol consortium in the country. Its Peruvian sugar mills accounted for 56 percent of total domestic sugar production in 2017.[215] The milling subsidiaries also have own sugarcane cultivation on at least 50,000 hectares.[216] Furthermore, the company owns a stake in Agraria Chiquitoy (50.0%) and Agrícola Sintuco (86.0%), which supply sugar cane for the Cartavio sugar mill.[217] Outside of Peru, COAZUCAR operates one of the largest sugar mills in Ecuador (La Troncal).[218] Several of the milling companies are publicly listed, including four of the Grupo Gloria subsidiaries.

Table 8 Top sugarcane processors in Peru, 2017

Company	Mill	Sugar production volume (tonnes)	Sugar production market share	Alcohol production (million litres)
Grupo Gloria	Casa Grande	190,006	18%	330
	COAZUCAR	117,804	11%	n/a
	Cartavio	129,535	12%	*46.2*
	Agrolmos	60,685	6%	-
	San Jacinto	96,900	9%	*13.2*
Agro Industrial Laredo (Manuelita (Colombia))	Sol de Laredo[i]	157,855	15%	7.1
Agro Industrial Paramonga	Paramonga[i]	123,693	11%	0.3
Grupo Oviedo	Pomalca	66,450	6%	n/a

Company	Mill	Sugar production volume (tonnes)	Sugar production market share	Alcohol production (million litres)
	Tumán	33,226	3%	n/a
Other		104,746	10%	
Total		**1,080,900**		

Notes: [i]Alcohol production for 2018. Estimates in italics; n/a=not available.
Source: APAAD (2018), *Quienes Somos*, p. 10; COAZUCAR (n.d.), “Quienes somos”; Sol de Laredo (2019), *Memoria Annual 2018*, p. 13; Agro Industrial Paramonga (2020), *Memoria Annual 2019*, pp.6-7; *RPP Noticias* (2018, July 25), “Fiscalía investiga a Oviedo por presunto lavado de activos en Tumán y Pomalca”, viewed in January 2021.

As of April 2020, the Government of Peru owned shares in the Pomalca and Tumán sugar mills. These companies have been faced with social unrest and linked to corruption. No investment partners for the financing of improvements in efficiency and profits had been found yet. The government is auctioning its shares to private sector companies to encourage investments.[219]

The Coca-Cola company disclosed that it sourced in 2019 Peruvian sugar via Sucden Peru (from Sol de Laredo mill).[220]

Two mills are Bonsucro members:

- Agrolmos (Grupo Gloria) since October 2019
- Casa Grande (Grupo Gloria) since November 2019

The main industry association representing the Peruvian sugarcane industry is the Peruvian Association of Sugar and Sugar Derivatives Agro-Industries (Asociación Peruana de Agroindustriales del Azúcar y Derivados, APAAD). Eight major sugarcane processors in Peru are currently members of APAAD:[221]

- Casa Grande, San Jacinto, Agro Aurora, Cartavio, Agrolmos (Grupo Gloria)
- Caña Brava (Grupo Romero)
- Sol de Laredo
- Agro Industrial Paramonga

Some other industry associations representing the sugarcane industry include the Association for Sugarcane and Derivatives (Asociación Pro Caña de Azúcar y Derivados, APECAÑA)

3.7.3 Trade relationships

Peruvian sugar imports totalled 231,000 tonnes in 2019, while exports reached 184,000 tonnes.[222] Imports are higher in years with low domestic production, such as 2017 due to the El Niño influence. As a further increase in production is expected in the coming years, Peru could become a net exporter.[223] With a share of 54 percent, Colombia was the top export market for Peruvian sugar in 2019, followed by the U.S. with around 43 percent.[224] Exports to the U.S. benefit from a U.S. sugar tariff-rate quota (TRQ), which allows import of a certain volume under a low tariff.[225]

Peru faces significant competition from Guatemala in the domestic market. Although Peruvian producers cannot export to Guatemala due to trade restrictions and regulation on vitamin-A additions, Guatemala can freely export sugar for dumping prices below cost of production to the Peruvian market. In 2019, the Peruvian government introduced a quota to limit the amount of sugar that can be imported from Guatemala to 400,000 tons per year, which APAAD argues is too high and puts local sugarcane producers at risk of losing business.[226]

Ethanol exports by Peru have increased during recent years, reaching around 144,000 tonnes in 2019.[227] As mentioned in section 3.2, the Netherlands imported around 100,000 tonnes of ethyl alcohol from Peru in 2019. The suppliers of ethyl alcohol are listed in Table 9. Sucroalcolera del Chira and Agrojibito accounted for a combined 86 percent of the shipments by volume. No information on the recipients of the shipments is available.

Table 9 Peruvian shippers of ethyl alcohol to the Netherlands, 2019

Shipper	Volume (tonnes)
Sucroalcolera Del Chira (Grupo Romero)	57,675
Agrojibito (Grupo Gloria)	34,694
Cartavio (Grupo Gloria)	7,228
Casa Grande (Grupo Gloria)	7,417
Agroindustrias Solcace	402
Total	**107,417**

Note: the small difference with the export volume reported in (Table 3) is within the normal range for different trade data sources.
Source: Shipment data 2019, available to Profundo.

3.7.4 Impact of COVID-19

The agricultural sector in Peru grew in 2020, despite the COVID-19 crisis. This growth includes a 9.7 percent higher production of sugar in the first quarter of 2020.[228] Alcohol destined for disinfectant hand sanitiser and antiseptics surged in demand, which caused sugarcane companies to focus on the local market rather than export, and even start their own consumer brands to quickly tap into the market.[229]

However, this continued production is not without risk to workers' safety. Workers of the Agropucalá Company have voiced serious concerns about the transportation offered by the company to the sugarcane plantations. The buses are overcrowded, not allowing for social distancing, and some workers do not use a mask or use masks provided by Agropucalá, which are of poor quality. In addition, water is provided in shared glasses, and health protocols are generally not respected. One worker said that there are more than a thousand workers being transported in this manner every day, putting not only the workers but also their communities at risk.[230]

3.7.5 Living wages

The Peruvian Constitution confers the State the responsibility to regulate minimum living wages (*remuneración vital minima*) with the participation of workers' organisations and employers. In practice, the minimum living wage is set by the government considering a proposal submitted by the tripartite National Council for Labour and Employment Promotion (Consejo Nacional de Trabajo y Promoción del Empleo (CNTPE)). Since 2007, the CNTPE has been supported by the Special Commission on Productivity and Minimum Wages, a technical body that identifies the statistical indicators and criteria used to adjust the minimum wage. These criteria, which were adopted by the CNTPE, include projected core inflation and multifactor productivity. To facilitate the application of the adjustment mechanism, the Ministry produces technical reports on yearly basis.[231]

Moreover, the Peruvian Government defines minimum living wage as the minimum amount of money that is paid to a worker who works a full day of 8 hours a day or 48 hours a week. The current Minimum Vital remuneration was agreed in April 2018 and is equivalent to 930 Soles (€ 221.10).[232]

However, this minimum vital wage does not apply to the agricultural sector. For agricultural workers, a daily wage of 31 Soles (€ 7.03) applies, regardless of the number of hours. A report published by Peru's National Institute of Statistics and Informatics (Instituto Nacional de Estadística e Informática (INEI)) revealed that average monthly income of the agricultural, fishing and mining sectors was 866.6 Soles (€ 205.5) in 2018. Moreover, according to INEI, 72.7 percent of the salaried employed population in the agriculture, fishing and mining sector works without a contract.[233]

With regards to the sugarcane sector, in their annual reports of 2019 and 2020, Cartavio, San Jancinto, and Casa Grande mills published a minimum living wage for company workers of 39.19 Soles a day (EUR 9.03). This minimum living wage was effective as long as employees would work at least four hours a day (and the applicable wage for workers who did not meet the 4-hour minimum was not published).[234] Under this scheme, workers completing a working week of 48 hours should receive a monthly salary of 936 Soles, six Soles above the national minimum wage.

Details on labour rights-related issues in Peru can be found in section 6.5 in the Appendix.

3.8 Cambodia

3.8.1 Sugarcane production and derived products

Sugarcane area and output

Cambodia is a small sugarcane producer, with a share of 0.1 percent of global sugarcane production in 2019. The FAO reported production on 29,000 hectares in 2019, a significant increase from 17,000 hectares in 2009. Due to the extremely low productivity of 22 tonnes per hectare, total sugarcane production only reached 661,000 tonnes in 2019.[235]

Sugarcane is a growing industry in Cambodia, and in 2018, the Ministry of Agriculture, Forestry and Fisheries started to actively persuade farmers to start growing sugarcane under contract farming with major sugar mills, emphasising the future potential of the sector and increasingly high yields.[236]

Cane sugar

Production of cane sugar reached around 300,000 tonnes in 2019/20.[237] In addition to sugarcane, palm sugar is a growing industry in Cambodia, with currently 280 farmers producing palm sugar mostly for the domestic market.[238]

Energy

Next to the usual sugar products, the companies reportedly also produce energy from bagasse. However, for alcohol and energy production the unclear situation around production facilities in the country as described in the next section makes it difficult to evaluate capacity and production. In the case of Phnom Penh Sugar, a power plant with 16 MW capacity supplies around 11 MW for running the operations, while the remainder is sold to the government and surrounding villages.[239]

3.8.2 Key industry actors

In Cambodia, sugarcane is almost exclusively produced by large agri-business companies.[240] However, there is considerable insecurity around the status of production and processing. According to 2017 data by the Ministry of Industry and Handicraft, nearly 100,000 hectares had been earmarked for sugarcane plantations, aiming for a capacity of 1.8 million tonnes of refined sugar per year. At the time, only a small portion of this area was under cultivation by the key producers. Rui Feng was reportedly planning a large, US$ 1.5 billion project including cultivation, refinery, and manufacturing of derived products.[241] However, it seems that these plans are not materialising (see box below).

in Table 10 lists sugarcane companies which have been reported during recent years to be key actors operating in the sugar sector. As the production data refers to the first nine months of 2018 and considering the developments described above, the situation may have changed in the meantime.

Table 10 Sugarcane processors in Cambodia, first nine months 2018

Company	Mill	Raw sugar production Jan. - Sep. 2018 (tonnes)
Hengfu Group Sugar Industry (China)[i]	Rui Feng (Cambodia) International	56,664
Yellow Field International (China	Yellow Field (Cambodia) International	51,420
JV Khon Kaen Sugar Industry (Thailand) (80%) & Ve Vong Corporation (Taiwan) (20%)	Koh Kong Sugar Industry (KSI)	12,042
Great Field International (China)	Great Field (Cambodia) International	n/a
LYP Group[ii]	Phnom Penh Sugar Co. and Kampong Speu Sugar Company	n/a

Notes: [i]The operations of Rui Feng include land granted to four sister companies: Lan Feng Cambodia International Co. Ltd., Heng Non Cambodia International Co. Ltd., Heng Yue Cambodia International Co. Ltd., and Heng Rui Cambodia International Co. Ltd.; [ii]owned by prominent businessman and politician Ly Yong Phat & his wife, Kim Heang.
Sources: Ministry of Commerce (n.d.), "Business Registration – Yellow Field (Cambodia) International Limited (00015322)"; KSI KPT (n.d.), "About us"; Ministry of Commerce (n.d.), "Business Registration – Great Field (Cambodia) International Limited (00015309)"; *The Phnom Penh Post* (2018, November 13), "Sugarcane a 'huge potential for farmers"; Ministry of Commerce (n.d.), "Business Registration – Phnom Penh Sugar Co. Ltd. (00004593)"; Ministry of Commerce (n.d.), "Business Registration – Kampong Speu Sugar Co. Ltd. (00014214)"; Equitable Cambodia and Inclusive Development International (2014), *Specific instance under the OECD Guidelines for Multinational Enterprises submitted to the Australian National Contact Point (NCP) for the OECD Guidelines by:Inclusive Development International (IDI) and Equitable Cambodia (EC) AgainstAustralia New Zealand Banking Group (ANZ), concerning financial services provided to Phnom Penh Sugar Company*, p. 4.

Reportedly, Rui Feng and four linked firms (Lan Feng, Heng You, Heng Rui and Heng Nong) shut down their operations in the 40,000-hectare plantation and US$ 360 million cane sugar factory until further notice.[242] The operations, with a capacity of processing 20,000 tonnes of cane per day, have probably already been halted in March 2019. The company had been repeatedly involved in disputes with local communities, especially with indigenous minorities.[243] According to news reports, also KSI temporarily suspended operations in 2020, due to major European buyers discontinuing their sourcing from Cambodia.[244]

There are currently no sugarcane producers in Cambodia certified under BONSUCRO.

This research could not identify an active industry association or employers' organisation in the Cambodian sugarcane sector.

Human rights concern around Hengfu Group's ELCs for sugarcane plantations

The Cambodian Hengfu Group companies received ELCs for sugarcane production in Preah Vihear province in 2011 for a period of 70-years. The concessions gave the companies access to 40,000 hectares of land, without consulting the local communities. Reportedly, "*[…] five companies linked to Guangdong, China's Hengfu International Sugar, skirted Cambodian laws and permits to amass economic land concessions four times larger in total than allowed for a single entity; razed forests before producing an environmental impact assessment, notifying villagers or compensating those affected; and cleared land too close to waterways. Agriculture Minister Veng Sokhon acknowledged there were "some shortcomings" surrounding the sugarcane plantations*." Splitting the land among five companies allowed to circumvent a law that limits an individual entity from receiving concessions of more than 10,000 hectares. However, as became known in February 2020, the companies shut down their operations already a year earlier, including the refinery which was previously described as one of Asia's largest.

While the surrounding villages felt the economic impacts of the closed plantations, indigenous communities remained locked in disputes around their land, including ancestral and spirit forests and communal landholdings cleared for sugar plantations. Stopping the sugar cane operations is in breach with the concession agreement, as is the alleged leasing of land by the company to outside villagers and government officials, rather than returning it to the local communities.

Sources: Moniroth, M. (2019, December 13), "Plantations skirted laws to amass land, driving locals into debt", *VOD;* Narin, S. (2020, February 4), "Massive Chinese sugarcane firm disappears from Preah Vihear", *VOA Cambodia; Radio Free Asia* (n.d.), "Sugarcane in Preah Vihear"; *Radio Free Asia* (2020, May 19), "Chinese Sugar Company Leases Parts of Cambodian Land Concession to Farmers".

3.8.3 Trade relationships

Trade statistics for Cambodia are difficult to ascertain. In 2019, the country exported around 54,000 tonnes of sugar, down from 82,000 tonnes in 2018. The most important destination for exports in recent years was China, receiving more than 95 percent of exports in 2018 and around 58 percent in 2019. The remainder went to EU destinations. Meanwhile, imports averaged more than 600,000 tonnes in the last five years, with Thailand as the almost exclusive supplier.[245]

Cambodia is among the countries included in the 'Everything but Arms' (EBA) scheme of the European Union (EU), which aims to provide the world's poorest countries duty-free access to EU markets. It was expected that from 2009, the eligible countries would be able to export their entire sugar production to the EU at above-world-market prices, and in turn meet local sugar consumption needs through imports from the lower-priced world market. At the same time, it was observed that in many cases, investors from non-EBA sugar countries invested in these low-income countries to take advantage of quota-free access to the EU market.[246] Such a development could also be observed in Cambodia, where sugarcane holdings increased from 8,300 hectares in 2006 to 28,000 hectares by 2012.[247] Concurrently, land under lease to agro-industrial firms for cane production reached an estimated 100,000 hectares in 2012. Companies involved confirmed the EBA as a primary motivator for their investments in Cambodia.[248]

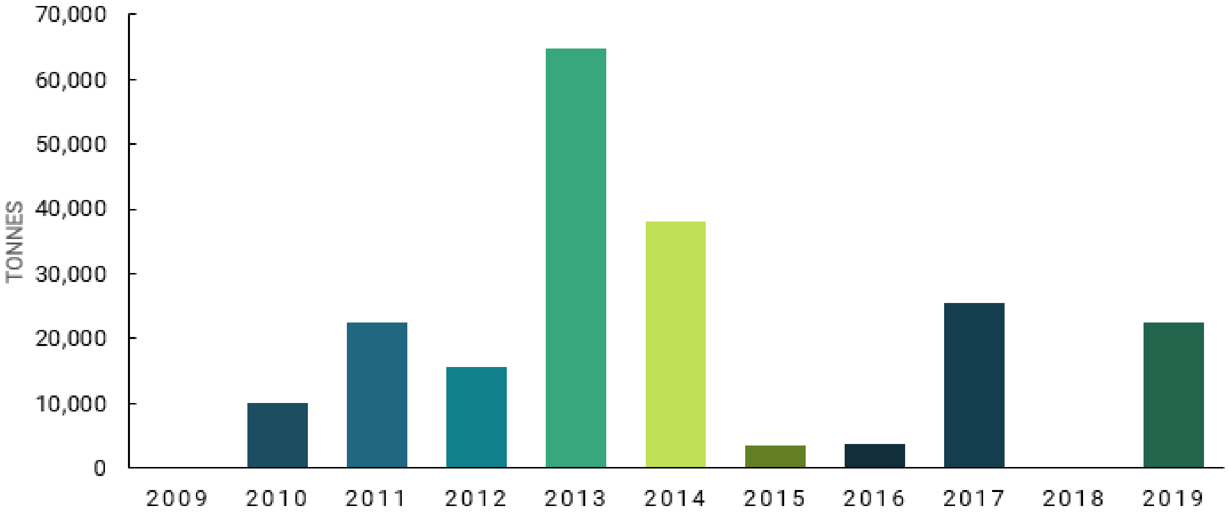
In August 2020, the European Commission temporarily withdrew Cambodia's duty-free access status for some products. Imports of raw sugar remain eligible for the tariff exemption.[iv, 249] As part of the EBA monitoring, the European Commission (EC) and the European Parliament (EP) have repeatedly highlighted serious human rights concerns in the country, including active engagement since 2017. Key issues relate to Economic Land Concessions (ELCs) in the sugar sector, for which the EC recommended the establishment of an independent and transparent mechanism to resolve claims for compensation arising from the granting of concessions for sugarcane plantations. Key areas of concern of the EU are political repression; freedom of expression and freedom of association; labour rights; and concerns over land-grabbing due to an EBA-driven surge in the

iv In relation to sugar, only tariff preferences for imports to the EU of fresh, chilled, or frozen sugarcane have been withdrawn, however, this trade is negligible.

expansion of sugar plantations.[250] Land-grabbing has been reported around the concessions of most of the leading companies, including Hengfu Group (see box), KSI and LYP Group.[251] In its Delegated Regulation from February 2020, the European Commission noted though "*[...] that tangible progress has been made by Cambodia in resolving land disputes concerning economic land concessions in the sugar sector since the launch of the temporary withdrawal procedure.*"[252]

Imports to the EU showed considerable variabilities since the introduction of the EBA scheme, as illustrated in Figure 9.

Figure 9 EU sugar imports from Cambodia, 2009 to 2019



Source: *Eurostat* (2021), "EU trade since 1988 by HS2-HS4", viewed in January 2021.

3.8.4 Impact of COVID-19

Amid the COVID-19 crisis, the Cambodian government decided to focus more attention on stimulating small-scale farming as a strategy to address mass unemployment due to layoffs in other sectors. Particularly, the country is motivating returned migrant workers and laid-off garment workers to start small farms in return for support in infrastructure, such as a fund for improving rural irrigation systems. However, the strategy is also contested, due to the poor performance of the country's agricultural sector and potential land conflicts affecting indigenous and local communities and is likely to be of little benefit to laid-off workers.[253]

Cambodia's workforce has been significantly impacted by the COVID-19 crisis, particularly those in the informal economy with no access to social security. Due to the empty streets in lockdowns and because of a lack of tourism, independent sugarcane juice sellers can no longer earn enough money to support their family, on top of the risk of contracting the virus during work.[254]

3.8.5 Living wages

The minimum wage in Cambodia for 2021 is set at US$ 192 (€ 158.98) per month, although this applies only for the garment and footwear industry.[255] Nevertheless, this wage is perceived as an official estimate for the poverty income level. The mostly informal, seasonal workers on sugarcane plantations, however, generally earn much less. In a 2016 study by CNV Internationaal, interviewed daily wage labourers state to receive around US$ 4.50 (€ 3.70) per day for an 8-hour working day, while others are earning piece rates. One formally employed permanent worker at the sugarcane plantation stated that she earned US$ 160 (€ 131.72) per month, which at the time was in line with the national minimum wage.[256]

Nevertheless, the average wages of sugarcane plantation workers are well below the living wages required to lead a basic but decent life. WageIndicator estimates that in 2018, the living wage in

Cambodia for a typical family was between KHR 804,300 (€ 163.11) to KHR 1,263,700 (€ 256.28) per month.[257]

Details on labour rights-related issues in Cambodia can be found in section 6.6 in the Appendix.

3.9 Indonesia

3.9.1 Sugarcane production and derived products

Sugarcane area and output

Indonesia accounted for a share of 2 percent of global sugarcane production in 2019. In Asia, it was the fifth largest sugarcane producer. Sugarcane is harvested from around 444,000 hectares. With 66 tonnes per hectare, the productivity is low, considering a world average of 73 tonnes per hectare and other Asian countries like Thailand and India reaching 76 and 80 tonnes per hectare, respectively.[258]

Sugarcane production is primarily located in East Java (47 percent) and Lampung (30 percent).[259] Production reached 29 million tonnes in 2019/20, all of which was used for sugar production. A total of 56 mills are operating in the country, many of them more than 100 years old and only six operating for less than 25 years. This old age of the facilities leads to a low recovery rate.[260]

Indonesia's sugarcane industry employs over 28,000 workers on farms in addition to around 27,000 workers off farm. In addition, 1.3 million farmer families are involved in sugarcane production.[261]

Cane sugar

Cane sugar production reached 2.2 million tonnes in 2019/20. To satisfy market demand, an additional 3.9 million tonnes of raw sugar and 135,000 tonnes of refined sugar were imported by Indonesia.[262]

In 2016, the Indonesian government launched the Sugar Roadmap 2016-2045 program. It defined a target of 3.2 million tonnes of sugar for domestic consumption by 2019, with the ultimate goal of achieving sugar self-sufficiency by 2045. However, production on Java Island is becoming unsustainable due to the rising costs of labour and land, and the decreasing productivity due to land deterioration. On top of that, competition with other sectors that are more profitable, particularly the palm oil sector, discourage investments into sugar production.[263]

Alcohol

Although Indonesia has recently become a leader in biodiesel production, ethanol consumption has remained virtually non-existent due to a lack of financial support for the ethanol blending program launched in February 2018. As reported in April 2020, the 2015 regulation by the Energy and Mineral Resources Ministry mandating the nationwide use of 10 percent bioethanol-mixed gasoline (E10) from 2020, up from the E2 introduction since 2015, has not been achieved.[264]

Meanwhile, COVID-19 has driven increases in demand for ethanol for use in antiseptics and hand sanitiser. Under MOT Regulation 31/2020, the government of Indonesia temporarily banned ethanol exports from March 2020 until end of June 2020 to protect domestic use of ethanol for antiseptic products.

In 2020, the Indonesian sugar production provided around 1.35 million tonnes of molasses, which is not only used for ethanol production but also for food processing, monosodium glutamate, and export. The predicted ethanol production in Indonesia for 2020 was estimated at 202 million litres, which requires around 820,000 tonnes of molasses. Competition for domestically produced molasses is therefore increasing significantly and may drive imports if production stays behind. [265]

Energy

Energy production from cane bagasse, tops and leaves still seems to be underutilised in Indonesia. Sugar processing in Indonesia currently produces 8 million tonnes of bagasse and 11.5 million tonnes of tops and leaves, providing considerable potential for energy production.[266]

3.9.2 Key industry actors

The sector is described as highly politicised and dominated by influential local sugar lobbies who are keen to protect their segment of the market from imports.[267]

The three key sugarcane plantation companies as of 2018 and their plantation and milling subsidiaries are listed in Table 11.

Table 11 Leading sugarcane companies in Indonesia, 2018

Company	Subsidiary/ Plantation or mill company	Sugarcane plantations (hectares)	Daily milling capacity (tonnes/day
PTPN III	PT Perkebunan Nusantara XI[i] (PG. Soedhono, PG. Poerwodadie, PG. Redjosarie, Kabupaten Madiun, PG. Pagottan, PG. Kanigoro (Alih fungsi), PG. Kedawoeng, PG. Wonolangan, PG. Gending, PG. Padjarakan, PG. Djatiroto, PG. Semboro, PG. Olean, PG. Wringin Anom, PG. Pandjie, PG. Assembagoes, PG. Pradjekan)		
Total PTPN III		62,583	40,105
Rajawali Nusantara Indonesia (RNI)[ii]	PT PG Rajawali I (PG Krebet Baru I, PG Krebet Baru II, PG Rejo Agung Baru)		18,000
	PT PG Rajwali II (PG Sindang Laut, PG Karangsuwung, PG Tersana Baru, PG Jatit Tujuh, PG Subang)		14,000
	PT PG Candi Baru (PG Candi Baru)		2,500
Total RNI		60,0000	34,500
PT Sugar Group Companies (SGC)	PT Gula Putih Mataram (GPM) PT Sweet Indo Lampung (SIL) PT Indo Lampung Perkasa (ILP) PT. Mataram White Sugar (GPM) PT. Indo Lampung Distillery (ILD)	67,000	

Notes: [i]In July 2020, it was reported that PTPN III intends to expand sugar plantations by a further 60,000 to 70,000 ha to meet domestic demand; [ii]RNI manages 13,900 ha of own sugarcane plantations and 46,100 ha of smallholder plantations.
Sources: SugarIndo (2018, December), *4th Sugartech Indonesia 2018; Reuters* (2020, July 8), "Indonesian plantation firm PTPN to expand sugarcane plantation"; PTPN III (2019), *Sustainability Report 2018,* p. 85; LinkedIn (n.d.), "Trini Listyati – Assistant Manager Purchasing at Sugar Group Companies"; *MitraToday* (2018, July 29), "PT. SGC the largest sugar cane plantation and sugar factory in Indonesia"; RNI (n.d.), "Agro industry".

Reportedly there are currently 67 sugar mills operating in Indonesia and eight more are under construction or planned. Milling capacity ranges between less than 1,000 tonnes to 12,000 tonnes of cane per day.[268]

Eleven sugar refineries with an installed capacity of 5 million tonnes process imported raw sugar into refined sugar. The resulting refined sugar is generally used for processing by the food and beverage industry. The distribution of refined sugar produced from imported raw sugar to retail markets for human consumption is prohibited.[269]

Table 12 lists the refineries operating in Indonesia and their capacities. In 2017, the average capacity utilisation stood at around 60 to 70 percent. With a share of around 17 percent, Wilmar (Singapore) is the largest actor.[270]

Table 12 Indonesian sugar refineries capacity, 2017

Company	Location	Capacity (tonnes/year)
PT. Berkah Manis Makmur	Banten	600,000
PT. Sugar Labinta	Lampung	540,000
PT. Sentra Usahatama Jaya	Banten	540,000
PT. Jawamanis Rafinasi (Wilmar)	Banten	533,200
PT. Angels Products	Banten	500,000
PT. Medan Sugar Industry	Sumut	495,000
PT. Makassar Tene	Sulsel	462,000
PT. Andalan Furnindo	Jabar	400,000
PT. Permata Dunia Sukses Utama	Banten	396,000
PT. Duta Sugar International (Wilmar)	Banten	300,000
PT. Dharmapala Usaha Sukses (Olam International)	Jateng	250,000
Total		**5,016,200**

Source: Hartono, S. (2017), "Identifying opportunities in Indonesian sugar refinery industry", *Sugar Indonesia: The Related Industries, Technologies, and Impact to the Nation*, August 15, Surabaya Grand City Convex.

Four sugar producers in Indonesia are Bonsucro certified:[271]

- PT Sugar Labinta since August 2016
- PT Dharmapala Usaha Sukses (Olam International) since April 2017
- PT Kebun Tebu Mas since February 2020
- PT Sentra Usahatama Jaya since December 2020.

Employer organisations have a strong standing in Indonesia, and successfully lobby on policies with the government. Two overarching institutions represent business interests in Indonesia: the Asosiasi Pengusaha Indonesia (APINDO) and Indonesian Chamber of Commerce and Industry (KADIN), in addition to various independent associations.[272]

The Indonesia Sugar Association (Asosiasi Gula Indonesia, AGI) founded by the government in 1981, represents all sugar mills, including both private and publicly owned mills. The goal of the AGI is to bring together players in the industry to provide input to the government on policies relating to sugar and promoting the competitiveness of the sugar industry.

In addition, several other associations and industry organisations have formed later, including:[273]

- Indonesian People's Sugarcane Farmers Association (APTRI), which represents smallholder and individual sugarcane farmers, and represent the interests of this group of farmers before the government and within the larger industry.[274]
- Indonesian Sugar Traders Association (APGRI)
- Indonesian Food and Beverage Entrepreneurs Association (GAPMI)
- Indonesian Sugar Expert Association (IKAGI)
- Indonesian Refined Sugar Association (AGRI).

3.9.3 Trade relationships

Under the total allocation of 3.3 million tonnes in 2019, sugar refineries imported 3.2 million tonnes of raw sugar. Thailand was the primary supplier of raw (82 percent) and refined sugar (89 percent). Sugar exports are negligible.[275] In the 1930s, Indonesia was still the world's second largest sugar exporter.[276] The supply gap is caused by stagnating harvest area, decreasing productivity, and increasing domestic sugar consumption.[277]

The Indonesian government tightly regulates the sugar industry. Although the government allows imports of raw sugar to be refined domestically for the food and beverage industry, it limits other imports, despite the increasing demand and the inability of domestic production to keep up with consumption, particularly following the long dry season in 2019. In 2019/2020, the government issued import permits for a total of 3.9 million tonnes of raw sugar, which is mostly imported from Thailand.[278]

Indonesia only exports small amounts of ethanol and does not import fuel-grade ethanol. It prefers to rely on domestic production in line with the protectionist trade strategy from the last years.[279]

3.9.4 Impact of COVID-19

During the COVID-19 crisis, Indonesia has faced a severe shortage of sugar. Low stocks of plantation white sugar since the last months of 2019 and panic buying due to the social distancing measures resulted in significant retail price increases. In an effort to stabilise prices of plantation white sugar, as of March 2020, the Indonesian Government issued permits to for additional imports of raw sugar for refining and direct household consumption.[280]

In April 2020, the sugar association AGI called on consumers to reduce their sugar consumption, expecting a 2.8 to 3 million tonnes sugar deficit until the end of 2020, mostly due to national production halting and interruptions in international sugar imports.[281]

3.9.5 Living wages

The Labour Law stipulates a working week of seven hours per day for 40 hours per week across six working days, or eight hours a day for 40 hours a week across five working days, in addition to maximum overtime of three hours per day or fourteen hours a week (Art. 77). Government Regulation Number 35 /2021 on "Certain Time Work Agreement, Outsourcing, Working time and Rest Time, and Dismissal" Article 26 stipulates maximum overtime of 4 hours or 18 hours a week per day or fourteen hours a week (Art. 77). However, this legislation is currently being changed, and overtime may be increased to four hours a day and eighteen hours a week, in addition to cutting mandatory paid leave and expanding outsourcing and flexibilisation of workers over the hiring of fulltime contracts.[282]

The 2003 Labour Law states that *"every worker/labourer has the right to earn a living that is decent from the viewpoint of humanity"* (Art. 88) and outlines a set minimum wage based on the needs for basic living (*kebutuhan hidup layak*).[283] According to the sources interviewed for this study, the basic living wage is not applicable since the issuance of Job Creation Bill. In this context, only the provincial minimum wage is applicable (Government Regulation 36/2021, article 25 (4) : Provincial minimum wage based on purchasing power parity (PPP), employment absorption and median of wages. District minimum wage applicable with conditions. Government Regulation 36/2021, article 30-31). However, district minimum wage is allowed only if the district average economic growth is above provincial inflation.

Indonesia’s minimum wage is calculated based on inflation or GDP. Article 88D (2) of the Job Creation Bill Article 88D (2) stipulates the formulation of the District/City minimum wage (UMK) calculation as been referred to sub-article (1) and consist of economic growth or inflation variable. The minimum wage is further corrected based on a province’s basic cost of living. As a result, the monthly minimum wage ranges anywhere between IDR 1,868,777 (€ 108.61) in East Java to IDR 4,416,186 (€ 256.66) in Jakarta.[284] The living wage in Indonesia for a typical family (with two parents and 2.5 children) is estimated at IDR 2,052,900 to 2,823,500 (€ 119.28 to € 164.06).[285] Depending on the region and local cost of living, the minimum wage therefore is close to the living wage, and significantly higher than the minimum wages in other countries in the region. However, wages in the agricultural sector are significantly lower at an average of IDR 1,399,967 (€ 81.38) per month.[286]

However, this legal minimum wage is only applicable to formal employees. Since the vast majority of workers (84 percent) are in the informal economy, particularly in sectors characterised by daily wage labour such as agriculture, these minimum wages do not apply to most workers.[287]

Details on labour rights-related issues in Indonesia can be found in section 6.7 in the Appendix.

3.10 Vietnam

3.10.1 Sugarcane production and derived products

Sugarcane area and output

Vietnam accounted for a share of 1 percent of global sugarcane production in 2019. In Asia, it was the seventh largest sugarcane producer. The country’s output reached 15 million tonnes in 2019, grown on around 233,000 hectares. At around 67 tonnes per hectare, productivity is reaching almost the global average, but is considerably lower than in countries like Thailand or India.[288] The country has around 33,000 sugar farming households.[289]

Cane sugar

Cane sugar production totalled around 1.3 million tonnes in 2019, down from 1.5 million tonnes in the previous year.[290] The sugar industry is not very mature yet and faces various challenges.

In addition to raw sugar, sugarcane juice, called *nước mía* or *mía đá*, is another important product in Vietnam’s domestic market. Particularly smallholders in the Mekong Delta sell sugarcane dedicated for juice through traders to small vendors, mainly when demand from mills is low. However, for farmers, selling sugarcane destined for juice is risky. Demand for sugarcane juice is seasonal and purchasing prices are generally low.[291]

Energy

The sugar factories are using cogeneration systems with bagasse as feedstock. The electricity is used for internal consumption and some factories sell the excess energy to the public net operated by the national Electricity of Viet Nam (EVN). In 2016/17, leading Vietnamese sugar mills produced an estimated 310 GWh of electricity, of which around 186 GWh were fed into the national grid. As several mills were planning to install or increase capacity this number has likely increased in the meantime.[292]

The Vietnamese government has set targets to increase the use of biomass energy to 2.1 percent of total electricity production by 2030 through the Revised Power Development Plan. Bioethanol derived from sugarcane bagasse is seen as a core resource to meet the country’s rising demand for energy. However, the current production capacity is still insufficient and financial institutions are hesitant to invest in the sugar industry. It remains to be seen whether the biomass energy goals will drive demand for sugarcane and related infrastructure investments to facilitate increased fuel-grade ethanol refining.[293]

The increased demand for sugarcane bagasse may drive up prices, which may make sugarcane more attractive for investments again after losing ground in the last couple of years due to the low sugar prices. According to producers, this would also allow for raising workers' incomes, while also emphasises that government stimuli for investments into biomass plants and sugarcane production are crucial, yet currently lacking.[294]

3.10.2 Key industry actors

The number of mills operating in the Vietnam is changing rapidly and differs between different publications. Moreover, many of the factories only operate perfunctorily, making it difficult to pinpoint the exact number of operating factories. In 2017, the number of sugar factories reportedly decreased from 46 to 42, and by August 2019 it was down to 36.[295] TTC Sugar as the leading group holds a market share of more than 50 percent in both the consumer as well the business market.[296]

Three key sugar groups active in Vietnam according to 2017/18 information are listed in Table 13.

Table 13 Leading Vietnamese sugar processing companies, 2017/18

Company	Subsidiary/ Plantation or mill company	Own sugarcane plantations (hectares)	Daily milling capacity (tonnes/day)
Thanh Thanh Cong – Bien Hoa (TTC Sugar)	TTCS		9,800
	Bien Hoa – Ninh Hoa		5,200
	Bien Hao – Tri An		2,500
	Bien Hoa – Dong Nai		
	TTCS Gia Lai		6,000
	Bien Hoa – Tay Ninh		4,000
	Bien Hoa – Phan Rang		1,500
	Nuoc Trong – Tay Ninh		1,000
Total TTC[i]		38,680	37,500
Quang Ngai Sugar (QNS)	Pho Pong Sugar Mill	2,449	2,200
	An Khe Sugar Mill	21,000	4,500
Total QNS		23,449	6,700
Lam Son Sugar (Lasuco)	Nong Cong Sugar	10,504	7,000

Notes: [i]owned farms 6,800 ha, rest contracted.
Sources: TTC Sugar (2019), *Annual Report 2017/18*, p. 270; Anh Tú, N. and N. T. Khanh (2017), *Business Directory on Sugar Industry in Viet Nam*, Hanoi, Vietnam: GIZ Energy Support Programme Unit, pp. 26, 31-32; *The Saigon Times* (2018, December 14), "Thanh Thanh Cong-Bien Hoa Sugar offers shares to strategic foreign investors".

The Coca-Cola company disclosed that it sourced in 2019 Vietnamese sugar directly from three TTC Sugar mills (Thanh Thanh Cong –Bien Hoa, TTC Bien Hoa –Dong Nai and Bien Hoa –Ninh Hoa).[297]

There are currently no sugarcane producers in Vietnam certified by BONSUCRO.

The main industry association representing employers in the sugarcane industry is the Viet Nam Sugar and Sugarcane Association (VSSA).

3.10.3 Trade relationships

Vietnamese sugar imports are higher than exports, resulting in net imports of 240,000 tonnes in 2019, up from 190,000 tonnes in the previous year. Most imports originate from Thailand.[298]

As part of the new EU-Vietnam Free Trade Agreement (EVFTA) that entered into force in August 2020, the EU has exempted import duties for an annual tariff quota for various agricultural commodities, including 20,000 tonnes of Vietnamese raw sugar.[299] Major sugar producers in Vietnam such as Thanh Thanh Cong Sugar intend to leverage this opportunity for improved market access and are expecting increased exports to the EU. Of particular interest is organic sugar, for which the demand in Europe is higher than in other markets.[300]

However, sugar trade relationships between the two countries became tense in 2020, when Vietnamese producers accused Thai companies of dumping sugar on the Vietnamese market, hurting the domestic industry which was already suffering from the suspension of production and decreased demands due to the COVID-19 pandemic. [301] On 1 January 2020, the ASEAN Trade in Goods Agreement (ATIGA) came into effect, which includes unlimited sugar imports from member countries at a beneficial five percent tariff. According to Vietnamese producers, this has created unfair competition particularly from Thailand, since the Thai government heavily subsidises its sugarcane industry, allowing Thai producers to sell sugar below cost price. [302] At the same time, the protectionist policies of other countries make it difficult for Vietnam to export its sugar and the low yields of the last few years have caused several sugarcane firms to disinvest and even close down. Meanwhile, the Vietnamese government calls on the sugar industry to restructure and compete, however, offering no support in the form of subsidies.[303]

3.10.4 Impact of COVID-19

The Vietnamese sugarcane industry, which was already struggling due to increased sugar imports below cost price through the ATIGA trade deal in combination with an inefficient industry and poor yields, is facing further issues due to the COVID-19 crisis. Due to the low international sugar prices and competition with Thai sugar, many sugarcane producers in recent years switched to growing cane for juice and other by-products, which they are now unable to sell due to a significant drop in demand during the pandemic.[304] This is largely due to the standstill of the Vietnamese tourism industry, on which sugarcane juice sellers in markets depend to sell their products.[305]

Workers in Vietnam were severely impacted by the COVID-19 pandemic. Over 32 million workers have lost their jobs or saw their hours being reduced. Although the agricultural sector was not the hardest hit industry, still 26.4 percent of workers were negatively impacted through reduced hours, lower incomes, and layoffs.[306]

3.10.5 Living wages

The Labour Code establishes a minimum wage set by the Government on recommendation of a National Wage Council that based on the minimum living needs of an employee and his/her family, social and economic conditions and wage levels in the labour market (Art. 91).

The monthly minimum wage is currently set in accordance to four regions, the lowest being VND 3,070,000 (€ 109.79) and the highest at VND 4,420,000 (€ 158.07).[307] However, the Global Living Wage Coalition estimates the monthly living wage in rural Vietnam at VND 4,618,167 (€ 166.04) for a standard family, and the costs of a basic but decent living at VND 7,729,194 (€ 277.89) per month.[308]

Normal working hours set by the Labour Code are eight hours per day, at a maximum of 48 per week, although this may be exceeded against overtime rates (Art. 104). The Code also requires a break of at least thirty minutes in a working day of over six hours (Art. 108), a twelve-hour break between shifts (Art. 109), and a 24-hour break per week (Art. 110) in addition to annual leave and public holidays. Although the Labour Code prohibits forced labour, the law does not provide any penalties, and does not explicitly prohibit debt bondage. As a result, Vietnam has high rates of forced labour, usually through unlicensed brokers charging high fees, forcing particularly migrant workers into debt.[309]

Details on labour rights-related issues in Vietnam can be found in section 6.8 in the Appendix.

3.11 Conclusions

Sugarcane production is an important economic opportunity in many producing countries, providing income and employment for many farmers and workers. The global market is dominated by a small number of large producing countries which account for a significant share of sugarcane production.

Sugarcane farms vary significantly in size, from just one or two hectares to tens of thousands of hectares. Generally, Latin America shows more mechanisation in sugarcane production than Asia and a structure with larger landholdings to produce sugarcane. This can be illustrated at the hand of the two largest sugarcane producers globally: while production in Brazil as the world's largest producer country is dominated by large plantations, small-scale farmers dominate in India, the second-largest producer, and in many other developing countries. It is difficult to identify reliable data on the number, size, and production levels of sugarcane farmers worldwide. According to estimate, as much as 40 percent of sugarcane may be grown by as many as 60 million small-scale farmers, while the remaining 60 percent is grown on large plantations.[310]

Next to large estates, also Latin American producing countries have smaller farmers supplying sugarcane to the mills, however, on average their cultivation area is bigger than those of smallholder farmers in Asia.[311]

The countries included in this research are all comparatively small producers with varying levels of development in their sugar industry. However, on the domestic market often a small number of companies controls the market. Across the analysed countries, some level of vertical integration is observed, with companies often operating plantations, mills, and refineries, marketing sugar on the domestic market and playing an important role in exports. Some of the companies operating in Latin America are present in multiple countries, however, such movements are limited. In recent years, scandals around collusion, tax evasion or corruption involved key actors of the industry in several Latin American countries. Influential families control a significant share of the processing capacity for example in Colombia and Guatemala.

Especially in Cambodia, there is considerable insecurity around the status of production and processing and the role of specific companies in the sector. However, in contrast to the other countries included in the analysis, foreign-owned companies seem to play a bigger role in Cambodia.

The use of bagasse for internal energy requirements as well as supply of surpluses into the national grids is observed across most countries. However, analysis of the potential for electricity generation from biomass sees opportunities for expansion in various markets. Overall, despite of government announcements and programmes for including bioethanol in gasoline, the development of the use of sugarcane-based ethanol for fuel use in several of the analysed countries is not developed yet or still in early stages.

Social issues connected to the sugarcane sector are a common theme across regions and countries. Especially land conflicts are prevalent in the sector in Latin America as well as in Asia, with local communities losing their access to land where large-scale sugarcane plantations are expanding. Moreover, all but one country (Peru, where the minimum wage at some of the mills was slightly above the national minimum) fail to provide sugarcane sector workers with a living wage.

To make matters worse, forced labour and debt bondage are prevalent in Guatemala, Bolivia, and Vietnam. Women and other minority groups such as (internal) migrant workers and indigenous peasant communities are the most affected by the absence of living wages. In addition, internal migrant workers and female migrant workers are the most vulnerable to debt bondage and labour exploitation. Globally, women working in the sector are also more prone to occupational health disorders, which in turns affects their capacity to negotiate better wages.

4

Relationships between selected sugar companies and Dutch financial institutions

This chapter presents the financiers and investors in the sugarcane sector, particularly in 25 companies, including the big agro-commodity traders and a selection of the most important companies from the countries of interest.

4.1 Loans and underwriting

This section reviews the Dutch corporate investors of the world's top five agro-commodity traders buying and selling cane sugar in the international market, i.e., Wilmar International, Alvean (JV Cargill & Copersucar), ED&F Man, Sucres et Denrées (Sucden), LDC (Louis Dreyfus Company). For each trader, a short presentation is provided, followed by its relationship with Dutch investors.

Between 2015 and 2020, three Dutch banks (ING Group, Rabobank, and ABN Amro) provide credit for a total US$ 13,740 million to the top five sugar-training agro-commodity traders, as well as their regional representations (Table 14).

Table 14 Loans and underwriting per bank and trader, 2015-2020

Investor Parent	Trading group	Sum of Per Investor Value (in mln US$)
ING Group (total)		4.957
	COFCO	1.745
	Cargill	1.082
	Bunge	923
	ED&F Man	429
	Louis Dreyfus Company	349
	Sucres et Denrées (Sucden)	224
	Wilmar	150
	Sucden Americas	55
Rabobank (total)		4.817
	COFCO	1.497
	Cargill	1.187
	Louis Dreyfus Company	598
	ED&F Man	579
	Bunge	282
	Sucres et Denrées (Sucden)	275
	Sucden Americas	219
	Wilmar	181

Investor Parent	Trading group	Sum of Per Investor Value (in mln US$)
ABN Amro (total)		3.966
	COFCO	1.242
	Cargill	852
	Louis Dreyfus Company	616
	ED&F Man	420
	Bunge	375
	Wilmar	306
	Sucres et Denrées (Sucden)	128
	Sucden Americas	28
Total		**13.740**

Source: Thomson Reuters Eikon (2021), 'EMAXX Bondholdings of selected companies', viewed in January 2021; Thomson Reuters Eikon (2021), 'Shareholdings of selected companies', viewed in January 2021.

4.2 Bond- and shareholdings

Moreover, this research found that nine Dutch bond- and shareholders invested in the commercial activities of three top global agro-commodity traders (Bunge, Cargill, and Wilmar). Moreover, TRUSTUS Capital Management (Dutch investment management company) held bonds and shares worth US$ 0,81 million in Viet Nam-based Quang Ngai Sugar. In total, the nine Dutch bond and shareholders invested over US$ 140 million in Q4 2020 (Table 15) in the cane sugar sector.

Table 15 Bond- and shareholdings per group and investor, 2020-Q4

Group	Investor Parent	Sum of Per Investor Value (in mln US$)
	Pensioenfonds Zorg en Welzijn (PFZW)	79,8
	Algemeen Burgerlijk Pensioenfonds (ABP)	15,5
	NN Group	12,1
	ASR Nederland	9,0
	Shell Asset Management Company	6,0
	Aegon	1,7
	ABN Amro	0,9
Bunge (total)		125,2
	TCW Group	0,6
Cargill (total)		0,6
	TRUSTUS Capital Management	0,81
Quang Ngai Sugar (QNS) (total)		0,81
	Pensioenfonds Zorg en Welzijn (PFZW)	11,26
	NN Group	1,74
	Algemeen Burgerlijk Pensioenfonds (ABP)	1,12
Wilmar (total)		14,13
Total		**140,79**

Source: Thomson Reuters Eikon (2021), 'EMAXX Bondholdings of selected companies', viewed in January 2021; Thomson Reuters Eikon (2021), 'Shareholdings of selected companies', viewed in January 2021.

5

Price-setting, sales, and profits in the sugarcane value chain

This chapter sketches changes to the value of a sugarcane product along the supply chain, from field to fork. This analysis pays special attention to identifying the value chain stakeholders receiving largest economic benefits. Moreover, players are identified who are likely influencing the pricing mechanisms.

The logical order of the analysis is first to focus on how key players in the sugarcane chain add value to the processed or embedded sugarcane product. Subsequently, the field-to-fork price setting can be calculated, and conclusions can be made on the actors in the chain that benefit most from the trade of sugarcane and its products.

5.1 Key actors in the sugarcane value chain: turnover and profits

From the market analysis (section 2.6and Chapter 3), the following actors can be identified:

- Millers/farmers.
- Domestic wholesalers.
- (Global) traders in cane sugar which act on the world sugar market.
- Fast-Moving Consumer Goods companies (FMCGs), ingredient companies, and others who process the sugar and sell this to retail sectors and foodservice companies.
- Supermarkets/food retailers who sell the products to consumers.
- Foodservice companies who sell the products to hotels, restaurants, and cafés.
- Biofuel producers and resellers: companies that produce or re-sell ethanol and/or mix this with fossil fuel and sell it to consumers.

5.1.1 Millers and farmers

Only some of the sugarcane companies identified in the eight countries included in this study are listed, of which several in Peru. These publicise information about their net revenues/sales and their profits. As these companies might also have other activities, the focus is on their activities related to sugar and its by-products, such as animal feed ingredients and (bio)fuels (e.g., ethanol and gas).

For six Peruvian companies, the total net sales, gross profit, and operating profits are published. The companies do not provide the specific information related to sugar; due to this lack of transparency, the second-best way is used to calculate the sugar-related value and profit generation through the approved methodology mentioned earlier. The methodology that is used in this report, is as follows:

- In general, the costs of goods sold by a company are upgraded to sales prices of end-products, which are sold to consumers.
- The tons of sugarcane that are processed are part of cost of goods sold.
- The end-product sold to consumers consists of cane sugar, feed ingredients, and biofuels.
- The difference between the sales proceeds and the input costs for sugarcane is part of the price-setting, which depends on both local prices and world prices.

In Table 16 the gross margin varies between -17.7% and 29.7%. In general, come companies can generate a higher price for their end-products versus the input product costs. In 2019, one company was not able to do this. As companies give no detailed insight, the assumption is that the net revenues values from the products made from sugarcane will experience the same price-setting as the average of each company. From the market research, the tonnages of sugar production are known. This is multiplied by the world sugar price as a starting point. By applying the gross margin of each company, the gross profit related to sugarcane is calculated. The group of six sugar companies in Peru have proceeds of US$ 258.8 million on sugar products, and after deductions of US$ 216.7 million cane sugar sourcing costs, the remaining US$ 42.1 million is pricing-up (i.e., gross profit).

This 'gross profit from sugarcane' can be further refined to 'operating profit from sugarcane'. This includes the other costs such as depreciation, marketing costs, salaries, management fees and bonuses, and restructuring costs related to the production process. As detailed information on sugar related operating expenses is not given by companies, the second-best solution is to take the total operating margin of each company and apply this on the embedded sugar turnover only. Based on this, we calculated an operating profit of US$ 16.4 million. This operating profit is related to the embedded sugar input/sourcing.

For the rest of the sugar industry in Peru, the same margins are used. And these are also applied to the rest of the world as in the fragmented market of sugarcane the outcomes will not vary dramatically. The 140-million-ton cane sugar trade equates to US$ 47.4 billion net value for sugar-based products by millers, US$ 7.7 billion gross profit and US$ 3.0 billion operating profit.

By using the pricing-up/gross margin approach, the first input for price-setting is found. The millers' and farmers' activities lead to a pricing-up from US$ 284 per ton cane sugar to US$ 339 net revenues per processed/embedded ton cane sugar. This US$ 323/ton is an input for the next stage in the chain, which are the wholesalers in the domestic chain and local FMCGs and other sugar-sourcing companies.

Table 16 Millers and farmers: Sugar value chain

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Formula	A	B	C	D=E/(1-A)	E=CxIP	F=AxD	G=BxD	H
Input price (US$/ton) - IP								284
Peru	Co	Co	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar
Casa Grande	15.6%	5.3%	0.19	63.8	53.9	9.9	3.4	336
Cartavio	21.1%	12.0%	0.13	46.8	36.9	9.9	5.6	360
San Jacinto	12.1%	4.0%	0.10	31.0	27.2	3.8	1.3	323
Laredo	12.5%	4.5%	0.16	51.2	44.8	6.4	2.3	324
Paramonga	29.7%	8.6%	0.12	50.1	35.2	14.9	4.3	404
Pomalca	-17.7%	-2.8%	0.07	15.9	18.7	-2.8	-0.5	241
Sub-total	16.2%	6.4%	0.76	258.8	216.7	42.1	16.4	339
Margins						16.2%	6.4%	
Rest of Peru industry			0.32	107.0		17.4	6.8	339

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Peru total			1.08	365.8		59.6	23.3	339
Margins applied to:						16.2%	6.4%	
Global milling/farmer sector			140.0	47,424		7,706	3,012	339

Source: gross, operating margin from Bloomberg, 2019 results; sugar (m ton) from supply chain research in this report; Co = company; E-sugar = embedded (or processed) sugar.

5.1.2 Domestic wholesalers and domestic retail

A global study by the International Sugar Organisation[312] showed that in more than eighty countries the local prices of sugar are higher than world market prices. The wholesale prices in these countries were 40% higher and the retail prices were 100 % higher than world market price. These prices are based on local price regulation, import tariffs, and local conditions. This means that the domestic wholesale sector is pricing-up the US$ 284 global world market price to US$ 397/ton, and the domestic retail sector to US$ 567/ton. Note that the domestic wholesale sector sources the sugar and other products for US$ 339 per ton from the local milling sector, which is a higher price than the world market price.

Of global sugar production, one-third is sold on the world market, and two-third on domestic markets (93.3m ton). Both world and local 'sugar' will end up in the same chain of FMCGs and other processors. The domestic wholesale price-setting of US$ 397/ton will be used as a part of the input price of FMCGs and other buyers (Table 17). The domestic retail price will be part of the retail analyses in section 5.1.5.

Table 17 Local wholesalers: sugar value chain

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Formula	A	B	C	D=E/(1-A)	E=CxIP	F=AxD	G=BxD	H
Input price (USD/ton) - IP								339
	Co	Co	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar
Domestic wholesale	14.7%	5.0%	93.3	37,070	31,616	5,454	1,854	397

Source: gross, operating margin from Bloomberg, 2019 results; sugar (m ton) from supply chain research in this report; Co = company; E-sugar = embedded (or processed) sugar.

5.1.3 Traders

For the traders, the same methodology is used as above. In this way, the net revenues related to sugar-based trade can be defined, as well as the pricing-up, the gross profit and the operating profit. One-third of (cane) sugar, or 46.7 million ton, is traded on the world market.

Wilmar International is the only publicly listed entity that provides information on margins and pricing-up. The assumption is that the 13.6 million (metric) ton of cane sugar this company trades is sourced against the world market price, or US$ 284 per ton, as Wilmar International belongs to the groups that trade sugar on the world market.

As Wilmar has a gross margin of 23.3%, it is pricing up the sourcing of sugar to US$D 370/ton, or US$ 284 x (100/(100%-23.3%)). For Wilmar, this generates a gross profit of US$ 1.2 billion on its embedded sugar sales of US$ 5.0 billion (13.6 million ton). All international traders trade a value of an estimated US$ 13.2 billion of sugar, and price-set this to US$ 17.3 billion. This results in US$ 4.0 billion gross profit and US$ 898 million operating profit (Table 18).

The price-setting by wholesalers is US$ 370 per ton sugar.

Table 18 Global traders: Sugar value chain

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Formula	A	B	C	D=E/(1-A)	E=CxIP	F=AxD	G=BxD	H
Input price (USD/ton) - IP								284
	Co	Co	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar
Wilmar International	23.3%	5.7%	13.6	5,032	3,858	1,174	286	370
Other	23.3%	5.0%	33.1	12,235	9,381	2,854	612	370
Average/Total	23.3%	5.2%	46.7	17,267	13,239	4,027	898	370

Source: gross, operating margin from Annual Report 2019 Wilmar International; sugar (m ton) from supply chain research in this report; Co = company; E-sugar = embedded (or processed) sugar.

5.1.4 Fast-Moving Consumer Good companies and other processors

The two-third of local sugar from wholesale and the one-third world market sugar will be sourced by FMCGs and ingredient companies. In section 2.7, the six largest global sugar sourcing FMCGs were mentioned: Coca Cola, ABF, Nestlé, Pepsico, Unilever and Kellogg's.

The companies are not transparent about the costs related to their embedded sugar purchases. Moreover, the companies are not transparent about the gross margin they earn on the embedded sugar input and give no details on the operating profit on sugar-processing either. Therefore, the same methodology is used for calculating the price-setting of the value chain actors above.

The input price for FMCGs, which operate locally and globally, is probably a combination of local wholesale price (US$ 397/ton) and global trader output price (US$ 370/ton). This leads to an input price for processed sugar of US$ 384/ton.

By applying this information, the sourcing of embedded or processed sugar by Coca Cola costs US$ 1.9 billion, while its total Cost of Goods Sold (COGS, excluding labour costs) is US$ 11.6 billion. Thus, embedded/processed sugar is 16.6% of its COGS. The pricing-up by Coca Cola is spectacular. As its gross margin is 69.1%, the embedded sugar is upgraded from US$ 1.9 billion to US$ 6.2 billion, or US$ 384 per ton to US$ 1,242 per ton. For PepsiCo the pricing-up is to US$D 1,256 per ton. For ABF the pricing-up is to US$ 600 per ton, but the company is much more an ingredient company.

As 75% of the global sugar production is used for food consumption, the whole FMCG value realised on embedded sugar is estimated on 106 million tons sugar, leading to a total pricing-up/gross profit of US$ 43.2 billion on net revenues of US$ 83.5 billion embedded sugar. Operating profit on embedded sugar is US$ 9.5 billion. In Table 19, the assumption is that the top-6 companies are not completely representative of the global market. The other FMCGs earn a lower gross margin. Therefore, the pricing-up for the entire FMCG industry is estimated at US$D 795 per ton embedded cane sugar.

Table 19 Fast-Moving Consumer Goods companies: Sugar value chain

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Formula	A	B	C	D=E/(1-A)	E=CxIP	F=AxD	G=BxD	H
Input price (US$/ton) - IP								384
	Co	Co	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar
Coca Cola	69.1%	27.1%	5.0	6,212	1,921	4,291	1,681	1,242
ABF	36.0%	5.8%	1.7	1,020	653	367	59	600
Nestlé	62.4%	14.8%	1.3	1,278	480	797	189	1,022
Pepsico	69.4%	15.3%	0.8	996	305	691	153	1,256
Unilever	60.0%	16.8%	0.4	385	154	231	64	962
Kellogg's	40.5%	10.3%	0.3	175	104	71	18	645
Sub-total/Average	64.1%	21.5%	9.4	10,066	3,617	6,449	2,165	1,069
Other	50.0%	10.0%	95.6	73,456	36,728	36,728	7,346	768
Total	51.7%	11.4%	105.0	83,522	40,345	43,177	9,510	795

Source: gross, operating margin from Annual Reports 2019; sugar (m ton) from supply chain research in this report; Co = company; E-sugar = embedded (or processed) sugar.

5.1.5 Supermarkets and wholesalers/food service suppliers

The FMCGs and ingredient makers sell their products to supermarkets and to wholesalers/foodservice suppliers. In this group, the supermarkets in most local markets generate most sales versus foodservice.

Supermarkets generate a gross margin of approximately 30% in many markets and operating margins of 3-5%. The 30% gross margin means that the pricing-up of sourced goods is 43% or a factor of 1.43X (=1/(1-0.70)). However, the pricing-up of perishable goods like vegetables, meat and dairy is relatively high as gross margins are 35-40%. For non-perishable goods, like many products with embedded sugar (soft drinks), the gross margins are lower. As there is no transparency, the assumption is 20%, or a pricing-up with a factor 1.25X.

The entire food retail and wholesale sector will be using the 105-million-ton embedded cane sugar, and the input price is US$ 795/ton (= output price by FMCGs). This leads to total net revenues with a value of US$ 104.4 billion, gross profit of US$ 20.9 billion and operating profit of US$ 3.7 billion (Table 20). Between supermarkets and wholesalers this can be split in 75/25%. Overall, this is a fragmented sector and globally there is not one supermarket that will belong to a global top 6.

Table 20 Supermarkets and food service: Sugar value chain

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Formula	A	B	C	D=E/(1-A)	E=CxIP	F=AxD	G=BxD	H
Input price (US$/ton) - IP								795
	Co	Co	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Supermarkets	20.0%	4.0%	78.8	78,302	62,641	15,660	3,132	994
on top brands								1,337
Catering/ others	20.0%	2.0%	26.3	26,101	20,880	5,220	522	994
Total	20.0%	3.5%	105.0	104,402	83,522	20,880	3,654	994

Source: gross, operating margin from Annual Reports 2019; sugar (m ton) from supply chain research in this report; Co = company; E-sugar = embedded (or processed) sugar.

5.1.6 Biofuel producers and resellers

Ethanol is produced executed already at the level of the local millers, but also global energy operators like Shell, produce ethanol. These global players also source ethanol from local companies to mix this with fossil fuels following own policies or government regulation.

Table 21 Biofuel producers and resellers: Sugar value chain

US$ million	Gross margin	Operating margin	Sugar (m ton)	Sales value	Input value	Gross profit	Operating profit	Pricing-up
Formula	A	B	C	D=E/(1-A)	E=CxIP	F=AxD	G=BxD	H
Input price (US$/ton) - IP								384
	Co	Co	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar	E-sugar
Shell	9.7%	1.5%	8.9	3,784	3,415	368	58	
Cosan	29.4%	18.7%						
Alto Ingredients	3.9%	0.7%						
Rex American Resources	3.0%	-1.6%						
Green Plains	1.3%	-6.1%						
Sector assumption	7.5%	1.0%	26.1	10,847	10,033	813	108	
Total	8.1%	1.1%	35.0	14,630	13,448	1,182	166	418

Source: gross, operating margin from Annual Report Shell 2019, Bloomberg; sugar (m ton) from supply chain research in this report; Co = company; E-sugar = embedded (or processed) sugar.

Ethanol is made from sugar as well as from grains, palm oil, and organic waste. Shell praises itself as a global leader in the biofuel market. In this context, Shell reports mixing 9.5 billion litres of ethanol with fossil fuels.[313] The company does not give a breakup between ethanol based on sugarcane and other materials. With a large joint venture (Raízen) in Brazil based on sugarcane, the assumption in this report is that 50% of this 9.5 billion is based on sugar cane. Based on this assumption and on the fact that one ton sugar can yield 141 gallons of ethanol, we calculate that 8.8-million-ton cane sugar are needed to produce 4.75 billion litres of ethanol. As input price the same US$ 384 per ton is used as for FMCGs. As Shell is not transparent about its ethanol/biofuel business, its downstream 9.7% gross margin and 1.5% operating margins are used to calculate the relevant embedded cane sugar values and profits. On net revenue level the value is US$ 3.8 billion. Gross profit is US$ 368 million and operating profit US$ 58 million.

Some other fuel companies are also active in ethanol production, and these show very diverse margin outcomes (Cosan, Alto Ingredients, Rex American Resources, Green Plains). With an assumption of the remaining ethanol sector of 7.5% gross margin and 1% operating margin, the sector contributes US$ 14.6 billion in sugar-embedded revenues, US$ 1.2 billion gross profit and US$ 166 million in operating profit (Table 21).

5.1.7 Summary of total value chain in sugarcane per sub-sector

The results generated in the preceding sections of this chapter, form the basis for the crucial relative comparison.

The total value generated in the cane sugar supply chain, is estimated at US$ 304 billion. This is the value embedded in each part of the chain. The various chains generate a total gross profit of US$ 82.4 billion on this. The operating profit is calculated at US$ 19.1 billion (Table 22).

Table 22 The total value chain in sugarcane: proceeds and profits

US$D million	Value	Gross profit	Operating profit
Millers/farmers etc	47,424	7,706	3,012
Local wholesalers	37,070	5,454	1,854
Global traders	17,267	4,027	898
FMCGs	83,522	43,177	9,510
Supermarkets	78,302	15,660	3,132
Foodservice/others	26,101	5,220	522
Biofuels	14,630	1,182	166
Total	304,316	82,427	19,094

Source: from the tables in the previous sections of this chapter

In the total, the highest value generated on cane sugar is by the FMCG companies. In net turnover, their share is 27%, but in gross profit and operating profit their share is respectively 52% and 50% (Table 23). These high percentages are due to the strong pricing-up power by companies like Coca Cola. This leads to high gross profits and high operating profits.

Supermarkets also belong to the leaders in value generated. Their profit generation is less significant than that of FMCGs. This is because the pricing power for global brands is at the brand producers, while supermarkets generate below-average profit margins on non-perishable products such as soft drinks (versus the high margins for perishables like vegetables, meat, dairy).

Millers and farmers as a group belong to the top 3 in the value and profit chain. The division between farmers and millers cannot be made easily as farmers might be owners of a mill through a cooperative. The generated values and profits by the group need to be divided by millions of companies as it is a very fragmented sector.

Table 23 Profit share along the sugarcane value chain

Value chain actor	Value	Gross profit	Operating profit
Millers/farmers	15.6%	9.3%	15.8%
Local wholesalers	12.2%	6.6%	9.7%
Global traders	5.7%	4.9%	4.7%

Value chain actor	Value	Gross profit	Operating profit
FMCGs	27.4%	52.4%	49.8%
Supermarkets	25.7%	19.0%	16.4%
Food service/others	8.6%	6.3%	2.7%
Biofuel sellers	4.8%	1.4%	0.9%
Total	100.0%	100.0%	100.0%

Source: Calculations are made from the tables in the previous sections of this chapter.

5.2 Price-setting by key actors and sectors in the sugarcane chain

Based on the analysis in the preceding sections of this chapter, the following escalating embedded sugar price per ton can be calculated. These numbers are consistent with the pricing of the key actors in the analysis above. In supermarkets, the top 6 global FMCGs sugarcane sourcing brands (Coca Cola, ABF, Nestlé, PepsiCo, Unilever, Kellogg's) can realise a 371% value gain (based on the 471 index number) versus the global sugar prices (Table 24).

Table 24 Price-setting of embedded cane sugar/ton

	USD/ton	Index
World market price	284	100
Millers/farmers etc	339	119
Local wholesalers	397	140
Retail local	567	200
Global traders	370	130
FMCGs + other manufacturers		
Global	795	280
Top Brands	1,069	377
Supermarkets		
Global	994	350
Top Brands	1,337	471
Foodservice/others	994	350
Biofuels	418	147

Source: based on the tables in the previous sections of this chapter.

5.3 The top 6 companies generating most value and profits

From the various levels in the chain, the top 6 companies can be selected which earn most in revenues and profits from embedded sugarcane. The top 6 generate 5.8% of the total value generated in the sugarcane chain, but in gross profit the share is 9.2% and in operating profit even 12.7%.

Coca Cola is clearly the largest company and dominates the top 6. While Nestlé, PepsiCo and Unilever are unsurprisingly in the top 6. The position of Wilmar international and Shell Group is interesting too (Table 25).

Table 25 Top 6 of value and profit generating companies

US$ million	Value	Gross profit	Operating profit
Coca Cola	6,212	4,291	1,681
Wilmar International	5,032	1,174	286
Shell Group	3,784	368	58
Nestlé	1,278	797	189
PepsiCo	996	691	153
Unilever	385	231	64
Total	17,686	7,553	2,431
% of total value chain	5.8%	9.2%	12.7%

Source: Calculations made based on the tables in the previous sections of this chapter.

6

Appendix: Detailed country profiles

6.1 Bolivia

6.1.1 Working conditions

Legal framework

Bolivia has ratified all eight of the ILO Fundamental Conventions, as well as three of the four priority Governance Conventions, except C144 – Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144).[314]

Bolivia's 2009 Constitution strongly integrates human rights, including social economic rights. Article 46 outlines that every person has the right to *"dignified work, with industrial and occupational health and safety, without discrimination, and with a fair, equitable and satisfactory remuneration or salary that assures a dignified existence for the worker and his or her family."* The constitution also recognises the right to collective bargaining, freedom of association, non-discrimination as well as other fundamental rights to and at work.[315]

The Ministry of Labour oversees the implementation and enforcement of labour legislation, particularly the 1939 General Labour Law (*Ley General del Trabajo*), but this law explicitly excludes agricultural workers. This means that agricultural workers are not covered by the protections in these labour laws as well as access to rights such as freedom of association, the right to associate and minimum wages, but instead are subject to specific degrees and regulations.[316]

Child labour

Bolivia has ratified C182 – Worst Forms of Child Labour Convention, 1999 (No. 182) as well as C138 – Minimum Age Convention, 1973 (No. 138). In this context, the 35 worst forms of child labour, which are typified by law. However, between 2014 and 2018, Bolivia had in place a Child and Adolescent Code that allowed children to work from the age of ten and provided protections for the rights of these child workers in an attempt to regulate child labour. Though applauded by some NGOs representing voluntary child workers arguing that regularisation would increase protection, the law was severely criticised by international bodies such as the ILO and in 2018, after the Plurinational Constitutional Court declared the provisions as unconstitutional, then President Morales changed the minimum working age from ten to fourteen.[317]

Although these changes and current legislation now largely meet ILO principles, child labour remains a persistent issue in Bolivia. Of children between ages seven to fourteen, 10.3 percent is engaged in work. Although most children (98.2 percent) attend primary school, 9.4 percent of children combine this with work before or after school hours or in the weekends. In most cases, this concerns work in agriculture (83 percent), particularly on corn fields, nuts and sugarcane plantations, and raising cattle. This also includes some of the worst forms of child labour, including forced labour on sugarcane plantations, which particularly affects indigenous children and internal migrants and refugee children.[318]

A particular gap in Bolivia's efforts against child labour lies in the lack of funding for enforcement of legislation, including a gross underfunding of the labour inspectorate. The Ministry of Labour reported in 2019 that its budget was insufficient to conduct labour inspections, and due to the political unrest in that same year, the government had not been able to collect data on inspections nor child labour incidences.[319]

Freedom of association

Bolivia has ratified C087 – Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) as well as C098 – Right to Organise and Collective Bargaining Convention, 1949 (No. 98). In addition, the Constitution provides for freedom of association, which is further regulated under the Labour Law. Workers may form a union in any private company that hires 20 or more employees, but at least 50 percent of the workforce needs to support the union. In addition, each company may only have one registered union, and unions need to legally register and gain government authorisation. The government may also dissolve unions, and only members that are Bolivian by birth may be on a union's board. In practice, these regulations severely limit the organising power of workers, particularly since the administrative processes are lengthy and over 70 percent of Bolivian companies hire fewer than 20 employees.[320]

Violations to trade unions' rights

According to the ITUC Global Rights Index, workers in Bolivia face systematic violations of their rights (Rating 4). The mass demonstrations after the disputed elections in the fall of 2019, which included leadership and active support from trade unions, were met with extreme police violence and brutality, and at least 31 protesters were killed during demonstrations.[321] In addition, between 2016 and 2019, ITUC registered ten cases of violations of trade union rights, including unfair dismissal, criminal persecution as retaliation against strikes, barriers to trade union recognition and intimidation.[322]

Also, in the sugarcane industry, unions frequently see their rights violated. In some cases, unions are denied access to sugar mills and plantations,[323] in other cases, employers refused to cooperate with unions during negotiations or following complaints from workers.[324] Moreover, outsourcing, which is common for amongst seasonal workers, can put cutters at risk since it is often not clear who is responsible for monitoring the labour safety of these workers.[325]

Occupational safety and health

Bolivia has not ratified the key ILO Conventions on OSH, including C155 - Occupational Safety and Health Convention, 1981 (No. 155) and C184 - Safety and Health in Agriculture Convention, 2001 (No. 184).[326] National OSH laws, however, are not effectively enforced. The Ministry of Labour's Bureau of Occupational Safety is responsible for the protection on workers' OSH, but has insufficient funds and inspectorate capacity, and noncompliance is underreported. Workers in informal employment enjoy even less protection.[327]

During the COVID-19 crisis, workers face dangerous working conditions. Although companies claim to have taken health and safety measures, there have been several reports of contaminations among workers, including an outbreak among 165 workers at the Guabira mill, of which at least two workers passed away because of Covid complications.[328] Also during the COVID-19 crisis, workers face dangerous working conditions. Although companies claim to have taken health and safety measures, there have been several reports of contaminations among workers, including an outbreak among 165 workers at the Guabira mill, of which at least two passed away.[329]

Significance of the informal sector and migrant workers

Most workers in Bolivia are employed in the informal economy (80.7 percent in 2018).[330] Many employers prefer to hire informal and flexible labour, particularly in the case of women, to avoid paying the required benefits. [331]

Civil society leaders in Bolivia have growing concerns about the extremely poor working conditions in Chinese companies, which are heavily investing in infrastructure and mining. Multiple NGOs reported that in addition to bring over Chinese labour rather than hiring locally, Chinese companies follow Chinese labour laws rather than the stricter Bolivian laws, and the government fails to enforce these regulations.[332]

With regards to migrant labour in the sugar sector, every year between the May and November, around 35,000 people migrate internally to the departments of Tarija and Santa Cruz to work in the sugar cane harvest, also known as "*la zafra*". This work is carried out, for the most part, by peasant families, who live in poverty and who seek to earn some money to buy food.[333] According to the Iberoamerican Organisation of Social Security (OISS), the majority of these workers are subcontractors.[334]

Access to social security

Although part of the salary of formally employed workers is dedicated to social benefits as established by the General Labour Law, sugarcane workers usually have no access to social benefits. Moreover, sugarcane workers are also covered by the Universal Health Insurance system, however, this system is not effective for them because there are usually no health care facilities covered by the insurance anywhere near the plantations. In addition, informally contracted sugarcane workers do not contribute to the pension system, thus they have no claim to pension funds. Rather than taking responsibility, sugarcane companies blame the workers, claiming that most of them prefer not to sign a formal contract since they prefer the flexibility of moving around between different plantations and because they want to avoid paying taxes.[335]

Discrimination

Bolivia has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111).[336] Bolivia's Labour Law prohibits discrimination based on race, sex, gender, disability, religion, political opinion, national origin or citizenship, language, sexual orientation or gender identity, HIV-positive status or other communicable diseases, or social status. This specifies principles of non-discrimination on more areas than most countries, yet the laws on discrimination are not effectively enforced. [337]

In practice, women face high levels of political violence and harassment, and there are various reports of employment discrimination against indigenous peoples, women, Afro-Bolivians, persons with disabilities, and members of the LGBTQI community. However, discrimination in the workplace is usually not officially reported nor penalised.[338]

According to UN Women, women in the informal sector earned on average 19 percent less than their male counterparts. Despite regulations, the pay gap is worse in the formal sector: men earn between 1.5 to four times more than women in the same occupation, which some critics argue is because of the strong benefits for women regulated by law, which includes more holidays, maternity benefits, a ban on working night shifts, and fewer work hours than men.[339]

6.1.2 Trade union involvement in the sugarcane sector

Overall unionisation

According to ILO estimates, 39.1 percent of workers are unionised in Bolivia, which is the highest rate in the region.[340] In total, there are 163 active trade unions in Bolivia, which are organised under the central Bolivian Workers' Centre (*Central Obrera Boliviana*, COB).[341]

According to the sources interviewed for this study, each mill has a union named after the same company. In this context, some of the unions include:

- Federación Sindical de Trabajadores Zafreros de la Caña de Azúcar de Santa Cruz (FSTZCA-SC)
- Federación Sindical de Trabajadores Zafreros de la Caña de Azúcar de Bermejo

- La Confederación Nacional de Trabajadores Asalariados del Campo
- Unión de Trabajadores del Azúcar San Isidro (UTASI)
- Sindicato de Obreros y Empleados del Azúcar San Isidro (SOEASI)

Moreover, the sources interviewed for this study indicated that, with the exception of public sector teachers and health workers, the law prohibits unionisation state workers. This means that the workers of stated-owned San Buenaventura mill cannot unionise. The state argues that these workers are subject to the Statute of the Public Official, and not to the General Labour Law.

Global Union Federation (GUF) involvement

Two Bolivian trade unions are IUF members:[342]

- Sindicato de Trabajadores Fabriles de Embol S.A. (STFESA)
- Sindicato Embol Cochahamba (SEC)

There are no Bolivian trade unions member of ITUC.

6.1.3 Social dialogue

Bolivia has not ratified the two international conventions concerning social dialogue – Tripartite Consultation Convention (C144) and Collective Bargaining Convention (C154).[343] The 2009 Constitution did introduce tripartism, with the Ministry of Labour as responsible for promoting, recognising, and guaranteeing labour negotiations and social dialogue in labour matters.

Since 2010, negotiations have mostly taken place between the Bolivian Workers' Centre – the chief trade union federation in Bolivia – and the government, mostly excluding employer representatives and thereby not respecting the tripartite principles. On a company level, negotiations usually take place on a bipartite basis between unions and employers, without direct government participation. However, agricultural workers are completely excluded from the right to collective bargaining, as well as informal workers.[344]

Some central tripartite institutions include the National Tripartite Occupational Safety and Health Council, the National Health Fund (*Caja Nacional de Salud*), National Commission for the Eradication of Child Labour (*Comisión Nacional de Erradicación Progresiva del Trabajo Infantil*), and the Productivity and Competition Commission (*Comisión de Productividad y Competitividad*).[345]

With regards to the sugarcane sector, the sources interviewed for this study indicated that the FSTZCASC holds annual tripartite negotiations, and its petition document includes a CBA.

6.1.4 Government involvement

The Ministry of Labour, Employment, and Social Welfare oversees implementation, compliance and enforcement of labour laws. Under the Ministry of Labour, several programs and councils are responsible for specific elements of labour rights, such as the General OSH Directorate and the General Direction of Union Affairs.

The Ministry of Rural Development and Lands (*Ministerio de Desarrollo Rural y Tierras*) is the main government branch in charge of agriculture and rural development, including the sugarcane sector.

6.1.5 Dutch governmental support

No Dutch government involvement in the Bolivian sugarcane sector could be identified. The Netherlands does not have an embassy in Bolivia, but represents the Netherlands from the embassy in Lima, Peru.

6.1.6 Labour rights initiatives

Government initiatives

In addition to national programs, the local Government of Santa Cruz has taken various initiatives to improve labour conditions in the sugarcane industry. In cooperation with the Ministry of Labour and UNICEF, the Government of Santa Cruz ran a fairly successful program for the eradication of child labour (Programa de Erradicación de Trabajo Infantil) in collaboration with the sugarcane industry, which resulted in 5,000 children between ages five and seventeen to stop working in the industry.[346]

Additionally, the Government of Santa Cruz also participated in the Triple Seal certification.

Civil Society and NGO initiatives

Solidar Suiza supports cane cutters (zafreros) members of FSTZBCA building their capacity to fight for their labour rights.[347]

Since 2010, Solidaridad has been implementing a Good Labour Practices programme targeting the Bolivian sugarcane sector. In this context, Solidaridad provides technical assistance to improve production efficiency and helping comply with the environmental requirements of the Bonsucro standard.[348]

Multi-stakeholder initiatives

The Triple Seal certification is a join initiative between the UNICEF, the Government of Santa Cruz, the Bolivian Institute of Foreign Trade (IBCE) and the Fundación Infancia Digna (INDI) to counter child labour in agro-industrial production. To receive the certificate, companies need to meet a specific set of regulations and actions to eradicate child labour, forced labour and discrimination, and if successful, sugarcane companies can place the Triple Seal certification symbol on their bags of sugar to stimulate responsible trade. In addition, the Triple Seal initiative is meant as a steppingstone to achieving the Bonsucro certification.[349]

6.2 Colombia

6.2.1 Working conditions

Legal framework

Colombia is a member of the ILO and has ratified all Fundamental Conventions as well as three out of four of the priority Governance Conventions (except C122 - Employment Policy Convention, 1964 (No. 122)).[350] According to Ulandssekretariatet, Colombia's labour market is regulated by complexed laws and decrees that set standards and restrictions.[351] In this context, the ILO has registered 591 national labour, social security, and human rights-related legislation.[352] Nonetheless, the main legal instruments regulating labour rights in Colombia are the 1991 Constitution (amended in 2015), the Labour Code and the 1993 Social Protection Code.

Child labour

Colombia has ratified all core international conventions concerning child labour, including C138 - Minimum Age Convention, 1973 (No. 138) and C182 - Worst Forms of Child Labour Convention, 1999 (No. 182).[353] The country made significant efforts to eradicate child labour, including a campaign Working is Not a Child's Task, aiming to prevent and eliminate child labour through awareness-raising efforts.[354] Likewise, the Ministry of Labour launched a virtual training campus for labour inspectors, including a Fundamental Rights at Work course with modules on child labour, and trained local officials on its Comprehensive Child Labour Information System. In addition, the government expanded the Eyes Everywhere anti-commercial sexual exploitation campaign. Laudable achievements notwithstanding, the government does not employ an adequate number of labour inspectors and children in Colombia engage in the worst forms of child labour, including in commercial sexual exploitation and illicit activities, each sometimes because of human trafficking.[355]

In Colombia, minimum age specified is fifteen. According to the US Department of Labor, in 2019, over 3 percent of Colombia's working population was made up by children aged 5 to 14. Of this, 135,570 children (over 50 percent of the total) work in agriculture.[356]

According to a 2020 study of child labour, there are almost 650.000 children working in Colombia, of which 71 percent are employed in subsistence agriculture and high-risk sectors, including sugar *panela* (a product derived from fresh sugar cane juice) production.[357] According to the sources interviewed for this study, the Colombian sugarcane sector has been in a process of rapid industrialisation, while that of panela remains in a context of family farming. This implies different labour and social contexts: in the industrial sector, child labour is non-existent, while in family farming there are still many children working.

Freedom of association

Colombia has ratified C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98), as well as C011 - Right of Association (Agriculture) Convention, 1921 (No. 11).[358] The Colombian Constitution, through articles 39 and 55 confers the State the obligation to guarantee the right to form and join unions, bargain collectively, and conduct legal strikes. In this context, the State must promote agreement and other measures for the peaceful solution of collective labour conflicts.[359]

In practice, however, problems remain related to various contractual arrangements, such as workers' cooperatives, service contracts and civil and commercial contracts, which cover genuine employment relationships and are used to prevent workers setting up trade unions. According to ITUC, Law no. 1453 of 2011 stipulates that those who grant collective "pacts" that provide better conditions, overall, for non-unionised workers than the conditions set out in the collective agreement for unionised workers in the same enterprise shall be liable to a sentence of between one (1) and (2) years and a fine of one hundred (100) to three hundred (300) times the legal minimum wage. However, according to some affiliates, applying this law is complicated and, in many cases, will depend on how the Judge assesses the "overall" advantages. Decree No 36 of 2016 regulates union contracts, under which unions provide manpower to employers, effectively shifting the role of unions from worker representatives to that of employer.[360] Moreover, Colombian labour legislation offers relatively strict protections for collective dismissals of workers but markedly flexible and weak protections for individual cases of dismissals. Furthermore, there are remarkably few restrictions on the provision of fixed-term contracts and these can be renewed indefinitely.[361]

Regarding the right to strike, ITUC cites loopholes in the Colombian labour code that impedes that workers assert their rights. For example, Article 417, section (i), of the Labour Code still prohibits federations and confederations from calling strikes. Moreover, Article 450, paragraph 2, of the Labour Code also allows for the dismissal of workers who have taken part in a strike that was declared illegal, even when the illegality is the result of requirements that are contrary to the principles of freedom of association.[362]

Violations to trade unions' rights

According to the ITUC Global Rights Index, Colombia is amongst the worst ten countries in the world for workers, citing murders of trade unionists, severe violence, and intimidation against human rights defenders. In Colombia alone, fourteen trade unionists were killed between 2019 and 2020. This includes union leader Alexis Vergara, who as a delegate of the SINTRAINCABAÑA union represented workers in the sugarcane industry and was killed in March 2020 by unknown assassins after he returned home from work. Most of these crimes remain unresolved as the government fails to address the situation of impunity and the under-resourced justice system.[363]

In theory, the penalties set out in the law for employers who violate labour rights such as antiunion practices should be sufficient to deter violations, ranging from high fines to five years of imprisonment. However, due to a lack of enforcement and inconsistent application of these laws, violations remain systemic.[364]

Occupational safety and health

Colombia has not ratified the key Conventions on OSH, including C155 - Occupational Safety and Health Convention, 1981 (No. 155) and C184 - Safety and Health in Agriculture Convention, 2001 (No. 184).[365] Colombia's domestic legislation largely meets international OSH standards, but does not cover informal workers, including most agricultural workers.[366] Although the Ministry of Labor is in charge of conducting inspections to ensure OSH standards are respected, the government has not hired enough inspectors, the level of training of these inspectors was found to be below par, and the failure to collect fines after penalties were assigned have failed to prevent health and safety violations.[367]

Repetitive movements, which are exacerbated by the increasing mechanisation of the sector, are the cause of physical exhaustion, including muscular discomfort as well as the prevalence of hernias. These conditions are compounded by workers' angst to lose the source of income. Although workers cannot be laid off due to work-cased disability or incapacity, they are generally relocated to other areas where they receive a lower salary. This causes great psychological and emotional pressure among the workers. The morbidity felt by the workers suggests that workloads, wear patterns associated with production, exposure to high temperatures and pesticides, in addition to the productive intensification derived from the way of organising work, significantly affect the health of workers in Colombian agriculture.[368]

In 2018, there were 2,172 work-related accidents, of which two resulted in dead and six in work-related diseases.[369] The rate of occupational-related injuries, however, is disproportionately high in the Colombian sugarcane sector. According to data from the Sub-Directorate of Occupational Risks of the Ministry of Health and Social Protection, in 2019 there were 16.31 work accidents for every 100 agricultural workers, which represents the highest rate of all economic sectors, and three times higher than the national average. But in sugarcane, this was even higher at 52.64 accidents for every 100 workers.[370]

Particularly non-union workers in agriculture work under hazardous conditions and are afraid of losing their jobs when they report abuses because they are usually hired informally or through subcontracting mechanisms. But also unionised workers who raised concerns have been fired as a retaliation for filing workers compensation claims after suffering from a work-related injury.[371]

Significance of the informal sector and migrant workers

Before the law, immigrant workers in Colombia enjoy relatively equal treatment as Colombian workers. In accordance with article 100 of the Political Constitution, on the rights and guarantees of foreigners in Colombia, and based on non-discrimination against foreign workers, in compliance with the conventions and recommendations of the ILO, the Ministry of Labour indicated that immigrants in Colombia have the right to enter into an employment contract; receive a salary for the provision of their services; be affiliated with the social security system in matters of health and pensions, with the ARL and with a family compensation fund; join an association and / or a trade union, and receive vacation pay. However, Law 1429 of 2010 (Law of Formalisation and Generation of Employment) repealed articles 74 and 75 of the Substantive Labour Code and, therefore, the obligation to comply with the proportionality of national and foreign workers in companies.[372]

Despite their legal entitlements, many immigrants (particularly those coming from Venezuela) face more precarious working conditions than their Colombian counterparts. Currently, only 25 percent of Venezuelan migrant workers in Colombia have an employment contract, which indicates that the majority (75 percent) work informally, even though they work up to 50 or more hours per week on average, compared to the average normal schedule of Colombian nationals (44 hours).[373] Moreover, Venezuelan workers face high levels of xenophobia and work discrimination. As a result, job prospects are uncertain amongst Venezuelan migrants over 25 years of age, although 32 percent have attained higher education and 44 percent have completed tertiary studies.[374]

Access to social security

Law 100 of 1993 sets the legal framework of the Colombian health care system. The social security, public, and private sub-systems are unified under the General System of Social Security in Health (SGSSS). Moreover, the system is organised around functions and responsibilities rather than population groups and there is mandatory universal health insurance to improve the equity and performance of public spending on health.[375]

Despite these provisions, the SGSSS has fallen short of the objectives stipulated in Law 100. In this context, the SGSSS was conceived in such a way that the majority of its members contributed, and a minority were subsidised. Today, after twenty-five years, there are more people receiving subsidies than those who contribute. This, in theory, is an achievement for social protection, as people working in the informal economy also have the possibility to access social security. However, this has resulted in a higher number of affiliates, but not all of them have effective access to health. The country remains incredibly unequal when it comes to accessing hospitals and healthcare professionals. In 2018, Colombia had 23 of the best 58 hospitals in Latin America, but these are concentrated in Bogotá, Medellín, Cali, and Bucaramanga, while a significant number of Colombians who are in regions such as the Orinoquia, Pacífica or Amazonia do not have access to even a basic health centre. In terms of health, the country is divided into castes, those who contribute and those who are subsidised, the rich and the poor, those who live in areas where there are good hospitals, and the rest.[376]

Discrimination

Colombia has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111).[377] The Colombian Constitution recognises equality of opportunity and treatment.[378] The 2006 Anti-Discrimination Law forbids any kind of different treatment based on race, gender, family, social status, among others. Despite the legal provisions against discrimination, a 2019 study documented the widespread tolerance of Colombian companies and institutions to discrimination. This is most prevalent at contracting when applicants are rejected for gender reasons, not attributing some jobs to applicants on the excuse they do not fit the job profile while however, being qualified candidates. In the same way, discriminatory practices are carried out for age reasons, or derived from some physical condition that has also become due to age, but that does not prevent them from executing some different tasks, thus making it impossible to work stability, or their seniority.[379]

Likewise, antiunion discrimination is rampant. Colombian unions have reported various cases of employers firing union members or using hiring practices and contracting structures to limit workers' rights. Although some of these employers received fines for these illegal practices, the fines were often not collected and therefore did not deter further violations.[380]

Afro-Colombians, migrant workers, and indigenous persons also face severe discrimination in the workplace and are at increased risk of falling victim to forced labour and forced recruitment.[381]

6.2.2 Trade union involvement in the sugarcane sector

Overall unionisation

According to ILO estimates, 9.5 percent of workers in Colombia are unionised.[382] In 2017, there were around 5,543 active trade unions in Colombia representing 12 percent of the total workforce. Close to three out of four (73 percent) were in the private sector and one out of four (27 percent) in the public sector. Three trade union confederations represent about 27 percent of the unionised workforce:[383]

- Confederation of Workers in Colombia (CTC)
- General Work Confederation in Colombia (CGT)
- Central Union of Workers (CUT)

These confederations represent workers towards employers and governments in formal bi- and tripartite institutions of the labour market. They are composed of regional and national federations from all sectors of the economy.[384]

Trade unions in the Colombian sugarcane sector include:

- SINTRATERCERIZADOS (outsourced workers' union).
- SINTRAINAGRO (National Union of Agricultural Industry Workers) represents workers in four sectors: banana, palm oil, sugarcane, and flowers.
- SINTRAINCABAÑA.

Global Union Federation (GUF) involvement

Colombia's three main trade union confederations (CTC, CGT, and CUT) are ITUC members.[385]

Five Colombian trade unions or trade union federations are IUF affiliates:[386]

- SINTRAINAGRO, SINTRACIAT (Union of Workers of the CIAT International Center for Tropical Agriculture)
- SINALTRAINBEC (National Union of Workers of the Beverage, Food, Agri-Food System, Related and Similar Industries in Colombia)
- SICO (National Union of Workers of the Food Industry, and Beverages, Breweries, Maltera, Juices, Soft Drinks, and Soda of Colombia)
- USTIAM (Union of Workers of the Beer, Beverage, Food, Malt and Similar Industry Workers).

6.2.3 Social dialogue

Colombia is one of the countries with the highest number of complaints to the ILO's regulatory supervisory bodies, especially the Committee on Freedom of Association (CLS). The 1990s were particularly difficult times for workers who could not fully exercise their rights to freedom of association and collective bargaining. Up until 2009, the country was frequently called upon to render explanations before the Commission for the Application of Standards of the International Labour Conference.[387] In 2000, with the technical assistance of the ILO, the Special Commission for the Treatment of Conflicts before the ILO (CETCOIT) a national tripartite body was created.[388]

According to the existing regulations for departmental subcommittees, Law 1757 of 2015 governs provisions regarding the promotion and protection of the right to democratic participation. Its article 111 indicates that: "*Social dialogue is a democratic mechanism for citizen participation and the strengthening of civil society organisations, with the aim of promoting interaction, communication, consultation and monitoring of public policies at the national territorial level."* However, the figure of the departmental subcommittees, which could and should deal with issues of labour disputes, is relatively new and the capacities of their tripartite members undergo continuous changes due to rotations and loss of learned skills.[389]

The main tripartite mechanism led by the Ministry of Labour is the interinstitutional Commission for the Promotion and Protection of the Human Rights of Workers, with representatives of the government, organised labour groups and employers.[390]

6.2.4 Government involvement

In 2020, the Colombian government launched 10 Public-Private Partnerships (PPP) pacts for the generation of employment in different sectors, including the sugarcane sector. In this context, the government agreed to 327 actions, of which 63 percent are to be implemented by the public sector and 37 percent are assumed by the private companies. These actions include, amongst other, more tax breaks and subsidies.[391]

6.2.5 Dutch governmental support

In 2020, the agricultural department (LAN Bogotá) of the Dutch Embassy in Colombia launched a strategy for the coming years to make the transition towards a more circular agriculture. This strategy is structured in two phases. In this context, a vision was developed, resulting in six priority areas in Colombia related to circular agriculture, including the sugarcane sector. The vision is based on interviews with stakeholders from the private, public, and academic sectors in Colombia and on the analysis of trade, policies, objectives, knowledge, and activities in Colombia and the Netherlands. The second phase includes identifying actors and funding to implement this vision.[392] The vision, however, does not encompass human or labour rights.

6.2.6 Labour rights initiatives

Government initiatives

The 2011 Colombian Action Plan Related to Labor Rights (Labor Action Plan) by the Colombian Government set out steps to protect labour rights in five priority sectors of palm oil, sugar, ports, mines and cut flowers. Under this commitment, the government was to organise increased labour inspections, but these have been inadequate, infrequent, not rigorous and failed to follow up on penalties.[393]

The National Protection Unit (NPU), a specialised corps of the Colombian police, is in charge of, amongst others, protecting human rights defenders from attacks and investigating and prosecuting cases. This also includes protection of 306 trade union leaders as of May 2019, representing around 6 percent of NPU's budget.[394]

Civil Society and NGO initiatives

The Nature Conservancy works in conservation projects in sugarcane growing territories since 2017.[395]

Multi-stakeholder initiatives

In the context of its sugarcane programme, Solidaridad works in Colombia. However, it is not clear what its most recent activities in the country are concerning this sector.[396]

6.3 Guatemala

6.3.1 Working conditions

Legal framework

Guatemala has ratified all ILO Fundamental Conventions, as well as the four priority Governance Conventions[397]. In addition to the Guatemalan Constitution, which lays out core rights for workers, the Guatemalan Labour Code (*Código de Trabajo*) is the main legal instrument regulating the rights at work. Ministry of Labour and Social Welfare (*Ministerio de Trabajo y Previsión Social*) is responsible for implementation, enforcement and monitoring of this legislation.

Child labour

Guatemala has ratified the fundamental ILO conventions concerning child labour – including Convention 138 on Minimum Age and Convention 182 on the Worst Forms of Child Labour, as well as the UN Convention on the Rights of the Child.[398] Guatemala's domestic laws and regulations also largely meet minimum international standards on child labour – setting the minimum age for child labour at 14 – and the government has made significant strides in addressing child labour since 2019 with the introduction on new protections for adolescents, a new multi-agency mechanism providing care for child trafficking victims, and the adoption of monitoring and evaluation tools as part of an anticipated action plan to combat child labour.[399]

The reality on the ground, however, is far more sobering. Nearly 290,000 children aged between seven and fourteen are engaged in child labour in Guatemala, representing 9.3 percent of all children in this age group. Child labour is particularly prevalent in the agricultural sector, where 67.5 percent of working children are employed. [400] In this type of work, child labourers face dangerous work, low wages, long working days and little to no social protection as day wagers. Specific groups of children are particularly at risk of falling into child labour, most significantly children living in rural areas, girls, and indigenous children – who account for half of all child labourers in Guatemala.[401]

Child labour is particularly persistent in sugarcane production. A study by Verité found that 55 percent of the workers interviewed indicated that children under the age of fourteen work in the sugarcane plantations where they last worked and indicated that children make up an important part of the workforce.[402] Workers reported that these children were seen using sharp tools such as machetes for cane cutting, and applying pesticides, both of which are dangerous tasks that fall under the worst forms of child labour both in international and Guatemalan law.[403]

On sugarcane plantations, children often work alongside an adult family member, usually the male head of the household. These children do not earn an individual wage, but instead help their family members increase their productivity, to meet the nearly impossible minimum production targets to achieve a reasonable income. Since the plantations usually do not offer childcare facilities – which is particularly problematic for migrant workers who live in communal housing and have little other support network – combined with the low pay often leaves parents no choice but to take their children along to work. Yet, even as a family, the collective income of children and their parents on a sugarcane plantation often does not even meet the equivalent of one minimum wage.[404]

Freedom of association

Guatemala has ratified all core ILO Conventions on the right of association and the rights to organise and collective bargaining, including Convention 11 on the Right of Association specifically for the agricultural sector.[405] The Guatemalan national labour law largely complies with the ILO standards, including the right to unionise without being subject to discrimination (Art. 34 of the Guatemalan Constitution) and the right to strike (Art. 104 of the Constitution).

While on paper and in legislation, workers have the right to form unions and negotiate collectively, these rights are not respected in practice, especially in the agricultural sector. Violations of worker's freedom to associate and right to organise are persistent and even extremely violent, which is further exacerbated by impunity for perpetrators and a repressive regime. Additionally, in February 2020 the Guatemalan Congress approved a decree (No. 4-2020) that restricts freedom of association through criminalisation of foreign funding for "activities that alter public order in national territory", which would potentially include trade unions and NGOs opposing to suppression of workers' rights.[406]

Violations to trade unions' rights

Guatemala has a long and violent history regarding the systemic repression of trade unions and violence against its members. Well into 2020, union busting, violence against union leaders and retaliation against workers who partake in collective actions continue to make Guatemala one of the most dangerous places in the world for labour rights defenders. In the ITUC Global Rights Index, Guatemala was given a rating of 5, indicating that the country provides no guarantee of rights and workers are exposed to autocratic regimes and unfair labour practices. As such, Guatemala is named as one of the worst countries in the world of work.[407]

The legal protections that Guatemala has in place fail to safeguard the right to organise, the freedom of associations, and the right to collective bargaining, particularly in sectors where informality rates are high, including the agricultural sector. Union members and leaders do not only face unfair labour practices such as dismissal, unfair recruitment, and harassment, they even face violence. Guatemala has the highest per capital rate of trade unionist assassinations. Also, in the agricultural sector, workers do not feel safe to organise and as a result, workers are often forced to accept poor working conditions and low wages to avoid facing retaliation.[408]

As a result of trade union intimidation, Guatemalan sugarcane industry unions have disappeared, except one in the Palo Gordo mill, the eighth producer of ground cane, according to 2016 data.[409]

Occupational safety and health

Guatemala has ratified most key ILO Conventions on OSH, including C129 on Labour Inspections (Agriculture).[410] The national legal framework regulating occupational safety and health (OSH) in Guatemala has improved significantly over the last five years, but still leaves significant and concerning gaps. The Ministery of Labour and Social Welfare is responsible for implementation and monitoring of OSH and implementation of the General Regulations on Occupational Health and Safety, which places obligations on employers to prevent occupational accidents and illnesses (Art. 198 of the Guatemalan Labour Code).

However, as is the case with most labour rights issues in Guatemala, the OSH laws on paper are not effectively implemented and enforced, particularly in the agricultural sector where informality is rampant. Not only do plantation workers face hazardous work with strenuous tasks, but they also often have little to no access to PPE. Workers are often expected to bring their own PPE and tools, need to either purchase it themselves, or employers deduce a portion of their wage to cover the costs of the equipment supplied by the plantation. As a result, most plantation workers do not work with the necessary protective equipment when engaging in hazardous work.[411]

Companies are also legally required to maintain a first aid kit (Art. 197 of the Labour Code) and provide medical services to workers who are injured at work. However, this is often not the case in the agricultural sectors, and workers report that particularly temporary workers, subcontractors, and informal workers do not have access to medical services from the company.[412]

Sugarcane production, by its very nature, poses significant health and safety risk to workers. The work is physically demanding, often performed during long working days with little breaks in high temperatures, exposing workers to heat exhaustion, sun damage, dehydration, respiratory problems, skin conditions and workplace CKD, a dangerous kidney disease. Since workers are usually not provided with drinking water and instead must bring or buy their own, this poses additional risks. On top of that, the use of dangerous tools, agrochemicals, smoke from burning cane fields and the absence of PPE exposes workers to additional health and safety risks.[413]

These conditions are exacerbated for migrant workers who are provided housing by labour brokers. Generally, these housing conditions are extremely poor, forcing people to sleep on concrete floors, covering themselves with plastic sheets when it rains since there are no walls, cramped with thirty people in a single room. The housing often lacks water, cooking facilities and toilets, all of which pose significant health risks. It should be noted, however, that also local workers face unhygienic and inadequate housing conditions due to their extremely low wages well below the poverty line.[414]

Sugarcane workers are also at risk due to the high rates of armed violence in Guatemala. In January 2021, three sugarcane workers in Retalhuleu were found dead while they were irrigating the fields. All three young men were found with multiple gunshot wounds, but the reasons for the killing are unknown.[415]

Significance of the informal sector and migrant workers

The informal economy in Guatemala is estimated at 65.3 percent of total employment, although informal employment is more rampant in rural than in urban areas at 75.3 and 56.8 percent respectively.[416] According to the Economic and Commercial Office of Spain in Guatemala, the 12 Guatemalan sugar mills generate around 492,000 direct and indirect jobs during the harvest season. This corresponds to 5 percent of the total workforce. Of those, 82,000 jobs correspond to cutters.[417] However, these estimates do not distinguish between formal and informal workers. Nonetheless, it is estimated that informal workers make up for 70.6 percent of employment nationwide, in rural areas 8 out of 10 workers work informally.[418]

An important part of sugarcane plantation workers are internal migrants who move to plantations during harvest seasons. Migrant workers often live-in employer-provided housing, which is a generally poor form of communal housing in large open structures with no sanitation or electricity. Moreover, they are transported in unsafe conditions for long distances. Many migrant workers come with their families and take their children along on the field. Hiring migrant workers rather than local labour is a known strategy to undermine labour rights, since they are less likely to organise and lack social networks to provide leverage. Many migrant workers are indigenous, particularly Mayan and Ladinos. Migrant workers are highly dependent on the brokers who help them obtain employment and who often confiscate their IDs and require brokerage fee, which renders them vunerable to debt bondage. In many cases, these brokers become the de-facto employer of the workers, rather than the actual plantation owners.[419]

Access to social security

In the constitution, Guatemala recognises and guarantees the right to social security, managed by the Guatemalan Social Security Institute (*Instituto Guatemalteco de Seguridad Social*, IGSS). Although all workers that benefit from social security are expected to contribute to the system, retirees have a right to gratuitously receive allowance payments and complete coverage of medical services. Both employers and workers are expected to contribute to the social security system. But workers in the agricultural sector report that despite deductions from their wages for social security and benefits contributions, they never received IGSS social security cards and were not registered in the IGSS system. As a result, even formally employed workers who contribute to the social security system do not always have access to the benefits and are turned away at IGSS hospitals.[420] Most workers on sugarcane plantations, however, work informally and have no employment contract in the first place, so are not registered nor have access to the social security system.

Discrimination

Guatemala has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111).[421] The Guatemalan Constitution requires employers provide equal remuneration for equal work under equal conditions, levels of efficiency and seniority (Art. 102) and the Labour Code prohibits discrimination in recruitment on the basis of gender, ethnicity and marital status (Art. 151). In addition, the Labour Code provides some protections for female workers, particularly for pregnant and breastfeeding women.

Nevertheless, Guatemala ranks poorly on gender equality, placing 126th (out of 189 countries) in the Gender Inequality Index.[422] Gender discrimination is also systemic in the agricultural sector in Guatemala. Not only are women less likely to be hired, assigned different (supposedly lower skilled and therefore lower paid) tasks, often only earning 44 percent of their male counterparts, women also face sexual harassment of co-workers and supervisors.[423]

In addition, union members and human rights defenders and migrant workers are all subject to significant discrimination in the sugarcane sector. This discrimination is manifested in unfair dismissals, lower wages, and harassment, amongst others.[424]

6.3.2 Trade union involvement in the sugarcane sector

Overall unionisation

As a result of years of violence against union members and repression of organised labour, the level of unionisations has dropped significantly over the last decades. With only about 30 unions in the private sector left, today only 2.6 percent of Guatemala's workforce is unionised, which is among the lowest rates in the world.[425] These numbers are even lower in the agricultural sector, where as little as 0.8 percent of workers are unionised.[426]

Unionisation in agriculture is largely hindered by a rational fear of reprisals due to the long history of discrimination and violence against union members including dismissal, kidnapping, and murder. In fact, 88 percent of agricultural workers stated that they were too scared to even attempt to unionise. [427] Even when there is a union, workers express mistrust, stating that the union serves the employers, rather than the employees' interests.

Organising in the agricultural sector is also particularly difficult due to the high prevalence of daily wage labour and informal work, the high rates of seasonal and migrant workers who are less likely to organise, and the labour contracting constructions where formally workers are hired through a number of brokers rather than directly by the plantation. As a result, unions in the Guatemalan sugarcane industry are nearly non-existent.[428]

Global Union Federation (GUF) involvement

Two trade unions in Guatemala are members of IUF:

- Federación Sindical de Trabajadores de la Alimentación, Agro Industria y Similares de Guatemala (FESTRAS)
- Sindicato de Trabajadores Bananeros de Izabal (SITRABI).

Additionally, three unions are members of ITUC:

- General de Trabajadores de Guatemala (CGTG),
- Confederación de Unidad Sindical de Guatemala (CUSG)
- Unión Sindical de Trabajadores de Guatemala (UNSITRAGUA).

6.3.3 Social dialogue

According to Ulandssekretariatet, in Guatemala, labour disputes are governed by the labour code. These are first attempted to be solved under direct settlement between employers and workers. If settlements are not reached, the case may be referred to a Court of Conciliation, which makes a conciliation offer. If that is rejected, the case may be referred to arbitration by the Court of Arbitration, if the parties agree. These courts are presided by a judge from the Ministry of Labour and Social Affairs, and one each representing workers and employers. The most frequent employment disputes that result in litigation involve claims of unlawful termination, with the plaintiff seeking payment of indemnities and reinstatement. Employment disputes involving alleged breaches of collective bargaining agreements with unions also frequently result in litigation.[429]

6.3.4 Government involvement

The Ministry of Labour and Social Welfare (*Ministerio de Trabajo y Previsión Social*) is the key ministry responsible for implementing and enforcing labour laws, while labour disputes are settled before the Court of Conciliation of the Court of Arbitration, which consists of one judge from the Ministry, one judge from the employers, and one judge representing workers. In addition, the Ministry of Agriculture, Livestock and Food (Ministerio de Agricultura, Ganadería y Alimentación) is in charge of legislation and promoting of agricultural production. [430]

6.3.5 Dutch governmental support

The Dutch Embassy in San José, Costa Rica, the Netherlands Business Support Offices (NSBSOs) and the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland - RVO), all support Dutch companies to secure business relationships in Central America, including Guatemala. Officials at the embassy and consulate in Guatemala City, as well as the NBSOs, help businesses through connecting partners and providing advice on conducting business in the countries where NBSOs are present. The RVO, which is the official agency for entrepreneurs, further supports these efforts with access to financing, as well as providing assistance and information on trading.

6.3.6 Labour rights initiatives

Government initiatives

To guarantee compliance with labour regulations and rights of Guatemalans, especially in the midst of the COVID crisis, the Ministry of Labour and Social Welfare launched the Strategic Labour Plan for Inspection Operations in October 2020. The plan includes procedures for the prevention and control of Covid-19 infections and seeks to train inspectors and assure that occupational health and safety measures are complied with.[431]

Civil Society and NGO initiatives

The Campesino Unity Commission (Comité de Unidad Campesina, CUC) is a peasant and farm worker organisation that advocates for better agricultural wages and campaigns against discrimination of indigenous peoples.[432]

Solidaridad runs an occupational health and safety programme with smallholder farmer suppliers to the Pantaleón sugar mill in Guatemala, in cooperation with the National Sugarcane Owners Union (Unión Nacional de Cañeros, UNC-CNPR).[433]

6.4 Nicaragua

6.4.1 Working conditions

Legal framework

Nicaragua has ratified all eight of the ILO Fundamental Conventions, as well as two priority Governance Conventions – except C081 – Labour Inspection Convention, 1947 (No. 81) and C129 – Labour Inspection (Agriculture) Convention, 1969 (No. 129).[434] The main legislative instruments regulating labour rights in Nicaragua are the 1987 Constitution (amended in 2014), the 1996 Labour Law (Código del Trabajo), the 1997 Trade Union Law (Código del Reglamento de Asociaciones Sindicales), and the Social Security Law (Código Procesal del Trabajo y de la Seguridad Social).

The Constitution recognises the right to work, the right to equal pay for equal work, the right to social benefits and a decent wage, occupational health and safety, freedom of association and collective bargaining, and prohibits child labour. These rights are further promulgated in the Labour Law, which provides specific regulations on working hours and conditions and OHS, while the Labour Law regulates freedom of association.[435]

The Ministry of Labour is primarily responsible for the implementation and enforcement of labour laws, as well as for settling labour disputes. When conciliation through the Ministry of Labour fails, disputes are referred to Arbitration Tribunals which is presided by one member of the Ministry and one representative from workers and employers each.[436]

Child labour

Nicaragua has ratified the C138 – Minimum Age Convention, 1973 (No. 138) as well as C182 – Worst Forms of Child Labour Convention, 1999 (No. 182).[437] In addition, the Labour Code stipulates a minimum working age of fourteen (Art. 131) and a minimum age for hazardous work of eighteen (Art. 130 and 133).

However, Nicaragua does not set a clear age up to which education is compulsory, since the Constitution stipulates mandatory primary education which is presumably until the age of twelve (Art. 121), while the Childhood and Adolescence Code states both primary and secondary school education are compulsory (Art. 43) suggesting the age of seventeen. This unclarity combined with the gap between the legal working age and the compulsory education age leaves children vulnerable to child labour. Although education is free, the costs of school supplies and transport are still inhibitive for children from impoverished families in rural areas.[438]

The Ministry of Labour (MITRAB) is responsible for implementing and enforcing child labour policies and managing the labour inspectorate, which is underfunded and lacks an adequate number of inspectors. Particularly in rural areas, a lack of personnel and the high costs associated with transportation form barriers to conducting child labour inspections, which is further complicated by Nicaragua's large informal workforce. In an attempt to eradicate child labour, MITRAB signed 6,129 cooperative agreements with businesses that pledged not to use child labour, but criminal enforcement and penalties on those break the law are insufficient to deter violations. [439]

Indeed, child labour is highly prevalent in Nicaragua. Around 47.7 percent of the children aged between ten and fourteen are working, particularly in agriculture (53.5 percent). Although the majority of children in that age group attend school (88.3 percent), over 15 percent of children do not complete primary school. The US Department of Labour estimates that most prevalent sectors of work within agriculture include the harvest of coffee, bananas, tobacco, and sugarcane. Particularly vulnerable to fall into child labour are children from poor, rural areas, those in the Caribbean Autonomous Regions, and migrants from the Northern Triangle countries.[440]

A 2015 study conducted in San Antonio mill concluded that child labour is a persistent issue in Nicaraguan sugarcane production. According to the report, children are often employed in the sector through third-party contractors with false ID numbers, leaving them vulnerable to exploitation. Children in the sector have reported the negative effects that the work has on their health, personal development and access to education. The excessive workloads, lack of PPE, little training and insufficient access to water, food and rest, cause severe health issues for child workers from dehydration, extreme fatigue and heat stress, urination issues and Chronic Kidney Disease.[441]

However, local unions interviewed for this study challenge reports. Indeed, children are involved in the artisanal elaboration of sugar products, such as panela (or tapa de dulce, as it is known locally), as this is manufactured in family settings. However, artisanal production of sugarcane products makes up for a very small share of overall sugar production in Nicaragua. Because the Nicaraguan sugarcane sector has very high levels of formality, child labour in mills and plantations is non-existent.

Freedom of association

Nicaragua has ratified C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98), as well as C011 - Right of Association (Agriculture) Convention, 1921 (No. 11).[442]

Nicaraguan Labour Law provides for all workers – except those in the military and police – to form and join independent unions of their choice without prior authorisation. The Labour Law also prohibits antiunion discrimination but does not provide any measures or penalties or protect against violations of these rights. Despite the official independence of unions, in reality, the government exerts significant control over established unions and has attempted to diffuse efforts by creating parallel unions. Similarly, although the Constitution recognises the right to strike, the number of restrictions and burdensome procedures obstruct workers' ability to organise a strike.[443]

Violations to trade unions' rights

According to the US Department of State, freedom of association and the right to collective bargaining are not respected in Nicaragua. The government frequently intervenes, and independence is not preserved as most unions are allied with political parties, particularly the country's ruling party FSLN. During the pro-democracy uprising in 2018, the government promoted politically motivated findings to retaliate against workers who expressed support for protests, and public-sector job applicants have reportedly been required to prove FSLN party affiliation. Antiunion discrimination, violations against freedom of association, and violations of collective bargaining agreements are widespread in the formal sector, but government enforcement of these laws is insufficient to deter such violations.[444]

Due to a lack of data, Nicaragua has not been included in the ITUC Global Rights Index rankings.

Occupational safety and health

Nicaragua has ratified none of the main ILO Conventions on OSH, including C155 - Occupational Safety and Health Convention, 1981 (No. 155), C184 - Safety and Health in Agriculture Convention, 2001 (No. 184). The country has also not ratified the Governance priority Conventions on labour inspections to uphold OSH standards, neither C081 - Labour Inspection Convention, 1947 (No. 81) nor C129 - Labour Inspection (Agriculture) Convention, 1969 (No. 129).[445]

The National Council of Labour Hygiene and Safety, as part of the Ministry of Labour, is in charge of enforcing OSH regulations. However, a lack of capacity and resources as well as insufficient enforcement of penalties was inconducive to deterring violations. In addition, OSH regulations are not widely enforced in the growing informal sector.[446]

There's increasing evidence for the significant health risks associated with sugarcane production. A study among over 400 field support staff, drip irrigation workers, seed cutters and burned sugarcane cutters in Nicaragua found that the higher the workload, the more likely workers are to suffer from Chronic Kidney Disease (CKD), a highly deadly chronical disease that mostly affects marginalised agricultural communities. CKD causes tens of thousands of deaths in Mesoamerica and is directly related to strenuous manual work, heat stress and dehydration. According to the sources interviewed for this study, in Nicaragua, soil contamination in the 1980s is another important cause of CKD. From this perspective, the high exposure of sugarcane workers to these conditions causes hundreds of workers to fall sick every year, even though the risks are easily reduced through more breaks in the shade, access to sufficient drinking water, and protection from direct sun exposure.[447]

A 2015 report stated that workers hardly enjoy these crucial health and safety protections. In Nicaragua, workers often work for more than 12 hours a day for seven days a week during harvest season, usually exposed to the sun for the entire working day with the exception of two breaks in the shade per day. Often, workers also need to bring or purchase their own drinking water, or report to only get water from the irrigation system with contamination risks.[448] This notion, however, is challenged by the sources interviewed for this study who state that formally employed sugarcane workers work under favourable conditions with 20-minute breaks per 2 hours worked and with working days of no more than 12 hours.

Significance of the informal sector and migrant workers

There are no recent, trustworthy statistics on the rate of informal employment in Nicaragua. Although in 2012, the ILO estimated the informal employment at around 78 percent of total employment, the Central Bank of Nicaragua in 2020 estimated that around 57 percent of the workforce is working informally, particularly in the service sector, agriculture, and construction.[449]

However, the sources interviewed for this study indicated that the Nicaraguan sugarcane sector is highly formalised. In this context, 37,500 workers hired directly and 135,000 are subcontracted.

Access to social security

Access to social security in Nicaragua has a highly disputed history. In 2018, when the government under President Ortega announced cuts in social security benefits, the peaceful protests in response were violently shut down by the police and parapolice forces, resulting in the death of at least 325 people, over 2,000 injured and hundreds of protesters detained, tortured and disappeared. In August 2018, the Ortega government implemented a policy of 'exile, jail or death' against anyone perceived as in opposition and included civil society actors under laws governing terrorism.[450] Despite the protests, the government cut pension payments with up to 40 percent, and raised employers' and workers' contributions to the social security system from 19 to 22.5 percent and from 6.25 to 7 percent respectively.[451]

Employed workers, farmers who benefited from the Agrarian reform, members of professional associations and cooperatives benefit from old age (pension from the age of 60), disability and survivors' benefits, sickness and maternity benefits, work injury insurance and medical benefits. However, seasonal agricultural workers are explicitly excluded from the social security system, and informal workers do not qualify. In addition, self-employed workers can voluntarily join the system, but need to pay relatively high insurance fees.[452]

Discrimination

Nicaragua has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111).[453] In addition, Nicaragua prohibits discrimination on the basis of race, sex, gender, disability, language, sexual orientation or gender identity, HIC or other communicable disease status, or social status. However, these laws are not effectively enforced and in reality, discrimination in employment is systemic. Women struggle to gain access to senior positions and are paid less than their male counterparts. Persons with disabilities face inadequate infrastructure, a lack of educational opportunities and unequal access to public-service jobs. In addition, persons of the LGBTI+ community, indigenous peoples and migrant workers face discrimination in employment, as well as workers who express disagreement with the government.[454]

According to the sources interviewed for this study, in some mills there are women in leadership positions and some mills also have quotas for personnel with special abilities. However, the fact that there are more men in leadership positions points to a structural problem related to subconsciously held stereotypes about women, and it is likely that these stereotypes are more pronounced in societies where sexist views hold women back, as is still the case in Latin America. In this context, women meet more resistance as they move up the ladder.

6.4.2 Trade union involvement in the sugarcane sector

Overall unionisation

According to ILO estimates, 5.3 percent of workers in Nicaragua are unionised, which is well below the average for the Latin American region (16.3 percent). In addition, 7.6 percent of employees are covered by collective bargaining agreements.[455] However, unionisation rates in the sugarcane sector are expected to be lower, due to the high levels of subcontracting.

The central trade union confederation, controlled by President Ortega’s ruling party FSLN, is the National Workers’ Front (FNT). Unions affiliated with the FNT together represent around 80 percent of trade union membership in Nicaragua. Affiliated FNT unions include the Association for Farm Worker (Asociación de Trabajadores del Campo, ACT) and the Confederation for workers in the agro-industrial sector (CNTAI). In addition, there are some independent trade unions, but in recent years there have been reports that unions not affiliated with the FSLN have been dissolved through government interference and the dismissal of unionised employees.[456]

6.4.3 Social dialogue

There are some tripartite structures in place in Nicaragua, including labour dispute settlement through the Arbitration Council with representatives of the Ministry of Labour, employers and workers, as well as some tripartite and bipartite organs such as the National Health Council, the Social Security Council, the National Council for Social Economic Planning and National Commission on the Occupational Health and Safety of the Workers and Workplace Hygiene.[457] In reality, however, social dialogue systems do not function fairly due to severe repression from the Ortega government, severe government interference in unions, associations and labour disputes, violent retaliation against strikes and assemblies, and the disbanding of NGOs, civil society organisations and independent unions.[458]

Global Union Federation (GUF) involvement

The following three trade unions in Nicaragua are affiliated with IUF:[459]

- Federación Unitaria de Trabajadores de la Alimentación, Agroindustria, Turismo, Servicio, Comercio y Conexos de Nicaragua (FUTATSCON)
- Sindicato de Trabajadores de la Compañía Centroamericana de Productos Lácteos (SINPROLAC)
- Sindicato Único de Trabajadores de Industria Nacional de Refrescos SA (SUT-INARSA).

Another four unions are affiliated with ITUC:[460]

- Central de Trabajadores de Nicaragua (CTN)
- Central Sandinista de Trabajadores (CST)
- Confederación de Unificación Sindical (CUS)
- Frente Nacional de los Trabajadores (FNT).

6.4.4 Government involvement

The Ministry of Agriculture and Forestry (Ministerio Agropecuario y Forestal, MAG-FOR) is the main responsible entity for the promotion and development of agriculture in Nicaragua, alongside the Ministry of Industry and Commercefront (Ministerio de Fomento, Industria y Comercio, MIFIC). In addition, the Ministry of Labour is primarily responsible for implementing and enforcing labour laws, including in the sugarcane sector.

6.4.5 Dutch governmental support

The Netherlands as a consular service located in Manugua, Nicaragua, but the embassy for the region is located in San José in Costa Rica. [461] Because Nicaragua is not a major trade partner of the Netherlands, there are few representatives or services on behalf of the Dutch government.

6.4.6 Labour rights initiatives

Government initiatives

In May 2019, the Nicaraguan Ministry of Labour issued a statement clarifying that in the event that an employer or company is forced to suspend its activities, this will not affect any labour rights of the workers.[462] Despite the pro-worker rhetoric, the government is frequently the subject of human rights' organisations pledges to stop violence against workers. In this context, most recently, the government was urged to stop intimidating health workers during the CVODI-19 pandemic.[463]

Civil Society and NGO initiatives

The La Isla Network, founded by the La Isla Foundation in 2016, is a civil society organisation from Nicaragua dedicated to fighting Chronic Kidney Disease among agricultural workers through research and data-driven policy recommendations to improve OSH standards. The network has conducted several studies that were published internationally as well as campaigns to raise attention for the CKD caused by the poor working conditions of sugarcane workers.[464]

Multi-stakeholder initiatives

The Adelante Initiative, founded by Bonsucro, La Isla Network, Nicaragua Sugar Estates Limited and the Nicaraguan Sugar Producers Association, is a multi-stakeholder platform to improve the occupational health and safety of sugarcane workers in Nicaragua, and of agricultural workers in tropical and subtropical areas who are at increased risk of developing chronic kidney disease 9CKDu). Specifically, the Adelante Initiative conducts assessments on CKDu risks in workplace, provides advice on evidence-based workplace interventions, and advocates for improved treatment and prevention of heat stress and CKDu among policy makers and the private sector. In this context, the Adelante Initiative has conducted research, launched programs together with sugar mill Ingenio San Antonio and is currently developing additional programs for other mills using an approach they call 'protection resilience efficiency and prevention for manual laborers in a challenging climate (PREP)'. Although currently, the initiative is focused on the Nicaraguan sugarcane sector, the initiative aims to grow in cooperation with international NGOs, governments and the ILO to develop safe and healthy work conditions for all workers who are at risk of CKD and other relevant diseases and injuries.[465]

6.5 Peru

6.5.1 Working conditions

Legal framework

Peru has ratified the eight Fundamental Conventions of the ILO as well as three of four priority Governance Conventions, except C129 - Labour Inspection (Agriculture) Convention, 1969 (No. 129).[466] Peru's Constitution recognises fundamental human rights, including the right to social security (Art. 10), the right – and duty – to work (Art. 22), regulated minimum wages and benefits (Art. 24), working hours (Art. 25) and non-discrimination (Art. 26 and 27). The Constitution also recognises the right of workers to join trade unions, to engage in collective bargaining, and to strike (Art. 28). Peru's Labour Law provides more detailed guarantees and protections of these rights. The Ministry of Labour and Promotion of Employment (MTPE) is in charge of implementing and enforcing labour rights.

Child labour

Peru has ratified all key international conventions concerning child labour.[467] Peru has a minimum working age of fourteen (Art. 51 of the Child and Adolescent Code) and a minimum age for hazardous work of eighteen (Art. 58).

In recent years, Peru has made significant advancements to eliminate child labour, including through legal instruments and targeted programs. Nevertheless, nearly 1.3 million children (21.8 percent of children between ages five and fourteen) are working, particularly in the agricultural sector (63.8 percent). Particularly migrant children are vulnerable to child labour in Peru, such as Venezuelan migrants and refugees, as well as Indigenous and Afro-Peruvian children and children from rural communities, who have less access to education and are more likely to fall into hazardous agricultural work.

Although Peru's legal system is largely in line with ILO standards on child labour, gaps mostly persist in the enforcement of laws against child labour. The National Labour Inspection Superintendency, as part of the Ministry of Labour, conducts labour inspections and in 2019 had ten inspectors dedicated to forced and child labour and has provided coordinated child labour training for more than 3,800 labour inspectors and regional governments. Despite some significant successes by this special inspection group, including numerous interventions removing children from hazardous working conditions in agriculture, mining and manufacturing, budget constraints hamper efficient operations. Criminal law enforcement around trafficking and forced labour have been successful in specific cases, but insufficient to deter violations.[468]

Freedom of association

Peru has ratified C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98). Indeed, the Peruvian Constitution states that "the State recognises the right of workers to join trade unions, to engage in collective bargaining, and to strike" (Art. 28).

The Peruvian Labour Law recognises unions on three levels: workplace unions, sector federations and confederations. While workplace unions require a minimum of 20 members, federations and confederations need to have a minimum of 50 members.[469] Although Peruvian legislation around freedom of association largely meets international standards, labour reforms in recent years have sought to make the labour market more flexible, making it more difficult for unions to register. In addition, the high rates of short-term and outsourced labour contracts in addition to the large informal economy hinder union effectiveness.

Violations to trade unions' rights

According to Education International, Peru is one of the countries with the largest number of filed complaints before the ILO and before the Inter-American Court of Human Rights (IACHR) for the violation of labour rights.[470] This is not surprising, since Peruvian labour law is deficient and so are certain practices which frequently enable violations.[471]

In 2020, Peru ranked four out of five at ITUC's Global Rights Index. This means that there is systematic violation of rights in Peru and that the government and companies regularly interfere in collective labour rights or fail to fully guarantee important aspects of these rights.[472] In addition to routinely paralysing unions, ignoring their autonomy and their right to free association and unionisation, corporations threaten union leaders with death and assassination.[473]

In December 2020, an agricultural worker was shot dead by the police during a strike for better wages and to demand the repeal of the Agrarian Promotion Law, which workers argue deprives them of their rights and incomes.[474]

Occupational safety and health

Peru has ratified ILO conventions on OSH in the mining and dock work sectors but has not ratified C155 - Occupational Safety and Health Convention, 1981 (No. 155) nor C184 - Safety and Health in Agriculture Convention, 2001 (No. 184).[475] The 2011 OSH legislation (*Ley de Salud & Seguridad en el Trabajo*) specifies the responsibilities of all employers to offer a safe and sanitary workplace. Particularly, the government establishes three levels of responsibility: inspection and supervision by the government, prevention by the employer, and participation of the worker. OSH regulation and implementation is supervised through joint councils between the Ministry of Labour and the Ministry of Health. In addition to the general OSH legislation, Peru has promulgated specific legislative texts in place for specific industries, but this is not the case for agriculture.[476]

Significance of the informal sector and migrant workers

While the informal economy had been declining over the last few years before the COVID-19 crisis, still around 74 percent, one of the highest rates in Latin America. The agricultural sector is almost completely informal (97 percent). These workers do not provide protections on crucial labour rights, such as the right to organise, health and safety, or access to social security.[477]

Since 2017, Peru has seen a large influx of Venezuelan migrants and refugees, whose status usually do not allow them to legally work (77 percent). As a result, nearly 90 percent of Venezuelan workers operate in informality, including in agriculture, and are vulnerable to labour exploitation. [478]

Access to social security

Around 76 percent of workers are covered by health insurance, but workers in the informal economy have no access to national social security schemes. [479]

Discrimination

Peru has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)[480] and establishes a right to equal opportunity without discrimination in labour relationships in the Constitution (Art. 26) as well as through labour legislation. But despite laws against discrimination on the basis of gender, cultural and ethnic aspects, big wage gaps persist particularly affecting women and indigenous people, and inspections are insufficient to enforce protections in practice.[481]

6.5.2 Trade union involvement in the sugarcane sector

Overall unionisation

According to ILO estimates, only 5.7 percent of workers in Peru are unionised.[482] Ulandssekretariatet estimates this rate to be even lower at 4.3 percent of total employment. In addition, 337 CBAs are active covering 4.4 percent of formal workers. [483]

Peru's trade union structure is divided into three different levels: workplace unions, sector federations, and confederations. In total, there are 913 private/public trade unions, 76 trade union federations, and 11 confederations. On the national level, there are four main trade union confederations:[484]

- Confederación General de Trabajadores del Perú (CGTP)
- Central Unitaria de Trabajadores del Perú (CUT)
- Central Autónoma de Trabajadores del Perú (CATP)
- Confederación de Trabajadores del Perú (CTP).

Unions in the agricultural industry representing sugarcane workers include the Trade Union of Agricultural Workers in Peru (*Sindicato de Trabajadores Agrarios Del Peru*, SITAG-Peru), and the FENTRAIR federation (*Federacion Nacional De Trabajadores Del Sector Agrario, Industria, Riego y Similares Del Peru*).

With respects to the sugarcane sector, the sources interviewed for this study indicated the existence of the following unions:

- Sindicato Empresa Agroindustrial Tumán
- Sindicato Único de Trabajadores De Casa Grande Y Anexos
- Sindicato Único de Trabajadores de Pomalca y Anexos
- Sindicato de Trabajadores de Empresa Pomalca - Sutazucpa
- Sindicato Único de Trabajadores de Agroindustrial Laredo SAA
- Sindicato de Trabajadores Estables y Contratados de Agroindustrial Laredo SAA y Anexos
- Sindicato Unitario de Trabajadores de la Empresa Agroindustrial Laredo S.A.A
- Sindicato Único de Trabajadores de Cartavio y Anexos S.A.S
- Sindicato Único de Trabajadores de la Empresa Agroindustrial Cayaltí
- Sindicato General Unificado de Trabajadores de Empresa Agropucalá
- Sindicato General Unificado de Trabajadores Azucareros de Agro Pucalá S.A.A
- Sindicato General de Trabajadores de Paramonga y Anexos
- Sindicato Único de Trabajadores EAA Andahuasi SAA

Global Union Federation (GUF) involvement

Two Peruvian trade union federations are ITUC members:[485]

- Central Autónoma de Trabajadores del Perú (CATP)
- Central Unitaria de Trabajadores del Perú (CUT).

Three trade union federations are affiliated to IUF:[486]

- National Federation of Workers in the Food, Beverage and Related Sector (FNT-CGTP-ABA),
- Mondelez Workers Union
- National Union of Workers of Peruvian Breweries Backus and Johnston (Backus and Johnston).

6.5.3 Government involvement

The Peruvian government, through the Ministry of Agriculture and Irrigation (MINAGRI), the Ministry of Energy and Mines (MINEM), the Ministry of the Environment (MINAM), and the Ministry of Production (PRODUCE) are at the centre of governance of the sugarcane sector.

6.5.4 Social dialogue

The National Council for Labour and Employment Promotion (CNTPE) is a mechanism for social dialogue of the Ministry of Labour and Employment Promotion (MTPE). Its aim is to establish labour policies, to promote employment and job training, and social protection. CNTPE includes the most representative trade unions and business associations in the country (including the General Confederation of Workers of Peru (CGTP), National Confederation of Private Business Institutions (CONFIEP), National Society of Industries (SNI), Chamber of Commerce of Lima, Association of Small and Medium Industrial Entrepreneurs of Peru (APEMIPE Peru), Exporters Association (ADEX) Unitary Workers Union of Peru (CUT), Autonomous Unitary of Workers of Peru (CATP), Confederation of Workers of Peru (CTP)),[487] as well as officials from MTPE and representatives of labour support organisations. CNTPE was established in the year 2000. Its functions are determined through Supreme Decree No. 004-2014-TR and Supreme Decree N° 001-2005-TR.[488]

According to CNTPE, significant progress has been made institutionalising tripartite dialogue at the regional level. To date, 24 Regional Labour and Employment Promotion Councils (CRTPE) have been created, one for each of Peru’s 24 departments. These CRTPEs replicate the socio-labour dialogue model of CNTPE.[489] Despite these claims, others argue that while tripartite debate on economic and labour policies effectively takes place, at the end of the day, the government (often in agreement with employers’ organisations) turns a blind eye to the concerns of Peruvian unions.[490]

With respects to the state of social dialogue in the Peruvian sugar sector, the sources we interviewed for this study confirmed collective bargaining processes in Casa Grande, San Jacinto, Laredo and Pomalca. Based on information from union leaders, the collective agreements favour wage increases in the form of closing bonuses. Moreover, documents published by companies indicate positive relations with the unions:

- San Jacinto mill claims to maintain spaces where constant dialogue and exchange take place on the basis of mutual respect, harmony and cooperation between the company and its workers. In this context, the company has devoted a department dedicated to the management, problem solving, and attention of workers through work meetings, and awareness of labour rights.[491]
- In the case of Cartavio, a CBA was signed with the Sindicato Único de Trabajadores de Cartavio y Anexos S.A.S for a period of three years (2019-2022). The agreement included salary increases of 65 Soles (EUR 14.96) in 2019, 70.00 Soles (EUR 16.11) in 2020 and 70.00 Soles in 2021 and a completion bonus of 2500 Soles (EUR 575.53), among other benefits that remain in force.[492]

6.5.5 Dutch governmental support

The RVO provides support to Dutch companies through the network of embassies. The Netherlands has diplomatic representation in Lima.[493]

6.5.6 Labour rights initiatives

Government initiatives

With the aim of improving the access of people with disabilities to decent employment opportunities and raising awareness about the skills and potential of this population to contribute to the productive life and development of their communities and the country, the United Nations System and the Peruvian State presented the Decent Work and People with Disabilities Joint Program in May 2018. The initiative proposes to create a management model to promote the right to decent work for people with disabilities through local governments. It places special emphasis on the situation of vulnerability of women with disabilities, who face higher unemployment rates, as well as barriers to respecting their right to work and the recognition of their work and productive capacity.[494]

Multi-stakeholder initiatives

In 2019, the Ministry of Labour and Employment Promotion of Peru, through the General Directorate of Fundamental Rights and Safety and Health at Work and the Office for Cooperation and International Affairs, with the support of the ILO, organised a kick-off workshop “Peru, pioneer country of Alliance 8.7: towards a country free of child labour and forced labour”. Alliance 8.7 is a global initiative that seeks cooperation between countries of the world, international organisations and civil society to achieve SDG 8.7, referring to ending child labour, forced labour, human trafficking and modern slavery.
In this context, the Alliance 8.7 in Peru committed to:[495]

- Executing a pilot survey on the prevalence of forced labour in the Cusco region (2019-2020); to subsequently have national information by 2025.
- Promoting the submission process of the 2014 Protocol relative to ILO Convention 29 on forced labour.
- Implementing the III National Plan to Combat Forced Labour 2019–2022.

Executing a project for the labour reintegration of victims of forced labour and / or human trafficking for the purposes of labour and sexual exploitation during 2020-2021.

6.6 Cambodia

6.6.1 Working conditions

Legal framework

Cambodia has ratified all eight ILO Fundamental Conventions, but only ratified one of four priority Governance Conventions (namely C122 – Employment Policy Convention, 1964 (No. 122)).[496] Rights at work in Cambodia are safeguarded primarily through the 1997 Labour Law, and further supported by the 1993 Constitution, specific regulations, and ILO conventions.

Agricultural workers, including those on sugarcane plantations, are covered under the Labour Law. The law includes both formal and informal or casual workers regardless of their gender, nationality or legal status. However, self-employed workers are not considered employees in the 1997 Labour Law, who are not allowed to form trade unions. Within the 1997 Labour Law, Chapter VII sets out special conditions of work in agricultural professions, including regularly employed workers on sugar cane plantations.[497]

Child labour

Cambodia has ratified C182 – Worst Forms of Child Labour Convention, 1999 (No. 182) as well as the C138 – Minimum Age Convention, 1973 (No. 138).[498] Article 177 of the 1997 Labour Law sets the minimum age for paid employment at fifteen years, with a minimum age of eighteen years for hazardous work.

Although most children in Cambodia between ages five to fourteen attend school (87 percent), 8.4 percent of children ages seven to fourteen are working, particularly in the agricultural sector (78.4 percent).[499] Cambodia's Education Law established free basic education, but the additional fees that schools charge remain prohibitive for many families, particularly for ethnic minority children, children with disabilities, and children in rural communities.[500]

Child labour is also common in Cambodia's sugarcane industry. Because around 80 percent of the work on sugarcane plantations is seasonal, migrant workers traveling to plantations during harvest seasons usually take their families with them. Rather than leaving their children unsupervised in the shared housing and because of the lack of a social support system, parents take their children with them to the fields. Although these children do not earn a direct wage, they contribute to their household's income by increasing productivity and thereby meeting higher piece rate wages.[501]

Freedom of association

Cambodia has ratified the core conventions on freedom of association, C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), and C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98). However, Cambodia has not ratified C011 - Right of Association (Agriculture) Convention, 1921 (No. 11).[502] The Constitution also provides for freedom of association, and chapter XI of the 1997 Labour Law guarantees that *"workers and employers, without distinction of any kind, have the right, without prior authorization, to establish professional organizations of their choice, having as their sole object the study, promotion and defense of rights, as well as of moral and material interests, both collective and individual, of the persons covered by their statutes"* (Art. 266). The law also includes provisions against union busting, acts of interference or other unfair treatment of unionised workers, and guarantees the right to strike barring some legal limitations.[503]

However, the law also restricts these rights. Civil society organisations, NGOs and workers associations are required to be politically neutral, which severely restricts the right to association and the right to free expression. In addition, the Labour Law includes various provisions that prohibit activities that "jeopardise peace, stability, and public order", which is so broadly formulated that the government can arbitrarily restrict the right of association. In addition, the procedure to establish trade unions require such lengthy and costly bureaucratic registration processes that forming unions is burdensome and vulnerable to politicisation, and operations by unregistered unions is illegal.[504] The law also allows for government intervention in internal union affairs, excludes certain groups of workers from union membership, and permits third parties to seek dissolution of a trade union. Informal workers are not allowed to form or join unions, only 'associations', which provides fewer protections.[505]

In December 2019, the Cambodian Senate approved a set of amendments to the Law on Trade Unions, which have been seen by civil society as further curtailing union and workers' rights. Concerns include the exclusion of informal workers in forming unions as well as employees of businesses with fewer than ten employees, which de facto denies the right to organise for domestic workers and other small business workers. The amendments also allow for increased involvement of regulators in internal affairs, including the election of union leadership and the forming of union constitutions and rules, which require approval from government authorities.[506]

Violations to trade unions' rights

The severe limitations on the right to organise and freedom of association mean that, in practice, these rights are systematically violated. There are various reports of employers refusing to recognise a union or engaging in antiunion discrimination and unfair dismissals.[507] Some employers as well as local governments have refused to cooperate in the registration of unions or complicate the process significantly. In addition, there are countless reports of governments harassing independent union leaders through ambiguous legal charges, intimidation by deploying police during union meetings or strikes, and criminal charges against strikers.[508]

This is also reflected in the ITUC Global Rights Index, in which Cambodia is ranked as Rating 5, meaning that workers do not enjoy a guarantee of rights, citing the arrests of union leaders and violations of the right to collective bargaining.[509]

Occupational safety and health

Cambodia has not ratified C129 – Labour Inspection (Agriculture) Convention, 1969 (No. 129), nor the key conventions on OSH such as C155 – Occupational Safety and Health Convention, 1981 (No. 154) or C184 – Safety and Health in Agriculture Convention, 2001 (No. 184).[510]

Article 137 of the 1997 Labour Law stipulates a maximum working day of eight hours, or 48 hours per week. To safeguard rest, it is prohibited to employ a worker for more than six days a week, barring some exceptions and rotating schedules. For agricultural workers, a working day of up to nine hours is permitted and overtime up to ten hours in a day (Art. 194 through 197).[511]

Chapter VIII of the 1997 Labour Law lays out the provisions on health and safety of workers, placing a responsibility on employers to facilitate clean and safe working conditions, appropriate tools and procedures, and mechanisms of control through labour inspections. Occupational medical services are also included in the Labour Law, but employers are only required to provide primary medical care to regular workers, thereby excluding informal, casual and self-employed workers (Art. 238). [512]

Nevertheless, work-related injuries and occupational diseases are widespread. There are multiple reports of severe injuries particularly in the garment and construction industries. Although there are labour inspections conducted by the government which result in fines and penalties, the number of inspections if by far insufficient to effectively enforce OSH laws, and there are no specific provisions to protect workers who raise OSH concerns. In addition to hazards in the workplace, transportation provided by employers are often extremely dangerous, and there are several reports of workers dying or getting severely injured in transportation provided by employers.[513]

Regarding OSH in the sugarcane sector, a 2017 study found that workers in a sugarcane plantation in Kampong Cham operated under high environmental heat exposure as the heat stress index levels for each day in the sugarcane farm areas were above the Threshold Limit Value (TLV) of American Conference of Governmental Industrial Hygienist (ACGIH) (27.5°C). In this context, most of the workers that informed that study reported heat exhaustion (87.2%), tiredness (86.4%), headache (61.8%) and muscle cramps (60.0%).[514]

Significance of the informal sector and migrant workers

Cambodia has one of the highest rates of informal employment in the region at an estimated 93 percent of the total workforce in 2018, according to the ILO.[515] Accordingly, sugar plantations tend to employ seasonal workers and most labourers are informally employed for shorts periods of time, and often come from other regions within Cambodia to work during harvest peak seasons.[516]

Access to social security

Cambodia's Labour Law provides for access to social insurance by private-sector employees, but excludes self-employed persons, household workers and informal workers. Employers have to contribute 2.6 percent of monthly earnings to the social insurance system, and thereby bear the full cost of the social security system, which covers sickness benefits, maternity leave and assistance and medical benefits as part of the National Social Security Fund, governed by the Ministry of Labour and Vocational Training and supported by the Ministry of Health. In addition, employers of private sector employees contribute 0.8 percent of monthly earnings to the social insurance for work-related injuries to cover disability benefits, pensions and medical care following an occupational injury.[517] However, even in the formal sector, many companies are not registered to the National Social Security Fund and as a result, workers cannot get access to compensation and benefits. On top of that, agricultural workers, who are predominantly informally employed are de-facto excluded from the social security system.[518]

Discrimination

Cambodia has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111).[519] Cambodia's 1997 Labour Law prohibits discrimination on the bases of race, colour, sex, belief, religion, political opinion, national ancestry, social origin, union membership in making decisions regarding hiring, conduct and distribution of work, training, advancement or promotion, compensation, granting of social benefits or the termination of employment (Art. 12). These guarantees of non-discrimination do not address gender or sexual identity beyond biological sex, nor age, marital status, nationality, migrant status, and other potential grounds of discrimination.

The laws on non-discrimination are generally not enforced by the government. Although there are penalties for discrimination by employers, mostly in the form of fines, these are insufficient to deter violations, and in reality, 38 percent of workers feel uncomfortable at work, including because of sexual harassment and a lack of a safe system to report harassment or discrimination.[520]

6.6.2 Trade union involvement in the sugarcane sector

Overall unionisation

According to CNV Internationaal, in the past three decades unions have been a hub of contention in Cambodia's politics. In this context, Cambodian unions are numerous, specially when contrasted to neighbouring Vietnam and China, where a single state-aligned union is the norm. Moreover, the level of unionisation in Cambodia is much higher than Thailand, where union pluralism is also fostered. Nonetheless, CNV International notes that the high level of unionisation should not be considered conducive to a healthy environment for freedom of association and other labour rights, but rather, it indicates that unions are generally considered as an institutional channel to access power and often profit.[521]

With regards to the agricultural sector, the Cambodian Agricultural Worker Federation (CAWF), member of the Cambodian Labour Confederation (CLC), has made several attempts to form a union for sugarcane workers in Cambodia, but these have been unsuccessful, and workers in the sector are hardly unionised.[522] In this context, the sources interviewed for this study indicated that between 2015 and 2016, CAWF reached out to one plantation in Kompong Speub. At that time, a union was form and there was an election too, but the union registration was not possible since all the seasonal workers that formed the union had moved away when CAWF started working on the registration. In this context, it was highlighted that most companies never know their workers, as the working relation is mostly facilitated through the brokers.

Plantation workers, particularly those that are migrant workers and living in dormitories on the plantations, often have little awareness of trade unions that could represent them. Because sugar plantations tend to use seasonal labour, most workers are informally employed for shorts periods of time, and often come from other regions to work during harvest peak seasons. These seasonal, migrant workers are less likely to unionise and are more easily dismissed, which causes workers to refrain from defending their labour and human rights.[523]

Global Union Federation (GUF) involvement

Cambodian unions that are member of IUF include:[524]

- Cambodian Food and Service Workers' Federation (CFSWF)
- Naga World Hotel Casino (Labour Rights Supported Union of Khmer Employees of Naga Hotel, NHW).

Unions in Cambodia that are ITUC affiliates:[525]

- Cambodia Confederation of Trade Unions (CCTU)
- Cambodian Confederation of Unions (CCU)
- Cambodian Labour Confederation (CLC).

6.6.3 Social dialogue

Cambodia does not have strong social dialogue mechanisms, nor effective tripartite systems. Collective disputes are referred to the Arbitration Council, which in a sense forms the central tripartite mechanism due to a lack of other social dialogue mechanisms. The Arbitration Council consists of 30 arbitrators with ten each from trade unions, employers' organisations, and the Ministry of Labour. However, the Arbitration Council is only equipped to process collective disputes, while individual cases are to be referred to a specialised labour court, which to date does not exist despite legal provisions.[526]

The Arbitration Council has been criticised for the ineffectiveness of its decisions, as employers often choose not to apply the non-binding recommendations, and the council did not process complaints from independent unions. Because cases are referred to the Arbitration Council by the Ministry of Labour, the application of these rules have been inconsistent since public officials can arbitrarily classify disputes as individual rather than collective, thereby inhibiting a process before the council. In recent years, however, the arbitration Council has become more effective, and unions are increasingly able to represent workers from minority unions.[527]

Other key mechanisms are the Labour Advisory Commission, a tripartite institution composed of 14 government, 7 trade union and 7 employer representatives to provide recommendations on minimum wages and collective bargaining agreements.[528]

6.6.4 Government involvement

The key governmental stakeholders in the sugarcane sector are the Ministry of Agriculture, Forestry and Fisheries, as well as the Ministry of Land Management, Urban Planning and Construction. In addition, the Ministry of Labour and Vocational Training is in charge of implementing and enforcing labour laws in the sugarcane sector.

6.6.5 Dutch governmental support

The Netherlands does not have an embassy in Cambodia but represents Dutch interests in the country from the embassy in Bangkok. However, the Netherlands has a consulate in Phnom Penh and Siem Reap and supports Dutch businesses through the Netherlands Cambodia Chamber of Commerce (NCCC) as well as through the agricultural councils (Landbouwraad).[529]

6.6.6 Labour rights initiatives

Government initiatives

In 2011, the Royal Government of Cambodia issued the Sub-Decree on Contract Farming (CF). The objective of this Sub-Decree is to enhance agricultural production through trusted framework between producers and buyers with support from the authority. The Sub-Decree specifies that Ministry of Agriculture, Forestry and Fisheries is the lead body in communicating, coordinating, monitoring and providing suitable environment to the development of contract farming. Moreover, this Sub-Decree set the conditions for contract-based agricultural production and established a mechanism for resolving disputes.[530]

Despite the creation of the Sub-Decree, to date, there has been no intervention from government. Instead of formal rules or policy, farmers try to find their own way to obtain benefits and sustain CF through trust and mutual understanding. In this context, policy, strategy and an action plan have been identified as crucial for CF to improve agricultural productivity and living wages for farmers.[531]

Civil Society and NGO initiatives

Cambodia has a thriving civil society and NGO space at the sub-national and local space. Civil society organisations working on human rights in agriculture include Equitable Cambodia, Cambodia Center for Human Rights (CCHR), NGO Forum, Ponlok Khmer, and ADHOC Cambodia. Various international NGOs are also active in Cambodia's agricultural sector, including Oxfam and ActionAid. Trade unions active in the sugarcane sector are the Cambodia Agricultural Worker Federation, as part of the Cambodian Labour Confederation.[532]

The biggest NGO in Cambodia is the Cooperation Committee for Cambodia (CCC), which brings together 170 NGOs and CSOs working on sustainable development. This includes national and international organisations that advocate for labour rights in agriculture.[533]

The Independent Democratic Informal Economy Association (IDEA) is a member-based organisation of informal workers in Cambodia with over 10,000 members, who defend the rights of informal workers.[534]

In addition, the Community Legal Education Center (CLEC) is an organisation providing strategic litigation and legal aid service to vulnerable communities and human rights defenders in Cambodia and has previously defended and assisted workers in labour rights struggles.[535]

6.7 Indonesia

6.7.1 Working conditions

Legal framework

Indonesia, who became an ILO member in 1950, has ratified all eight Fundamental Conventions as well as two priority Governance Conventions, excluding the C122 – Employment Policy Convention, 1964 (No. 122) and the C129 – Labour Inspection (Agriculture) Convention, 1969 (No. 129). In addition to these core conventions, Indonesia has only ratified ten out of 178 of the technical conventions.[536]

The 1945 Indonesian Constitution lays out some basic rights, such as the right to work and receive a fair remuneration and treatment in employment, the freedom to associate and assemble, and the right to social security (Chapter X and Chapter XA). In addition, the 2003 Labour Law forms the country's main legislative text on labour rights. The Labour Law lays out basic rights to and at work, such as equal opportunities and treatment (Art. 5 and 6). The government agency responsible for implementation of the Labour Law is the Ministry of Manpower, and disputes are settled before the Labour Court.

Indonesia is currently in the process of overhauling 79 laws, which also includes various articles and provisions of the Labour Law, of which the results are not yet known.[537]

Child labour

Indonesia has ratified all key ILO conventions on child labour, including C138 – Minimum Age Convention, 1973 (No. 138) and C 182 – Worst Forms of Child Labour Convention, 1999 (No. 182).[538] In addition, the 2003 Labour Law prohibits child labour, but leaves various gaps. The minimum age for work in Indonesia is fifteen years, although children aged between thirteen and fifteen years old may be employed for light work (Art. 69). Children under the age of eighteen cannot be engaged in hazardous work, but sugarcane cultivation is not specified as hazardous work in Indonesian law (Art. 74). Although forced labour is prohibited (Art. 74), there are no strict prohibitions against child trafficking.

In Indonesia, 3.7 percent of children between ages ten and fourteen are working, mostly in the agricultural sector (61.6 percent). Children working in the agricultural sector are mostly employed on palm oil, coffee, tobacco, and rubber plantations, as well as fishing. On plantations, children face hazardous working conditions with long hours and exposure to extreme heat, dangerous tools and toxic agrochemicals. [539] North Sumatra, Central Java and East Java are the three provinces with the largest incidences of child labourers in the agricultural sector.[540]

However, because labour inspectorate is grossly underfunded and the Ministry has insufficient inspectors to cover the entire country, the Ministry of Manpower largely relies on community-based monitoring and neighbourhood chiefs to report child labour. In 2019, these inspections only identified one incidence of a child labour violation, although officials admit that many more occur but are not reported due to the inability to conduct adequate inspections.[541]

Freedom of association

Indonesia has ratified the two fundamental conventions on the freedom of association, C087 – Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) as well as C098 – Right to Organise and Collective Bargaining Convention, 1949 (No. 98). However, Indonesia has not ratified technical conventions regarding this issue, including C135 – Workers' Representatives Convention, 1971 (No. 135) and C141 – Rural Workers' Organisation Convention, 1975 (No. 141), nor C154 - Collective Bargaining Convention, 1981 (No. 154).

However, in the Labour Law, Indonesia outlines that *"every worker has the right to form and become a member of a trade/labour union"* (Art. 104). These unions are also empowered to make collective work agreements between the union and one or multiple employers (Art. 116), though only 6 percent of registered companies are operating within Collective Bargaining Agreements (CBAs).[542]

The right to strike is recognised as a "*fundamental right*" if carried out legally, orderly and peacefully when all other negotiation techniques have failed (Art. 137). The Labour Law also recognises both bipartite cooperation, which is required for every enterprise employing more than 50 workers (Art. 106) as well as tripartite cooperation institutes that include the National Tripartite Cooperation Institute, Provisional and District or City Tripartite Cooperation Institutes, and Sector-based institutions both on national and local levels (Art. 107).

Violations to trade unions' rights

In the ITUC Global Rights Index, Indonesia is given a Rating 5, which means that workers have no guaranteed access to their rights and are exposed to unfair labour practices, making Indonesia one of the world's worst countries for workers and dangerous conditions for trade union leaders who face arbitrary arrests and imprisonment.[543]

Indeed, violations of trade union rights are rampant, with frequent reports of union-busting. Despite legal protections, the poor enforcement and lack of inspections have exposed union members to unfair labour practices and autocratic regimes. The government is also criticised for its crackdown on organised labour, particularly by excluding trade unions from minimum wage negotiations and designating industries as national vital objects (thereby de facto banning actions and strikes).[544]

A particular issue relating to trade union rights is a mismatch between legislation and practice, coupled with a lack of clear and strict guarantees and protections in the Constitution and in the Labour Law. For example, anti-union discrimination is prohibited but still happens frequently in practice, and companies outsource labour far beyond legal provisions to prevent workers from organising. Strikes and demonstrations by workers are frequent and widespread but are frequently suppressed and even criminalised, including through military interventions.[545]

Rights defenders in the sugarcane industry also face retaliation and violence. In April 2020, Glenn Fredly, an activist campaigning against the expansion of sugarcane plantations in Bali, was killed.[546]

Occupational safety and health

Indonesia has not ratified key ILO conventions to safeguard the health and safety of workers, including C155 – Occupational Safety and Health Convention, 1981 (No. 155), C184 – Safety and Health in Agriculture Convention, 2001 (No. 184), nor key labour inspection conventions such as C129 – Labour Inspection (Agriculture) Convention, 1969 (No. 129). Indonesia only ratified C187 – Promotional Framework for Occupational Safety and Health Convention, 2006. [547]

The Indonesian Labour Law, however, does outline protections regarding the safety and health of workers, but these articles are limited to an expectation on enterprises that employ more than 100 workers to implement an OSH Management System (Art. 86 and 87).

Significance of the informal sector and migrant workers

Around 84 percent of Indonesia's workers are active in the informal economy, despite significant declines in recent years. The informal workforce mostly consists of women (58 percent of Indonesia's total female workforce) compared to 49 percent of Indonesia's male workforce. Although agriculture is the biggest formal employer (30 percent of employment), it only contributes 13 percent to GDP, suggesting high levels of informal employment coupled with low productivity.[548]

Access to social security

The Labour Law indicates that all workers and their families are entitled to social security for employees (Art. 99). Workers from the informal economy also have access to national social security schemes, but the coverage is inadequate since the services are voluntary. In total, 59 percent of the population is covered by health social protection.[549]

Discrimination

Indonesia has ratified C111 – Discrimination (Employment and Occupation) Convention, 1958 (No. 111).[550] Although the Indonesian Constitution states that "all citizens shall be equal before the law and the government" (Art. 27) and that "every person shall have the right to be free from discriminative treatment based upon any grounds whatsoever and shall have the right to protection from such discriminative treatment" (Art. 28I), the Constitution does not specify any grounds of discrimination.

Indonesia's 2003 Labour Law also lays out principles of non-discrimination regarding equal opportunities (Art. 5), equal treatment (Art. 6) and job placement (Art. 32). In a 2003 Supplement, the Labour Law clarifies that this refers to discrimination based on sex, ethnicity, race, religion, skin colour, and political orientation, leaving significant and important gaps on gender, sexuality, marital status, cultural background and other grounds of discrimination. In addition, the Labour Law also prohibits antiunion discrimination.[551]

6.7.2 Trade union involvement in the sugarcane sector

Overall unionisation

Of the total employment (including own-account workers), 2.7 percent of workers in Indonesia are unionised. In the agricultural sector, only 4 percent of employees are unionised. In the last years, there has been a significant shift away from company-specific unions towards more federations representing entire sectors. In 2018, 137 trade unions federations and 13 confederations were officially registered while the factory-level unions fell by 38 percent between 2012 and 2018. The total number of trade unions in Indonesia in 2018 was 7,294. [552]

In 2017, there were 13,829 active CBAs, a number that has been increasing steadily. Also the number of bipartite and tripartite agreements has increased with 24 percent to 64,151 in 2017. However, trade unions have been significantly concerned about their exclusion from minimum wage negotiations since 2015.[553]

Global Union Federation (GUF) involvement

Indonesian unions that are affiliated with IUF include:[554]

- Federation of Hotel, Restaurant, Plaza, Apartment, Catering and Tourism Workers' Free Union (FSPM)
- National Federation of Food and Beverage Workers (FSBMM)
- Serikat Pekerja P.T. Sarihusada Generasi Mahardhika (PERKASA)

In addition, two unions are members of ITUC:[555]

- Confederation of Indonesian Trade Unions (KSPI/CITU)
- Konfederasi Serikat Buruh Sejahtera Indonesia (KSBSI)

6.7.3 Social dialogue

Indonesia recognises tripartite consultations at national, provincial and district levels, although there is no uniform structure across provinces and districts. The central bodies are the National Tripartite Cooperation Institution, National Wage Council and National Occupational Safety and Health Council, which each consist of government, employers' organisations, and trade unions. Indonesia ranks as 67 out of 141 countries on labour-employer relationships, but lacks a strong collective bargaining culture, which results in many labour disputes.[556]

6.7.4 Government involvement

The government of Indonesia is closely involved in the sugarcane industry, both through publicly owned sugar mills and producer companies, through associations and tripartite mechanisms, and as a legislator. The Ministry of Manpower and Transmigrations (*Kementerian Tenaga Kerja Dan Transmigrasi Indonesia*) is primarily responsible for labour relations in Indonesia. In addition, the Ministry of Trade, Ministry of Industry and the Ministry of Agriculture oversee elements of the sugarcane industry.

The Chamber of Commerce and Industry (Kadin) of Indonesia also actively supports the sugarcane industry, and in 2015 founded the Indonesian Sugar Council (*Dewan Gula Indonesia*) to synchronise data on sugar and represent the interests of the industry at the government.[557]

6.7.5 Dutch governmental support

Due to the colonial history, the Netherlands has fairly strong trade and consular relationships with Indonesia. The Dutch embassy in Jakarta, Indonesia has a dedicated agriculture department, which supports trade relationships between the Netherlands and Indonesia. In addition, the Agriculture Council Indonesia (*Landbouwraad Indonesië*) operates from the embassy to support agricultural development in Indonesia and the region. In Surbaya, a Netherlands Business Support Office is in charge of supporting Dutch companies that want to trade with Indonesian companies.[558]

6.7.6 Labour rights initiatives

This research could not identify any major labour rights initiatives in the Indonesian sugarcane industry.

6.8 Vietnam

6.8.1 Working conditions

Legal framework

Vietnam has ratified seven of the Fundamental ILO Convention, of which C105 – Abolition of Forced Labour Convention, 1957 (No. 105) will come into force on 14 July 2021. To date, Vietnam has not ratified C087 – Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87). In addition, Vietnam has ratified three of the four ILO Governance Conventions, except C129 – Labour Inspection (Agriculture) Convention, 1969 (No. 129).[559]

The Constitution of the Republic of Vietnam of 2003 establishes the right to work under equal and safe conditions free from discrimination, forced labour and employment under the minimum working age (Art. 35). In addition, the 2012 Labour Code is Vietnam's main legislative document that regulates labour standards and rights.

According to the sources interviewed for this study, although Vietnam's Labour Code prohibits forced labour, the law provides very small penalties, which are not enough to discourage labour rights violations. In this context, Article 17 of the Labour Code 2019 regulated Prohibited acts of employers when signing and implementing employment contracts:

1. To keep the worker's original identification documents, degrees and certificates;
2. To request the worker to make a deposit in cash or other asset to guarantee his/her implementation of employment contract;
3. To coerce a worker to perform an employment contract for payment of loans borrowed from the employers.

It is likely that as a result of this legal framework, Vietnam has high rates of forced labour, usually through unlicensed brokers charging high fees, forcing particularly migrant workers into debt.

Child labour

Vietnam has ratified C138 – Minimum Age Convention, 1973 (No. 138) as well as C182 – Worst Forms of Child Labour Convention, 1999 (No. 182). Although Vietnam restricts the legality of employing minors, children from the age of 13 to 15 can undertake light work with consent from a legal representative and ensuring that the working hours do not affect schoolwork. From the age of 15 to 18, minors can be employed for work with some limitations on the number of hours, no hazardous work and a ban on overtime or night work (Art. 163).

To understand the occurrence of child labour in Vietnam, the Ministry of Labour, Invalids and Social Affairs (MoLISA) with assistance from the ILO has conducted a National Child Labour Survey, first in 2012 and a second one in 2018. Between these years, a significant reduction in the portion of working children aged between five and seventeen was observed (decreasing from 15.5 to 9.1 percent). Nevertheless, in 2018 over 1.7 million children (9.1 percent) engaged in economic activities and over 1 million (5.4 percent) were engaged in child labour. Around 37 percent of working children do not go to school, while the majority of child workers combine school with work (67 percent).[560] According to the U.S. Department of Labor, sugarcane in Vietnam is among the goods produced by child labour.[561]

Over half of the children in child labour work in hazardous, heavy, or dangerous conditions. Most of the child workers, nearly 60 percent, are active in agriculture, especially younger children and boys. In many cases, this includes children who assist their families, either on family farms or at plantations, and support their parent's productivity without earning a wage themselves (82 percent of working children are unpaid). Children in rural areas are more likely to fall into child labour, as over 84 percent of children in child labour are in rural areas of Vietnam.[562]

Freedom of association

Vietnam has ratified C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98), but has not ratified nor signed C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87).[563]

Freedom of association and the right to organise are extremely restricted in Vietnam. Although both the Constitution and the Labour Code establishes the right to associate and to demonstrate, these rights are extremely limited. All unions are controlled by the Vietnam General Confederation of Labor (VGCL), a trade union confederation run and controlled by Vietnam's ruling party, the Communist Party of Vietnam (CPV). The VGCL has the exclusive authority to recognise unions, appoint union leaders, and represent lower-level unions. In sectors or workplaces where no union exists, the VGCL takes this position, even when workers have not requested or voluntarily chosen to organise. Since the VGCL answer directly to the CPV, the government may strongly interfere and control union activity.[564]

A 2019 amendment to the Labour Code allowed workers to form independent, grassroots workers representative organisations (WROs). However, these WROs are still under control of the VGCL and other restrictions, such as the law that only citizens may join a union, severely restrict the freedom of association.[565] Although strictly speaking, these WROs are not unions, they can operate alongside the VGCL, although restrictions remain, and new organisations need to get permission from state authorities to operate. The reform was mostly motivated by the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and a free trade agreement with the EU, both of which required the opening of independent unionisation.[566]

Although unions have a right to organise strikes, there are severe limitations on this right. The law only allows for strikes that arise from collective labour disputes and forbids strikes over rights-based disputes or those arising from economic and social policy measures (defined as interest-based strikes). Strikes can also not take place at the sector or industry level and need support of at least 50 percent of the workers to be considered legal. Antiunion discrimination is prohibited, but control and fines are too limited to deter violations. Instead, labour activists face harassment from the government (see section 0).[567]

Violations to trade unions' rights

Compared to 2019, Vietnam improved its 2020 ITUC Global Rights Index ranking from 5 (no guarantee of rights) to 4 (systematic violations of rights). The improvement in the rating was mostly due to the passing of an amending text to the Labour Code which now allows independent grassroots workers representative organisations (WROs) of workers' own choosing to operate. Although these WROs still need permission from the state and cannot consolidate upper-level organisations (a right that is still exclusive to the VGCL), these organisations can now recruit and represent members, conduct collective bargaining and organise strikes. However, despite this improvement, violations of labour rights, particularly trade union rights, are persistent. Labour rights activists and union leaders face prosecution for participation in demonstrations, which in some cases leads to disproportionally long prison sentences, high fines, or harassment from the government.[568]

Occupational safety and health

Vietnam has ratified C155 - Occupational Safety and Health Convention, 1981 (No. 155) but not C184 - Safety and Health in Agriculture Convention, 2001 (No. 184). Vietnam has also not ratified C129 - Labour Inspection (Agriculture) Convention, 1969 (No. 129), although labour inspections are a crucial tool to ensure that employers provide safe and healthy working conditions.[569] The Labour Code establishes the development of the National Programme on Occupational Safety and Health and requires employers to ensure safe working conditions. In addition, the Vietnam National Institute of Occupational Safety and Health (VN NIOSH, formerly known as the National Institute of Labour Protection, NILP) was founded by government as part of the oversee the OSH in Vietnam and represent the country in regional platforms such as the Asian Pacific Occupational Safety and Health Organization (APOSHO) and the Asia Pacific Regional Network on Occupational Safety and Health.[570]

However, the government does not effectively enforce labour laws, particularly in the informal economy. Violations of OSH standards are frequently reported, and particularly vulnerable are migrant workers and uncontracted labourers, who are often subjected to the most hazardous working conditions, while these same groups often cannot access social security and health care. In 2018, the government reported 7,997 occupational accidents with 8,229 victims, including 972 fatal incidents with 1,038 deaths.[571]

Significance of the informal sector and migrant workers

In 2019, 38.1 million people (70.2 percent of total employment) were active in the informal economy in Vietnam.[572] Migrant workers, which also includes internal migrants, as well as ethnic minorities are among the most vulnerable workers in the Vietnamese sugarcane sector. Not only are migrant workers and people of ethnic minorities subjected to the most hazardous working conditions, but they are also more likely to work in debt bondage and to be employed informally. The incomes of migrant workers are lower while working longer hours than local workers, and informal workers have very limited access to social security.[573]

Access to social security

Vietnam has three obligatory social security systems: social insurance – including sick pay, maternity leave, work-related injury allowance, and a pension - health insurance, and unemployment insurance, applicable to employees who are on a labour contract of at least three months.[574] However, according to estimates of the Ministry of Planning and Investment, only 28 percent of the total labour force accessed the social security scheme, and among own account workers and unpaid family workers, this drops to only 0.8 percent. Agricultural workers, who are usually informally employed, are unlikely to access social security coverage.[575]

Discrimination

Vietnam has ratified C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111)[576], and the Labour Code prohibits discrimination "*on the basis of gender, race, colour, social class, marital status, belief, religion, HIV status, disabilities or for the reason of establishing, joining trade union and participating in trade union activities"* (Art. 8). However, the government does not effectively enforce non-discrimination laws, and discriminatory hiring practices persist, particularly relating to gender, sexuality, age, disability and marital status, as well as against independently unionised workers and human rights defenders.[577]

6.8.2 Trade union involvement in the sugarcane sector

Overall unionisation

Until January 2021, only one confederation union, the state-supervised Vietnam General Confederation of Labour (VGCL) was exclusively authorised to operate and is under strict orders of the CPV. Under the VGCL, twenty affiliate unions are active, including the Vietnam National Union of Agricultural & Rural Development Workers. In total, over 7 million workers are members of the VGCL.[578]

Global Union Federation (GUF) involvement

Currently, there are no Vietnamese labour unions affiliated to ITUC or IUF.

6.8.3 Government involvement

The Ministry of Labour, Invalids and Social Affairs (*Bộ Lao động - Thương binh và Xã hội*) is the main government agency in charge of implementing and enforcing labour laws. The Ministry of Agriculture and Rural Development (*Bộ Nông nghiệp và Phát triển Nông thôn*) is responsible for rural development and the agricultural sector, including the sugarcane sector, alongside the Ministry of Industry and Trade (*Bộ Công thươngl*). In addition, the Vietnam Chamber of Commerce and Industry represents the interests of businesses in the context of government, civil society, media and the industry.

6.8.4 Social dialogue

The Labour Code includes several provisions on social dialogue, but this is generally not effectively practiced due to Vietnam's strict limitations on independent unionisation – though this may change from January 2021 now that independent unions can form. At the company level, the Labour Code requires labour-management dialogue at least quarterly, as well as sectoral social dialogue through unions and representatives.[579] However, well-functioning social dialogue in the highly informal agricultural sector and the sugar industry is unlikely.

6.8.5 Dutch governmental support

The free trade agreement between the EU and Vietnam included several requirements on the rights of workers in attempts to ensure fair, just and sustainable trade. According to critics, however, the trade agreement falls short in ensuring that these agreements are upheld and enforced. CNV Internationaal commented that the lack of an independent monitoring mechanism and a failure to ensure representation from independent unions and other civil society stakeholders makes it impossible to ensure that labour rights are respected in practice.[580]

6.8.6 Labour rights initiatives

Multi-stakeholder initiatives

In December 2017, the Government of Vietnam signed a memorandum of understanding with the ILO's workers' and employer's organisations as well as the ILO to implement the Decent Work Country Programme Vietnam 2017-2021. This programme has three priorities:[581]

- Promote decent employment and an enabling environment for sustainable entrepreneurship opportunities.
- Reduce poverty by extending social protection for all and reduce unacceptable forms of work, especially for the most vulnerable.

Build effective labour market governance compliant with fundamental principles and rights and at work.

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Profundo

Research & advice

Radarweg 505
1043 NZ Amsterdam
The Netherlands
+31-20-8208320
profundo@profundo.nl
www.profundo.nl