Effect of Trade Liberalization on Performance of Sugar Firms in Kenya: The Case of Government-Owned Firms

Peter O. Owiye, MBA, BSc.
Maseno University, Kenya, Maseno, Kenya
Isaac K. Naibei, PhD, CPA(K)
University of Kabianga, Kenya, Kericho, Kenya
Gideon Momanyi , PhD
Maseno University, Kenya, Maseno, Kenya

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Abstract

This study focused on the Kenyan sugar industry in the changing Kenyan business environment. The study sought to establish why Kenyan sugar firms were finding it increasingly difficult to compete within the changing Kenyan business environment. The specific objectives of the study were: one, to establish factors undermining the competitiveness of the local sugar firms; two, to find out if the local sugar firms were making any strategic responses in reaction to the changing Kenyan business environment; and three, to identify what company managers and other stake-holders consider as important measures that need to be undertaken to enhance the competitiveness of government-owned sugar firms. This study involved all the government-owned sugar in Kenya. The study found out that Kenyan sugar firms were facing very stiff competition from imported sugar. As such, local sugar firms are reported to be seriously negatively affected currently. A number of factors were found to be undermining the competitiveness of local sugar firms: competition from imported sugar, inferior production facilities, and poor management of company resources, among others. This study points at a number of strategic measures that the local sugar should put in place in response to the changes currently taking place in the Kenyan business environment; Employee retrenchment, improvement in production efficiency, sub-contracting of services considered to be subsidiary to core functions, and increased marketing activities, are some of the prominently cited strategic measures being undertaken by local sugar firms in response to the changing Kenyan business environment.

Keywords: Liberalization, sugar firms, performance, competition, Kenya

Introduction

The Kenyan economy has for the last decade witnessed major changes, following the implementation of policies leading to economic liberalization. These changes include removal of import controls, price and foreign exchange controls among many others. These changes have dictated that firms adjust their structures, designs, manufacturing processes, corporate culture and general posture, in order to remain competitive.

A number of studies have been carried out in Kenya before, addressing the question of the extent to which firms have been affected by the changing business environment and the attendant strategic responses. These studies include Shimba (1993) on financial institutions, Bett (1995) on the dairy industry, Abekah (1996) on the petroleum industry, Kombo (1997) on the motor industry franchise holders, and Chune (1998) on food manufactures in Nairobi.

Available literature indicates that, so far, no study has attempted to address the performance of the Kenyan sugar industry since the dawn of economic liberalization in Kenya, yet the industry remains an important contributor to the socio-economic development of this country. Sugar-cane contributes 4% towards the marketed agricultural production in Kenya (Livingstone and Ord, 1986). This is a significant contribution, considering that agriculture continues to make up the largest portion of Kenya's economy, contributing approximately 25% of the total Gross Domestic Product (Economic Survey, 1995). Further, the sector employs thousands of Kenyans who work in various sub-sectors.

The performance of the local sugar industry has been dwindling for some time now. The National Development Plan for the period 1997-2001 by the Kenyan government observes that self-sufficiency in sugar has remained elusive over the years leading to higher levels of imports. As evidenced in appendix 1, covering the production of sugar by local firms between the years 1986-1995,sugar production increased steadily from 1986-199. After 1988, production levels fell steadily until 1994. Comparing these production patterns against the steadily rising consumption levels (appendix 1), one gets a clear impression that the local sugar industry is experiencing problems. A country report by the economic intelligence unit (1st quarter, 1998) observed that there was a reduced sugar content in some of the cane harvested in 1997. The same report reveals that the ministry of agriculture projects a fall in sugar production to 350,000 tones in 1998 from 400,000 tones in 1996 and an estimated 390,000 in 1997.

In virtually all the sugar-cane growing zones of this country, a lot of over-grown cane is going to waste un-harvested. Stand-offs between sugar-

cane farmers and management of sugar factories in the country are common and frequent. Revitalization measures have since been suggested and in some cases implemented. Management of Nzoia Sugar company has since been placed in the hands of an American consultancy firm-F.C. Schaffer and Associates Inc.. The shift in the management of Muhoroni Sugar Company from indigenous managers to a Pakistani Consultancy firm-Hudabiya Construction Company, has since hit a snag.

The principle purpose of this study was to examine the major causes of the inability of the local sugar firms to compete effectively in the face of the changing Kenyan business environment. Further, this study sought to examine whether or not there were any efforts by the local sugar firms to adjust to the changing business circumstances in Kenya. Specifically, the study sought to identify the major causes of the local sugar firms' inability to compete effectively within the changing Kenyan business environment, identify the strategic responses by local firms towards the changing Kenyan business environment and to identify what company managers, and other stake-holders consider as important measures that need to be undertaken to enhance the competitiveness of the government-owned sugar firms.

The Kenyan Business environment has been undergoing tremendous changes during the last four decades. These changes have opened up the domestic economy to stiff competition in virtually every sphere. The Policy Framework Paper on "Economic Reforms" for the period 1996-1998 (Feb 1996) reports that the government has since mid 1993 made significant strides with respect to structural reforms. It has eliminated foreign exchange controls, removed all trade restrictions, and tremendously reduced tariff rates. The number of non-zero tariff rates has been reduced from seven to five, and the maximum tariff reduced from 62% in 1993/94 to 40% in 1995/96. All price controls have been abolished. In the area of domestic market liberalization, the government has undertaken reforms to ease restriction on business entry and operations. This undertaking has been achieved through rationalization and reduction in the number of national and local fees and licenses required for new businesses and through minimizing restriction on retail and wholesale trade and investment (Policy Framework Paper, 1996).

Further the revival of East African Cooperation is another initiative which promises to dramatically change the Kenyan business through the creation of a common East African market. A common East African Market promises to result into additional trade which by extension is likely to permit economies of scale to be enjoyed by member countries.

The forgoing changes have succeeded in the creation of a free-trading environment in Kenya. This free trade regime has in effect opened the gates for entry into the various sectors of business by a number of new players.

Competing business organizations have since emerged in virtually all sectors of the economy. The result has been serious challenges for companies that have for long enjoyed monopolistic benefits especially those in the previously protected sectors.

A number of studies have been done to assess the impact the changing business environment in Kenya has had on a number of organizations. Shimba (1993) observed that liberalization in the financial sector had a profound effect on the functioning of the local financial institutions, necessitating their structural changing. Bett (1995) studied the impact of liberalization on the dairy sector. He observed that liberalization in the sector had led to an unpredictable trading environment. Kombo (1997) on the motor industry franchise-holders, made the observation that liberalization had necessitate structural changes within the motor industry, as economic liberalization had resulted into increased competition. He observed that local vehicle assemblers had faced stiff competition from second-hand vehicle importers.

Chune (1998) in a study on the influence of the changing business environment in Kenya on the behavior of food manufacturers in Nairobi found out that the number of food manufacturers did not steadily increase. He observed that this was due to an influx into the local market of imported food products from other countries as a result of economic liberalization. All the foregoing studies indicate a relationship between the changing business environment in Kenya and the functioning of local firms.

Commercial cultivation of sugar-cane was introduced in East Africa by Asians during the first half of the twentieth century (Karuggah and Kubasu, 1993). Uganda was East Africa's chief producer of sugar-cane. Two large plantations were established at Lugazi and Kakira near Jinja. For a long time, Uganda supplied Kenya and Tanzania with sugar. Kenya's sugar industry was slow to develop. By 1967, there were only two sugar factories in the country-Miwani factory in Kisumu district and Ramisi factory in Kwale district. The Ramisi and Miwani sugar estates were established between 1902 and 1940 by Asians. But total output in these two areas was not sufficient for the whole country. Thus, Kenya had for a long time to import sugar from Uganda. Mumias Sugar Company, Kenya's largest cane milling firm was established in 1971 (Oyaya and Ogagul,1995),while South Nyanza Sugar Company (Sony) was established in 1977.

Presently there are three major sugar-cane growing regions in Kenya. These regions: Nyanza 'sugar-cane belt', which extends form Koru through Muhoroni and Chemilil to Kibos near Kisumu. Sugar-cane is also grown in Kisii and Siaya Districts, Western Province-Mumias has dominated in sugar-cane cultivation. Some sugar-cane growing is found in Bungoma district around Nzoia and eastern parts of Busia district. There is also some

significant sugar-cane cultivation in the Kabras area of Kakamega district and The Coastal region -sugar-cane is grown in the Ramisi area although sugar production appears to have declined significantly in the recent years. Sugar factories are doted in the sugar-cane growing areas. These factories are: Muhoroni, Chemilil, Miwani and Sony in Nyanza Province: Mumias and Nzoia in Western Province: and Ramisi in Coast Province. Plans are at an advanced stage to establish another sugar factory at Nambale, Busia district (Oyaya and Ogagul, 1995).

The Kenya Sugar Authority (KSA), a government marketing board deals with all matters relating to the production and marketing of sugar. There are indications that the liberalized economic environment in Kenya has produced negative effects in some sectors. The freeing of many world trade barriers has resulted into increased global competition for supply of goods and services in Kenya (Levin and Ndung'u, 1996;7).

This competition has seriously affected local firms, particularly those that previously enjoyed protective advantages from the state. The Kenyan sugar industry presents a show case of the adverse repercussions of economic liberalization in Kenya. The local sugar industry has been undergoing depressive moments with overall production levels falling steadily since 1988 (Statistical Abstract, 1996). Most sugar factories are finding it increasingly difficult to operate in a self-sustaining manner given the huge losses they make every year. Some factories like Ramisi have since closed down.

A number of problems appear to be bedeviling the local sugar firms. These problems are thought to stem from poor company management, government interference in companies management and poor relation between contracted sugar-cane farmers and companies' management. Un-regulated importation of sugar from highly subsidized economies is also thought to be affecting the local sugar firms. Indeed the local sugar industry has had to content with competition from some of the world's leading producers and exporters of sugar like India, Brazil, China, Mexico, Pakistan and South Africa.

Competition faced by the local sugar firms from imported sugar has largely been viewed as unfair. Industry experts have variously pointed out that importers of sugar from foreign countries have been able to find loopholes in Kenya's customs department which allow them to import sugar into the country without paying the full value of customs and other charges.

Methodology

The population of interest in this study consisted of six Kenyan sugar firms in which the Kenyan government has a substantial share-holding. These are Mumias Sugar Company, South Nyanza Sugar Company (SONY),

Chemilil Sugar Company, Muhoroni Sugar Company, Miwani Sugar Company and Nzoia Sugar Company. The study did not concern itself with the small sugar factories whose impact in the industry is at best, insignificant, and whose history does not show consistency.

The companies studied produce white sugar both for local and foreign consumption. They develop and manage their own sugar-cane estates although they have also contracted quite a number of farmers to provide cane for crushing. The Kenyan government holds a substantial shareholding in all of these companies a part from Miwani Sugar Company (49%), which gives it a greater say in the overall management of the companies.

This study used both secondary and primary data. Secondary data was obtained from statistical abstracts, and other government policy documents. In-house newsletters and brochures from the sugar companies were also used as a source of secondary data. Primary data was collected using a questionnaire which contained both structured and unstructured questions. The questionnaire was administered personally by the researcher using the drop-and pick-later method. Responses were sought from company mangers, officials at the Kenya Sugar Authority and directors of out-grower organizations, as these personalities happen to be at the center of the management of the Kenyan Sugar firms.

Data in this study was analyzed using descriptive statistics. Since the study was investigative in nature, proportions, and percentages were used to summarize the collected data. The 4-point Likert scale was used in the question designed to seek respondent's perception regarding the causes of the inability of local sugar firms to compete effectively within the changing Kenyan business environment. The Likert scale was chosen as it is known to provide for expression of intensity of feeling (Churchil, 1991) in addition to being simple to construct (Tull and Albaum, 1973). Further, the Likert scale has the advantage of providing the researcher with the opportunity of running a whole battery of items for the respondent to evaluate, yet there is only one uniform set of rating categories that the respondent needs to use (Luck and Rubin, 1992). Factor analysis, a mathematical model which attempts to explain the correlation between a large set of variables in terms of a small number of underlying factors (Mardia et. al., 1989) was used to analyze the respondents' rating of the possible causes of the local sugar firms' inability to cope with the changing Kenyan business environment. The analysis was performed on twenty one possible causes.

Results

This study involved six government-owned sugar firms in Kenya. They included Mumias Sugar Company, South Nyanza Sugar Company,

Chemilil Sugar Company, Miwani Sugar Company, Muhoroni Sugar Company and Nzoia Sugar Company. A total of 20 respondents were interviewed. Twelve of the respondents were drawn from the top hierarchy of the sugar companies' management. The rest of the respondents were drawn from the Kenya Sugar Authority. The results have been summarized and presented by the use of tables and proportions.

Table 1: Response on whether companies have been affected negatively or positively

Response	No. of response	Percentage
Negatively affected	20	100.00
Positively affected	0	0.00
Total	20	100.00

Source:- Interview with industry officials

Findings:- Kenya sugar firms have been negatively affected by the changing Kenyan business environment.

Government share-holding in each of the six public sugar companies **Table 2:**

Company	%(age) shareholding
Mumias Suigar Company	70.76
Sony Sugar Company	98.80
Chemelil Sugar Company	95.38
Muhoroni Sugar Company	74.17
Nzoia Sugar Company	97.93
Miwani Sugar Company	49.00

Source: Interview with the Kenya Sugar Authority

Findings: Although the government is a major shareholder in nearly all the above companies, government interference in company management was not cited as a major cause of the local sugar companies uncompetitiveness in the face of the changing Kenyan business environment.

Table 3: The extent to which companies have been affected by the changing Kenyan business environment

Response	No. of Respondents	Percentage
Very serious	10	50.00
Seriously affected	10	50.00
Not seriously affected	0	0.00
Total	20	100.00%

Source :- Interview with industry official

Findings :- the extent to which government owned sugar companies have been affected ranged between serious and very serious.

Table 4: Source of greatest competition for government-owned sugar companies

Response	No. of respondents	% -ntage
Inter-Public Company	0	0.00
A local Private Sugar Company	0	0.00
Local Investors who import sugar	20	100.00
Total	20	100.00%

Source: Interviews

Findings:- The greatest source of competition for government owned sugar companies waslocal investors who import sugar into the Kenyan market.

Table 5:- Whether the government has any role to play within the sugar industry given the liberalized Kenyan trading environment.

Responses	No. of respondents	%-ntage
The government has a role to play	20	100.00
The government has no role to play	0	0.00
Total	20	100.00%

Source:- Interviews

Findings: The government still has a very prominent role to play within the liberalized Kenyan trading environment. This includes, regulatory role within the industry/control of imports and Policy frame-work formulation

Table 6: Whether the Kenya Sugar Authority has any role to play in the local sugar industry given the changing Kenyan trading environment.

Responses	No. of respondents	%-ntage
KSA still has a role to play	20	100.00
KSA does not have a role to play	0	0.00
Total	20	100.00%

Source: Interviews with industry officials

Findings:- KSA still has a prominent role to play within the local sugar industry. This role includes Co-ordination of research and Regulatory role within the industry

Table 7: Level of competition facing government – owned sugar companies following the changing Kenyan business environment.

Response	**No. of respondents**	**%-ntage**
Very stiff	14	70.00
Fairly stiff	6	30.00
Not stiff	0	0.00
Not stiff at all	0	0.00
Total	**20**	**100.00%**

Source: Interviews with industry officials

Findings: 70% of the respondents indicated that the competition facing government- owned sugar firms was very stiff. However this competition was largely unfair. A total of seven factors were extracted from the data that comprised twenty one variables (possible causes of the uncompetitiveness of the local sugar firms). That is to say seven factors were identified to be undermining the performance of the local sugar firms in the face of the changing Kenyan business environment. The table below provides a summary of the above factors:

Table 8: A Summary of Factors Affecting the Competitiveness of the Kenyan Sugar Firms

Factor	Heavy factor loadings (variable)	Explanatory power in terms eigen-values	Posible explanation to the uncompetitiveness of the local sugar industry
1.	1. Loose financial control 2. Over-employment of staff 3. Lack of vibrant R&D programmes 4. Low quality human resources	5.352	- uncompetitiveness arising arising from poor management of funds and - poor personnel management practices
2.	1. Unfair competition from imported sugar 2. Fraudulent financial management 3. Inefficient production processes 4. Low quality cane used	2.962	- Stiff competition occasioned by trade liberalization
3.	1.Increased competitors in the industry 2. Poor worker management practices	2.218	- stiff competition occasioned by trade liberalization
4.	1. Increased competitors 2. Poor extension facilities	1.928	- Stiff competition occasioned by trade liberalization
5.	1.Lack of modern production facilities 2. Low quality sugar 3. Poor infrastructure	1.701	- Uncompetitiveness arising from inferior production facilities and inputs
6.	1. Low quality sugar 2. Low quality cane used	1.316	- Uncompetitiveness arising from low quality inputs
7.	1.Lack of visionary top management	1.175	- Uncompetitiveness arising from poor management of resources

Discussions and conclusion

Many national economies are undergoing rapid transformation as a result of the explosive growth of global trade, the attendant international competition and widespread technological advancements.

Globalization of trade in the world today dictates that national economies remain open to external aggression, while technological advancement ensures wide availability of information and increased speed of

communication. As a result, today's markets for goods and services are changing at an incredible pace. There is a growing consumer price and value sensitivity, a rapid growth of new forms of businesses and growing erosion of brand loyalty.

The foregoing changes are throwing many companies into a state of confusion in search of survival formulae. Findings from this study indicate that local sugar firms have been seriously affected by the trend towards trade liberalization in Kenya. Respondents cited local investors who import sugar into the local market as the single and greatest source of competition to locally manufactured sugar and the local sugar firms in general. Those interviewed contended that local sugar firms were facing very stiff competition from imported sugar, although the competition was considered to be largely unfair.

While contending that stiff competition was an inevitable eventuality, following the changing Kenyan business environment, those interviewed observed that Kenyan sugar firms were plagued by a number of bottle-necks that made it near impossible for them to compete effectively at an international level. Many of those interviewed cited unfair competition from imported sugar as the most adverse factor affecting Kenyan sugar firms.

Respondents observed that most of the imported sugar was not being subjected to tax. This made imported sugar to appear much cheaper and attractive to consumers than locally manufactured sugar. Further those interviewed observed that cane-husbandry in Kenya was not quite well managed. This implies that the cane used in the manufacturing process is never of good quality. This often led to high wastage during the manufacturing process which, of course, translated into high production costs.

Lack of modern production facilities was cited by respondents as one of the major factors undermining the competitiveness of Kenyan sugar firms. This often resulted into frequent breakdowns, delayed production schedules and high wastage rates. In all, production facilities used by the local sugar firms were considered not to be sufficiently efficient. This too translated into very high production costs. Poor infrastructure within the sugar cane growing areas was also considered a major problem by respondents. This was considered a problem as it always let to high vehicle maintenance costs.

Respondents also attributed the poor performance of local sugar firms to the harsh tax regime in Kenya. They observed that the high corporate tax and excise duty in Kenya meant high cost of doing business, which had the effect of squeezing the small profit margins realizable. Untimely payments to farmers coupled with poor extension facilities and inadequate credit facilities were cited as further factors that resulted into poor cane husbandry, as they often left the farmer financially weak and demoralized.

A number of respondents indicated that a number of departments in their firms were over-established. Uncoordinated employee recruitment efforts in the pre-liberalization era had resulted into many departments having more than the required number of staff. Further findings indicated that a number of those who were in employment did not have the right skill. Those interviewed observed that this over-establishment was placing an unnecessary cost to many of the Kenyan sugar firms, hence undermining their competitiveness. Lack of vibrant research and development programs within the Kenyan sugar firms was also cited as a situation that could not guarantee the competitiveness of sugar firms in Kenya.

On strategy formulation, this study found out that sugar firms in Kenya were putting in place a number of measures aimed at containing the cut-throat competition that has come to be the norm in the Kenyan business environment today. Those interviewed indicated that companies have chosen to sub-contract to other organizations services considered to be non-core and an unnecessary cost to the companies. Companies have chosen to concentrate on areas/tasks considered to be their core-businesses like the actual production of sugar. Subsidiary services like transportation have been sub-contracted to other organizations. Mumias Sugar Company has for instance sub-contracted transport services to the out-grower organization.

Employee retrenchment is another key response by the Kenyan sugar firms to the changing business environment. A number of companies have designed generous packages as an inducement to early retirement. Natural attrition is also being used as a means to achieving staff reduction. All the respondents considered staff reduction an essential effort towards cutting down on fixed costs in form of labor. A number of local sugar firms have responded to the changing trading environment in Kenya by creating more responsive departments. This study found out that in cases where such departments as marketing have never existed they have been created. One company was recruiting a manager in charge of a newly created marketing department at the moment this study was going on. Many companies have also created Information Technology departments.

All the respondents interviewed intimated that there were a number of efforts by companies directed at establishing closer contacts with the consumers. These efforts included creation of more distribution channels and outlets. Further, regional warehouses have been created with the aim of getting the products closer to the consumer. Respondents also indicated that a number of ambitious marketing programs were in the pipeline towards stimulating and maintaining customer loyalty. These programs include product differentiation and effective branding of products.

Companies have also put in place measures aimed at improving on production efficiency. High production efficiency was considered a key

competitive tool as it always ensured lower overall costs of production. Efforts in this direction included the installation of modern sugar processing facilities, serious collaborative research into other breeds of sugar cane with high sugar content and short maturity period and placing greater emphasis on good cane husbandry practices.

More than ever before, managements of local sugar companies are placing a lot of emphasis on the training and development of their staff. There is considerable effort in virtually all the government owned companies towards training aimed at producing highly skilled and easily business environment adapting manpower. Companies have in place policies guiding both the external and in house training programs. Those interviewed on this subject indicated that at such a time of intense competition in the wider global business environment, training and development of staff has become an imperative competitive tool. Those interviewed made one important observation, that while the Kenyan sugar firms had a lot in their powers to do in response to the changing Kenyan business environment, there were some specific measures that needed to be collectively conceived and undertaken by all the stakeholders before the local sugar industry achieve the much needed competitive muscle.

Respondents observed that local sugar firms were not capable of effectively competing in the Kenyan market with imported sugar which retailed at considerably lower prices. Imported sugar, which was feared to be in the process of killing the local sugar industry, appeared much cheaper for two major reasons. One, local importers of sugar did so without paying the full value of customs and other charges, taking advantage of the loopholes currently prevailing in the customs department. Two, a huge proportion of the imported sugar originated from some of the most highly subsidized economies of the world. Respondents therefore called on the Government to ensure some degree of protection against imports through the enforcement of strict tariff measures while the local sugar firms gradually adjusted to the changing global business environment.

While respondents acknowledged that the competition arising from the liberalization of world trade was healthy and inevitable, full benefits could only be realized if the customs department was fair in the enactment and collection of all the customs charges due on imported goods. Respondents observed that for the sustained competitiveness of the local sugar firms, government support in terms of reduction in corporate taxes and excise duty was imperative. A number of respondents made it clear that sugar firms in Kenya needed to insist on hiring well nurtured local manpower with a profound sense of corporate management into their management, if they were to develop and maintain competitiveness.

Respondents were unanimous that the Kenya Sugar Authority needed to establish a vibrant marketing body for the local sugar both in local and international markets if the local sugar industry is to become competitive. The common marketing body should aim at conceiving/developing a common marketing strategy for the local sugar.

Finally, respondents suggested the need for collaborative research efforts involving company managers, Kenya Sugar Authority, Extension Officers, Farmers and all other stakeholders. These research efforts should entail such activities as a search for high yielding cane varieties, cane varieties with a short maturity period and high quality cane husbandry methods. This was considered an essential step towards the reduction of overall costs of production-hence sustained competitiveness.

Conclusion and suggestions for further research

Globalization of trade and technological advancement have brought with them the one-world one-market ideology. Competition arising from these, is emerging as the single most critical challenge facing today's companies. As a result, today's business environment is becoming considerably dynamic. No country today can remain isolated from the world economy. If a country closes its markets to foreign competition its citizens will pay more for lower-quality goods. But if it opens its markets, it will face severe competition and many of its local business will suffer.

Given the one-world, one-market ideology that is rapidly taking root today, local sugar companies must begin seeing themselves as existing in a global family of sugar companies. Local sugar companies should strive to attain overall cost leadership in the world sugar industry, in order to remain competitive, as it is increasingly becoming a reality that in a competitive business environment market place success goes to the competitor who can deliver goods and services at the least cost. Findings from this study indicate that the single most critical threat to the local sugar industry is the unfair competition arising from important sugar. Imported sugar is offering unfair competition to the local sugar as it is not usually fully taxed. To save the local sugar industry from collapse, this study recommends that the Kenyan government through the customs department removes the loopholes currently prevalent that lead to imported sugar entering the local market without payment of full customs charges.

This study further urges the government to provide incentives to the local sugar industry in form of a generous export compensation scheme in order to make local sugar competitive in the foreign markets. This study further recommends to the government the need for considerable reduction in corporate taxes and excise duty in the entire manufacturing sector. This will go a long way in reducing the cost of producing sugar in Kenya in particular,

thus enhancing the competitiveness of the local sugar industry. This study recommends that research be given top priority by all the stake-holders in the sugar industry. Finally, this study also recommends that local sugar companies adopt a positioning which is purely commercial. All the key managerial functions of the companies must be handled professionally. In this direction, there is a clear need for company management to be in the hands of well trained men and women with a profound sense of effective corporate management. Company management must always think globally as they act and plan within their local environments.

This study recommends further research in the local sugar industry, to determine why for instance sugar production per acre of land is lower in Kenya compared to that of other leading producers of sugar. Further, research needs to be carried out to determine the appropriateness of the present managements to the challenges being occasioned by the changing Kenyan environment.

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