REPUBLIC OF KENYA

NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES

REPORT OF THE COMMITTEE'S HEARINGS ON THE CHALLENGES FACING THE SUGAR SECTOR IN KENYA

NATIONAL ASSEMBLY,
PARLIAMENT BUILDINGS,
NAIROBI

AUGUST, 2010

TABLE OF CONTENTS

PREFACE

Mr. Speaker, Sir

The Departmental Committee on Agriculture, Livestock and Cooperatives comprises of the following Members:-

The Hon. John Mututho, M.P.	**Chairman**
The Hon. Lucas Chepkitony, M.P.	**Vice Chairman**
The Hon. Peris Chepchumba, M.P.	
The Hon. Fred Outa, M.P.	
The Hon. John D. Pesa, M.P.	
The Hon. Benson I. Mbai, M.P.	
The Hon. Evans Akula, M.P.	
The Hon. Dr. Victor K. Munyaka, M.P.	
The Hon. Kambi Kazungu, M.P.	
The Hon. Erastus Mureithi, M.P.	
The Hon. Robert O. Monda, M.P.	

The Committee embarked on a fact finding exercise conducted through public hearings to assess the impact on cane farming in Kenya's sugar belts and which directly contribute on the sugar industry. The Committee visited the sugar belts in Nyanza and Western Kenya from 06th to 13th September and the Coastal sugar belts, that is, Ramisi and Tana Delta, from 14th to 18th October 2009, to acquaint themselves with the issues on the ground.

The public hearing exercise was done pursuant to the mandate of the Departmental Committees derived from National Assembly Standing Order 198 (3) which outlines the functions of a Departmental Committee shall be:

(a) To investigate , inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;

(b) To study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;

(c) To study and review all legislation referred to it;

(d) To study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained ass compared with their stated objectives;

(e) To investigate and inquire into all matters relating to the assigned Ministries and departments **as they may deem necessary,** and as may be referred to them by the House or a Minister; and

(f) To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

Drawing from this dispensation, the Second Schedule of the Standing Orders, the Departmental Committee on Agriculture, Livestock and Cooperatives mandate covers subjects that relate to agriculture, livestock, fisheries development, co-operatives development, production and marketing.

The pursuit of the above mandates motivated the Committee to seek farmers concerns and other issues in the sugar sub-sector to help in making informed decision on the sugar industry.

Notably, the economy of the areas visited in Nyanza and Western Kenya sugar belts is sugar based with other crops grown only for subsistence. The issues in these sugar belts differ slightly from the coastal sugar belts where cane production has been dormant for years or is yet exploited. Kwale International Sugar Company is in the process of reviving the once vibrant Associated Sugar Company in Ramisi which stopped operations in 1988, while the Tana Delta has not been fully exploited despite successful cane variety trials, feasibility studies and interest to undertake an integrated cane development by local and international investors. The intended development which is meant to exploit the Delta economically still faces resistance from the local pastoralist community.

The Committee observed and/or heard first-hand the daunting challenges that the cane farmer has to content with ranging from delayed and inadequate payment for cane delivered, delayed harvesting leading to over-mature cane on farms, inflated cane transportation cost, manipulation of weighbridge leading to reduced

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The Committee observed and/or heard first-hand the daunting challenges that the cane farmer has to content with ranging from delayed and inadequate payment for cane delivered, delayed harvesting leading to over-mature cane on farms, inflated cane transportation cost, manipulation of weighbridge leading to reduced

cane weight, compromised food security, high cost of farm inputs especially fertilizers and seed cane, among other problems. Each of these challenges and others are explained in detail in this report which I would like to urge Hon. Members to peruse and acquaint themselves with in order to grasp and understand the magnitude of the problem.

Mr. Speaker, the Committee's public hearings and other sittings were made successful by the commitment and invaluable assistance offered by the many stakeholders in the sugar sub-sector and development partners by way of mobilizing, arranging for meeting venues, attendance and setting aside time to engage in the process. The Committee is grateful and appreciates the support by each of the stakeholders.

Above all, the Committee further expresses profound appreciation to the Hon. Speaker, the Liaison Committee, and the Clerk of the National Assembly for facilitation towards making the public hearings and subsequent Committee sittings possible.

Mr. Speaker, Sir

On behalf of the Committee, it is now my pleasant duty and privilege to present this report to the House for consideration and adoption.

Thank you.

SIGNED ....

HON. JOHN M. MUTUTHO, MP

(CHAIRMAN)

DATE 16th. Aug. 2010.

CHAPTER ONE

INTRODUCTION

1.0 HISTORICAL PERSPECTIVE

1. Kenya's highest potential for industrialization lies in agro-based industries. Farming activities direct contribution to the country's GDP is 26%. Cane as a crop was introduced in Kenya in 1902. The first sugar cane factory was set up at Miwani near Kisumu in 1922 and later at Ramisi in the coast province in 1927.

2. A decade after independence, the Government of Kenya embarked on an expansion programme of sugar production through investments in sugar cane growing schemes, and establishment of new sugar factories.

3. In 1966, Muhoroni Sugar Factory was put up by the government. This was followed in quick succession by Chemelil Sugar Factory in 1968, Mumias (1973), Nzoia (1978) and SONY (1979) at Awendo. Today, Kenya has seven major sugar factories with an annual production capacity of between 550,000 and 600,000 tonnes of sugar. The sub-sector remains one of the few areas where government still has heavy business investment. Recent additions to the sugar milling establishments include Kibos Sugar Company and West Kenya Sugar Company both of which are by private investors.

1.1 GLOBAL SUGAR PRODUCTION AND TRADE

4. Over 70 percent of world sugar is derived from cane. The rest is from sugar beet which is a temperate crop. Sugar production is commercially carried out in 127 countries in the world. Whereas this is done on commercial basis, the world market is not the main market but only a residual market for the following reasons:

- Most sugar is produced and consumed in the same country.
- Only about 30 per cent of world output is traded internationally.

5. Therefore, the world market sugar prices do not form a suitable basis for determining the "fair" price for sugar, locally and internationally. The prices represent the market only for residual production and residual demand. Russia is the world's biggest importer of sugar while Brazil, Australia, Cuba and Thailand account for 65 percent of the sugar traded in the world.

6. With globalization and emergence of trade blocs through integration, non sugar factors among them multilateral trade regimes and preferential arrangements have emerged as strong determinants of world market sugar prices which are basically region specific and no necessary a reflection of global supply and demand for he commodity.

1.3 POLICIES BEHIND GOVERNMENT INVOLVEMENT IN THE SUGAR SUB-SECTOR

7. The government deep involvement in the sugar sub-sector is informed by the agrarian leaning policies the Kenya government embraced immediately after independence. The following deliberate policy considerations have endeared government involvement ever since.

(i) The need to ensure self-sufficiency and subsequent exportable surplus in sugar production.

(ii) Import substitution - sugar production was targeted as one of the key economic drivers that could secure import substitution and thus save the country some foreign exchange. At independence, the domestic market depended to a large extent dependent on imported sugar; hence the expansionary policies offered a viable alternative.

(iii) Tool for social development – sugar growing regarded as a means of creating employment opportunities (farms and factory workers) and wealth in the rural areas, thus ensuring a strong revenues base and stability for the rural economy.

(iv) Agent for stimulating rural development - through stimulating other income generating activities and facilities to support the working population in the expansive sugar belts e.g. rural electrification, real estate ventures, schools, hospitals, other supporting businesses and farm enterprises.

8. The policies were framed and implemented in disregard of the welfare of the local sugar farmer, and overarching comparative advantages. These scenarios have continually been perpetuated to the present day sugar sub-sector woes.

1.3 THE SUGAR SUB-SECTOR IN KENYA TODAY

9. The case for the Kenya sugar sub-sector is one of incomplete Structural Adjustment Programmes (SAPs) which brings to play the political imperatives that characterize the industry today.

10. The countdown to the lapse of the Common Market for Eastern and Southern Africa (COMESA) safeguards created an atmosphere of uncertainty for the sugar industry in Kenya which remains quite unprepared for the commencement of the COMESA free trade. Internal imperatives occasioned by persistent conflicts between the main state actors in the industry, mainly the Ministry of Agriculture, Kenya Sugar Board, and sugar millers on one hand, and the independent sugar importers have not augured well for the local sugar industry. The genesis of the recurrent crisis lies in the imports of approximately 200,000 metric tonnes of duty free sugar from the COMESA region and the perennial inefficiency of the local sugar industry. The duty free import is part of the restricted import quota for duty free sugar under the COMESA safeguards extended to Kenya to allow some grace period as it restructures her sugar sub-sector. Allocation of the import quotas to certain importers and millers alike is done by the KSB.

11. In 2009, mixed signals from the MOA on allowing imports of duty free sugar from non-COMESA countries threatened put industry operations in disarray. The immediate response of the market was inflated retail price of the commodity ranging between 15-23% within a period of two months. The closure of sugar factories for routine annual maintenance, at almost the same time during the year has been a distorting factor of sugar prices in the country as it has tended to lead to artificially induced commodity shortage.

12. The sugar industry in Kenya is worth over Kshs 20 billion in annual turnover. However, local production has for decades failed to match the estimated domestic demand of slightly over 600,000 metric tonnes. According to Kenya Sugar Board (KSB), the combined installed capacity of the operational sugar factories is 24,880 tonnes of cane per day. This is not sufficient to meet the domestic consumption of sugar. The estimated 200,000 metric tonnes shortfall is offset by sugar imports in a controlled manner so as not to adversely destabilize the domestic market. This control coupled with government investment in the various sugar factories implies that the sugar industry in Kenya has never been liberalized.

13. The free market forces of supply and demand have not prevailed in the industry despite liberalization of the agriculture sector in Kenya. In 2008/2009, sugar production in the world market has gone down with major exporters such as India and China facing imminent shortages. Brazil, the other key exporter entered into a bilateral agreement with India to export there to meet the shortfall.

14. Due regard was not accorded the COMESA safeguards in the Sugar Act 2001, which established the KSB. Section 27(1) of the Act states that *"all sugar imports into the country shall be subject to the prevailing import duties, taxes and other tariffs and that, they will be controlled by the Kenya Sugar Board"*. This, however, contradicts Article 49 of the COMESA Treaty. The Article provides that, *"Except as may be provided by this Treaty, each member state undertakes to remove immediately upon the entry into force of this Treaty, all non-tariff barriers to import to members state of goods originating from other member states..."*

15. Any excess sugar imported into the country outside the safeguards attracts the following tariffs/taxes: Import duty100 percent; Value Added Tax 16 percent; and Sugar Development Levy at 2 percent. Imports of industrial sugar are by manufacturers gazetted by the Treasury under the Tax Remission for Exports Office (TREO) Programme. Any industrial sugar imported from COMESA member states by non-manufacturers is subjected to the full taxes and levies.

16. COMESA has frequently extended the safeguards that have limited sugar imports into Kenya from the trading bloc's member states. The safeguards are meant to give Kenya a grace period to make its sugar industry competitive. The process has been painfully slow despite extension to 2012. The fact that Kenya is a high cost producer of sugar complicates the situation for the local sugar industry which quite inefficient by international standards. It costs Kshs 41,800 to produce a tonne of sugar compared to Kshs 24,000 in neighbouring Sudan.

CHAPTER TWO

COMMITTEE FINDINGS ON THE CHALLENGES FACING THE SUGAR SUB-SECTOR IN KENYA

2.0 INTRODUCTION

17. Sugar in Kenya has for obvious reasons been described as both political and strategic commodity. The committee set out to gather first hand information from the farmers who have borne most of the problems the sub-sector currently faces. Divergent views were gathered in both western Kenya and coastal region sugar belts.

18. The committee findings highlight a sub-sector faced with myriad challenges ranging from production to processing and marketing. These findings, arising from the public hearings are summarized in detail below.

2.3 NYANZA AND WESTERN KENYA

2.3.1 Delayed payments

19. This is rampant in all sugar belts with critical levels in SONY Awendo, Chemilil (farmers not paid for cane delivered in March 2009 as at October 2009), and Muhoroni. Owing to the large portion of family land under the crop, this is forcing many farmers to sell their cane cheaply to the many jaggeries in the sugar belt to meet immediate family needs.

20. In all sugar belts visited, only the Malava belt which is serviced by West Kenya Sugar Company did not have this problem. Farmers were paid seven days after delivery of their cane. It also had the highest cane price per tonne to the farmer at Kshs 3,213 effective September, 2009 from an earlier rate of Kshs 3,155 per tonne of cane – an increase of 1.80 %. Against this positive increment is a counterproductive increase in transport costs from Kshs 299 per tonne to Kshs 413, an increase of 27.60% consuming all the gains the farmer might have anticipated. It is a practice all millers have perfected thereby making cane farming very unrewarding venture especially for the small scale farmers. Unlike deductions on inputs supplied which attract interest, farmers are not paid interest on delayed payments.

2.3.2 Manipulation of the weigh bridge

21. This concern cuts across all the sugar belts visited. There appears to be a deliberate mismatch between the tonnage invoiced and the actual weight delivered by transporters with farmers losing out. The impropriety is done with the concurrence of factory staff at this point in the chain.

22. The practice has raised calls for intervention through:

(i) Full implementation of the provisions of Sugar Act of 2001 which provides that cane be weighed at farm gate.

(ii) Have a farmer representative at the factory weigh bridge in the meantime.

(iii) Address weight fraud by factory employees who double as farmers and end up grossly inflating the weight of cane stacks originating from their farms.

(iv) Construct weigh bridges at the various production zones through government grant as is the case at of a weighbridge built by Kibos Sugar Company at Awasi in the Nyando sugar belt.

2.1.3 Over-mature cane

23. The problem is rooted and mainly occasioned by delays in harvesting attributed to;

(i) Dishonest factory officials.

(ii) Non-adherence to harvest schedule as agreed and according to plan leading to selective and discriminative harvesting driven by favouritism, corruption, and influence peddling.

24. The above has resorted to what has come to be commonly referred to as ***'helicopter harvesting'*** **–** implying hopping from one farm to another in complete disregard of the mature cane in the fields of the poor farmers. This has reached critical level in the Awendo sugar belt, Mumias, Nzoia and Muhoroni.

2.1.4 Gross mismanagement of factories

25. The industry woes are exacerbated by flawed recruitment procedures of top managers due to political patronage. In some of the sugar belts, cases were cited of planned and deliberate running down of the factories as was cited in the case of Miwani Sugar Factory leading to its being placed under receivership and subsequent closure. Across board, recruitment of competent staff has been curtailed by corruption, nepotism, and favouring recruitment along ethnic divide. The result has been an acute job skill mismatch.

2.1.5 Inefficient and obsolete factory machinery

26. Prolonged periods of mismanagement has made return to profitability of most sugar factories, especially government owned, a pipedream and unable to keep abreast with technology in the industry. The outcome of this scenario is low conversion rate, frequent breakdowns and hence high costs of milling the commodity way above the world average. The committee found the low levels of efficiency as the major problem contributing to poor performance of the entire local sugar industry. The normal practice by the millers is to cushion the factory by transferring most of the costs to the producer thereby leading to inevitably low returns to the farmer.

2.1.6 Land titles and ownership

27. Non-issuance of certificate of title (title deed) to farmers particularly in settlement areas and upon sub-division has been an impediment to production as it poses a limitation for farmers interested in securing loans for cane development. The eventual revival of Miwani Sugar Company heavily depends on the outcome of a land dispute in court in respect of ownership of land hosting the nucleus estate. The Committee advised that the dispute be pursued through arbitration and out of court settlement. The court process was deemed will take too long and consume enormous financial resources.

2.1.7 Low cane prices, Heavy taxation and other deductions

28. Cane prices are persistently low with the price per tonne delivered remains unchanged over a long period. In addition, the prices are not

reviewed upwards in tandem with other production variables such as transport, inputs and other sub-sector costs. The cane pricing formula by KSB is not enforced to factor in frequent sugar price increases into cane price.

29. The taxation regime is not favourable to the cane farmer and is a disincentive to the development of the sub-sector. The taxes include Value Added Tax (VAT), Sugar Development Fund (SDF), and Cess. The entire tax burden, which is in excess of 27% of cane delivered, is borne by the farmer. Further deductions (with interest) are executed by the out-grower institutions and sugar factories particularly on inputs supplied denying the cane farmers a comfortable income.

2.1.8 Burnt cane: Pricing and Compensation

30. Cases of arsonists are on the rise and peaked during the post-election violence period. Payment of burnt cane proceeds has been a contentious issue with farmers complaining of being penalized arbitrarily. Burnt cane paid Kshs 500 less per tonne in Awendo, Chemilil, and Muhoroni and percentage based in Mumias. The penalty on burnt cane is 15 percent in Mumias having been recently reduced from 30 percent. Subsequently, farmers whose burnt cane was penalized at the previous rate have appealed for refund of monies earlier deducted from their proceeds. In South Nyanza, farmers have a persistent problem of delayed harvest of burnt cane leading to loss of sucrose, weight and even drying up in the fields.

31. Nonetheless, some cases of cane burning are a desperate measure to attract attention of the milling factory out of frustration over delayed harvesting. In addition, despite registration with relevant government authorities over cane burnt during the post-election violence period, the affected farmers are yet to be compensated.

2.1.9 Low quality seed cane and declining cane yields per unit area

32. The current production per unit area ranges from 40 to 80 tonnes per acre depending on agronomic practices applied, against a potential of 150 tonnes per acre. This is attributable to prolonged extraction of soil nutrients without proper replenishment especially through low fertilizer

application. To reverse the decline in productivity, farmers across the sugar belts advanced the following measures.

(i) Allocating more research funding targeting research on high yielding, high sucrose content and early-maturing cane varieties.

(ii) Supplementary irrigation infrastructure – investing more on such infrastructure is likely to improve cane yields by over 30 per cent is expected to reduce the gestation period of cane by about six months from the current 18 months.

2.1.10 Cogeneration activities

33. There is an emerging awareness among cane farmers as the suppliers of raw materials for cogeneration activities. Proceeds from the products of cogeneration e.g. electricity generation (for Mumias), molasses, and ethanol are never passed on to the farmers supplying the factories with cane. The cane pricing formula provided under Sugar Act 2001 does not take into account the activities. The contracts between farmers or even out grower institutions capture prices based only on cane deliveries.

34. Mumias Sugar Company for instance generates 38 megawatts of electricity and sells 26 megawatts at 8 US cents per kilowatt hour to the national grid. This is considerably at much lower rate than other Independent Power Producers (IPP) at 13 cents per kilo watt hour. Majority of farmers in the sugar belt have not benefitted from rural electrification programme.

2.1.11 Privatization

35. There is unanimity among farmers' on this issue that the first priority in the event that privatization of the six factories where government has business interests. The overriding concerns raised at the public hearings on this process include:

(i) That the government should first revamp the factories through purchase of modern and efficient machinery before privatization could be considered.

(ii) The nucleus estate lands be divorced from the factory in the sale.

(iii) Farmers and interested locals investors should be given priority and adequate time of two to five years to raise the required capital.

(iv) Compensation for those displaced when their ancestral land was acquired at the time of establishing the Mumias Sugar Company nucleus estate at current market rates, and not the Kshs 90 per acre paid out in 1976 which was far below the market rate even then.

2.1.12 Out-grower institutions

36. These serve as a critical link between farmers and the millers. However, there is an increasing concern on the rate of collapse of these institutions. Although formed under an Act of Parliament for the purposes of promoting cane growing, out-grower institutions have not fulfilled this mandate. Farmers' dissatisfaction with Mumias Out-growers Company (MOCO) and most other out-grower institutions across the sugar belts is quite evident and calls for their dissolution were expressed. At the same time, sugar factories are accused of engineering manipulations leading to the collapse of some of the vibrant out grower institutions to ensure that farmers concerns do not get a voice.

37. Cane farmers dissatisfaction is informed by allegations of:

(i) Deductions and misappropriation of farmer proceeds by officials of the out-grower institutions.

(ii) Late and forced oversupply of inputs especially fertilizer e.g. MOCO.

(iii) Financial difficulties that have made the institutions insolvent and mostly loss making entities with no dividends payments to the farmer. Indebtedness has pushed the debt base into billions of Kenya shillings mainly loans by KSB

(iv) Unethical practices and competition for membership by out-grower institutions in the Nyando sugar belt.

2.1.13 Duty free sugar from COMESA Region

38. Kenya's 200,000 tonnes of sugar shortfall is met by duty free sugar imported from Common Market for Eastern and Southern Africa (COMESA). The lifting of the COMESA safeguards protecting the local millers from competitively priced duty free sugar imports from COMESA member states is a real concern for the sub-sector. Current extension of the safeguard is set to end in 2012 while local sugar industry is still very uncompetitive due to prohibitive production costs. Additionally, local sugar production is dominated by smallholder producers operating uneconomical production units.

2.1.14 The Sugar Act, 2001

39. Amendments to the Act and its full implementation came up as one of the key impediments to sugar industry reforms. Provisions in the Act ranging from weighing of cane at farm gate, and value based on sucrose content, were pointed out as having not been implemented. Amendments suggested at the public forums include a review of the Act to give more independence to the Kenya Sugar Board (KSB) in running the industry by reducing government representation in the board.

2.1.16 Access to flexible and affordable credit

40. The KSB has availed funding for loans to cane farmers through the Agricultural Finance Corporation (AFC). However, farmers are categorical that accessing the loans is difficult due to the many restrictions among them title deed requirement as collateral. It is the farmers' view that such loans derived from the SDF only benefit the large scale growers and the sugar factories.

2.1.17 Increasing Levels of Transit losses

41. The loss to the farmer are compounded by transit loses between the farm and the weighbridges. This finding is quite rampant in all sugar belts arising from spillage, and in a few cases unscrupulous transporters who among other malpractices turn a blind eye to pilferage. The stacking of cane onto the traditional cane hauling tractors also contributes to these losses. The gradual shift to other transport means such as lorries, which is faster, less risky to road users and also reduces the turn-around time is catching up.

2.1.18 Food insecurity and Weak extension-research-farmer linkage

42. Food security enhances productivity and creates opportunities for increased disposable incomes. The situation in the sugar belts is a contrast of this phenomenon with deep seated poverty evident in most homesteads. A major contributing factor is an entrenched obsession with cane farming in the sugar belts which has tended to consume virtually all land available to households leaving inadequate space for production of food crops and other farm enterprises. This is compromising food security in the sugar belts as cane farmers are not ready to diversify.

43. A weak research-extension-farmer linkage exists and needs to be intensified in order to enhance information dissemination by extension workers. This would contribute immensely to better crop husbandry among the cane farmers. It would also dissuade farmers in the sugar belts from directing all efforts to cane production even when break-even point is unattainable.

2.1.19 Economic Stimulus Programme

44. Recent economic recession has not spared any sector of the economy. Although the government responded positively with funding under the Economic Stimulus Programme (ESP), it appears the sugar was overlooked and has not benefited form the package despite also falling victim of the adverse weather conditions and prevailing economic recession. This could be used to revamp the sugar factories through purchase of new mills and boilers to revert them into profitability.

2.1.20 Weak farmer representation and Dispute resolution

45. With a much weakened out-grower institutions, farmers' representation in decision making is curtailed and concerns have not been receiving a fair hearing. The alternative avenue of redress has remained the government through the provincial administration. This avenue has in most sugar belts been infiltrated and compromised by the millers. The practice is perpetuated by the Mumias Sugar Company which goes to the extent of housing senior security and provincial administration officials in the district as well as paying a monthly allowance to some of the officers (payment vouchers attached).

2.2 THE COASTAL SUGAR BELTS

46. Two sugar belts exist in the coast region, that is, Ramisi and the Tana Delta. Due to the climatic conditions of the coastal area, cane production has a huge potential in the region but remains largely unexploited.

2.2.1 RAMISI SUGAR BELT

47. The Ramisi sugar belt in Kwale district is one of the earliest areas to benefit from early cane development in Kenya. Established in 1927, the Ramisi Sugar Factory operated by the Associated Sugar Company closed down in 1984. Beginning 2006 new investors operating under Kwale International Sugar Company (KISCO) secured a 99 years lease on land formerly owned by Associated Sugar Company, Ramisi.

48. The Ramisi sugar belt land consisting 12,000 hectares has been divided to accommodate 4,000 hectares nucleus estate, 4,000 hectares for titanium extraction and the remaining 4,000 hectares for the resettlement of squatters. The company has a nursery and initially plans to put 2000 hectares under nucleus estate and 2000 hectares for out-growers. The Company is scheduled to start cane crushing in late 2010 and is designed to incorporate cogeneration activities and ethanol production. The projections are such that farmers will provide about 60 percent of the cane while the company will cater for the remaining 40 percent for sugar production. The crushing capacity of the factory is estimated at 3,000 tonnes of sugarcane per day and rise to 5,000 tonnes per day in the medium term.

49. The key issues raised at the public hearing held at the proposed factory site include the following.

(i) Squatter problem

The new investors in cane farming are still grappling with the problem of squatters. Initial resettlement under Phase I has already been completed. However, the second Phase is still in abeyance creating uncertainty among those issued with allotment letters.

(ii) Community engagement and sensitization

Community participation in the project was highlighted not to have been comprehensive and top-down approach appears to be the practice. This is an outdated approach to decision making when targeting community development. Additionally, the community raised issue with inadequate sensitization and time given for recruitment of out-growers besides the requirement that one has to produce a valid land title to be considered.

(iii) Local investors/shareholding

Apart from their role as out-growers, the prospective cane farmers in the areas have not been considered for shareholding in the new investment. Only three shareholders were mentioned and local community shareholding is not apparent. The majority shareholder is based in Japan, while the other two are local investors of Asian origin based in Nairobi.

(iv) Land title

Prospective farmers and local authorities in the area indicated that non-issuance of land title could delay registration of prospective out-growers and needs to be expedited. This applies also to land allocated for public institutions, e.g. schools, shopping centre, churches/mosques and dispensaries, within the nuclear estate.

(v) Compensation

The prolonged closure of Ramisi sugar Factory gave way to encroachment of the nuclear estate land by squatters, who have now been resettled elsewhere. Those relocates are now claiming compensation for trees and fruit trees felled during the resettlement process. In addition, workers laid down after the collapse of the Associated Sugar Company, Ramisi have not received terminal benefits.

(vi) Sharing of resources

Water resources use came out as an emerging source of conflict between KISCO and other investors in the area. KISCO is accused of claiming sole rights in the use of water abstraction from the Ramisi River for cane irrigation while Tiomin Inc., which is engaged in titanium mining, needs the same in titanium extraction process. In addition, the locals push for continued use of the wetlands where they have been farming rice has not been addressed.

2.2.2 TANA DELTA

50. The Tana Delta (currently an administrative district) lies within the semi-arid area of Garsen in the greater Tana River district, Coast province. The total acreage measures 200,000 Hectares and is immensely valuable to the local people who have built an intricate connection with it. The production systems and livelihoods of the majority of the delta's communities are linked to the dynamics and functioning of the wetlands ecosystem. The delta is extensively used by pastoralists who graze their cattle in the areas around the floodplain. It is also a dry season grazing fallback area to many pastoral communities some of whom come from other districts.

51. Sugar Development in the delta through the Tana Delta Integrated Sugar Project is planned to cover 16,000 hectares of the Delta. The potential of sustainable exploitation of the Delta land for integrated development and improved livelihood is informed and supported by several studies among them; Booker report of 1969 commissioned by the then Minister for Agriculture Hon. Bruce Mackenzie; Grabosky and Poort Study (Netherlands 1974); Haskoning (Netherlands 1982); and Nippon Koei (Japan 1990).

52. The Tana and Athi River Development Authority (TARDA) applied for and was allocated land in the Delta from the Government measuring 28,680 hectares on 17th January 1995 vide Letter of Allocation Reference No. 106796.

53. During the International Investment Conference in March 2004, TARDA and Messrs RAESA of Spain opened discussions for joint investments and technology transfer in the Tana Basin. The discussions centered on the Integrated Sugar Project in Tana Delta and the Thanatu Valley Irrigation Project in the upper Tana catchment. RAESA and TARDA entered into an MOU on: Sugar industry project under overhead irrigation system; Sugar

processing mill; Cogeneration; Power alcohol, and production of industrial sugar.

54. Outside the TARDA project, MAT International (a company involved in sugar imports), and lately Mumias Sugar Company have shown interest in sugar development in the Tana Delta, in efforts to exploit the economic potential of the Delta. The Case for an integrated sugar project in the Tana Delta is justified by the following:

- **(i)** According to previous and recent studies, varietal trials and recommendations of the National Sugar Conference, Tana Delta has the potential of responding to challenges in the sugar industry due to the favourable climatic and agronomical conditions.
- **(ii)** The conditions favour fast maturity of the crop (8 months compared to 18 months elsewhere), and high yields (over 100 metric tonnes per hectare as opposed to 35 – 60 per hectare elsewhere)
- **(iii)** Availability of adequate land and water for large scale irrigation.

2.2.2.1 Challenges

55. The development and exploitation of Tana Delta potential has at times been quite controversial. Among the issues that came up at the public hearing include the following.

(i) Environmental issues

The community feels aggrieved that a comprehensive and impartial Environmental Impact Assessment has not been carried out. Environmental concerns *vis a vis'* Kenya's international obligations: technology, biodiversity, wetlands, water supply etc. have been raised.

In addition, among the economic activities taking place within the delta is fishing activities by local fisher folk. Particular concerns of chemical residues in relation to the fishing activities within Kipini area have been raised.

(ii) Resettlement and resources use

The delta serves as a dry season grazing area for the dominant pastoralist community. Access to this dry season grazing and water for their livestock once the project takes off is not guaranteed thus raising resistance to sugarcane development.

(iii) Community Participation sensitization

Doubts have been raised in relation to the consultation and decision making which the community is dissatisfied with and complain that it has not been comprehensive. This exposes project development to myriad bottlenecks if a sense of ownership is not cultivated among the local community. The community has therefore not been adequately sensitized on the potential economic benefits the project portent.

(iv) Land title and Ownership

The community perception is that issuance of land title in the area is being done selectively in favour of the farming community. This has raised suspicion in the local pastoralist community who rely on the land targeted for sugar farming as a dry season grazing area. The possibility of resettlement further raises secondary concerns relating to social justice and equity, land ownership (indigenous and minority communities) and human rights.

The land issue is a source of internal conflicts between the local communities, that is, the pastoralists and the farming community, creating divisions in acceptance of the proposed sugar project venture.

CHAPTER THREE

THE PROCEEDINGS WITH THE SUGAR COMPANIES

3.0 INTRODUCTION

56. The Committee held meetings with the Management and the Board of Directors of the sugar factories to deliberate on the issues affecting the sugar sector. The meetings also provided the Committee with an opportunity to seek clarifications from the management of the sugar firms on the specific concerns raised by the farmers in September 2009 when the Committee visited their zones and which have been summarized at the Appendix I.

57. In particular, the issues thought to stand in the way of farmers from reaping maximum benefits from their investments in the sector were especially of great interest to the Committee. The companies who made appearances before the Committee were:-

1. Chemelil Sugar Company
2. Sony Awendo Sugar Company
3. Muhoroni/Miwani Sugar Companies
4. Kibos Sugar and Allied Industries Limited
5. Mumias Sugar Company Ltd
6. Kibos Sugar Cane Outgrowers Company Limited
7. Mumias Sugar Outgrowers
8. Mumias Sugar Company Ltd, but the meeting was deferred

58. Although Mumias Sugar Company Ltd made appearance before the Committee, no submissions were received since the meeting was deferred to a later date. On Tuesday, 27th April, 2010, the meeting was to take but which the Mumias management explained they were engaged in other Company's activity. No other date was given before this report was concluded. However, the Management submitted written responses on the issues which had been raised with the Company and which have been attached to this report at Appendix II.

59. Nzoia Sugar Company failed to appear before the Committee since company had no functional Board of Directors at the time. The Board of Directors of the Kenya Sugar Board also made presentation to the Committee. The synopsis of the deliberations that ensued is presented here below with respect to each of the stakeholder sugar factories.

3.1 THE CHEMELIL SUGAR COMPANY LIMITED

60. On Tuesday, 16th February, 2010, the Committee met with the Management of the Board of Directors of Chemelil Sugar Company. The deliberations with the Management of the Chemelil Sugar Company Ltd touched on both the challenges faced by the Company in executing its mandate and those that the Committee gathered from the farmers when it visited the area.

61. The farmers issues were discussed and related to the following:-

(a) Faulty Weigh Bridge

The Committee was informed that the allegations of tampered weighing machines were not true, but that the machines were always in compliance with the Weights and Measure Standards of the Kenya Bureau of Standards (KBS). The Committee demanded for the necessary certificate of inspection from KBS to ascertain the explanation given. The Committee also sought to know why the Company rounded-off the weights of the sugar cane delivered to the factory, and advised that the Company stops this practice to prevent cumulative losses accruing to the farmers.

(b) Late payment of farmers

The Committee was concerned by the farmers' revelation that their payment dues for the cane delivered were being delayed and this had caused untold suffering as they could meet their daily basic expenses. In response, the Committee was informed that this has since been rectified and that the December 2009 supplies had been paid. The Committee was assured that the cash flow problem which the Company formerly experienced had been addressed.

(c) Low price of cane

The Committee was informed that the Company paid good prices compared to other companies in the COMESA region despite the high cost of production. The Committee was further informed that the sugar prices were demand-driven and determined by distributors at various parts of the country. The Committee was also informed that non-tariff barriers such as illegal importation of sugar worked to affect sugar prices in the market. The Committee therefore recommended that the Government allow only the importation of sugar to be undertaken by the sugar factories and not unscrupulous traders or individuals.

(d) Conflict with Muhoroni Sugar Company Ltd

The Committee heard the allegations of the conflict with Muhoroni Sugar Company did not exist, but that the Kibos Sugar and Allied Industries Ltd were buying cane which other companies had invested in. The Committee further heard that Kibos Sugar Company had no cane of its own but poached from the farmers of Chemelil, Miwani and Muhoroni Outgrowers.

(e) Poor cane varieties

The Committee was informed that inspite of the development of early maturing sugar varieties by the Kenya Sugar Research Foundation (KSRF), the farmers were reluctant plant them for fear of crop losses as a result of delayed harvest. The Committee heard the explanation that the farmers could lose up to 100 percent of the crop as compared to 50 percent in the case of the traditional sugar varieties.

The Committee recommended that the management of all the sugar companies undertake extension and education services to the farmers to adopt and grow early maturing varieties to increase the tonnage per acre, and that the companies move to modernize their operations with a view to harvesting the farmers' cane on time. The Committee further recommended that the sugar companies invest in the diversification of the cane products in order to reap maximum benefits from the processing of cane.

(f) Nepotism in the recruitment of staff

The Committee was informed that the recruitment and appointment procedure used to be haphazard and lack professionalism, but that this had been rectified following the establishment of a functional and professional human resource department at the company. The Committee was further informed that as a result of this recruitment reform process, most of the unqualified workers have since left the Company. The Committee was also informed that any recruitment being undertaken by the company was being vetted with help of reports from the Kenya Anti-Corruption Commission (KACC) and National Security Intelligence Service (NSIS) before appointment in order to ensure persons of high integrity were given appointment.

(g) High cost of farm inputs

The Committee heard that the high cost of fertilizers were as a result of procurement processes undertaken by individual sugar companies, and that this had been addressed following the intervention by the government through Agricultural Development Corporation (ADC) which had given the responsibility to undertake the importation on behalf of the factories.

(h) Poor representation of farmers

The Committee was concerned by the complaint by the farmers during the public hearing that the composition of the Board of Directors did not reflect adequate representation from the local farmers. In response, the Board explained that the sugar company had been undergoing restructuring and that the interests of the farmers had been catered for in the present composition of the Board. The Board further explained that rationalization and reforms being undertaken were aimed at minimizing costs in order to increase profitability of the company.

The Committee therefore advised that the Board take cognizant of the interests and views of the farmers at every level of their decision making processes. The Committee further advised that the management include the inclusion of farmers' representative at the weigh bridges. The Committee recommended that farmers participation be strengthened through the formation of the out grower organizations in all the sugar factories.

(i) Obsolete mills

The Committee was informed that the obsolete equipment had contributed to the high cost of operations. The Committee was further informed that the company was undertaking steps to move from the old system of maintenance to embracing the reliability centered system in order to avoid shutting down operations during routine maintenance. The Committee was also informed that this would be achieved by hiring well trained and competent engineers. The Committee therefore recommended that the independent technical experts be hired to look into maintenance of the companies.

(j) High levies

The Committee was informed that sugar industry was overtaxed in the country, and that the government needed to review the taxes imposed on sugar.

(k) High Cess

The Committee was informed that Cess charged at kshs.19 per tone of cane was being deducted from farmers and part of which was being remitted to the councils to be used for the maintenance of roads. The Committee was further informed that the use of Cess had not met the expectations as the work ended up not being done or poorly done. The Committee recommended that the fund be consolidated from all the sugar companies and the road maintenance be conducted from a centralized office.

(l) Land grabbing

The Committee was informed that some special purpose plots along river banks had been grabbed by squatters along the rivers and roads and in them cane planted. The Committee was further informed that the plots had since been repossessed. The Committee was also informed that all employees who had illegally settled on the plots had signed code of ethics to adhere to all rules and regulations of the company. The

Committee heard that the Company also resolved that the poor farmers whose cane was confiscated be compensated.

(m) Sugar tribunals

The Committee was informed that sugar tribunal existed in the company. The Committee urged the management to use the forum to expedite cases in order to address the problems affecting the company.

(n) Privatization of the Company

The privatization of the sugar factories was also raised during the deliberations in which the Committee wanted to know the plans the Directors had to ensure that farmers gained an upper hand during the process. In response, the Board expressed the wish that the privatization follow the due process of the law pursuant to the provisions of sugar act of 2001 and as amended in 2005, where priority had been given to the farmers.

The Committee was told this would need capital investment to replace the outdated technology and address the problem of capacity as well as improving efficiency. The amount was stated at an estimated 2-2.5 billion shillings with a payback period of between 7 and 8 years.

In the meanwhile, the Committee alerted the company that there was the need to look into issue of illegal middlemen buying the cane from farmers at lower prices than offered at the market, and thereafter selling the cane to the factories. This was thought to impoverish the already poor sugar cane farmers.

3.2 THE SONY AWENDO SUGAR COMPANY

60. On Wednesday, 17th February, 2010, the Committee held deliberations with the Management of the Sony Awendo Sugar Company in which issues that had been raised with the Chemelil Sugar Company emerged. These were:-

(a) Delayed payments

The Committee heard that the problem of delayed payments which used to exist at Sony Awendo Sugar Company owing to the insolvency of the Company had been addressed. The Committee further heard that the payments to the farmers was being made promptly and in accordance with the provisions of the Sugar Act (2001), which require that payment be done 30 days after sugar deliveries are made.

(b) Late harvest

The Committee was informed that there could be isolated cases of 'helicopter' harvesting, and that whenever such cases were detected the culprits faced disciplinary action by the company. The Committee was further informed that a programme has been put in place for developing and harvesting of cane by the sugar company.

(c) Cane transportation

The Committee heard that the company had expeditiously addressed the problem of cane transportation though the hiring of private transporters to support the sugar company's own transport. The Committee further heard that cost incurred using the private transporters were very reasonably fair since the procurement process was made transparent.

(d) Over dependency on sugar

The Committee was informed that the company was investing in the diversification of its products, and that there was a programme in place to engage in the coal generation chip board making.

(e) High Cess charged by the Company

As it was stated in the case of Chemelil Sugar Company, the Committee was informed that despite the Cess being charged and submitted to local authorities to maintain roads, this had fell short of expectation. Consequently, the Committee recommended that the Cess be retained by the sugar companies who would then utilize the funds for the purposes for which they had been set, just like the case of tea factories in the tea growing areas.

(f) Cane burning

The Committee was informed that cane burning was a common practice within the factory plantations and if there was an illegal burning of mature cane activities, the company explained that this was done by arsonist who would want the company to incur cane losses. According to the company, the culprits once apprehended would be dealt with in accordance with law.

(g) Poor research

The Committee raised the concern that the varieties of cane used in 1970s which take up to 24 months were still being planted today by the farmers. The Committee noted that farmers have continuously suffered long years of waiting to earn their incomes from the cane. In response, the management informed the Committee that there were new varieties that matured at within 17 months although farmers were yet to adopt the planting of these varieties.

(h) Consultancy work

The Committee was informed that operations of the factory are done by the company professionals hired when the current management came into office two and half years ago. This has reduced the costs of hiring experts for maintenance.

(i) High taxation

The Committee was told that the tax levied (by the government) on sugar in Kenya which stood at 27% was the highest tax on commodity goods. While deeply concerned by this high taxation, the Committee therefore recommended that the government move to reduce the current tax rate on sugar without further delay in order for the farmers to reap maximum benefits for their investment.

(j) Funding to the Kenya Sugar Board (KSB)

The Committee was informed that the value for money from the funds received by factories from the KSB was not worth when the cost benefit analysis was undertaken. The Committee was further informed that if the sugar sector was to be a blessing to the economy of the country, adequate funding should be allocated to the sugar institutions such the KSB and the Kenya Sugar Research Foundation (KSRF) in order to exercise their mandate effectively and efficiently.

(k) The Sugar Act (2001)

The Committee was informed that the Sugar Act (2001) was inadequate to address issues of the sugar sector, even after the amendments were made in 2005. Therefore the Committee recommended that the Sugar Act be reviewed to reflect the concerns raised by the players in order to create a good working environment for the prosperity of the sector. The Amendments will focus accommodating the views expressed during the public hearings as captured in parliamentary Hansard and other parliamentary and non-parliamentary reports. Of particular concern is the weighing of the sugar cane at farm gate. Although this will not be easy to achieve, the sugar Act could be amended such that the millers are barred from owning the weigh bridges but are represented at weighing centres.

Subsequently the Committee recommended that the weigh bridges are valuated and sold to the farmers through check-off system and that efforts be made to ensure the weigh bridges meet legal and technical compliance to the weights standards.

3.3 THE JOINT RECEIVER MANAGERS FOR MUHORONI AND MIWANI SUGAR COMPANIES

62. On Thursday, 25th March, 2010, the receiver managers held sittings with the Committee to discuss the problems affecting the two sugar companies. In undertaking the deliberations, the Committee sought to gather information relating to the following areas:-

- **(i)** The performance of the Miwani and Muhoroni Sugar Companies in terms of their profitability since they were placed under receivership.
- **(ii)** Level of indebtedness of the two companies.
- **(iii)** Why payments to cane transporters had not been settled by then.

(iv) Why the management requests for the write off of huge VAT debts.

(v) Why the cost of production is skyrocketing.

(vi) Why there is retention of Cess money in the factories against the original practice of remitting to the Councils in which they fall under.

(vii) The impact of the weigh bridge from Kibos Sugar Industries to the companies.

(viii) How they intend to use money received from Kenya Sugar Board (KSB).

(ix) Term limit of the receiver managers

(x) The case affecting Miwani Sugar Company and the way forward

(xi) The amount paid to farmers per tonne

63. In response, the Committee was informed as follows, that:-

a) The reason behind the stagnated profit was due to low capacity and high production costs at the sugar factories. It was explained that there must be a conversion of 6500 tonnes of cane per day in order for economies of scale to be realized, and which the two companies fell short. It was further explained that some of the old machines had been replaced and regularly maintained, as well as new turbines bought to supplement power generation from Kenya Power and Lighting Company (KPLC). This had helped to improve the efficiency to about 70 percent.

b) Both Miwani and Muhoroni Sugar Companies had been retaining 60% of Cess in the factories to maintain roads in the zone, and the rest 40% remitted to the local authorities. The Cess monies had been used to rehabilitate 75km of roads in the area in the last two years, and that there was machinery owned by the factories to do that work. It was stated that machinery worth Kshs. 87.9 million had been received from the Kenya Sugar Board (KSB) and taken to Muhoroni to assist in rehabilitating of roads.

c) The farmers in Muhoroni were owed for cane deliveries for months of October 2009 to February 2010 and efforts were being made to clear them.

d) The transporters of cane had not been paid dues amounting to Kshs 25 million which had accumulated from the time before the two companies went into receivership. Part of this debt had been paid from the grant from the KSB amounting to Kshs 75million.

e) As at March 2009, Muhoroni Sugar Company had debts amounting to Kshs 13 billion collateralized against its assets worth Kshs 3 billion. This was explained as hugely inherited from the former management, and which stood in the way of attracting investors unless the debts were written off, especially in face of the impending privatization of the sugar companies. It was also explained that the debts were occasioned by unilateral decision by the government to increase cane to Kshs 2500 per tonne in 2005-2007 against declining sugar prices. The Committee therefore recommended that the government write-off the debts before the planned privatization can be undertaken.

f) The price of cane per tone paid to the farmers stood at Kshs 2,928 based on the sucrose content of cane delivered and in accordance with the sugar Act (2001). This price was stated as being low compared to some other companies owing to high production cost and diseconomies of scale. Further, the sugar technology at Muhoroni was stated to process only the green cane (in contrast to burnt cane) where farmers lose Kshs 500 per tonne, in line with section 7 (2) of the Second Schedule of the Sugar Act (2001), which the farmers were educated about before accepting to deliver the cane to the factory.

g) The term of the receiver managers was always appraised at the end of every year during the month of February by the debenture holders, Kenya Sugar Board. In the event that these companies were privatized, the term of the receiver managers was expected to be terminated.

h) The private weigh bridge set up by KIBOS Sugar Company (a private company) near Muhoroni and Miwani factories was stated as faulty and poorly sited. It was further stated the weigh bridge was strategically placed to poach cane which belong to other factories.

i) There is a case in court involving Crossley Holdings and Miwani Sugar Company in which the assets of the later were sold fraudulently under mysterious circumstances The case had been dragging on for a long time (since 2008). The Committee was therefore requested to follow up the matter with the attorney general to expedite the case. On its part the Committee recommended that the government terminate the tenure of the joint receiver managers to enable KSB independently verify if the joint Receivers have been negligent in their duties and responsibilities leading to the sale of the land and huge payments made to unsecured creditors classified as secured creditors under suspect circumstances.

3.4 KENYA SUGAR BOARD (KSB)

64. On Thursday, February, 18th, 2010, and on Tuesday 27th, April, 2010, the Committee held meetings with the Directors and Management of the Kenya Sugar Board. The following issues emerged.

a) Poor management

The Committee was informed that the government-owned factories were not performing to the satisfactory of KSB. The Committee heard explanations for the poor performance of those factories in terms profits, prices and time of payment, as due to the large workforce that drain resources as a result high cost of expenditures.

The Committee was further informed that both Miwani and Muhoroni Sugar Companies had no business plans and only operated at break even point with the companies' receiver managers being paid high salaries. Consequently, the companies were reeling in deep debts.

The Committee therefore requested for the necessary documentation to be availed to the Committee including procedures for the sourcing and the subsequent appointment of the two receiver managers of the Muhoroni/Miwani factories.

The Committee heard that the private sugar companies such as the Mumias Sugar Company have disregarded the directions of the KSB, and therefore proposed that the Sugar Act (2001) needed to be amended to give KSB powers to discipline individual companies which fail to adhere to the regulations.

b) Low prices

The Committee was informed that a formula that had been developed in 2003 for determining fair prices in the different sugar belts was not being adhered to by the millers. The Committee was further informed that KSB could not enforce the implementation of the same due to weak legal framework provided by the Sugar Act (2001). Subsequently, the Directors of the KSB urged the Parliamentarians to provide for the enabling legislation for the KSB to exercise the powers bestowed upon it in dealing with the sugar factories.

c) Political interference

The Committee was told that it was difficult to adhere to laws governing the importation taxes, duties and customs as provided in the sugar act (2001) due to political interferences. The Committee was further told that the political interference was also responsible for the reasons why the industry could not be well regulated to ensure profitability.

d) Miwani Nucleus Estate

The Committee was informed that land belonging to Miwani had been sold at an Auction for Kshs. 752 million and a further amount kshs.680 million was paid to unsecured creditors classified as secured creditors. While demanding that the KSB provide the evidence for the payment as well as the records of the inventory of Miwani Sugar Company relating to the land in question, the Committee recommended that the land case be settled through arbitration and an out of court settlement to reduce time and costs. The Committee further recommended the receiver managers be terminated immediately.

e) High cost of production

The KSB explained that it costs $600 to produce one tonne of sugar and this way above the cost incurred in other countries incur to produce the same quantity. This was partly attributed to the high cost of inputs and diminishing land sizes, leading to diseconomies of scale.

The Board also attributed the high cost of production to the old mills that are not properly well maintained and therefore operating at low efficiency. However, the Committee was quick to remind KSB that India has one of the oldest mills yet the country boasts of high efficiency in the sugar operations since the machines are properly maintained.

As part of cost cutting measures, the Committee and KSB recommended for the reduction of credit interest rates form 10% to 5% to enable farmers get access to loans and to enjoy economies of scale.

f) High historical debt portfolio

The Committee heard that the millers had accumulated high debts over a long period of time which has been carried forward to the present with the consequence that this has affected the companies from easy access to credit facilities.

g) Weak research extension linkages

The Committee was informed that out of the 4% the KSB collected as sugar levy, only 0.94% of goes to research. This was noted to be insufficient to cause a successful production of a new cane variety which takes 16 years in Kenya as compared to South Africa which takes 11 years. The Committee therefore recommended that KSB work in collaboration with Kenya Agricultural Research Institute (KARI) in undertaking research on improving cane since the later is one of the leading institutions with the best research facilities in Africa.

h) Poor infrastructure

The Committee was informed that the road network in the cane growing areas was poor, and that the losses incurred on the roads during transportation in terms of spillage are huge. The losses account for 20% to 30% of the total cost of production.

i) Privatization of sugar factories

The Committee was told that the process of privatizing the five state-owned millers (Chemelil, Sony Awendo, Nzoia, Muhoroni and Miwani) had been given to the Privatization Commission of Kenya and that this was on-going. The Committee was further told that cabinet memorandum had been signed by the Ministry of Finance, Ministry of Agriculture and the Ministry of Lands on this subject but was yet to be expedited.

The Committee was concerned by the revelation that the KSB was not privy to the progress of the privatization, neither was the body involved at its conception yet it was the regulator in the industry. The Committee was further concerned that KSB did not carry out the cost benefit analysis (CBA) to determine whether privatization was beneficial or not.

The Committee was told that the proposed share holding for the privatization of the sugar factories were that the farmers would get only 24%, compared to the private investor of 51% ; the rest went to the to the government of Kenya. This was in contrast to the provisions of the Privatization Act which requires that farmers get 51% whenever a public company was privatized.

The Committee was further told that privatization would bring benefits that include the following-

- **(i)** Get capital to modernize the industry and diversify.
- **(ii)** Enhanced private sector participation eliminating historical problems.
- **(iii)** Financial restructuring of debt portfolio after privatization.

j) Performance appraisal of Muhoroni/Miwani receiver managers

The Committee was told that the joint receiver managers of Muhoroni and Miwani were to appear before the KSB on 28th April, 2010, for appraisal. The Committee was further told that the work of the joint receiver managers was below standard going (as low a 30%). Subsequently, the Committee wondered why the managers were still in office yet their work had been rated below par, and that they were being paid huge salaries.

In response, the KSB explained that they had wanted to terminate the tenure of Miwani and Muhoroni receiver managers, but that the Ministry of Agriculture issued a letter extending the tenure to allow privatization to proceed smoothly.

k) Issues regarding Mumias Sugar Company

The Committee was informed that Mumias Sugar Company had always not cooperated with KSB since its privatization took place. The Committee was further informed that Mumias Sugar Company has always ignored directives of the KSB to the extent that the company had taken control of the Mumias Out-growers Company funds. The Committee was also informed that the case relating to the dispute over the funds was in the arbitration court.

The Committee therefore recommended that the case be expeditiously concluded to save the farmers further suffering.

3.5 KIBOS SUGARCANE OUTGROWER COMPANY (KISOCO)

65. Kibos Sugarcane Outgrowers Company (KISOCO) is a young out-grower company which was established in 2006 and operates in the Nyando Zone of Nyanza province. The events of the post election violence took a toll on the company when its premises, certificates and cane were burnt down

66. The Committee was informed that company lacked funds to pay farmers, leading to delayed payments. The Committee was further informed that the problem has remained unresolved since the outgrower could not be granted loans by KSB due to lack of clearance by the Miller as per the Sugar Act (2001).

67. Other challenges cited include poor state of the roads, especially in the rainy season and the restriction that the out-grower supply cane only to Kibos Sugar and Allied Industries was prone to abuse given the poor relationship between them.

3.6 KIBOS SUGAR AND ALLIED INDUSTRIES LIMITED (KSAIL)

68. The Kibos Sugar and Allied Industries Limited was registered in 1999 and started its operations in December 2007. Kibos Sugar and Allied Industries Limited obtain its cane supply from the following outgrower companies: Nyando, Kakamasi, Miwani, Kibos and other cooperative societies.

69. From the deliberations with the Committee, the following sugar sector issues emerged:-

a) **Poor infrastructure;** that this had the effect of increasing transportation costs as well as the high losses incurred during transportation of cane to the factories.

b) **Erratic and poor distribution of rain;** this is not predictable and long dry spell may hinder proper growth of cane, hence the need for initiation of irrigation system.

c) **Poor Research;** there is need for varieties that are early maturing to compete with countries like Mauritius and South Africa by empowering research.

d) **High taxation;** which leads to low proceeds to poor farmers from their investments

e) **High cost of inputs;** especially seeds and fertilizer was too high. The Committee was informed that Kibos Sugar and Allied Industries Limited sold a 50kg bag of DAP fertilizer at Kshs 2800 while that of CAN is Kshs 1800; which is the lowest price in the market.

f) **High cost of production;** the cost of production in most millers was very high because of old technology and poor maintenance, and this could be mitigated by diversification into value-addition products such as ethanol, cogeneration and paper among others.

g) **Mismanagement;** that, the state-owned factories are mismanaged and their efficiency is compromised due to long of bureaucratic processes involved before a decision was made.

70. On the allegations leveled against the Kibos Sugar and Allied Industries limited, the Committee was informed thus:-

(i) **Illegal ownership of land belonging to Miwani Sugar Company:** that, the alleged land was bought in an Auction and by M/S Grossley Holdings Ltd who owns its valid title deed. The case was before court and could not be discussed further with the Committee.

(ii) **Burning of Kibos Sugarcane Outgrower Company's premises:** that, this was baseless since the attack on the premises was executed by the members of the public following an alleged 'rape incident' involving the executive chairman of Kibos Sugarcane Outgrower Company.

(iii) **Theft of Kshs 600 million belonging to AFC:** that, this was baseless since none of the directors of the Kibos Sugar and Allied Industries Limited had ever taken farmers' money and travelled to Canada at the time indicated.

(iv) **Controversial weighbridge at Awasi:** that, this was constructed after a wide consultation with the cane suppliers taking into consideration the distance in which farmers would cover with their cane. The Committee was provided with resolutions passing the agreement. The committee was informed that the transport costs from the farms to the weigh bridge were borne by the farmers while KSAIL bore the costs from the weigh bridge to the factory.

The claim that the weigh bridge was manipulated was also baseless given that it had been certified by the Weights and Measures Standard agency and relevant certification issued under cap 513 with no complaint of manipulation ever reported.

(v) **Poaching of cane:** The Committee was informed that there was an agreement among the stakeholders was reached that set framework to harvest over mature cane by any miller within the Nyando Sugar belt if it had the capacity. The memorandum was binding in the sense that cane received from farmers who are indebted to a different miller was to be collected and the proceeds

REPUBLIC OF KENYA

NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES

REPORT OF THE COMMITTEE'S HEARINGS ON THE CHALLENGES FACING THE SUGAR SECTOR IN KENYA

NATIONAL ASSEMBLY,
PARLIAMENT BUILDINGS,
NAIROBI

AUGUST, 2010

TABLE OF CONTENTS

PREFACE

Mr. Speaker, Sir

The Departmental Committee on Agriculture, Livestock and Cooperatives comprises of the following Members:-

The Hon. John Mututho, M.P.	**Chairman**
The Hon. Lucas Chepkitony, M.P.	**Vice Chairman**
The Hon. Peris Chepchumba, M.P.	
The Hon. Fred Outa, M.P.	
The Hon. John D. Pesa, M.P.	
The Hon. Benson I. Mbai, M.P.	
The Hon. Evans Akula, M.P.	
The Hon. Dr. Victor K. Munyaka, M.P.	
The Hon. Kambi Kazungu, M.P.	
The Hon. Erastus Mureithi, M.P.	
The Hon. Robert O. Monda, M.P.	

The Committee embarked on a fact finding exercise conducted through public hearings to assess the impact on cane farming in Kenya's sugar belts and which directly contribute on the sugar industry. The Committee visited the sugar belts in Nyanza and Western Kenya from 06th to 13th September and the Coastal sugar belts, that is, Ramisi and Tana Delta, from 14th to 18th October 2009, to acquaint themselves with the issues on the ground.

The public hearing exercise was done pursuant to the mandate of the Departmental Committees derived from National Assembly Standing Order 198 (3) which outlines the functions of a Departmental Committee shall be:

(a) To investigate , inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;

(b) To study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;

(c) To study and review all legislation referred to it;

(d) To study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained ass compared with their stated objectives;

(e) To investigate and inquire into all matters relating to the assigned Ministries and departments **as they may deem necessary,** and as may be referred to them by the House or a Minister; and

(f) To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

Drawing from this dispensation, the Second Schedule of the Standing Orders, the Departmental Committee on Agriculture, Livestock and Cooperatives mandate covers subjects that relate to agriculture, livestock, fisheries development, co-operatives development, production and marketing.

The pursuit of the above mandates motivated the Committee to seek farmers concerns and other issues in the sugar sub-sector to help in making informed decision on the sugar industry.

Notably, the economy of the areas visited in Nyanza and Western Kenya sugar belts is sugar based with other crops grown only for subsistence. The issues in these sugar belts differ slightly from the coastal sugar belts where cane production has been dormant for years or is yet exploited. Kwale International Sugar Company is in the process of reviving the once vibrant Associated Sugar Company in Ramisi which stopped operations in 1988, while the Tana Delta has not been fully exploited despite successful cane variety trials, feasibility studies and interest to undertake an integrated cane development by local and international investors. The intended development which is meant to exploit the Delta economically still faces resistance from the local pastoralist community.

The Committee observed and/or heard first-hand the daunting challenges that the cane farmer has to content with ranging from delayed and inadequate payment for cane delivered, delayed harvesting leading to over-mature cane on farms, inflated cane transportation cost, manipulation of weighbridge leading to reduced

cane weight, compromised food security, high cost of farm inputs especially fertilizers and seed cane, among other problems. Each of these challenges and others are explained in detail in this report which I would like to urge Hon. Members to peruse and acquaint themselves with in order to grasp and understand the magnitude of the problem.

Mr. Speaker, the Committee's public hearings and other sittings were made successful by the commitment and invaluable assistance offered by the many stakeholders in the sugar sub-sector and development partners by way of mobilizing, arranging for meeting venues, attendance and setting aside time to engage in the process. The Committee is grateful and appreciates the support by each of the stakeholders.

Above all, the Committee further expresses profound appreciation to the Hon. Speaker, the Liaison Committee, and the Clerk of the National Assembly for facilitation towards making the public hearings and subsequent Committee sittings possible.

Mr. Speaker, Sir

On behalf of the Committee, it is now my pleasant duty and privilege to present this report to the House for consideration and adoption.

Thank you.

SIGNED ....

HON. JOHN M. MUTUTHO, MP
(CHAIRMAN)

DATE 16th. Aug. 2010.

CHAPTER ONE

INTRODUCTION

1.0 HISTORICAL PERSPECTIVE

1. Kenya's highest potential for industrialization lies in agro-based industries. Farming activities direct contribution to the country's GDP is 26%. Cane as a crop was introduced in Kenya in 1902. The first sugar cane factory was set up at Miwani near Kisumu in 1922 and later at Ramisi in the coast province in 1927.

2. A decade after independence, the Government of Kenya embarked on an expansion programme of sugar production through investments in sugar cane growing schemes, and establishment of new sugar factories.

3. In 1966, Muhoroni Sugar Factory was put up by the government. This was followed in quick succession by Chemelil Sugar Factory in 1968, Mumias (1973), Nzoia (1978) and SONY (1979) at Awendo. Today, Kenya has seven major sugar factories with an annual production capacity of between 550,000 and 600,000 tonnes of sugar. The sub-sector remains one of the few areas where government still has heavy business investment. Recent additions to the sugar milling establishments include Kibos Sugar Company and West Kenya Sugar Company both of which are by private investors.

1.1 GLOBAL SUGAR PRODUCTION AND TRADE

4. Over 70 percent of world sugar is derived from cane. The rest is from sugar beet which is a temperate crop. Sugar production is commercially carried out in 127 countries in the world. Whereas this is done on commercial basis, the world market is not the main market but only a residual market for the following reasons:

- Most sugar is produced and consumed in the same country.
- Only about 30 per cent of world output is traded internationally.

5. Therefore, the world market sugar prices do not form a suitable basis for determining the "fair" price for sugar, locally and internationally. The prices represent the market only for residual production and residual demand. Russia is the world's biggest importer of sugar while Brazil, Australia, Cuba and Thailand account for 65 percent of the sugar traded in the world.

6. With globalization and emergence of trade blocs through integration, non sugar factors among them multilateral trade regimes and preferential arrangements have emerged as strong determinants of world market sugar prices which are basically region specific and no necessary a reflection of global supply and demand for he commodity.

1.3 POLICIES BEHIND GOVERNMENT INVOLVEMENT IN THE SUGAR SUB-SECTOR

7. The government deep involvement in the sugar sub-sector is informed by the agrarian leaning policies the Kenya government embraced immediately after independence. The following deliberate policy considerations have endeared government involvement ever since.

(i) The need to ensure self-sufficiency and subsequent exportable surplus in sugar production.

(ii) Import substitution - sugar production was targeted as one of the key economic drivers that could secure import substitution and thus save the country some foreign exchange. At independence, the domestic market depended to a large extent dependent on imported sugar; hence the expansionary policies offered a viable alternative.

(iii) Tool for social development – sugar growing regarded as a means of creating employment opportunities (farms and factory workers) and wealth in the rural areas, thus ensuring a strong revenues base and stability for the rural economy.

(iv) Agent for stimulating rural development - through stimulating other income generating activities and facilities to support the working population in the expansive sugar belts e.g. rural electrification, real estate ventures, schools, hospitals, other supporting businesses and farm enterprises.

8. The policies were framed and implemented in disregard of the welfare of the local sugar farmer, and overarching comparative advantages. These scenarios have continually been perpetuated to the present day sugar sub-sector woes.

1.3 THE SUGAR SUB-SECTOR IN KENYA TODAY

9. The case for the Kenya sugar sub-sector is one of incomplete Structural Adjustment Programmes (SAPs) which brings to play the political imperatives that characterize the industry today.

10. The countdown to the lapse of the Common Market for Eastern and Southern Africa (COMESA) safeguards created an atmosphere of uncertainty for the sugar industry in Kenya which remains quite unprepared for the commencement of the COMESA free trade. Internal imperatives occasioned by persistent conflicts between the main state actors in the industry, mainly the Ministry of Agriculture, Kenya Sugar Board, and sugar millers on one hand, and the independent sugar importers have not augured well for the local sugar industry. The genesis of the recurrent crisis lies in the imports of approximately 200,000 metric tonnes of duty free sugar from the COMESA region and the perennial inefficiency of the local sugar industry. The duty free import is part of the restricted import quota for duty free sugar under the COMESA safeguards extended to Kenya to allow some grace period as it restructures her sugar sub-sector. Allocation of the import quotas to certain importers and millers alike is done by the KSB.

11. In 2009, mixed signals from the MOA on allowing imports of duty free sugar from non-COMESA countries threatened put industry operations in disarray. The immediate response of the market was inflated retail price of the commodity ranging between 15-23% within a period of two months. The closure of sugar factories for routine annual maintenance, at almost the same time during the year has been a distorting factor of sugar prices in the country as it has tended to lead to artificially induced commodity shortage.

12. The sugar industry in Kenya is worth over Kshs 20 billion in annual turnover. However, local production has for decades failed to match the estimated domestic demand of slightly over 600,000 metric tonnes. According to Kenya Sugar Board (KSB), the combined installed capacity of the operational sugar factories is 24,880 tonnes of cane per day. This is not sufficient to meet the domestic consumption of sugar. The estimated 200,000 metric tonnes shortfall is offset by sugar imports in a controlled manner so as not to adversely destabilize the domestic market. This control coupled with government investment in the various sugar factories implies that the sugar industry in Kenya has never been liberalized.

13. The free market forces of supply and demand have not prevailed in the industry despite liberalization of the agriculture sector in Kenya. In 2008/2009, sugar production in the world market has gone down with major exporters such as India and China facing imminent shortages. Brazil, the other key exporter entered into a bilateral agreement with India to export there to meet the shortfall.

14. Due regard was not accorded the COMESA safeguards in the Sugar Act 2001, which established the KSB. Section 27(1) of the Act states that *"all sugar imports into the country shall be subject to the prevailing import duties, taxes and other tariffs and that, they will be controlled by the Kenya Sugar Board"*. This, however, contradicts Article 49 of the COMESA Treaty. The Article provides that, *"Except as may be provided by this Treaty, each member state undertakes to remove immediately upon the entry into force of this Treaty, all non-tariff barriers to import to members state of goods originating from other member states..."*

15. Any excess sugar imported into the country outside the safeguards attracts the following tariffs/taxes: Import duty100 percent; Value Added Tax 16 percent; and Sugar Development Levy at 2 percent. Imports of industrial sugar are by manufacturers gazetted by the Treasury under the Tax Remission for Exports Office (TREO) Programme. Any industrial sugar imported from COMESA member states by non-manufacturers is subjected to the full taxes and levies.

16. COMESA has frequently extended the safeguards that have limited sugar imports into Kenya from the trading bloc's member states. The safeguards are meant to give Kenya a grace period to make its sugar industry competitive. The process has been painfully slow despite extension to 2012. The fact that Kenya is a high cost producer of sugar complicates the situation for the local sugar industry which quite inefficient by international standards. It costs Kshs 41,800 to produce a tonne of sugar compared to Kshs 24,000 in neighbouring Sudan.

CHAPTER TWO

COMMITTEE FINDINGS ON THE CHALLENGES FACING THE SUGAR SUB-SECTOR IN KENYA

2.0 INTRODUCTION

17. Sugar in Kenya has for obvious reasons been described as both political and strategic commodity. The committee set out to gather first hand information from the farmers who have borne most of the problems the sub-sector currently faces. Divergent views were gathered in both western Kenya and coastal region sugar belts.

18. The committee findings highlight a sub-sector faced with myriad challenges ranging from production to processing and marketing. These findings, arising from the public hearings are summarized in detail below.

2.3 NYANZA AND WESTERN KENYA

2.3.1 Delayed payments

19. This is rampant in all sugar belts with critical levels in SONY Awendo, Chemilil (farmers not paid for cane delivered in March 2009 as at October 2009), and Muhoroni. Owing to the large portion of family land under the crop, this is forcing many farmers to sell their cane cheaply to the many jaggeries in the sugar belt to meet immediate family needs.

20. In all sugar belts visited, only the Malava belt which is serviced by West Kenya Sugar Company did not have this problem. Farmers were paid seven days after delivery of their cane. It also had the highest cane price per tonne to the farmer at Kshs 3,213 effective September, 2009 from an earlier rate of Kshs 3,155 per tonne of cane – an increase of 1.80 %. Against this positive increment is a counterproductive increase in transport costs from Kshs 299 per tonne to Kshs 413, an increase of 27.60% consuming all the gains the farmer might have anticipated. It is a practice all millers have perfected thereby making cane farming very unrewarding venture especially for the small scale farmers. Unlike deductions on inputs supplied which attract interest, farmers are not paid interest on delayed payments.

2.3.2 Manipulation of the weigh bridge

21. This concern cuts across all the sugar belts visited. There appears to be a deliberate mismatch between the tonnage invoiced and the actual weight delivered by transporters with farmers losing out. The impropriety is done with the concurrence of factory staff at this point in the chain.

22. The practice has raised calls for intervention through:

(i) Full implementation of the provisions of Sugar Act of 2001 which provides that cane be weighed at farm gate.

(ii) Have a farmer representative at the factory weigh bridge in the meantime.

(iii) Address weight fraud by factory employees who double as farmers and end up grossly inflating the weight of cane stacks originating from their farms.

(iv) Construct weigh bridges at the various production zones through government grant as is the case at of a weighbridge built by Kibos Sugar Company at Awasi in the Nyando sugar belt.

2.1.3 Over-mature cane

23. The problem is rooted and mainly occasioned by delays in harvesting attributed to;

(i) Dishonest factory officials.
(ii) Non-adherence to harvest schedule as agreed and according to plan leading to selective and discriminative harvesting driven by favouritism, corruption, and influence peddling.

24. The above has resorted to what has come to be commonly referred to as ***'helicopter harvesting'*** **–** implying hopping from one farm to another in complete disregard of the mature cane in the fields of the poor farmers. This has reached critical level in the Awendo sugar belt, Mumias, Nzoia and Muhoroni.

2.1.4 Gross mismanagement of factories

25. The industry woes are exacerbated by flawed recruitment procedures of top managers due to political patronage. In some of the sugar belts, cases were cited of planned and deliberate running down of the factories as was cited in the case of Miwani Sugar Factory leading to its being placed under receivership and subsequent closure. Across board, recruitment of competent staff has been curtailed by corruption, nepotism, and favouring recruitment along ethnic divide. The result has been an acute job skill mismatch.

2.1.5 Inefficient and obsolete factory machinery

26. Prolonged periods of mismanagement has made return to profitability of most sugar factories, especially government owned, a pipedream and unable to keep abreast with technology in the industry. The outcome of this scenario is low conversion rate, frequent breakdowns and hence high costs of milling the commodity way above the world average. The committee found the low levels of efficiency as the major problem contributing to poor performance of the entire local sugar industry. The normal practice by the millers is to cushion the factory by transferring most of the costs to the producer thereby leading to inevitably low returns to the farmer.

2.1.6 Land titles and ownership

27. Non-issuance of certificate of title (title deed) to farmers particularly in settlement areas and upon sub-division has been an impediment to production as it poses a limitation for farmers interested in securing loans for cane development. The eventual revival of Miwani Sugar Company heavily depends on the outcome of a land dispute in court in respect of ownership of land hosting the nucleus estate. The Committee advised that the dispute be pursued through arbitration and out of court settlement. The court process was deemed will take too long and consume enormous financial resources.

2.1.7 Low cane prices, Heavy taxation and other deductions

28. Cane prices are persistently low with the price per tonne delivered remains unchanged over a long period. In addition, the prices are not

reviewed upwards in tandem with other production variables such as transport, inputs and other sub-sector costs. The cane pricing formula by KSB is not enforced to factor in frequent sugar price increases into cane price.

29. The taxation regime is not favourable to the cane farmer and is a disincentive to the development of the sub-sector. The taxes include Value Added Tax (VAT), Sugar Development Fund (SDF), and Cess. The entire tax burden, which is in excess of 27% of cane delivered, is borne by the farmer. Further deductions (with interest) are executed by the out-grower institutions and sugar factories particularly on inputs supplied denying the cane farmers a comfortable income.

2.1.8 Burnt cane: Pricing and Compensation

30. Cases of arsonists are on the rise and peaked during the post-election violence period. Payment of burnt cane proceeds has been a contentious issue with farmers complaining of being penalized arbitrarily. Burnt cane paid Kshs 500 less per tonne in Awendo, Chemilil, and Muhoroni and percentage based in Mumias. The penalty on burnt cane is 15 percent in Mumias having been recently reduced from 30 percent. Subsequently, farmers whose burnt cane was penalized at the previous rate have appealed for refund of monies earlier deducted from their proceeds. In South Nyanza, farmers have a persistent problem of delayed harvest of burnt cane leading to loss of sucrose, weight and even drying up in the fields.

31. Nonetheless, some cases of cane burning are a desperate measure to attract attention of the milling factory out of frustration over delayed harvesting. In addition, despite registration with relevant government authorities over cane burnt during the post-election violence period, the affected farmers are yet to be compensated.

2.1.9 Low quality seed cane and declining cane yields per unit area

32. The current production per unit area ranges from 40 to 80 tonnes per acre depending on agronomic practices applied, against a potential of 150 tonnes per acre. This is attributable to prolonged extraction of soil nutrients without proper replenishment especially through low fertilizer

application. To reverse the decline in productivity, farmers across the sugar belts advanced the following measures.

(i) Allocating more research funding targeting research on high yielding, high sucrose content and early-maturing cane varieties.

(ii) Supplementary irrigation infrastructure – investing more on such infrastructure is likely to improve cane yields by over 30 per cent is expected to reduce the gestation period of cane by about six months from the current 18 months.

2.1.10 Cogeneration activities

33. There is an emerging awareness among cane farmers as the suppliers of raw materials for cogeneration activities. Proceeds from the products of cogeneration e.g. electricity generation (for Mumias), molasses, and ethanol are never passed on to the farmers supplying the factories with cane. The cane pricing formula provided under Sugar Act 2001 does not take into account the activities. The contracts between farmers or even out grower institutions capture prices based only on cane deliveries.

34. Mumias Sugar Company for instance generates 38 megawatts of electricity and sells 26 megawatts at 8 US cents per kilowatt hour to the national grid. This is considerably at much lower rate than other Independent Power Producers (IPP) at 13 cents per kilo watt hour. Majority of farmers in the sugar belt have not benefitted from rural electrification programme.

2.1.11 Privatization

35. There is unanimity among farmers' on this issue that the first priority in the event that privatization of the six factories where government has business interests. The overriding concerns raised at the public hearings on this process include:

(i) That the government should first revamp the factories through purchase of modern and efficient machinery before privatization could be considered.

(ii) The nucleus estate lands be divorced from the factory in the sale.

(iii) Farmers and interested locals investors should be given priority and adequate time of two to five years to raise the required capital.

(iv) Compensation for those displaced when their ancestral land was acquired at the time of establishing the Mumias Sugar Company nucleus estate at current market rates, and not the Kshs 90 per acre paid out in 1976 which was far below the market rate even then.

2.1.12 Out-grower institutions

36. These serve as a critical link between farmers and the millers. However, there is an increasing concern on the rate of collapse of these institutions. Although formed under an Act of Parliament for the purposes of promoting cane growing, out-grower institutions have not fulfilled this mandate. Farmers' dissatisfaction with Mumias Out-growers Company (MOCO) and most other out-grower institutions across the sugar belts is quite evident and calls for their dissolution were expressed. At the same time, sugar factories are accused of engineering manipulations leading to the collapse of some of the vibrant out grower institutions to ensure that farmers concerns do not get a voice.

37. Cane farmers dissatisfaction is informed by allegations of:

(i) Deductions and misappropriation of farmer proceeds by officials of the out-grower institutions.

(ii) Late and forced oversupply of inputs especially fertilizer e.g. MOCO.

(iii) Financial difficulties that have made the institutions insolvent and mostly loss making entities with no dividends payments to the farmer. Indebtedness has pushed the debt base into billions of Kenya shillings mainly loans by KSB

(iv) Unethical practices and competition for membership by out-grower institutions in the Nyando sugar belt.

2.1.13 Duty free sugar from COMESA Region

38. Kenya's 200,000 tonnes of sugar shortfall is met by duty free sugar imported from Common Market for Eastern and Southern Africa (COMESA). The lifting of the COMESA safeguards protecting the local millers from competitively priced duty free sugar imports from COMESA member states is a real concern for the sub-sector. Current extension of the safeguard is set to end in 2012 while local sugar industry is still very uncompetitive due to prohibitive production costs. Additionally, local sugar production is dominated by smallholder producers operating uneconomical production units.

2.1.14 The Sugar Act, 2001

39. Amendments to the Act and its full implementation came up as one of the key impediments to sugar industry reforms. Provisions in the Act ranging from weighing of cane at farm gate, and value based on sucrose content, were pointed out as having not been implemented. Amendments suggested at the public forums include a review of the Act to give more independence to the Kenya Sugar Board (KSB) in running the industry by reducing government representation in the board.

2.1.16 Access to flexible and affordable credit

40. The KSB has availed funding for loans to cane farmers through the Agricultural Finance Corporation (AFC). However, farmers are categorical that accessing the loans is difficult due to the many restrictions among them title deed requirement as collateral. It is the farmers' view that such loans derived from the SDF only benefit the large scale growers and the sugar factories.

2.1.17 Increasing Levels of Transit losses

41. The loss to the farmer are compounded by transit loses between the farm and the weighbridges. This finding is quite rampant in all sugar belts arising from spillage, and in a few cases unscrupulous transporters who among other malpractices turn a blind eye to pilferage. The stacking of cane onto the traditional cane hauling tractors also contributes to these losses. The gradual shift to other transport means such as lorries, which is faster, less risky to road users and also reduces the turn-around time is catching up.

2.1.18 Food insecurity and Weak extension-research-farmer linkage

42. Food security enhances productivity and creates opportunities for increased disposable incomes. The situation in the sugar belts is a contrast of this phenomenon with deep seated poverty evident in most homesteads. A major contributing factor is an entrenched obsession with cane farming in the sugar belts which has tended to consume virtually all land available to households leaving inadequate space for production of food crops and other farm enterprises. This is compromising food security in the sugar belts as cane farmers are not ready to diversify.

43. A weak research-extension-farmer linkage exists and needs to be intensified in order to enhance information dissemination by extension workers. This would contribute immensely to better crop husbandry among the cane farmers. It would also dissuade farmers in the sugar belts from directing all efforts to cane production even when break-even point is unattainable.

2.1.19 Economic Stimulus Programme

44. Recent economic recession has not spared any sector of the economy. Although the government responded positively with funding under the Economic Stimulus Programme (ESP), it appears the sugar was overlooked and has not benefited form the package despite also falling victim of the adverse weather conditions and prevailing economic recession. This could be used to revamp the sugar factories through purchase of new mills and boilers to revert them into profitability.

2.1.20 Weak farmer representation and Dispute resolution

45. With a much weakened out-grower institutions, farmers' representation in decision making is curtailed and concerns have not been receiving a fair hearing. The alternative avenue of redress has remained the government through the provincial administration. This avenue has in most sugar belts been infiltrated and compromised by the millers. The practice is perpetuated by the Mumias Sugar Company which goes to the extent of housing senior security and provincial administration officials in the district as well as paying a monthly allowance to some of the officers (payment vouchers attached).

2.2 THE COASTAL SUGAR BELTS

46. Two sugar belts exist in the coast region, that is, Ramisi and the Tana Delta. Due to the climatic conditions of the coastal area, cane production has a huge potential in the region but remains largely unexploited.

2.2.1 RAMISI SUGAR BELT

47. The Ramisi sugar belt in Kwale district is one of the earliest areas to benefit from early cane development in Kenya. Established in 1927, the Ramisi Sugar Factory operated by the Associated Sugar Company closed down in 1984. Beginning 2006 new investors operating under Kwale International Sugar Company (KISCO) secured a 99 years lease on land formerly owned by Associated Sugar Company, Ramisi.

48. The Ramisi sugar belt land consisting 12,000 hectares has been divided to accommodate 4,000 hectares nucleus estate, 4,000 hectares for titanium extraction and the remaining 4,000 hectares for the resettlement of squatters. The company has a nursery and initially plans to put 2000 hectares under nucleus estate and 2000 hectares for out-growers. The Company is scheduled to start cane crushing in late 2010 and is designed to incorporate cogeneration activities and ethanol production. The projections are such that farmers will provide about 60 percent of the cane while the company will cater for the remaining 40 percent for sugar production. The crushing capacity of the factory is estimated at 3,000 tonnes of sugarcane per day and rise to 5,000 tonnes per day in the medium term.

49. The key issues raised at the public hearing held at the proposed factory site include the following.

(i) Squatter problem

The new investors in cane farming are still grappling with the problem of squatters. Initial resettlement under Phase I has already been completed. However, the second Phase is still in abeyance creating uncertainty among those issued with allotment letters.

(ii) Community engagement and sensitization

Community participation in the project was highlighted not to have been comprehensive and top-down approach appears to be the practice. This is an outdated approach to decision making when targeting community development. Additionally, the community raised issue with inadequate sensitization and time given for recruitment of out-growers besides the requirement that one has to produce a valid land title to be considered.

(iii) Local investors/shareholding

Apart from their role as out-growers, the prospective cane farmers in the areas have not been considered for shareholding in the new investment. Only three shareholders were mentioned and local community shareholding is not apparent. The majority shareholder is based in Japan, while the other two are local investors of Asian origin based in Nairobi.

(iv) Land title

Prospective farmers and local authorities in the area indicated that non-issuance of land title could delay registration of prospective out-growers and needs to be expedited. This applies also to land allocated for public institutions, e.g. schools, shopping centre, churches/mosques and dispensaries, within the nuclear estate.

(v) Compensation

The prolonged closure of Ramisi sugar Factory gave way to encroachment of the nuclear estate land by squatters, who have now been resettled elsewhere. Those relocates are now claiming compensation for trees and fruit trees felled during the resettlement process. In addition, workers laid down after the collapse of the Associated Sugar Company, Ramisi have not received terminal benefits.

(vi) Sharing of resources

Water resources use came out as an emerging source of conflict between KISCO and other investors in the area. KISCO is accused of claiming sole rights in the use of water abstraction from the Ramisi River for cane irrigation while Tiomin Inc., which is engaged in titanium mining, needs the same in titanium extraction process. In addition, the locals push for continued use of the wetlands where they have been farming rice has not been addressed.

2.2.2 TANA DELTA

50. The Tana Delta (currently an administrative district) lies within the semi-arid area of Garsen in the greater Tana River district, Coast province. The total acreage measures 200,000 Hectares and is immensely valuable to the local people who have built an intricate connection with it. The production systems and livelihoods of the majority of the delta's communities are linked to the dynamics and functioning of the wetlands ecosystem. The delta is extensively used by pastoralists who graze their cattle in the areas around the floodplain. It is also a dry season grazing fallback area to many pastoral communities some of whom come from other districts.

51. Sugar Development in the delta through the Tana Delta Integrated Sugar Project is planned to cover 16,000 hectares of the Delta. The potential of sustainable exploitation of the Delta land for integrated development and improved livelihood is informed and supported by several studies among them; Booker report of 1969 commissioned by the then Minister for Agriculture Hon. Bruce Mackenzie; Grabosky and Poort Study (Netherlands 1974); Haskoning (Netherlands 1982); and Nippon Koei (Japan 1990).

52. The Tana and Athi River Development Authority (TARDA) applied for and was allocated land in the Delta from the Government measuring 28,680 hectares on 17th January 1995 vide Letter of Allocation Reference No. 106796.

53. During the International Investment Conference in March 2004, TARDA and Messrs RAESA of Spain opened discussions for joint investments and technology transfer in the Tana Basin. The discussions centered on the Integrated Sugar Project in Tana Delta and the Thanatu Valley Irrigation Project in the upper Tana catchment. RAESA and TARDA entered into an MOU on: Sugar industry project under overhead irrigation system; Sugar

processing mill; Cogeneration; Power alcohol, and production of industrial sugar.

54. Outside the TARDA project, MAT International (a company involved in sugar imports), and lately Mumias Sugar Company have shown interest in sugar development in the Tana Delta, in efforts to exploit the economic potential of the Delta. The Case for an integrated sugar project in the Tana Delta is justified by the following:

(i) According to previous and recent studies, varietal trials and recommendations of the National Sugar Conference, Tana Delta has the potential of responding to challenges in the sugar industry due to the favourable climatic and agronomical conditions.

(ii) The conditions favour fast maturity of the crop (8 months compared to 18 months elsewhere), and high yields (over 100 metric tonnes per hectare as opposed to 35 – 60 per hectare elsewhere)

(iii) Availability of adequate land and water for large scale irrigation.

2.2.2.1 Challenges

55. The development and exploitation of Tana Delta potential has at times been quite controversial. Among the issues that came up at the public hearing include the following.

(i) Environmental issues

The community feels aggrieved that a comprehensive and impartial Environmental Impact Assessment has not been carried out. Environmental concerns *vis a vis'* Kenya's international obligations: technology, biodiversity, wetlands, water supply etc. have been raised.

In addition, among the economic activities taking place within the delta is fishing activities by local fisher folk. Particular concerns of chemical residues in relation to the fishing activities within Kipini area have been raised.

(ii) Resettlement and resources use

The delta serves as a dry season grazing area for the dominant pastoralist community. Access to this dry season grazing and water for their livestock once the project takes off is not guaranteed thus raising resistance to sugarcane development.

(iii) Community Participation sensitization

Doubts have been raised in relation to the consultation and decision making which the community is dissatisfied with and complain that it has not been comprehensive. This exposes project development to myriad bottlenecks if a sense of ownership is not cultivated among the local community. The community has therefore not been adequately sensitized on the potential economic benefits the project portent.

(iv) Land title and Ownership

The community perception is that issuance of land title in the area is being done selectively in favour of the farming community. This has raised suspicion in the local pastoralist community who rely on the land targeted for sugar farming as a dry season grazing area. The possibility of resettlement further raises secondary concerns relating to social justice and equity, land ownership (indigenous and minority communities) and human rights.

The land issue is a source of internal conflicts between the local communities, that is, the pastoralists and the farming community, creating divisions in acceptance of the proposed sugar project venture.

CHAPTER THREE

THE PROCEEDINGS WITH THE SUGAR COMPANIES

3.0 INTRODUCTION

56. The Committee held meetings with the Management and the Board of Directors of the sugar factories to deliberate on the issues affecting the sugar sector. The meetings also provided the Committee with an opportunity to seek clarifications from the management of the sugar firms on the specific concerns raised by the farmers in September 2009 when the Committee visited their zones and which have been summarized at the Appendix I.

57. In particular, the issues thought to stand in the way of farmers from reaping maximum benefits from their investments in the sector were especially of great interest to the Committee. The companies who made appearances before the Committee were:-

1. Chemelil Sugar Company
2. Sony Awendo Sugar Company
3. Muhoroni/Miwani Sugar Companies
4. Kibos Sugar and Allied Industries Limited
5. Mumias Sugar Company Ltd
6. Kibos Sugar Cane Outgrowers Company Limited
7. Mumias Sugar Outgrowers
8. Mumias Sugar Company Ltd, but the meeting was deferred

58. Although Mumias Sugar Company Ltd made appearance before the Committee, no submissions were received since the meeting was deferred to a later date. On Tuesday, 27th April, 2010, the meeting was to take but which the Mumias management explained they were engaged in other Company's activity. No other date was given before this report was concluded. However, the Management submitted written responses on the issues which had been raised with the Company and which have been attached to this report at Appendix II.

59. Nzoia Sugar Company failed to appear before the Committee since company had no functional Board of Directors at the time. The Board of Directors of the Kenya Sugar Board also made presentation to the Committee. The synopsis of the deliberations that ensued is presented here below with respect to each of the stakeholder sugar factories.

3.1 THE CHEMELIL SUGAR COMPANY LIMITED

60. On Tuesday, 16th February, 2010, the Committee met with the Management of the Board of Directors of Chemelil Sugar Company. The deliberations with the Management of the Chemelil Sugar Company Ltd touched on both the challenges faced by the Company in executing its mandate and those that the Committee gathered from the farmers when it visited the area.

61. The farmers issues were discussed and related to the following:-

(a) Faulty Weigh Bridge

The Committee was informed that the allegations of tampered weighing machines were not true, but that the machines were always in compliance with the Weights and Measure Standards of the Kenya Bureau of Standards (KBS). The Committee demanded for the necessary certificate of inspection from KBS to ascertain the explanation given. The Committee also sought to know why the Company rounded-off the weights of the sugar cane delivered to the factory, and advised that the Company stops this practice to prevent cumulative losses accruing to the farmers.

(b) Late payment of farmers

The Committee was concerned by the farmers' revelation that their payment dues for the cane delivered were being delayed and this had caused untold suffering as they could meet their daily basic expenses. In response, the Committee was informed that this has since been rectified and that the December 2009 supplies had been paid. The Committee was assured that the cash flow problem which the Company formerly experienced had been addressed.

(c) Low price of cane

The Committee was informed that the Company paid good prices compared to other companies in the COMESA region despite the high cost of production. The Committee was further informed that the sugar prices were demand-driven and determined by distributors at various parts of the country. The Committee was also informed that non-tariff barriers such as illegal importation of sugar worked to affect sugar prices in the market. The Committee therefore recommended that the Government allow only the importation of sugar to be undertaken by the sugar factories and not unscrupulous traders or individuals.

(d) Conflict with Muhoroni Sugar Company Ltd

The Committee heard the allegations of the conflict with Muhoroni Sugar Company did not exist, but that the Kibos Sugar and Allied Industries Ltd were buying cane which other companies had invested in. The Committee further heard that Kibos Sugar Company had no cane of its own but poached from the farmers of Chemelil, Miwani and Muhoroni Outgrowers.

(e) Poor cane varieties

The Committee was informed that inspite of the development of early maturing sugar varieties by the Kenya Sugar Research Foundation (KSRF), the farmers were reluctant plant them for fear of crop losses as a result of delayed harvest. The Committee heard the explanation that the farmers could lose up to 100 percent of the crop as compared to 50 percent in the case of the traditional sugar varieties.

The Committee recommended that the management of all the sugar companies undertake extension and education services to the farmers to adopt and grow early maturing varieties to increase the tonnage per acre, and that the companies move to modernize their operations with a view to harvesting the farmers' cane on time. The Committee further recommended that the sugar companies invest in the diversification of the cane products in order to reap maximum benefits from the processing of cane.

(f) Nepotism in the recruitment of staff

The Committee was informed that the recruitment and appointment procedure used to be haphazard and lack professionalism, but that this had been rectified following the establishment of a functional and professional human resource department at the company. The Committee was further informed that as a result of this recruitment reform process, most of the unqualified workers have since left the Company. The Committee was also informed that any recruitment being undertaken by the company was being vetted with help of reports from the Kenya Anti-Corruption Commission (KACC) and National Security Intelligence Service (NSIS) before appointment in order to ensure persons of high integrity were given appointment.

(g) High cost of farm inputs

The Committee heard that the high cost of fertilizers were as a result of procurement processes undertaken by individual sugar companies, and that this had been addressed following the intervention by the government through Agricultural Development Corporation (ADC) which had given the responsibility to undertake the importation on behalf of the factories.

(h) Poor representation of farmers

The Committee was concerned by the complaint by the farmers during the public hearing that the composition of the Board of Directors did not reflect adequate representation from the local farmers. In response, the Board explained that the sugar company had been undergoing restructuring and that the interests of the farmers had been catered for in the present composition of the Board. The Board further explained that rationalization and reforms being undertaken were aimed at minimizing costs in order to increase profitability of the company.

The Committee therefore advised that the Board take cognizant of the interests and views of the farmers at every level of their decision making processes. The Committee further advised that the management include the inclusion of farmers' representative at the weigh bridges. The Committee recommended that farmers participation be strengthened through the formation of the out grower organizations in all the sugar factories.

(i) Obsolete mills

The Committee was informed that the obsolete equipment had contributed to the high cost of operations. The Committee was further informed that the company was undertaking steps to move from the old system of maintenance to embracing the reliability centered system in order to avoid shutting down operations during routine maintenance. The Committee was also informed that this would be achieved by hiring well trained and competent engineers. The Committee therefore recommended that the independent technical experts be hired to look into maintenance of the companies.

(j) High levies

The Committee was informed that sugar industry was overtaxed in the country, and that the government needed to review the taxes imposed on sugar.

(k) High Cess

The Committee was informed that Cess charged at kshs.19 per tone of cane was being deducted from farmers and part of which was being remitted to the councils to be used for the maintenance of roads. The Committee was further informed that the use of Cess had not met the expectations as the work ended up not being done or poorly done. The Committee recommended that the fund be consolidated from all the sugar companies and the road maintenance be conducted from a centralized office.

(l) Land grabbing

The Committee was informed that some special purpose plots along river banks had been grabbed by squatters along the rivers and roads and in them cane planted. The Committee was further informed that the plots had since been repossessed. The Committee was also informed that all employees who had illegally settled on the plots had signed code of ethics to adhere to all rules and regulations of the company. The

Committee heard that the Company also resolved that the poor farmers whose cane was confiscated be compensated.

(m) Sugar tribunals

The Committee was informed that sugar tribunal existed in the company. The Committee urged the management to use the forum to expedite cases in order to address the problems affecting the company.

(n) Privatization of the Company

The privatization of the sugar factories was also raised during the deliberations in which the Committee wanted to know the plans the Directors had to ensure that farmers gained an upper hand during the process. In response, the Board expressed the wish that the privatization follow the due process of the law pursuant to the provisions of sugar act of 2001 and as amended in 2005, where priority had been given to the farmers.

The Committee was told this would need capital investment to replace the outdated technology and address the problem of capacity as well as improving efficiency. The amount was stated at an estimated 2-2.5 billion shillings with a payback period of between 7 and 8 years.

In the meanwhile, the Committee alerted the company that there was the need to look into issue of illegal middlemen buying the cane from farmers at lower prices than offered at the market, and thereafter selling the cane to the factories. This was thought to impoverish the already poor sugar cane farmers.

3.2 THE SONY AWENDO SUGAR COMPANY

60. On Wednesday, 17th February, 2010, the Committee held deliberations with the Management of the Sony Awendo Sugar Company in which issues that had been raised with the Chemelil Sugar Company emerged. These were:-

(a) Delayed payments

The Committee heard that the problem of delayed payments which used to exist at Sony Awendo Sugar Company owing to the insolvency of the Company had been addressed. The Committee further heard that the payments to the farmers was being made promptly and in accordance with the provisions of the Sugar Act (2001), which require that payment be done 30 days after sugar deliveries are made.

(b) Late harvest

The Committee was informed that there could be isolated cases of 'helicopter' harvesting, and that whenever such cases were detected the culprits faced disciplinary action by the company. The Committee was further informed that a programme has been put in place for developing and harvesting of cane by the sugar company.

(c) Cane transportation

The Committee heard that the company had expeditiously addressed the problem of cane transportation though the hiring of private transporters to support the sugar company's own transport. The Committee further heard that cost incurred using the private transporters were very reasonably fair since the procurement process was made transparent.

(d) Over dependency on sugar

The Committee was informed that the company was investing in the diversification of its products, and that there was a programme in place to engage in the coal generation chip board making.

(e) High Cess charged by the Company

As it was stated in the case of Chemelil Sugar Company, the Committee was informed that despite the Cess being charged and submitted to local authorities to maintain roads, this had fell short of expectation. Consequently, the Committee recommended that the Cess be retained by the sugar companies who would then utilize the funds for the purposes for which they had been set, just like the case of tea factories in the tea growing areas.

(f) Cane burning

The Committee was informed that cane burning was a common practice within the factory plantations and if there was an illegal burning of mature cane activities, the company explained that this was done by arsonist who would want the company to incur cane losses. According to the company, the culprits once apprehended would be dealt with in accordance with law.

(g) Poor research

The Committee raised the concern that the varieties of cane used in 1970s which take up to 24 months were still being planted today by the farmers. The Committee noted that farmers have continuously suffered long years of waiting to earn their incomes from the cane. In response, the management informed the Committee that there were new varieties that matured at within 17 months although farmers were yet to adopt the planting of these varieties.

(h) Consultancy work

The Committee was informed that operations of the factory are done by the company professionals hired when the current management came into office two and half years ago. This has reduced the costs of hiring experts for maintenance.

(i) High taxation

The Committee was told that the tax levied (by the government) on sugar in Kenya which stood at 27% was the highest tax on commodity goods. While deeply concerned by this high taxation, the Committee therefore recommended that the government move to reduce the current tax rate on sugar without further delay in order for the farmers to reap maximum benefits for their investment.

(j) Funding to the Kenya Sugar Board (KSB)

The Committee was informed that the value for money from the funds received by factories from the KSB was not worth when the cost benefit analysis was undertaken. The Committee was further informed that if the sugar sector was to be a blessing to the economy of the country, adequate funding should be allocated to the sugar institutions such the KSB and the Kenya Sugar Research Foundation (KSRF) in order to exercise their mandate effectively and efficiently.

(k) The Sugar Act (2001)

The Committee was informed that the Sugar Act (2001) was inadequate to address issues of the sugar sector, even after the amendments were made in 2005. Therefore the Committee recommended that the Sugar Act be reviewed to reflect the concerns raised by the players in order to create a good working environment for the prosperity of the sector. The Amendments will focus accommodating the views expressed during the public hearings as captured in parliamentary Hansard and other parliamentary and non-parliamentary reports. Of particular concern is the weighing of the sugar cane at farm gate. Although this will not be easy to achieve, the sugar Act could be amended such that the millers are barred from owning the weigh bridges but are represented at weighing centres.

Subsequently the Committee recommended that the weigh bridges are valuated and sold to the farmers through check-off system and that efforts be made to ensure the weigh bridges meet legal and technical compliance to the weights standards.

3.3 THE JOINT RECEIVER MANAGERS FOR MUHORONI AND MIWANI SUGAR COMPANIES

62. On Thursday, 25th March, 2010, the receiver managers held sittings with the Committee to discuss the problems affecting the two sugar companies. In undertaking the deliberations, the Committee sought to gather information relating to the following areas:-

- **(i)** The performance of the Miwani and Muhoroni Sugar Companies in terms of their profitability since they were placed under receivership.
- **(ii)** Level of indebtedness of the two companies.
- **(iii)** Why payments to cane transporters had not been settled by then.

(iv) Why the management requests for the write off of huge VAT debts.
(v) Why the cost of production is skyrocketing.
(vi) Why there is retention of Cess money in the factories against the original practice of remitting to the Councils in which they fall under.
(vii) The impact of the weigh bridge from Kibos Sugar Industries to the companies.
(viii) How they intend to use money received from Kenya Sugar Board (KSB).
(ix) Term limit of the receiver managers
(x) The case affecting Miwani Sugar Company and the way forward
(xi) The amount paid to farmers per tonne

63. In response, the Committee was informed as follows, that:-

a) The reason behind the stagnated profit was due to low capacity and high production costs at the sugar factories. It was explained that there must be a conversion of 6500 tonnes of cane per day in order for economies of scale to be realized, and which the two companies fell short. It was further explained that some of the old machines had been replaced and regularly maintained, as well as new turbines bought to supplement power generation from Kenya Power and Lighting Company (KPLC). This had helped to improve the efficiency to about 70 percent.

b) Both Miwani and Muhoroni Sugar Companies had been retaining 60% of Cess in the factories to maintain roads in the zone, and the rest 40% remitted to the local authorities. The Cess monies had been used to rehabilitate 75km of roads in the area in the last two years, and that there was machinery owned by the factories to do that work. It was stated that machinery worth Kshs. 87.9 million had been received from the Kenya Sugar Board (KSB) and taken to Muhoroni to assist in rehabilitating of roads.

c) The farmers in Muhoroni were owed for cane deliveries for months of October 2009 to February 2010 and efforts were being made to clear them.

d) The transporters of cane had not been paid dues amounting to Kshs 25 million which had accumulated from the time before the two companies went into receivership. Part of this debt had been paid from the grant from the KSB amounting to Kshs 75million.

e) As at March 2009, Muhoroni Sugar Company had debts amounting to Kshs 13 billion collateralized against its assets worth Kshs 3 billion. This was explained as hugely inherited from the former management, and which stood in the way of attracting investors unless the debts were written off, especially in face of the impending privatization of the sugar companies. It was also explained that the debts were occasioned by unilateral decision by the government to increase cane to Kshs 2500 per tonne in 2005-2007 against declining sugar prices. The Committee therefore recommended that the government write-off the debts before the planned privatization can be undertaken.

f) The price of cane per tone paid to the farmers stood at Kshs 2,928 based on the sucrose content of cane delivered and in accordance with the sugar Act (2001). This price was stated as being low compared to some other companies owing to high production cost and diseconomies of scale. Further, the sugar technology at Muhoroni was stated to process only the green cane (in contrast to burnt cane) where farmers lose Kshs 500 per tonne, in line with section 7 (2) of the Second Schedule of the Sugar Act (2001), which the farmers were educated about before accepting to deliver the cane to the factory.

g) The term of the receiver managers was always appraised at the end of every year during the month of February by the debenture holders, Kenya Sugar Board. In the event that these companies were privatized, the term of the receiver managers was expected to be terminated.

h) The private weigh bridge set up by KIBOS Sugar Company (a private company) near Muhoroni and Miwani factories was stated as faulty and poorly sited. It was further stated the weigh bridge was strategically placed to poach cane which belong to other factories.

i) There is a case in court involving Crossley Holdings and Miwani Sugar Company in which the assets of the later were sold fraudulently under mysterious circumstances The case had been dragging on for a long time (since 2008). The Committee was therefore requested to follow up the matter with the attorney general to expedite the case. On its part the Committee recommended that the government terminate the tenure of the joint receiver managers to enable KSB independently verify if the joint Receivers have been negligent in their duties and responsibilities leading to the sale of the land and huge payments made to unsecured creditors classified as secured creditors under suspect circumstances.

3.4 KENYA SUGAR BOARD (KSB)

64. On Thursday, February, 18th, 2010, and on Tuesday 27th, April, 2010, the Committee held meetings with the Directors and Management of the Kenya Sugar Board. The following issues emerged.

a) Poor management

The Committee was informed that the government-owned factories were not performing to the satisfactory of KSB. The Committee heard explanations for the poor performance of those factories in terms profits, prices and time of payment, as due to the large workforce that drain resources as a result high cost of expenditures.

The Committee was further informed that both Miwani and Muhoroni Sugar Companies had no business plans and only operated at break even point with the companies' receiver managers being paid high salaries. Consequently, the companies were reeling in deep debts.

The Committee therefore requested for the necessary documentation to be availed to the Committee including procedures for the sourcing and the subsequent appointment of the two receiver managers of the Muhoroni/Miwani factories.

The Committee heard that the private sugar companies such as the Mumias Sugar Company have disregarded the directions of the KSB, and therefore proposed that the Sugar Act (2001) needed to be amended to give KSB powers to discipline individual companies which fail to adhere to the regulations.

b) Low prices

The Committee was informed that a formula that had been developed in 2003 for determining fair prices in the different sugar belts was not being adhered to by the millers. The Committee was further informed that KSB could not enforce the implementation of the same due to weak legal framework provided by the Sugar Act (2001). Subsequently, the Directors of the KSB urged the Parliamentarians to provide for the enabling legislation for the KSB to exercise the powers bestowed upon it in dealing with the sugar factories.

c) Political interference

The Committee was told that it was difficult to adhere to laws governing the importation taxes, duties and customs as provided in the sugar act (2001) due to political interferences. The Committee was further told that the political interference was also responsible for the reasons why the industry could not be well regulated to ensure profitability.

d) Miwani Nucleus Estate

The Committee was informed that land belonging to Miwani had been sold at an Auction for Kshs. 752 million and a further amount kshs.680 million was paid to unsecured creditors classified as secured creditors. While demanding that the KSB provide the evidence for the payment as well as the records of the inventory of Miwani Sugar Company relating to the land in question, the Committee recommended that the land case be settled through arbitration and an out of court settlement to reduce time and costs. The Committee further recommended the receiver managers be terminated immediately.

e) High cost of production

The KSB explained that it costs $600 to produce one tonne of sugar and this way above the cost incurred in other countries incur to produce the same quantity. This was partly attributed to the high cost of inputs and diminishing land sizes, leading to diseconomies of scale.

The Board also attributed the high cost of production to the old mills that are not properly well maintained and therefore operating at low efficiency. However, the Committee was quick to remind KSB that India has one of the oldest mills yet the country boasts of high efficiency in the sugar operations since the machines are properly maintained.

As part of cost cutting measures, the Committee and KSB recommended for the reduction of credit interest rates form 10% to 5% to enable farmers get access to loans and to enjoy economies of scale.

f) High historical debt portfolio

The Committee heard that the millers had accumulated high debts over a long period of time which has been carried forward to the present with the consequence that this has affected the companies from easy access to credit facilities.

g) Weak research extension linkages

The Committee was informed that out of the 4% the KSB collected as sugar levy, only 0.94% of goes to research. This was noted to be insufficient to cause a successful production of a new cane variety which takes 16 years in Kenya as compared to South Africa which takes 11 years. The Committee therefore recommended that KSB work in collaboration with Kenya Agricultural Research Institute (KARI) in undertaking research on improving cane since the later is one of the leading institutions with the best research facilities in Africa.

h) Poor infrastructure

The Committee was informed that the road network in the cane growing areas was poor, and that the losses incurred on the roads during transportation in terms of spillage are huge. The losses account for 20% to 30% of the total cost of production.

i) Privatization of sugar factories

The Committee was told that the process of privatizing the five state-owned millers (Chemelil, Sony Awendo, Nzoia, Muhoroni and Miwani) had been given to the Privatization Commission of Kenya and that this was on-going. The Committee was further told that cabinet memorandum had been signed by the Ministry of Finance, Ministry of Agriculture and the Ministry of Lands on this subject but was yet to be expedited.

The Committee was concerned by the revelation that the KSB was not privy to the progress of the privatization, neither was the body involved at its conception yet it was the regulator in the industry. The Committee was further concerned that KSB did not carry out the cost benefit analysis (CBA) to determine whether privatization was beneficial or not.

The Committee was told that the proposed share holding for the privatization of the sugar factories were that the farmers would get only 24%, compared to the private investor of 51% ; the rest went to the to the government of Kenya. This was in contrast to the provisions of the Privatization Act which requires that farmers get 51% whenever a public company was privatized.

The Committee was further told that privatization would bring benefits that include the following-

- **(i)** Get capital to modernize the industry and diversify.
- **(ii)** Enhanced private sector participation eliminating historical problems.
- **(iii)** Financial restructuring of debt portfolio after privatization.

j) Performance appraisal of Muhoroni/Miwani receiver managers

The Committee was told that the joint receiver managers of Muhoroni and Miwani were to appear before the KSB on 28th April, 2010, for appraisal. The Committee was further told that the work of the joint receiver managers was below standard going (as low a 30%). Subsequently, the Committee wondered why the managers were still in office yet their work had been rated below par, and that they were being paid huge salaries.

In response, the KSB explained that they had wanted to terminate the tenure of Miwani and Muhoroni receiver managers, but that the Ministry of Agriculture issued a letter extending the tenure to allow privatization to proceed smoothly.

k) Issues regarding Mumias Sugar Company

The Committee was informed that Mumias Sugar Company had always not cooperated with KSB since its privatization took place. The Committee was further informed that Mumias Sugar Company has always ignored directives of the KSB to the extent that the company had taken control of the Mumias Out-growers Company funds. The Committee was also informed that the case relating to the dispute over the funds was in the arbitration court.

The Committee therefore recommended that the case be expeditiously concluded to save the farmers further suffering.

3.5 KIBOS SUGARCANE OUTGROWER COMPANY (KISOCO)

65. Kibos Sugarcane Outgrowers Company (KISOCO) is a young out-grower company which was established in 2006 and operates in the Nyando Zone of Nyanza province. The events of the post election violence took a toll on the company when its premises, certificates and cane were burnt down

66. The Committee was informed that company lacked funds to pay farmers, leading to delayed payments. The Committee was further informed that the problem has remained unresolved since the outgrower could not be granted loans by KSB due to lack of clearance by the Miller as per the Sugar Act (2001).

67. Other challenges cited include poor state of the roads, especially in the rainy season and the restriction that the out-grower supply cane only to Kibos Sugar and Allied Industries was prone to abuse given the poor relationship between them.

3.6 KIBOS SUGAR AND ALLIED INDUSTRIES LIMITED (KSAIL)

68. The Kibos Sugar and Allied Industries Limited was registered in 1999 and started its operations in December 2007. Kibos Sugar and Allied Industries Limited obtain its cane supply from the following outgrower companies: Nyando, Kakamasi, Miwani, Kibos and other cooperative societies.

69. From the deliberations with the Committee, the following sugar sector issues emerged:-

a) **Poor infrastructure;** that this had the effect of increasing transportation costs as well as the high losses incurred during transportation of cane to the factories.

b) **Erratic and poor distribution of rain;** this is not predictable and long dry spell may hinder proper growth of cane, hence the need for initiation of irrigation system.

c) **Poor Research;** there is need for varieties that are early maturing to compete with countries like Mauritius and South Africa by empowering research.

d) **High taxation;** which leads to low proceeds to poor farmers from their investments

e) **High cost of inputs;** especially seeds and fertilizer was too high. The Committee was informed that Kibos Sugar and Allied Industries Limited sold a 50kg bag of DAP fertilizer at Kshs 2800 while that of CAN is Kshs 1800; which is the lowest price in the market.

f) **High cost of production;** the cost of production in most millers was very high because of old technology and poor maintenance, and this could be mitigated by diversification into value-addition products such as ethanol, cogeneration and paper among others.

g) **Mismanagement;** that, the state-owned factories are mismanaged and their efficiency is compromised due to long of bureaucratic processes involved before a decision was made.

70. On the allegations leveled against the Kibos Sugar and Allied Industries limited, the Committee was informed thus:-

(i) **Illegal ownership of land belonging to Miwani Sugar Company:** that, the alleged land was bought in an Auction and by M/S Grossley Holdings Ltd who owns its valid title deed. The case was before court and could not be discussed further with the Committee.

(ii) **Burning of Kibos Sugarcane Outgrower Company's premises:** that, this was baseless since the attack on the premises was executed by the members of the public following an alleged 'rape incident' involving the executive chairman of Kibos Sugarcane Outgrower Company.

(iii) **Theft of Kshs 600 million belonging to AFC:** that, this was baseless since none of the directors of the Kibos Sugar and Allied Industries Limited had ever taken farmers' money and travelled to Canada at the time indicated.

(iv) **Controversial weighbridge at Awasi:** that, this was constructed after a wide consultation with the cane suppliers taking into consideration the distance in which farmers would cover with their cane. The Committee was provided with resolutions passing the agreement. The committee was informed that the transport costs from the farms to the weigh bridge were borne by the farmers while KSAIL bore the costs from the weigh bridge to the factory.

The claim that the weigh bridge was manipulated was also baseless given that it had been certified by the Weights and Measures Standard agency and relevant certification issued under cap 513 with no complaint of manipulation ever reported.

(v) **Poaching of cane:** The Committee was informed that there was an agreement among the stakeholders was reached that set framework to harvest over mature cane by any miller within the Nyando Sugar belt if it had the capacity. The memorandum was binding in the sense that cane received from farmers who are indebted to a different miller was to be collected and the proceeds sent to the creditor miller. This agreement resolution was tabled before the Committee.

(vi) **Cooperation with leaders:** The Committee was informed there was cordial relationship between the leaders of the area and KSAIL, but which needed to be strengthened professionally to avoid political partiality.

3.7 MEETING WITH THE MINISTRY OF AGRICULTURE

On Tuesday, 20th July, 2010, the Committee met with the Ministry of Agriculture to examine the financial estimates for the 2010/201 year. During the meeting, various issues relating to the Tea, Wheat, Pyrethrum, Horticulture and Sugar sub-sectors were discussed. With particular reference to the sugar sector, the Minister told the Committee that the challenges in the Sugar sector were well known and the Ministry needed time to study them and report back to the Committee. The Committee was however informed that:-

(i) Before privatization of sugar factories is undertaken, the local farmer would be given priority in the buying of the shares.

(ii) The management problems in the sugar sector and especially at Nzoia were being addressed.

(iii) The poor performance of the receiver managers of both Miwani and Muhoroni factories had been noted and their contract was being reviewed before any further renewal.

(iv) Better varieties of cane and cultivation through irrigation should be embraced.

CHAPTER FOUR

COMMITTEE FINDINGS AND RECOMMENDATIONS

4.1 INTRODUCTION

71. The problems facing cane farmers are acute and need a multitude of mitigation measures to institute a paradigm shift in respect of industry policy and legislative action to tame the trend of farming cane into destitution. The scenario is two-pronged with the cane farmer, on one hand producing the raw material and on the other hand, the sugar millers who have tended to hold the view that sugar farming is a business on their part and not to the farmers. Reforms in the sugar sub-sector appear to be very slow.

72. The foregoing issues and concerns is a reflection of serious policy flaws and inadequacies in the relevant legislations governing the sugar sub-sector. It is a pointer of a selective implementation and lack of enforcement of the existing legislation, that is, the Sugar Act 2001.

73. Upon collecting the views from the stakeholders and deliberating on the issues raised at both public hearings and committee sittings, the committee proposes the following policy options and recommendations to wean the sugar sub-sector into a vibrant and competitive industry to benefit all stakeholders.

1. Viability of factories and privatization

The proposed privatization of the sugar factories in which the government has a major stake is a welcome and long overdue measure to revamp into profitability of the sugar factories and to make the sub-sector more competitive. However, it makes good economic sense to sell a profit making entity that will benefit the investor. This is what the government ought to consider before it divests from the particular factories it has targeted for privatization.

The committee recommends that the privatization policy delinks the targeted factory and equipment from the nucleus estate land to ensure complete separation of roles where each entity within the chain moves towards specialization. In addition the committee proposes that the distribution of the shareholding during the privatization process take into account the following distribution of the shares so as not to disenfranchise the local sugar cane growers:

(a) 30 per cent be issued to farmers with active or no active accounts with the miller, distributed pro rata on cane deliveries from inception to date.

(b) 21 per cent be sold on check off system on a pro rata basis to those who have farms to commit to sugar cane growing.

(c) 49 per cent of the shareholding be reserved for the interested investors and the total of 51 percent for the farmers.

(d) The Sugar Act 2001 be amended such that new factory millers can be established without conflicts regarding encroachment into sugar catchment areas of the established factories. Currently, there is a simmering conflict between West Kenya sugar and the newly established Butali Sugar Company. This action is meant to build investor confidence. Similarly, in the Nyando Sugar belt, Miwani's dispute with Grossley Holdings could be solved in an out of court settlement.

2. Receivership

Miwani Sugar Company and Muhoroni Sugar Company are presently under receivership. The government owns a majority stake in these two sugar companies and two receiver managers have been running the day to day affairs since 2005. Each of the two receiver managers earns Kshs. 1,250,000 per month (Kshs. 750,000 each from Muhoroni, Kshs. 250,000 each from Miwani, and Housing and reimbursements capped at Kshs. 250,000 each).

The committee finds these payments to the two receiver managers outrageous and recommends that the contracts be terminated on the basis that, despite the long period and lucrative remuneration, no tangible results in terms of turnaround of the factories have been realized.

3. Amendments to the Sugar Act

Amendments suggested at the public forums include a review of the Act to give more independence to the Kenya Sugar Board (KSB) in running the industry by reducing government representation in the board. The Sugar Act 2001 only pegs payment to farmer based on revenues generated from sugar sales and not cogeneration activities such as ethanol, *bagasse*, electricity, and other value adding ventures. In addition, the dispute handling mechanism as provided in the Act is silent on cost and appeal. Therefore, the committee recommends immediate amendments to the act to include the following:-

i) The payment formula to farmers should be revised so as to be based on the sucrose content to be measured at farm gate by Kenya Sugar Board (KSB), and other by-products such as cogeneration, bagasse and molasses. Subsequently, the KSB should purchase equipment for the purpose of measuring the sucrose content for the farmers.

ii) The Payment to farmers on the cane deliveries should be on a 14 day period failure to which the amount should attract interest.

iii) The weigh bridges should be owned and managed by farmers themselves, but that the millers be represented at these weighbridges.

iv) The transportation of cane be liberalized to include other modes of transport at disposal of farmers, as per recommendation 12, page 47.

v) Kenya Sugar Board should handle the supply of inputs to farmers so that the prices can be regulated thus eliminating cartels from the equation, thereby curbing exploitation of farmers.

vi) Factories should sign a legal binding contract with farmers to adhere to a strict timeline of harvesting cane to avoid cane over maturity and losses. It was noted that over mature cane compromised on its quality and content of sucrose. In the event that a factory has no capacity to harvest the farmers' cane, it should have a contract with another factory to do it on its behalf rather than farmers supplying cane on their own to the different factories.

vii) Taxation on cane which goes up to 27% currently should be revised such that the total tax is not more than 10%.

4. Optimal land size for cane production

Minimum necessary land size for commercial cane production should be worked out, implemented and enforced to release uneconomical land units under the crop to other farm enterprises, e.g., food crops, poultry and dairy farming in order to support national food security. This recommendation is informed by the notable excessive commitment of virtually all available land to sugarcane thereby compromising food security in the sugar belts.

A positive outlook in this goal is to steer the industry towards establishing sugar complexes for integrated production and a shift in production system through investment in supplementary irrigation. This will cut production and value addition costs and make locally produced sugar more competitive. The Government should be compelled to set aside suitable land for establishment of such complexes by prospective investors. The Tana Delta, with its huge potential qualifies for this kind of venture.

5. Liberalization of the sub-sector

Economic growth in present day globalised world heavily relies on trade. Protection of the sugar industry through exorbitant tariffs is evident and has contributed to the inherent inefficiency. Kenya is a signatory of the WTO agreement that limits the amount of protection that a government can give domestic producers. Therefore, an outward oriented sugar sector policy framework is recommended. To date, the policies have been insular targeting self sufficiency contributing to the non-competitive nature of Kenya's sugar industry.

In terms of competitiveness and enhanced processing efficiency, a tax exemption regime on equipment meant to establish ultra modern sugar factories or upgrade existing ones would be a positive investment incentive.

6. Sugar insurance scheme

The committee notes that cane farming is a risk investment especially when the cane is almost mature. The rampant incidences of accidental burning and arsonist actions call for a crop insurance scheme to safeguard farmers from such losses. The possibility for its establishment should be explored and backed with an Act of Parliament, to insure the sugar industry against loss due to adverse weather conditions among them; drought, excessive rainfall, and other natural calamities.

7. Using Crop as collateral

The Committee noted that the issue of title deeds is indeed a hindrance to the growth of the sugar sub-sector. Many farmers have no title to the land and therefore cannot use it as collateral to access credit.

There is urgent need for the government to come up with modalities and framework that recognizes cane crop in the field as alternative form of collateral when farmers seek for loans from Agricultural Finance Corporation (AFC) as well as other commercial banks. This will free land title as the only collateral.

8. Diversification

Sugar in many parts of the world is a by-product of the high value cogeneration activities of cane milling. The committee recommends that cogeneration should be made a precondition for any upcoming cane milling venture. For the existing factories, the following is recommended

(i) A timeframe should be set for them to diversify to high value cogeneration products to increase revenue streams and to be able to competitively cope with the free market of the Kenya sugar industry that takes effect in 2012 ; and

(ii) Share the proceeds with the cane farmers who are principal providers of the raw materials.

9. Cess administration

While Cess administration is outside the mandate of the Committee, it is recommended that the Cess funds collected for rehabilitation of access roads be retained by the factories to maintain the roads themselves in order to ensure its efficient utilization.

10. Tana Delta and Ramisi

The committee finds sustainability of the proposed ventures in doubt. This is unless all underlying issues related to the resident communities are addressed before investing to ensure sustainable implementation and execution of the plan. The committee observes that serious efforts have not been directed towards involvement and sensitization of the local community to cultivate ownership and goodwill. In particular, an alternative needs to be sought to address the concerns of the pastoralist community in the Tana Delta who rely heavily on the delta as a dry season grazing area.

11. Nzoia Sugar Company

The company (paragraph 57) did not appear before the Committee. It is recommended that full investigations and scrutiny to the operations, and accounts of the company with a view of unearthing serious allegations made by farmers during the public hearings in the zone with a view to taking appropriate action. Particular attention should be directed to the cumulative loss amounting to over Kshs 20 billion.

12. Cane transport

Having established allegations against excessive transport charges and in cognizance of the provisions of Sugar Act 2001 that cane be weighed at farm gate, the committee recommends that cane transportation be liberalized such that any mode of transport is acceptable. This measure will help in addressing five problems attributed to current practice namely; over-mature cane; exaggerated transport charges; spilling and pilferage on transit; loss of weight from prolonged exposure; and corrupt practices in cane harvesting commonly referred to as: helicopter harvesting".

13. New sugar factories

The committee received several presentations particularly from Western Kenya in respect of assumed minimum distance, which is 40kms radius, from one factory to the next. This policy by the Ministry of Agriculture and the KSB is grossly misinformed and lacks economic and legal basis. The committee received very credible evidence that in SONY sugar over mature cane due to wrong advocacy by the Ministry of Agriculture to anticipated factory expansion that never materialized. This has led to overgrown cane whose value is estimated at over Kshs. 2.8 billion. No justifiable explanation was received as to the failure to expand the factory. Therefore, the committee recommends the following:

(i) Amendments to the Sugar Act 2001 to fully liberalize sugar milling with immediate effect to create room for new investors.

(ii) Allow micro-millers as is the case in India having sorted out financial obligations or investment by financiers in establishment of the crop through legally binding contracts.

(iii) Allow sale of sucrose juice extracted at farm level for further processing by sugar millers. This system takes cognizance to the fact that dairy farmers have successfully delivered whole milk to creameries. The Sugar Act 2001 should be amended appropriately to accommodate the shift in value chain.

14. Farm inputs

Amendments of Sugar act 2001 is herewith enclosed to:

(i) Liberalize farm inputs

(ii) Outlaw imposed over-supply of inputs particularly fertilise4rs as alleged by framers particularly where they were dealing with Out-grower institutions.

(iii) Sale on credit of farm inputs and prices thereon to be pegged on mean prices or that equivalent to national means which under no circumstances exceed 10% above gazette government prices for the season. The Sugar Act 2001 will be amended appropriately within the spirit of EAC treaties and in conformity to Kenya laws, good trade practice, and outside none tariff trade barriers.

15. Sugar payment formula

This committee recommends immediate amendments to Sugar Act 2001 to include:-

i) Sugar cane as constituted today
ii) Non-sugar benefits namely:-
- (a) Co-generation activities;
- (b) Ethanol production;
- (c) 'Bagasse' or cane by-product is used for pulp, furniture etc.;
- (d) Any other value addition e.g. mineral and vitamins, and parcological properties.

iii) Sucrose content

16. Privatization

Having established across the sugar zones that there is substantial loss of cane in terms of weight occasioned by manipulations at factory weigh bridge, moisture loss due to delayed transportation, spillage and pilferage, this committee recommends immediate inventory of cane delivered to each factory targeted for privatization and use this as pro-rata basis in free issue of shares to a minimum of 30 percent to local farmers as compensation. Such shares should be structured in a way that they cannot be resold but will continue earning dividends. The measure will;

(i) Help farmers own the factories legally;
(ii) Avoid instances similar to Mumias experience where farmers lost to new investors;
(iii) Allow 49 percent only as transferable shares on offer with 21 percent sold on check-off system to farmers but again as in free issues. The rationale is to capitalize all local investment of farmers through the years.

Thus privatization will conclusively take shape as follows:-

(i) Local farmers	-	51 percent (non-transferable)
(ii) Other investors	-	49 percent (transferable)

In the likely event that the new outfit floats more shares the formula still applies such that all these and future factories will have a 51 percent equity position by local farmers.

17. Civil and communal cases

All efforts should be made through direct appeal to the relevant authorities to expedite all matters in court and encourage the parties to engage arbitral process or settlement outside court to hasten justice.

18. Squatters

The committee finds inconsistency for peasants who have settled on Tana Delta and Ramisi area being declared squatters by alleged new owners. This committee therefore recommends without any reservations a stake of 30 percent to local families on any new investment at Tana delta and Kwale, and to maintain the equity position having been issued with certificates as free shares and in the event that more shares are floated, then the share register should be upgraded on the same basis. This will be entrenched in the Sugar Act 2001, Privatization Act or any other statutes by an amendment basically to guarantee ownership by 'bona fide' local people.

19. Mumias land

The committee received evidence that only Kshs 90 (ninety) per acre was paid as compensation to farmers who surrendered the nucleus estate. The committee recommends compensation based on today's land value to all owners, assignees or inheritors of the said parcel of land, and should be posted as a liability to Mumias Sugar Company.

4.2 CONCLUSION

74. Kenya's refined sugar demand and per capita consumption of the commodity is on the increase and the local production cannot sufficiently meet the demand. The committee finds no serious efforts have been directed at the sub-sector to bridge Kenya's sugar deficit. Where attempts have been made, bottlenecks arise from government bureaucracy and resistance by the local community who feel threatened by the prospective projects.

75. In the sugar belts where farmers have had factories to deliver their cane, operational inefficiencies have conspired to ensure that the farmer, particularly the small scale, remained in a vicious poverty cycle. The sugar factories have an entrenched disposition that sugar is a business only to themselves and not the farmers. It is such mindset that has fueled the practice where cane price determination is not infused into the cogeneration activities.

76. With the uncertainty surrounding the expiry of the COMESA safeguards, Kenya as a nation should move with speed to revive some of the idle factories. Committee inspection of Miwani found that, safe for some vandalized equipment, the factory can become operational in a very short period for sugar production and even water bottling line with infusion of some finances and competent human resource. Further, given the excess cane in the South Nyanza sugar belt, a rationalized and regulated harvesting regime coupled with modern milling equipment, Kenya can competitively meet its refined sugar requirements.

77. Overall, the impeding crisis after expiry of the COMESA safeguards can be mitigated adequately upon implementation of this report which thus recommends a time frame not exceeding ninety (90) days to effect amendments to the Sugar Act 2001 encompassing all views by the stakeholders. The progress is at an advanced stage and expected to be tabled within thirty (30) days.

APPENDIX I

MATRIX (SUMMARY) OF ISSUES AND CONCERNS RAISED AT PUBLIC HEARINGS – NYANZA AND WESTERN KENYA SUGAR BELTS

	Issue Raised	Sugar Belt							
		SONY Awendo	Chemilil	Muhoroni	Miwani	Mumias		Nzoia	Malava
						Mumias	Busia		
1.	Delayed payment	X	X	X		X	X	X	
2.	Manipulation of weigh bridge	X	X		X		X	X	
3.	Over-mature cane	X				X	X		
4.	Gross Mismanagement of Factories/Job skill mismatch/nepotism/political patronage	X	X	X	X	X		X	
5.	Nuclear estate and land titles – ownership & encroachment	X	X		X	X			
6.	Low Cane Prices, heavy taxation and other deductions	X	X	X		X		X	
7.	Burnt Cane – pricing and compensation	X		X		X	X		
8.	Low Quality Seed Cane and Declining Yields	X				X			X
9.	Co-generation activities			X		X	X	X	
10.	Privatization	X	X	X		X		X	
11.	Out-grower Institutions		X	X	X	X		X	
12.	COMESA duty free sugar	X			X	X			X
13.	The Sugar Act 2001	X		X		X	X		X
14.	Access to flexible and affordable credit	X		X		X	X		X

15.	Increasing levels of transit losses			X		X			
16.	Food insecurity and weak-research-farmer linkage	X				X			X
17.	Economic stimulus package/ Govt. subsidy			X		X		X	
18.	Weak farmer representation & dispute resolution		X		X	X	X	X	
19.	Low Efficiency Levels & obsolete machinery	X	X	X	X			X	
20.	Poaching of contracted cane		X			X		X	
21.	Misappropriation of Cess & Poor access roads	X	X	X		X		X	
22.	Conflict of interest	X	X	X		X		X	
23.	Flawed KSB elections & electoral zones	X		X	X	X	X		
24.	Receivership			X	X				
25.	Farmer contracts & Excessive supply/delay of fertilizers					X		X	
	Tally of Issues	**17**	**12**	**16**	**9**	**22**	**9**	**14**	**6**

APPENDIX II

RESPONSES
FROM
MUMIAS SUGAR COMPANY LTD
ON
ISSUES RAISED
BY
THE COMMITTEE
AND
PROPOSED AMENDMENTS
TO
THE SUGAR ACT (2001)

MUMIAS SUGAR COMPANY LIMITED

RESPONSES FROM THE MANAGEMENT OF MSCL ON THE LIST OF ISSUES SUBMITTED BY THE PARLIAMENTARY COMMITTEE ON AGRICULTURE LIVESTOCK AND CO-OPERATIVES

1. Excess supply of inputs

Fertilizer is supplied based on recommendation made after:

- Crop nutrition research, findings carried out in Mumias Sugar and KESREF which determines types and rates of fertilizer.
- Soil analysis per field to address nutrient deficiency levels in that field i.e.

Nitrogen – Urea

Phosphates – DAP (Di-Ammonium phosphate)

Potassium – MOP (Muriate of potash) - MSC instituted application of MOP due to low K in soils but stopped due to the high cost of MOP for farmers affordability

Inputs supply is based on the established (surveyed) plot size.

(Evidence available)

2. Delayed harvest/over mature cane

Harvesting is done on time as per harvesting program. The computerized system generates a harvesting calendar based on present cane ages and harvesting can only be done on fields that are in this calendar. Generation of delivery notes is not possible if a field is not in the calendar. Selective harvesting is not possible.

3. Transport costs

Transport costs are normally reviewed based on the cost of crude oil per barrel on the world fuel market which has an impact on the transport rates. The transport rate charged to farmers was last reviewed in August 2009, before this, it had been reviewed in January 2009. To date this rate remains effective.

Reviews are done after extensive consultation with all the stakeholders and in consideration of changes in the transport rates charged by the transporters which are determined, based on an agreed formula recognized by KSB.

MSC recovery rate applied to farmer's earnings are lower than that charged by the transporter with the difference being borne by MSC to shield the farmer from the burden of high transport cost.

4. **Flawed KSB elections – non cane farmers participate**
This is an issue for KSB to react to. However, MSC participates in the election as a miller where millers elect their representative to the KSB Board.

5. **Co-generation payment** - the sugar cane price is currently paid based on weight which includes sucrose and fibre.

6. **Burnt cane – a 30% penalty imposed on such cane. Recently reviewed downward to 15%**
Under the Sugar Act, the miller is not obligated to receive any burnt cane. This issue is also clearly outlined in the cane farming agreement. MSC out of its own magnanimity decided that instead of completely abandoning cane that was burnt, it would impose some conditions for receipt of the cane. The conditions were meant to discourage farmers from intentionally burning their cane for it to be harvested before actual maturity time. This was also informed by the fact that it is very

adequacy of compensation can only be addressed by the two ministries. There have been numerous attempts by people whose land was acquired to sue MSC for compensation. Currently there is a suit pending in Kakamega High Court vide HCCC 74 of 2008. The matter being subjudice, we will await the outcome.

10. **Sugar Act 2001 – weigh bridges on farms**

The pricing formula is a miller's gate price. A farm gate price would be much lower. It is not practicable to weigh about 1600 stacks daily at each farmers' farm. There is nowhere in the world where cane is weighed at the farm even where there are plantations. The weighbridges in MSC have been fully automated and any malpractice have been controlled through severe disciplinary measures. For stacks carried from the same farmer using same unit, weights are equally distributed by dividing the total weight by the number of stacks carried in the basket/trailer. MSC has gone an extra mile to put up a weigh bridge at Kisoko. This centre is aimed at helping the farmers in Busia.

14. **Farmer factory contracts not honoured despite stipulating that cane will be harvested at 18 months**

The cane farming contracts stipulate that plant cane should be harvested at between 18 to 28 months, while the ratoon crops should be harvested at between 16 to 24 months. Cane is automatically availed into the harvesting calendar on attainment of the maturity age by variety which the computerized system uses to populate the calendar. On farmer's request cane below the contractual ages may be harvested.

15. **Cess not utilized to improve road infrastructure as required**

Utilization of the fund is a prerogative of the cess committees constituted in all the districts.

- MSC is a co-opted member in all Cess committees (i.e. Kakamega, Busia, Butere-Mumias etc.)
- Cess committees prioritize the roads that would be maintained as per allocation.
- Procurement of works done by the Cess committee.
- MSC supervises the already procured works and releases funds for roads that have been done to their satisfaction

13. **Factory Management has not co-opted locals to top management –** MSC is a listed company that employs it's personnel from the market on a competitive basis. Being an equal opportunity employer, the company embraces and is guided by local laws and international labour conventions.

14. **Compromised Provincial Administration – has not been impartial in dealing with farmer issues against Mumias Sugar factory. Local provincial administration officials are accommodated within Mumias Sugar Company houses, supplied with free sugar, fuel and a monthly allowance**

    The Company has 2,109 housing units and as such we have surplus housing and being part of the community we offer housing on request and on rental terms. The company gives out some sugar to its associates (including provincial administration personnel) during Christmas period. Such sugar is accounted for and is given out as Christmas gift.

15. **COMESA – The lapse in the COMESA safeguard is a serious threat to the survival of the local sugar industry and must be renegotiated and extended.**

    The Common Market for Eastern and Southern Africa (COMESA) granted Kenya's request for an extension of the special safeguard company is heavily indebted. The company has filed an accounting dispute over a 1976 agreement with MSC. The outcome of the arbitration is awaited.

18. Cane weight and records fraud-involving MSC employees who involved in cane farming allotting themselves more weight per stack than usual. The records on weight held by the transporter sometimes vary from what farmers, statement from Mumias Sugar Company shows. The stacks sometimes consistently record equal weights for a series of cane deliveries to three decimal places. In addition, there is exaggeration of farm size by the company surveyors leading to farmers being oversupplied with fertilizers and also excessive levies over the same.

When cane is delivered from one farmer using double basket units, the weighing is done at one go and the total tonnage is automatically distributed by the computerized system equally to the number of delivery notes that were loaded in the field. This is so to improve tractor turn-around and reduce the time taken for the unit in the cane yard assuming each bin is offloaded separately and given the specific weight.

Exaggerated Area

For every plot ploughed, MSC surveys it to establish area for the purposes of billing farm inputs and planning of its annual operations. There have been some complaints of over stating of area. Common causes of overstated area include;

- Farm reductions for alternative use by farmers
- Interchange of plots- In cases where farmers are not residing on plots, the interchange of ownership of plots may occur.
- Farmer inconsistencies- Some farmers are inconsistent. During survey, such farmers show wrong boundaries to get a bigger area in order to get more fertiliser for use on alternative crops and/or sell

- Change of boundary after initial survey- There is a lot of subdivision/leasing going on. Often the subdivision/leasing do occur at re-plough of fields.

19. **Sugar Outlets – MSC should have sugar outlets for the community at factory price**

    MSC applies uniform prices for its sugar sales. Applying selective pricing for the local community may create price conflicts.

20. **Reclassification of Sugar – to make sugar a food commodity and not industrial crop so as to zero rate it.**

    This being a legislative issue, MSC would be glad to see parliament pass a legislation to zero rate sugar as suggested.

21. **Low Extension-research- farmer linkage needs to be intensified to enhance information dissemination by extension workers.**

    MSC runs an elaborate extension service and farmer education programs classified into (a) Pre planting demos, (b) Pre harvest extension meetings, (c) Post harvest extension meetings and (d) Zonal (high profile) extension meetings; all of which are scheduled on weekly and monthly plans.

22. **Supplementary irrigation - need to develop irrigation infrastructure in the area to boost cane production and competitiveness of our production**

    MSC has brought on board consultants from S. Africa who have developed a plan and budget for Centre pivot irrigation on an estimated 75 ha in the Nucleus Estate. This is aimed at developing quality seed cane nurseries that will be supplied to outgrower and the Nucleus Estate. The plan is subject to availability of funds.

Particular reference is made to cane fires. This borders on social delinquency and requires joint effort by all stakeholders. Community policing and hire of vigilante groups are some of the avenues in place currently. Several incidents of the burning of sugar cane have been reported in the Nucleus estates and outgrowers fields. Most of arson incidents were concentrated in the Nucleus Estates in Mumias, Nasewa and Sangalo. Mumias Sugar Company Ltd operates in a radius of about 50 kilometres hence it is very difficult for the company to manage cases of cane fires in the outgrowers fields due to the distance. MSC has partnered with farmers and block leaders to curb the vice through workshops and meetings with them. Sensitization is also done through radio. Sugar cane burning is attributed to various reasons. Among them is leasing of cane which is based on cycles hence cane is burnt to reduce the time of lease. Land conflicts also result into cane burning cases.

28. **Excessive interest rates-**

As seen in 25 above, there are agreed rates whenever farmers seek credit from MSC. The rate of interest is much lower than what they would be charged by a bank or financial institution. Farmers are free to source for the most affordable credit.

BUSIA ISSUES

1. **Manipulation of weigh bridge –**

As explained in 18 above, MSC's weigh bridge is computerized and as such is not subject to manipulation. Frequent visits by farmers on education tours have confirmed authenticity of weights derived.

2. **Long distance to factory**

As in 10 above the construction of Kisoko cane buying centre is on course. This will lessen zonal distances and increase farmer earnings.

3. Delayed harvest –
As in 2 above (Evidence is available)

4. Excessive interest – *As in 25 and 28 above*

5. Cogeneration – ***As in 5 above***

6. Sugar Act, 2001 – ***Refer No 10 above***

7. Representation at KSB – *As in No. 4 above*

8. Burnt Cane - All Sugarcane farmers were compensated on cane fire penalties.

9. **Court cases – to wind up the Busia Sugar Company which has not been operational complicates the revival of the factory.**
Various cases are pending in court against Busia Sugar Company Ltd. These include a winding up petition filed by MSC for money owed by BSCL to MSC. The appointment of a receiver manager by KSB to oversee the operations of BSCL was nullified by the High Court in Bungoma due to defect on the debenture document.
Until the pending cases are concluded, the existence and operation of BSCL remains doubtful. No attempts have been made by the directors of BSCL to revive it.

SIGNED.....................................MANAGING DIRECTOR

The following are the proposed amendments to the Sugar Act.

PAGE	ISSUE	PROPOSAL
Pg 721 Preamble	The preamble is inadequate because it leaves out other stakeholders	It is therefore proposed that the preamble be amended by deleting the following words "....and connected purposes." The words deleted should then be replaced with the following words"...define and regulate the relationship between the various interested parties in the industry and other connected purposes".
Pg 721 Sec. 2 Agreements	This should be amended to cover other stakeholders	It is therefore proposed that the definitions be amended as follows: "agreements" means the agreements specifying the standard provisions governing the rights and obligations of growers, millers, outgrower institutions and transporters in the Sugar Industry.
"Agreements"	Singling out the transporters alone tends to give them more importance than the other stakeholders.	Delete the words "growers, millers and outgrowers" and replace with "***various interested parties***"
"By-products"	Strictly speaking not all substances produced incidentally are useful hence the use of the word "any" is misleading.	Delete the word "any substance" and replace with "profitable substance"
"Growers"	Some institutions/companies other than out-grower institutions may opt into cane growing hence they should not be excluded. Re-phrase	"Grower" means a person***(s) or institutions other*** than out-grower institutions that produce any scheduled crop in Kenya for the manufacture of sugar ***and related by products.***
"Interested		Means the sugar industry in

Parties" "Licences"	"Industry" Re-phrase To a larger extend, importers dictate the direction of the industry hence they should be included as interested parties. Sugar importers should be subjected to licensing requirements	Kenya ***responsible*** *for* the growing of sugar-cane and any other sugar producing crop, manufacturing, marketing and disposal of sugar and its by products. Re-phrase to include importers Expand to include requirement for importation license.
Pg 722 Sec. 2 "Outgrower" "Outgrower institution" "refined sugar"	The definition of grower is deficient in that it does not recognize groupings of farmers coming together as a block. The definitions should be harmonized with the definition of "growers" to accommodate "groups of persons" Should omit the Trade Unions Act as these are labour lobby groups "refined sugar" is simply one type of commercial sugar among many others	"grower" should therefore be defined to include a person or group of persons who produces sugar cane ...." outgrower should therefore be defined to mean a person or group of persons who have ...." The new definition should therefore be: Institutions registered under the Co. Act, the Co-operative Societies Act or any other bona fide organizations under any other law that the meeting may approve. This definition should be deleted altogether and instead be incorporated in the

		improved definition of "sugar"
"Interested Parties" "Zone" "Sugar"	This definition omits important stakeholders i.e. Transporters The meaning is too restrictive. It should accommodate those farmers whose zones are in excess of 40 Km e.g. Transmara, Soin, Busia etc.	The definition should therefore be amended to include "Transporters" Replace the word "maximum" with "approximately" so that it reads: means the area within a radius of approximately forty kilometres of a sugar mill. There should be further guidelines on the parameters of licences. Means crystalline or liquid sucrose in any of its recognized commercial forms which complies with the specification set by the body at the time responsible for setting standards, intended for human consumption or other uses.
The intention is to		
Pg 724 Sec 4(2) Functions of Board	Repetition of stated functions of the Board Paragraph 3 of the Second Schedule also lays out functions of the Board. This should be harmonized and an expanded Sec. 4 be created	Should be merged with paragraph 3 of the 2nd schedule and harmonized.
Pg 724 Sec 4(1)	The word "regulate" implies "control" which is not appropriate in a liberalized market.	Replace the word "regulate" with "facilitate"
Pg 725 Sec. 4(2) c	Extension Services	Amend to read:"facilitate flow of research findings to interested parties through the provision of funding to

		KESREF."
4 (2)(j)	Re-phrase	Delete "represent the industry" and replace with "***represent the interested parties***"
Pg 726 Sec 5 Composition Of Board	The government is over represented the ministry should have only one seat on the Board. This will reduce the total No. of Directors to 12. We may either retain the level at 12 in line with Good Corporate Governance The extra seat can be allocated to any one group of stakeholders who expressed the desire to be represented on the Board e.g. KESREF, Transporters, importers, KSCCT, Consumers etc.	5(i)c 2 representatives elected by white sugar millers and one jaggery miller. The chairman to be independent. Reduce the number of grower representatives to five.
5 (3)	Allowing the board members to continue in office for as long as they are re-elected may create chiefdoms.	The board members should be subjected to a maximum of two 3-year consecutive terms.
Pg 726 Sec 5 (i) (a)	Chairman should be elected from one interested group as provided. To avoid conflict of interest, the chairperson should be independent person and an eligibility criterion be set up as a new Sec.5 (i) (a) (i)	The chairperson shall be elected from members of the Board who should be a member of the Board. Include a provision that councillors and MPs should not be members of the KSB.
Pg 727 Sec.5(3)	Three are inadequate fort the development and implementation of effective programmes by a new Board	Increase term to five years with a limit of two consecutive terms
Page 727 6 (a) 6(a)	Is this levy in addition to the SDL? The levy should be defined. The clause tends to exclude importers from the levy and	This need clarification Re-phrase "impose a levy or levies upon ***the interested parties*** for the purposes of

	generally subject the general provisions of the Act to the imposition of the levy	giving effects ***to the objects of the Board***.
Pg 729 Sec.9 Remuneration Of Board be Members	Consultation with the Minister will be hampered due to the fact that the Minister has to consult with other ministries i.e. Treasury, Office of the President their presence on the Board notwithstanding.	Standard guidelines should be made available within which the minister should be able to operate and be fairly responsive to the needs of the Industry players.
Sec. 10 (2) The CEO	Qualification of CEO is too restrictive	Delete "…. In agriculture economics of BA…."
14(1)	Exclusion of millers from the licensing requirement is prejudicial to the other interested parties.	The Act should expressly provide for the importation licensing requirement.
14(2)	The minimum fine of Kshs 50,000.00 is insignificant compared to the effects of cane poaching.	Minimum fine should be enhanced to Kshs 200,000.00
15	There is no requirement for proof of established cane that will enable the applicant operate such sugar mill/jaggery. This tends to encourage cane poaching.	The clause should be amended to subject the applicant to the requirement of proving that he has established enough cane that will enable him operate his mill/jaggery without
16 (2)	No fine is imposed for persons found guilty of operating unregistered mills/jaggeries	A minimum fine of Kshs 100,000.00 should be imposed to tame illegal jaggery operators
Sec. 16 (5)	Misplaced	To be deleted and moved to par. 6 of the second schedule under the role of Millers
Sec. 18 (3)	"may" gives discretion. Should contain more certainty and informs those on who the obligation to pay is placed on.	Recommendation Replace with "shall"

Sec. 18(4) Sec. 18(5)	The retention of levies needs to be criminalized Five per centum per month is a bit too punitive. There is need to reduce the figure downward e.g. 2%	 Should read " ... a sum equal to two per centum ...." Combine with Sect. 18 (4) and criminalise. It should be a standardized penalty like in VAT (KRA)
Pg 731 Sec 16(4)	Registration of Millers	Delete or amend to provide for payment of a registration fee which amount can be put in the regulations.
Pg 733 Sec 19 (e) Sec 21(2)	"new" Funding of the Arbitration Tribunal	New "e" to provide for receipts from grants, gifts or endowments. Provision should be made for funding by the Exchequer
Pg 735 Sec. 22 Investment of Funds.	Replace "may" with "shall"	"the Board shall invest ...."
Pg 737 Sec. 25 AGM	Replace representatives of millers and growers with stakeholders who should be defined	Delete and replace with interested parties as defined under Sec. 2
Pg 737 Sec. 27 (1)	There should be a provision to disallow dumping of sugar	Include a proviso at the end of 27(1) to read as follows: PROVIDED that no dumped sugar as defined under the COMESA protocol shall be allowed into Kenya".
Pg 738 Sec 27(2) 27(1)	Amendment needed so that the Government acts on advise The various taxes/tariffs should be provided for and outlined in the Act	Section should therefore be amended to read as follows: The Government of Kenya may on recommendation of KSB introduce other safeguard measures as may be necessary to protect the industry from unfair trade practises. Rules and regulations relating to the payment of taxes/tariffs on sugar imports

		and importation of sugar generally should be promulgated e.g Sugar Importation Rules
Pg 740 Sec. 30 Rights of Growers	It is not necessary to legislate on this in the primary law. The intentions can easily be defeated e.g. in MSC a number of farmers have already offloaded their shares on the market. Appointment of Directors is a preserve of shareholders hence should not be pre-determined	This section should therefore be deleted in its entirety
31 (3)	The term of office of the tribunal members upon re-election should not exceed the initial term.	Delete "......for one further term of a period not exceeding five years" and replace with ".....not exceeding ***three years***" to correspond with the initial term.
31 (2)(b)	Pre-determination of the nature of likely disputes may be difficult hence the two members should be ordinary qualified arbitrators	Re phrase to indicate that the members should be qualified arbitrators
Pg 742 (1)	Any member Further rules on eligibility criteria to exclude MPs and Councillors	There should be provision on removal of chairman
Schedule 1 Clause. 3	Disclosure of interest by Board Members	There is need for provision of penalty for non disclosure of interest. Such interest should be too stringent as to include removal from office on grounds of conflict on interest.
Pg 742 2(4)	Quorum	This should be changed to two-thirds of the members
Pg 743 (3)	Disclosure of interests by Directors too general	Delete "other matter before the Board" so that it read: "if a member is directly or

		indirectly interested in any contract or proposed contract that may result to personal gain before the Board and is present at a meeting of the Board at which the contract or proposed contract is the subject of consideration, he shall, at the meeting and as soon as reasonably practicable after the commencement thereof, disclose the fact and shall not take part in the consideration or discussion of or vote on, any questions with respect to contract or be counted in the quorum of the meeting during consideration of the matter."
Schedule 2 3 (j)	Re phrase to include provision of resources for rehabilitation of factories.	Re-write to read as "Facilitate long term master plans ***and resources*** for……"
3 (m)	Re phrase to include the issue of controlling/regulating importation of sugar	Re-write to read "monitor and regulate…"
6 (a) and (d)	The two sections tend to vary on the period of payment. Meanwhile the 3% penalty is too punitive.	The two should be harmonized.
Pg. 748 Paragraph 6(a) Role of miller	There is need to harmonise the functions of the key players in the industry. Particularly harvesting, weighing at farmers' gate and transporting.	Delete as this is substantially the role of the grower.
Paragraph 6(g)	Paragraph 8(5) provides for the establishment of a sugarcane testing unit set up by the Pricing Committee which is made up of KESGA, KESMA & KSB.	The burden of installing and maintenance of the systems should be borne by the Industry and not the miller alone.
Pg 748 6(d)	Payment within 30 days after cane harvest is not possible when there is a glut	The penalty for late payment is too severe and will cripple the industry. This should be deleted or made more

		flexible.

APPENDIX III

MINUTES

MINUTES OF THE SIXTY EIGHTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MEMBERS LAUNGE 7TH FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS ON TUESDAY, 10TH AUGUST, 2010, AT 10:00A.M.

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Lucas Chepkitony, MP	-	**Vice Chairperson**
Hon. Benson Mbai, MP		
Hon. John D. Pesa, MP.		
Hon. Peris Chepchumba, MP		
Hon. (Dr.) Robert O. Monda, MP		
Hon. (Dr.) Victor Kioko Munyaka		
Hon. Fredrick Outa, MP.		

ABSENT WITH APOLOGY

Hon. Erastus Mureithi, MBS, HSC, MP

ABSENT

Hon. Evans Akula, MP

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

Mr. Paul Ngetich	-	Senior Research Officer
Mr. Evans Oanda	-	Third Clerk Assistant

MIN.NO. 144/2010: PRELIMINARY

The meeting opened with a word of prayer.

MIN.NO. 145/2010: CONFIRMATION OF THE PREVIOUS MINUTES

Minutes of the 58th, 59th, 60th, 61st, 62nd, 63rd, 64th, 65th, 66th, and 67th were confirmed and thereafter signed by the Chairman.

MIN. NO. 146/2010: ADOPTION OF THE BUDGET ESTIMATE REPORT

Members deliberated on the draft report of the examination of budget estimates on its portfolio ministries. While agreeing with it its contents, the Committee made amendments, as follows:-

1) Under the Ministry of Agriculture, Value Addition of nuts especially cashew nuts, Macademia nuts and ground nuts should be done by the Ministry to create employment for Kenya people instead of these nuts being exported in raw form to be processed abroad.

2) The reduction of import duty from 35% to 10% by the Ministry of Finance affects not only wheat as indicated in recommendation number six under the Ministry of Agriculture, but also on rice. There Committee recommended that a three year moratorium should be sought from the East Africa Corporation Member states on the matter.

3) Inputs either donated or subsidized by the government should be supplied to small holder farmers in a fair and equitable manner.

4) The Cess levied on Agricultural products should be abolished with immediate effect since it is a double taxation.

MIN.NO. 147/2010: ADOPTION OF THE SUGAR REPORT

The draft report on sugar sector hearings undertaken by the Committee in September 2009 was presented for consideration and adoption. The Committee studied through and made further suggestions for improving the draft, as follows:-

Amendment of the sugar act of 2001:

1) The payment formula to farmers should be revised so as to be based on the sucrose content to be measured at farm gate by Kenya Sugar Board (KSB). Subsequently, the KSB should purchase equipment for the purpose of measuring the sucrose content for the farmers.

2) The price should be adjusted to include the by-products such as cogeneration, bagasse and molasses in the final price. Payment to farmers on the cane deliveries should be on a 14 day period failure to which the amount should attract interest.

3) The weigh bridges should be owned and managed by farmers themselves

4) Kenya Sugar Board should handle the supply of inputs to farmers so that the prices can be regulated thus eliminating cartels from the equation, thereby curbing exploitation of farmers.

5) Factories should sign a legal binding contract with farmers to adhere to a strict timeline of harvesting cane when cane matures to avoid cane over maturity and losses. It was noted that over mature cane compromised on its quality and content of sucrose. In the event that a factory has no capacity to harvest the farmers' cane, it should have a contract with another factory to do it on its behalf rather than farmers supplying cane on their own to the different factories.

6) Taxation on cane which goes up to 27% currently should be revised such that the total tax is not more than 10%. The Cess levied on cane should be abolished or the monies collected be retained in the factories for use in maintaining roads.

7) The proposed privatization of sugar factories be done with the farmers interests in mind. Cane farmers should be issued with automatic 30% share holding in addition to 21% share through the check off system. This will give them the majority of ownership of 51%.

8) The government to write off the debts of Miwani Sugar Company so that it can operate normally in the Zone.

In the meanwhile, the Committee was informed that Mumias Sugar Company and Nzoia Sugar Company had written seeking to appear before the Committee to discuss issues on sugar sector after earlier scheduled meetings did not materialize for reasons the two companies had given. The Committee responded that the report had been concluded and was satisfied issues discussed cut across all factories. The Committee noted that the written submissions from Mumias had been considered in the production of the report. The Committee agreed that the two companies would be invited at some time in future to brief the Committee on their operations.

Thereafter, the two reports were adopted (to include changes made) after they were proposed by the Hon. Benson Mbai and seconded by Hon. John Pesa.

MIN.NO. 148/2010: FOREIGN TRIPS

The Committee was concerned that the Members had not undertaken proposed trips since the Committee was reconstituted in June 2009 while other Committees had done so. The Committee also expressed displeasure with the way appointments to various delegation regarding agricultural matters was being done and stated they were in disregard to Members of the Committee. Examples were cited to include the recent trip to China by the delegation led by the Vice President's trip to China on 9th August, 2010, and conference on Food Security in Rome Italy.

The Committee also raised concern about the inconsistency on the policy of limiting delegations to only three (3) members of Parliament while in some cases limited to five (5) when this had not be made known to the Chairpersons of Committee during liaison Committee meetings. It was resolved that the Clerk be invited to shed light on this matter during the Sitting of the Committee on Tuesday, 17th August, 2010.

The Committee deliberated on its impending foreign trips and resolved as follows:-

1. Delegation to Biodiversity Conference in Tokyo Japan in October, 2010, to comprise the following members in order of priority:

    1) Hon. Lucas Chepkitony, MP - **Vice Chairperson**
    2) Hon. (Dr.) Robert O. Monda, MP
    3) Hon. John D. Pesa, MP.
    4) Hon. Peris Chepchumba, MP
    5) Hon. John Mututho, MP - **Chairperson**
    6) Hon. Benson Mbai, MP

2. Delegation to South Korea which had been postponed to end of August 2010, to comprise:-

    1) Hon. John Mututho, MP - **Chairperson**
    2) Hon. Peris Chepchumba, MP
    3) Hon. (Dr.) Robert O. Monda, MP
    4) Hon. Erastus Mureithi, MBS, HSC, MP

3. Delegation to ICO Conference in Landon England will comprise the following members:

    1) Hon. Benson Mbai, M.P.
    2) Hon. Fredrick Outa, M.P.

4. Delegation to either brazil or USA that has been impending since last year (2009) will comprise the following members:-

    1) Hon. Lucas Chepkitony, MP - **Vice Chairperson**
    2) Hon. John D. Pesa, MP.
    3) Hon. Fredrick Outa, M.P.
    4) Hon. (Dr.) Victor Kioko Munyaka
    5) Hon. (Dr.) Robert O. Monda, MP

5. Delegation to Vienna and South Africa for GM Maize grain testing to comprise the following members:-

    1) Hon. Lucas Chepkitony, MP - **Vice Chairperson**
    2) Hon. (Dr.) Victor Kioko Munyaka
    3) Hon. John D. Pesa, MP.

MIN. NO. 148/2010: ANY OTHER BUSINESS

The Committee re-visited the issue of KPCU's receivership saga and resolved to invite the parties involved who have not appeared before the Committee on the matter. Among them were the Management of the Kenya Commercial Bank (KCB), the Ministry of Agriculture and Ministry of Cooperative Development and Marketing.

The Committe was informed that the Mombasa Agricutural show was on from Wednesday, 11th August, 2010. The Committee agreed that the folowing members could attend:-

1) Hon. John Mututho, MP - **Chairperson**
2) Hon. Benson Mbai, MP
3) Hon. John D. Pesa, MP.
4) Hon. (Dr.) Victor Kioko Munyaka

MIN. NO.150/2010: ADJOURNMENT

There being no other business, the meeting was adjourned at fifteen minutes past one until the Tueday, 17th August, 2010 at 10.00 am at a venue to be communicated later.

SIGNED --

CHAIRPERSON

DATE 16th. Aug. 2010

MINUTES OF THE SIXTY SEVENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE COMMITTEE ROOM 4TH FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS ON TUESDAY, 20TH JULY, 2010, AT 10:15 A.M.

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Lucas Chepkitony, MP	-	**Vice Chairperson**
Hon. Erastus Mureithi, MBS, HSC, MP		
Hon. Benson Mbai, MP		
Hon. John D. Pesa, MP.		
Hon. Peris Chepchumba, MP		
Hon. (Dr.) Robert O. Monda, MP		

ABSENT WITH APOLOGY

Hon. Fredrick Outa, MP.
Hon. (Dr.) Victor Kioko Munyaka,MP

ABSENT

Hon. Evans Akula, MP

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

Mrs. Consolata Munga	-	Deputy Director Committee Services
Mr. Paul Ngetich	-	Senior Research Officer
Mr. Bonnie Mathooko	-	Senior Research Officer
Mr. Evans Oanda	-	Third Clerk Assistant
Miss. Wanjiru Ndindiri	-	Third Clerk Assistant

MINISTRY OF AGRICULTURE

Hon. Dr. Sally Kosgei, EGH, MP.	-	Minister
Dr. Romano Kiome, CBS	-	Permanent Secretary
Kennedy Ayula	-	DDA
Mary Kamau	-	Director Extension
Wellington Lubiru	-	CE
Benjamin Andayi	-	PAC
Mohamed Dawe	-	Finance Officer
C. I. Njeru	-	finance officer
S O Olala	-	CFO
H M Mwangi	-	DA
Eng.Jasper Nkanya	-	Ag. CE
James M Kirigwi	-	CE
Nehemiah Chepkwony	-	DDA
Joseph Kamau	-	HRM
Susan Mucheru	-	HRM
C. N Mukela	-	Finance Officer

MIN. NO. 141/2010: PRELIMINARY

The Chairman called the meeting to order at fifteen minutes past ten oclock. He then outlined the rules of conducting the proceedings and thereafter introduced members of the Committee.

MIN. NO. 142/2010: EXAMINATION OF ESTIMATES FOR THE MINISTRY OF AGRICULTUREFOR THE FINANCIAL YEAR 2010/2011 (VOTE 10)

The Committee sought responses from the Minister on the following issues while presenting the Ministry's budget for 2010/2011 financial estimates:-

i The specific working relationship between the Ministry of Water and Ministry of Agriculture with respect to implementation of irrigation projects in the country
ii The Ministry's position regarding the formation of a micro finance organization by KTDA, and the Ministry's take in the Tea Amendment Bill of 2010.
iii The predicament facing KPCU now that its assets are in the process of being auctioned.
iv The Ministry's position in solving the challenges affecting pyrethrum industry in Kenya with specific emphasis on the on protecting the pyrethrin product formula, and development of 800 acre land in Ol Kalau and funding of Pyrethrum Board of Kenya.
v The status of Afflatoxin management in the country and the amount allocated to the Strategic Grain Reserve.
vi The requested resources for purchase of Mobile driers and status of seed distribution in the country.
vii The Ministry's position on the current poor performance in the sugar industry with particular emphasis on high taxation, controversial weigh bridges, high input prices, mismanagement across the board and the privatization of sugar factories.
viii The Ministry's position on the reduction of wheat duty by Treasury.
ix Marketing of Horticultural products.
x The level of distribution of extension workers in the country and the amount allocated for the same in the 2010/2011 financial year.

SUBMISSIONS FROM THE MINISTER

Under Irrigation (Head 271D): The Minister submitted that irrigation should be put in the Ministry of Agriculture and not in the Ministry of water as it was now. This would allow the Ministry to direct resources of irrigation projects towards priority areas of food production thus solving the problem of food security in the country. The Minister stated the Ministry of Agriculture has enough engineers who are underutilized.

At this juncture, the Committee asked the Minister that old small dams, especially in Ol kalau and Eldoret South Constituencies, were full of silt and wondered why instead of addressing the problem; new big dams were being constructed.

The Minister informed the Committee that the Ministry requested Khs.6.8 billion for irrigation but was allocated only Kshs.106 million, which was too low to do any meaningful work. The Committee resolved to have a joint meeting with the Committee on Land and Environment to interrogate this matter.

Hiring of vehicles: The Committee was informed that the Ministry was allocated Kshs. 147 million in the budget for hiring of vehicles. The Minister explained this allocation had not been requested, but that the Ministry requested money for vehicle maintenance allocation which was not granted in the printed estimates. The Ministry of Agriculture was not consulted on this matter. The Committee expressed displeasure with Treasury's action and said it would seek explanation from the Ministry of Finance.

KPCU: The receivership at KPCU were raised by Committee and asked the Minister what was being done to address the issue. It was resolved that the auction of KPCU assets should not proceed until all pending issues were sorted out. The Committee advised that KACC, Director CID or the Attorney General should go court to stop the process of KPCU assets.

Purchase of mobile driers: The Minister submitted that the Ministry of Agriculture was not consulted by Treasury for the procurement of mobile driers shown in the printed estimates at sum of Kshs. 260 million. Had the Ministry been consulted, the Minister said she could have recommended for building of silos installed with driers to alleviate the problem of afflatoxin.

Maize purchases: The Committee was informed that the Ministry of Agriculture had not been allocated money to purchase maize, but instead there was allocation of Khs.2 billion in the Ministry of Special Programmes for purchases of maize for the Strategic Grain Reserve. According to the Minister, this was the mandate of the Ministry of Agriculture. It was therefore resolved that that money should be redirected to the Ministry of Agriculture.

Employment of extension workers: The Minister informed the Committee that Khs. 216 million was allocated to employ extension workers on a temporary contract at constituency level by Treasury. This was however done without consultation with the Ministry of Agriculture which could have recommended that extension workers be employed at District levels and on a permanent basis. The Committee resolved that the Ministry proposal to be applied.

Upgrading of Agricultural Technical Institutions to Universities: The Minister informed the Committee that the recent trend of turning Agricultural Technical Institutions into universities was disrupting the local farmers' acquisition of extension skills. It was resolved that this idea should stop immediately if small farmers have to be empowered. Recognizing that not every member of the society will have a white collar job, there should be blue collar job workers as well, hence the need to leave the technical institutions perform the work they were set up for.

Nuts: The Committee was informed that exportation of macademia nuts was done in raw form at the moment and then processed abroad. This denied the Kenya of its market share in value addition, while leading to loss of employment opportunity for Kenyans who would be working in the processing factories. The Committee therefore recommended that export of raw nuts should stop and a processing plant installed in the country

Reduction of wheat duty: The Minister informed the Committee that the reduction of wheat duty to 10% was done by Treasury without consultation with the Ministry of Agriculture. This put farmers at a loss having spent a lot of resources in production. It was further disclosed that even the negotiation of East African Market Protocol was also done without involvement of the Ministry of Agriculture.

The Committee recommended that the full implementations of the protocol be delayed for 3 years till all duty issues were addressed.

Cess: The Committee expressed displeasure on the high Cess levied on agricultural products and recommended that all Cess levied on the agricultural produce be abolished.

VAT refund: The Committee heard that the middlemen who exported horticulture in bulk were VAT exempted under the current taxation system and ignores the local farmers. The Committee recommended that local farmers be VAT exempted as well.

Tea sector: The Minister informed the Committee that Tea Amendment Bill of 2010 by a Member of Parliament would adversely affect the gains made in the Tea sector. She further informed the Committee that the Ministry had formulated appropriate Bill to be introduced in Parliament.

Pyrethrum Industry: The Minister acknowledged the problems affecting the Pyrethrum Industry in the country. To address them, the Ministry was in a process of developing a bill to be introduced in the House. The Minister further informed the Committee that the Ministry had requested funding for Pyrethrum Board of Kenya from Treasury but was not allocated any resources in the printed estimates.

Sugar Sector: The Minister told the Committee that the challenges in the Sugar sector were well known and the Ministry needed time to study them and report back to the Committee. The Minister further told the Committee that;

- Before privatization of sugar factories is undertaken, the local farmer would be given priority in the buying of the shares.
- The management problems in the sugar sector and especially at Nzoia were being addressed.
- The poor performance of the receiver managers of both Miwani and Muhoroni factories had been noted and their contract was being reviewed before any further renewal.
- Better varieties of cane and cultivation through irrigation should be embraced

Marketing of Horticultural products: There was concern that marketing of horticultural products had been left to the trade unionist to exploit small farmers.

Value addition: The Minister informed the Committee that the Ministry was committed to value addition of all agricultural products before exportation. This she said had been successful in the coffee, horticulture and tea sectors. The Minister informed the Committee that a sum of Kshs.30 million for value addition had been allocated.

Issues affecting Ministry of Agriculture: The Minister informed the Committee that some of its important departments have been systematically removed from the Ministry making the coordination of various projects very difficult. She proposed that the following subsectors be reverted back to the Ministry:-

- Irrigation
- Strategic Grain Reserve
- Fresh Produce markets
- Reccommendation for Taxation of Agricultural products
- Farm forests
- Money allocated for the Ministry of Youths and Special programmes.

Approval of the Estimates: The Committee agreed with the Minister's proposal that a sum of Kshs. **8,381,263,140** in Development (vote D10) under Heads: 190, 193, 198, 230, 596, 235, 502, 180, 181, 225, 229, 237, 246, 255, 260, 271, 759, 760, 761, 763, 764, 765, 946, 947, 254, 257, 259 and 247; and a sum of Kshs. **Khs.8,019,374,200** in Recurrent Vote (R 10) under Heads: 190,191, 193, 195, 228, 198, 230,238, 596, 235, 502, 181, 183, 202, 229, 255, 260, 638, 639, 661, 759, 254, 257, 258, 259, and 247; be withdrawn from the Consolidated Fund to finance the work and activities of the Ministry of Agriculture in the 2010/2011 year.

MIN. NO.143/2010: ADJOURNMENT

There being no other business, the meeting was adjourned at twenty one minutes past two until a later date.

SIGNED --

CHAIRPERSON

DATE -- 10th. Aug. 2010

MINUTES OF THE FIFTY FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN CONFERENCE ROOM,COUNTY HALL, PARLIAMENT BUILDINGS ON TUESDAY, 11TH MAY, 2010 AT 12:00PM

PRESENT

Hon. John Mututho, MP - Chairperson
Hon. Lucas Chepkitony, MP - Vice Chairperson
Hon. Benson Mbai, MP
Hon. Fredrick Outa, MP.
Hon. (Dr.) Victor Kioko Munyaka
Hon. Peris Chepchumba, MP
Hon. John D. Pesa, MP,
Hon. Shakeel Shabir, MP, - friend to the Committee

ABSENT WITH APOLOGIES

Hon. Erastus Mureithi, MBS, HSC, MP
Hon. Kambi Kazungu, MP
Hon. Evans Akula, MP
Hon. (Dr.) Robert O. Monda, MP

IN ATTENDANCE:

KIBOS SUGAR AND ALLIED INDUSTRIES LIMITED

R. S. Chatthe - Managing Director
Vitallis Ogolla - Head of Agriculture

AWEPA

Frank Kayitare - Project coordinator

NATIONAL ASSEMBLY

Mr. Paul Ngetich - Senior Research Officer
Mr. Evans Oanda - Third Clerk Assistant

MIN. NO. 100/2010: PRELIMINARY

The meeting opened with a word of prayer from Hon. Mureithi. The Chairman outlined the rules of coducting the meeting as spelled out in the Standing Orders as well the immunities enjoyed in the process as per the Powers and Privileges Act Cap 6.

MIN. NO. 101/2010: SUGAR SECTOR HEARING

1. Evidence from Kibos Sugar and Allied Industries Limited

The Committee was told that Kibos Sugar and Allied Industries limited was registered in 1999 and started its operations in December 2007. Kibos Sugar and Allied Industries Limited get its cane supply from the following outgrower companies:

- Nyando
- Kakamasi
- Miwani
- Kibos
- Other cooperative societies

The challenges that face the sugar industry was itemised as follows:

i. **Poor infrustructure**

The road network in the entire zone in which cane is grown is in a poor state. This has the effect of increasing transportation costs as well as the high losses incurred during transportation of cane to the factories.

ii. **Erratic and poor distribution of rain**

Rain in cane growing areas is not predictable and as a result long dry spell may be witnessed thus hindering proper growth of cane. This challenge requires initiation of irrigation system to tame it. Kenya stands to loose in the Industry when it is compared to COMESA region where irrigation is done. High amounts of rainsfall can also affect harvesting of cane thus compromising the quality of end products

iii. **Poor Resaech**

The prevailing seed varieties in the country are late maturing. We need varieties that are early maturing to compete with countries like Mauritius and South Africa by empowering research.

iv. **High taxation**

The Industry is one of the highly taxed in the country going over 20%. This leads to low proceeds to poor farmers from their investments. The money taxed as Cess is always missused within the councils and it is the reccommendation of Kibos Sugar and Allied Industries Limited that the money remains with millers to do the roads on their own.

v. **High cost f inputs**

The cost of inputs especially that of seeds and fertilizer is too high. Kibos Sugar and Allied Industries Limited sells a 50kg bag of DAP fertilizer at Ksh 2800 while that of CAN is Ksh 1800; which is the lowest price in the market. The Committee ordered that the Kibos Sugar and Allied Industries limited povide a list of all suppliers of fertilizer and their prices for perusal. The cost of machinery is too high to afford and maintain.

vi. High cost of production

The cost of production in most millers is very high because of old technology and poor mantainance. This is again reflected in the low procceds paid to the farmers. The challenge can be mitigated by diversification to get more products from cane like ethanol, cogeneration and paper among others. Kibos Sugar and Allied Industries Limited have however not diversified being a young Company has plans to start co-generation for internal use and sale to the national grid.

vii. Mismanagement

Most of the state owned factories are mismanaged and hence their effiency is compromised. This is in view of the fact that there are a lot of bureaucratic processes involved before a decision is made. This challnge can be mitigated through privatization where decisions are promptly made.

2. Allegations agains Kibos Sugar and Allied Industries limited

The Committee sought response to the allegations against Kibos Sugar and Allied Industries Limited as gathered during Sugar Sector Public Hearings from other players in the industry. They responded to those allegations as follows:

i. Ownership of land belonging to Miwani Sugar Company

The alleged land was inherited form the grandfather of the current Managing Director who owns its valid title deed. The case on the said land with Miwani Sugar Company is in court hence can not be discussed with the Committee.However, the Committtee demanded for a cse number which KSIAL promised to avail later.

ii. Burning of Kibos Sugarcane Outgrower company's premises

The alleged burning of Kibos Sugarcane Outgrower company's premises during post-election violence is baseless and KSAIL has never been involved in any destruction. The attack on the executive chairman of Kibos Sugarcane Outgrower Company was done by the public for immoral acts (incident of rape).

iii. Left with kshs 600 million money belonging to AFC

This allegation is baseless as nobody in the Kibos Sugar And Allied Industries Limited has ever taken farmers' money from AFC or gone to Canada at the time indicated.

iv. Contraversial weighbridge at Awasi

The weigh bridge at Awasi was constructed after a wide consultation with the cane suppliers taking into consideration the distance in which farmers will cover with their cane. The resolutions passing the agreement were tabled before the Committee. Transport costs from the farms to the weigh bridge are borne by the farmers while Kibos Sugar And Allied Industries Limited bears those costs from the weigh bridge to the factory.

The claim that the weigh bridge is manipulated was unfounded given that it has been certified by the Weights and Measures Standard agency and relevant certification issued under cap 513 with no complaint of manipulation ever reported. These certificates were tabled before the Committee. On top of the weigh bridge, an Enterprise Reesource Planning is installed at the factory that records everything digitally.

v. Poaching of cane

The Committee was told that an agreement among the stakeholders was reached that set framework/programme to harvest overmature cane by any miller within the Nyando Sugar belt if it had capacity. This memorundum was binding in the sense that cane received from farmers who are indebted to a different miller was to be collected and the proceeds sent to the creditor miller. This agreement resolution was tabled before the Committee.

vi. Cooperation with leaders

There is cooperation with leaders from the area but it needs to be increased than it is currrently. This should be done professionally and avoid political partiality. Kibos Sugar and Allied Industries Limited invited the Committee to visit their factory to see for themselves what is going on there.

MIN. NO.102/2010: ADJOURNMENT

There being no any other business, the meeting was adjourned at ten minutes past three o'clock until 3:20p in the same date and venue.

SIGNED ---

CHAIRPERSON

DATE 12th June 2010.

MINUTES OF THE FIFTY FOURTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN CONFERENCE ROOM,COUNTY HALL, PARLIAMENT BUILDINGS ON FRIDAY 30TH, APRIL, 2010 AT 10:35AM

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Lucas Chepkitony, MP	-	**Vice Chairperson**

Hon. Benson Mbai, MP
Hon. Fredrick Outa, MP.
Hon. Erastus Mureithi, MBS, HSC, MP
Hon. (Dr.) Robert O. Monda, MP

ABSENT WITH APOLOGIES

Hon. John D. Pesa, MP,
Hon. (Dr.) Victor Kioko Munyaka
Hon. Peris Chepchumba, MP

ABSENT

Hon. Kambi Kazungu, MP
Hon. Evans Akula, MP

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Evans Oanda - Third Clerk Assistant

MIN. NO. 096/2010: PRELIMINARY

The meeting opened with a word of prayer from Hon. Erastus Mureithi.

MIN. NO. 097/2010: CONFIRMATIN OF THE PREVIOUS MINUTES

The minutes of the 45th, 46th, and 47th sittings were confirmed and thereafter signed by the Chairman.

MIN. NO. 097/2010: THE COMING WEEK'S PROGRAMME COMMENCING, 10TH MAY, 2010

The Committee deliberated on its work programme and resolved that the matters that had been started have to be completed first before touching on different sectors. It was resolved that Sugar Sector public hearings be given the first priority followed by the Coffee Sector.

The Committee therefore proposed as follows-

1. Tuesday, May 11, 2010, invite Mumias Sugar Company and Kibos Sugar and Allied Industries for Sugar Sector Public Hearings
2. Wednesday, May 12, 2010, invite Privatization Commission of Kenya to update the Committee on how far the process of privatization of sugar factories has gone.
3. Invitation of the Capital Markets Authority to the Committee to explain the disclosure requirements of a listed Sugar Company in the NSE and whether Mumias Sugar Company has been in compliant.
4. Thursday, May 13, 2010, invite the Minister for Agriculture to discuss about the sugar sector.
5. Thursday, May 13, 2010, to invite the Minister for Cooperative Development and Marketing to discuss about the problem affecting KPCU and the stimulus package to help the coffee industry.
6. Friday, May 14, 2010, to invite the Ministers for Regional Development Authorities, Livestock Development and Fisheries Development to explain why they performed poorly in the last one year.

MIN. NO. 098/2010: ANY OTHER BUSINESS

Members were concerned that their Committee sitting allowances have not been paid. The Committee proposed that the sample maize collected form Mombasa suspected to be genetically modified be taken to Europe and South Africa for thorough testing.

MIN.NO.095/2010: ADJOURNMENT

There being no any other business, the meeting was adjourned at twenty minutes past eleven o'clock until a time and venue to be determined later.

SIGNED --

Chairperson

DATE 12th June 2010. --

MINUTES OF THE FIFTIETH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON TUESDAY 28TH APRIL, 2010 AT 09:30AM

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Lucas Chepkitony, MP	-	**Vice Chairperson**
Hon. Erastus Mureithi, MBS, HSC, MP		
Hon. Fredrick Outa, MP.		
Hon. Benson Mbai, MP		

ABSENT WITH APOLOGIES

Hon. John D. Pesa, MP,
Hon. Peris Chepchumba, MP
Hon. (Dr.) Victor Kioko Munyaka,MP
Hon. (Dr.) Robert O. Monda, MP
Hon. Evans Akula, MP

ABSENT

Hon. Kambi Kazungu, MP

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	-	Senior Research officer
Mr. Evans Oanda	-	Third Clerk Assistant
Mr. Bonnie Mathooko	-	Senior Research Officer

KIBOS SUGARCANE OUTGROWERS COMPANY LIMITED

Mr. Abdala K Kitengo	-	Executive Chairman
Walter Ochila	-	Director (Chair sub-committee)
Eng. Jukius Odera	-	Director Agriculture

MIN. NO. 082/2010: PRELIMINARY

The meeting opened with a word of prayer followed by introduction of the Members. The Chairman outlined the mandate of the Departmental Committees as provided for by Standing Order 198 as well the powers and privileges Act Cap 6 enjoyed by anybody attending the sitting of the Committee.

MIN. NO.083/2010: SUGAR SECTOR HEARINGS

Kibos Sugarcane Outgrowers Company limited made their submissions to the Committee by giving a brief background of the company. The Committee was told that Kibos was a young company which was started in 2006 and operates in Nyando Zone of Nyanza province.

1. Challenges facing Kibos Sugarcane Outgrower Company

i. The company has been struggling since the post election violence of 2007 where its premises, certificates and cane were burnt down. According to the company, the main suspects are the owners of Kibos Sugar and Allied Industries limited who took advantage of the post election violence since they wanted to set their own Outgrower Company.
ii. The company lacks funds to pay farmers leading to delayed payments - a problem which KSB has not solved since the company has to be cleared by the Miller in order to be given access to credit facilities.
iii. The state of the roads is very poor especially in the rainy season when they are impassable. The Cess that is collected and taken to the Council is yet to bore fruits.
iv. Supply of the Outgrower cane is only limited to Kibos Sugar and Allied Industries thus opening the avenue for mistreatment by the miller.

2. Allegations against Kibos Sugar and Allied Industries

The Committee was told that Kibos Sugar and Allied Industries has been frustrating Kibos Sugarcane Outgrower Company while being assisted by the Nyanza Provincial administration, in various ways,that include-

(i) Burning of the Outgrower Company's assets during the post-election violence. The youths were hired and driven in a pick up to carry out the damage. This car's identity is known.
(ii) Poaching of cane from different Zones outside its allowed area of Nyando Zone, and going as far as Kendubay and Homabay without any reprimand from both KSB and the Ministry of Agriculture.
(iii) Construction of a faulty weigh bridge at Awasi; this is far from its area of operation in addition to defrauding farmers. The area Member of Parliament, the Hon.Prof. Olweny, did witness this case at one time.
(iv) Kibos Sugar and Allied Industries has always denied the farmers audience in the Company premises as well securing a meeting and have categorically stated that they can not attend the parliamentary Committee's meeting claiming that Kibos Sugar and Allied Industries is a private Company and that it is a waste of time. It was alleged that at one time, Mr. Raju who is one of the owners beat a farmer who went to serve him a court summons. Mr. Raju is claimed to be using one of the directors of the KSB by the name of Oricho to frustrate Kibos Sugarcane Outgrower Company. The Committee was surprised to learn utterances purpotetely coming from Mr. Raju that he could dine with God because of the money he has and no body can do anything to him.
(v) Kibos Sugar and Allied Industries hold a vague title deed for Miwani sugar factory while the valid title deed is held by the current joint receiver managers. The case on this land issue is in court.

Having listened to these allegations, the Committee demanded all the necessary documentations in their support for perusal.

MIN.NO.084/2010: ADJOURNMENT
There being no any other business, the meeting was adjourned at fifty minutes past eleven o'clock until the same afternoon at two o'clock in the same venue.

SIGNED ---
Chairperson

DATE 12/06/2010 ---

MINUTES OF THE FORTY NINETH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS, ON TUESDAY 27TH, APRIL, 2010 AT 14:40PM

PRESENT

Hon. John Mututho, MP	- **Chairperson**
Hon. Lucas Chepkitony, MP	- **Vice Chairperson**
Hon. Fredrick Outa, MP.	
Hon. Benson Mbai, MP	
Hon. Jomo Washiali	- friend of the Committee

ABSENT WITH APOLOGIES

Hon. John D. Pesa, MP,
Hon. Erastus Mureithi, MBS, HSC, MP
Hon. Peris Chepchumba, MP
Hon. (Dr.) Victor Kioko Munyaka, MP
Hon. (Dr.) Robert O. Monda, MP
Hon. Evans Akula, MP

ABSENT

Hon. Kambi Kazungu, MP

IN ATTENDANCE:

KENYA SUGAR BOARD

Obado Z. Okoth	- Chairman, Kenya Sugar Board (KSB)
Paul Odola	- Vice Chairman KSB
Nicholas Oricho	- Director, KSB
Billy Wanjala	- Director, KSB
David Kodongo	- Director, KSB
Eng. Mohammed Mukhwana	- Director, KSB
Gichana T.	- Representative, ISC
Roemary Mkok	- Chief Executive Officer, KSB
Fredrick Kebeney	- Head of Agriculture, KSB
Solomon Odera	- SDF/PM
Abnev V. Ingosi	- Microfinance
Humphrey N. Muttu	- representative, PS/Treasury
Sauo W Busolo	- Director Kenya Sugar Board

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	- Senior Research officer
Mr. Evans Oanda	- Third Clerk Assistant

MIN. NO. 078/2010: PRELIMINARY

The meeting opened with a word of prayer followed by introduction of the Members. The Chairman outlined the mandate of the Departmental Committees as provided for by Standing Order 198 as well the Powers and Privileges Act, Cap 6, of the laws of Kenya.

MIN. NO.079/2010: SUGAR SECTOR HEARINGS

The Committee sought to know from the Kenya Sugar Board (KSB), the following-
1. Challenges facing the sugar sector
2. The status of the planned privatization of sugar factories
3. Performance appraisal of the receiver managers at Miwani and Muhoroni sugar factories
4. The mandate of KSB in dealing with errant sugar factory managers like in Mumias and Kibos

1. Challenges facing the sugar sector

i) High cost of production
This was sited as one of the greatest challenges affecting the industry. The Committee was told that it costs $600 to produce one tonne of sugar way beyond the cost other countries incur to produce the same quantity. This was partly because of high cost of inputs, diminishing land sizes leading to diseconomies of scale and old mills that are not properly maintained, hence low efficiency.

As part of cost reduction measures, the KSB has recommended for the reduction of credit interest rates form 10% to 5% to enable farmers get loans and to enjoy economies of scale. The KSB has also provided for change of payment system from that of weighing to that based on quality to encourage farmers to improve efficiency. The Committee reminded KSB that India has one of the oldest mills yet the country boast of high efficiency in the sugar operation since the machines are properly maintained.

ii) High historical debt portfolio
The millers have incurred lots of debt in the past which have been carried forward to the present, thus affecting easy access to credit facilities.

iii) Weak research extension linkages
The Committee was told that only 0.94% of the 4% levy collected by the KSB goes to research. It was also revealed that successful production of a new cane variety takes 16 years in Kenya which makes the process to be very slow as compared to South Africa which takes 11 years. The Committee recommended that KSB liaise with KARI in improving cane research since Kari is one of the best research institutions in Africa.

iv) Mismanagement
The Committee was informed that this was rampant especially in the state owned factories, and leading to high levels of inefficiency. However, there are cases where private companies e.g., Mumias Sugar Company, who have disregarded the directions of the KSB. The Sugar Act of

2001 need to be amended to give KSB powers to discipline individual Companies that do not adhere to its directive.

v) Poor infrastructure

The Committee was informed that the road network in the cane growing areas was poor, and that the losses incurred on the roads during transportation in terms of spillage are huge. The losses account for 20% to 30% of the total cost of production.

2. Privatization of sugar factories

The Committee was told that the process of privatizing five state-owned millers was given to the Privatization Commission and it is on-going. The Committee was further told that cabinet memorandum had been signed by the Ministry of Finance, Ministry of Agriculture and the Ministry of Lands on the subject but was yet to be discussed.

The Committee was concerned that the KSB was not aware of the progress of the privatization and its conception yet it was the regulator in the sugar industry. The Committee was equally concerned that KSB did not carry out the Cost Benefit Analysis (CBA) to determine whether privatization was beneficial or not. Subsequently, in the light of these revelations, the Committee resolved to invite the Privatization Commission of Kenya to shed more light on the matter and KSB should attend the meeting.

The Committee was also told that the proposed share holding for the privatization of the sugar factories were that the farmers get only 24%, while the private investor gets 51% and the rest goes to the government of Kenya. This was in contravention of the provisions of the Privatization Act which requires that farmers get 51% whenever a public company is privatized.

However, the Committee was informed that that privatization would be beneficial in the following ways-

- Get capital to modernize the industry and diversify.
- Enhanced private sector participation eliminating historical problems.
- Financial restructuring of debt portfolio after privatization.
- Profit-oriented way of doing business by increasing efficiency by reducing idle workforce.

3. Performance appraisal of Muhoroni/Miwani receiver managers

The Committee was told that the joint receiver managers of Muhoroni and Miwani were to appear before the KSB on 28th April, 2010, for appraisal. The Committee was further told that the work of the joint receiver managers was below standard going (as low a 30%). The Committee wondered why these managers were still in office yet their work was below par, and that they were being paid huge salaries. The Committee demanded the documents indicating how these managers were recruited, interviewed and awarded the job following these revelations.

The Committee was informed that the KSB wanted to terminate the tenure of Miwani and Muhoroni receiver managers but the Ministry of Agriculture issued a letter demanding that their term be extended to allow privatization to go smoothly. The Committee demanded to know why KSB could not explain why it had not corrected the anomaly in the contract of the receiver managers given that it was the KSB which approved the payment of their huge salaries.

4. Issues regarding Mumias Sugar Company

The Committee was told that Mumias Sugar Company had always not cooperated with KSB since its privatization. The Committee was further told that Mumias Sugar Company has always ignored directives of the KSB to the extent that the company has taken control of the MOCO funds. The case relating to the dispute over the disappearance of the funds is in the arbitration court. The Committee was told that hearing date had been set and to be communicated the Committee later.

MIN. NO.0802010: ANY OTHER BUSINESS

The Committee demanded a list of importers of sugar and a report of KRA tax compliance after being told that millers can freely import sugar. The Committee was told that the efforts by KSB to purchase fertilizer on behalf of the farmers at a subsidized price had been faced with a lot of challenges and the case in court was among them.

MIN.NO.081/2010: ADJOURNMENT

There being no any other business, the meeting was adjourned at twenty five minutes past six o'clock until Wednesday, 28th April, 2010 at nine o'clock in the Main Conference Room, County Hall, Parliament Buildings.

SIGNED ---
Chairperson

DATE 12th ... 2010.

MINUTES OF THE FORTY EIGHTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON TUESDAY 27TH, APRIL, 2010 AT 12:30PM

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Lucas Chepkitony, MP	-	**Vice Chairperson**
Hon. Benson Mbai, MP		
Hon. Jomo Washiali	-	friend of the Committee

ABSENT WITH APOLOGIES

Hon. Fredrick Outa, MP.
Hon. John D. Pesa, MP,
Hon. Erastus Mureithi, MBS, HSC, MP
Hon. Peris Chepchumba, MP
Hon. (Dr.) Robert O. Monda, MP
Hon. Evans Akula, MP
Hon. (Dr.) Victor Kioko Munyaka

ABSENT

Hon. Kambi Kazungu, MP

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	-	Senior Research officer
Mr. Evans Oanda	-	Third Clerk Assistant

MIN. NO. 075/2010: PRELIMINARY

The meeting opened with a word of prayer.

MIN. NO.076/2010: SUGAR SECTOR HEARINGS

The Committee was informed by the secretariat that Mumias Sugar Company had sent an apology that they were unable to attend the meeting of the Committee on the grounds that they were having their Board meeting on the same day.

The Committee noted the allegations against Mumias Sugar Company as gathered by the Committee during the public inquiry on sugar sector in September 2009, as follows-

- high transport costs
- low shareholding of farmers in the company
- ignorance of Sugar Act 2001
- low cane prices

- electricity generated and sold not trickling to farmers
- provision of poor seed quality to farmers
- high fertilizer prices
- low extension-research-farmer linkage
- many arsonists not persecuted
- excessive supply of inputs to farmers
- charging of high interest rates
- ignorance of engagement with the farmers and the area leaders

The Committee deliberated on the non-attendance of Mumias Sugar Company to the meeting since this was the third time the company has been invited by the Committee. The Committee resolved to invite Capital Markets Authority (CMA) to shed light on the conduct of Mumias Sugar Company in respect to the level of disclosures required of a listed Company especially when the Company was adversely mentioned by the public during the inquiry.

Thereafter, the Committee invited submissions from Mumias Sugarcane Outgrowers Company (MOCO) which revealed of longstanding conflict between MOCO and the Mumias Sugar Company including withholding of funds for the former by the later.

The Committee was informed that that MOCO supply cane to Mumias Sugar Company and that the company also manages MOCO funds. The Committee was further informed MOCO funds had not been remitted to it, thus leading to its low performance and near collapse. The case had now pending in court for arbitration. The documents relating to the dispute over the said funds between MOCO and Mumias were presented before the Committee.

MIN. 077/2010: **ADJOURNMENT**

There being no any other business, the meeting was adjourned at thirteen minutes past one o'clock until fourteen o'clock in the Main Conference Room, County Hall, Parliament Buildings on the same day.

SIGNED --

Chairperson

DATE ---------14th June 2010---------------------------------

MINUTES OF THE FORTY FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN CONFERENCE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON THURSDAY, MARCH 25th, 2010 AT 9:30AM

PRESENT

Hon. Lucas Chepkitony, MP	-	**Vice Chairperson, chairing the meeting**
Hon. Benson Mbai, MP		
Hon. Fredrick Outa, MP.		
Hon. John D. Pesa, MP,		
Hon. Erastus Mureithi, MBS, HSC, MP		

APOLOGIES

Hon. John Mututho, MP	-	**Chairperson**
Hon. Kambi Kazungu, MP		
Hon. Peris Chepchumba, MP		
Hon. (Dr.) Robert O. Monda, MP		
Hon. Evans Akula, MP		
Hon. (Dr.) Victor Kioko Munyaka		

IN ATTENDANCE:

MUHORONI/MIWANI

Kipngetich A. K. Bett	-	Joint Receiver Manager, Muhoroni/Miwani Sugar Company
Martin O. Owiti	-	Joint Receiver Manager, Muhoroni/Miwani Sugar Company

AWEPA

Mr. Denis Omondi	-	Cameraman, Shangari Communication
Alakie Mboya	-	Director, Shangari Communications
Ms. Edina Njunu	-	Project officer, Shangari communicationS

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	-	Senior Research officer
Mr. Evans Oanda	-	Third Clerk Assistant

MIN. 060/2010: PRELIMINARY

The meeting opened with a word of prayer followed by introduction of the Members and the joint receiver managers Muhoroni/Miwani Sugar Company Ltd.

MIN. 061/2010: SUGAR SECTOR HEARINGS

The Joint Receiver Managers made presentations in respect of the issues raised earlier when the managers appeared before the Committee on 18th February, 2010. The Committee had sought to know from the Receivers the responses to the following issues-

i. the performance of the Miwani and Muhoroni Sugar Companies in terms of their profitability since they were placed under receivership;
ii. the level of indebtedness of the two companies;
iii. why the transporters of cane have not been paid up to now;
iv. why the management requests for the write off of huge VAT debts;
v. why the cost of production is skyrocketing;
vi. why there is retention of Cess money in the factories against the original practice of remitting to the Councils in which they fall under;
vii. the impact of the weigh bridge from Kibos Sugar Industries to the companies
viii. how they intend to use money received from Kenya Sugar Board (KSB);
ix. the term limit of the receiver managers;
x. the fraud case affecting Miwani Sugar Company and the way forward; and
xi. the amount paid to farmers per tonne.

In response to the above queries, the Receiver Managers informed the Committee, as follows-

i. The reason behind the stagnated profit was due to low capacity and high production costs. The Managers explained that, in order for economies of scale to be realized, there must be conversion of 6500 tonnes of cane daily. This is what the two companies fall short, hence the reason why there is diseconomies of scale. The Managers informed the Committee that some of the machines have been replaced and regularly maintained as well as new turbines bought to supplement power generation from Kenya Power and Lighting Company (KPLC), and this has helped improved the efficiency to 70 percent.

ii. Both Miwani and Muhoroni Sugar Companies had been retaining 60% of Cess in the factories and paying 40% to the councils. The funds raised through Cess have been used to rehabilitate 75km of roads in the area in the last two years, and that there is machinery owned by these factories to do that work. It was further revealed that a machine worth Kshs. 89 million had been received from the Kenya Sugar Board (KSB) and taken to Muhoroni to assist in rehabilitating of roads.

iii. The farmers in Muhoroni were owed for cane deliveries for months of October 2009 and February 2010 and efforts were being made to clear them. The Managers also pointed out that the transporters of cane had not been paid all their money amounting to Kshs 25 million and have accumulated way back to the time before the two companies went into receivership. Despite this debt, the money borrowed from KSB amounting to Kshs 75million for the same has been paid.

iv. The Muhoroni Sugar Company had debts amounting to Kshs 13 billion collateralized against the assets worth Kshs 3 billion. This was hugely inherited from the former management, and this makes it very difficult for an investor to come in if these debts are not written off. The Committee was therefore requested to urge the government to write off these debts before the planned privatization of sugar factories can be undertaken.

v. The price of cane per tone is currently Kshs 2,928. This price is dependent on the sucrose content of cane delivered and other factors. This price is however low as compared to some other companies owing to high production cost and diseconomies of scale.

vi. The term of the receiver managers is always appraised at the end of every year during the month of February. The appraisal is done by the Kenya sugar Board (KSB) which is the debenture holder. In the event that these companies are privatized, the term of the receiver managers is terminated.

vii. There is a private weigh bridge set up by KIBOS sugar Company near Muhoroni and Miwani factories. The weigh bridge is faulty and should not be there as it may discourage any potential investor.

viii. There is a case in court in which the assets of the Miwani Sugar Company was to be sold fraudulently under mysterious circumstances, and that the case had been dragging on for a long time. The Managers requested the

Committee to follow up the matter with the attorney general to expedite this case.

MIN.62/2010: ANY OTHER BUSINESS

1) The Managers requested the Committee to visit Miwani Sugar Company and asses it, and intervene in its rescue mission so that it is not left behind when other factories are privatized.

2) The Committee requested the government to extend the tenure of the joint receiver managers to complete the cases in court against Miwani Sugar Company.

3) The Managers requested the Committee to summon KIBOS Sugar Company to answer allegations against them including buying cane which other sugar companies have invested in.

MIN. 063/2010: ADJOURNEMENT

There being no any other business, the meeting was adjourned at twelve o'clock until a later date.

SIGNED ---

CHAIRPERSON

DATE 30th April 2010

MINUTES OF THE THIRTY NINETH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN THE MAIN COMMITTEE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON WEDNESDAY, FEBRUARY 17TH, 2010 AT 4:50 PM.

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Erastus Mureithi, MBS, HSC, MP		
Hon. Fredrick Outa, MP.		
Hon. Evans Akula, MP		
Hon. Dr.Robert O. Monda, MP		
Hon. Jomo Washiali	-	friend of the Committee
Hon. Alfred Odhiambo	-	”
Hon. Chris Okemo	-	”
Hon. Martha Karua	-	”

APOLOGIES

Hon. Lucas Chepkitony, MP	-	**Vice-Chairperson**
Hon. John D. Pesa, MP,		
Hon. Benson Mbai, MP		
Hon. Peris Chepchumba, MP		
Hon. Kambi Kazungu, MP		
Hon. (Dr.) Victor Kioko Munyaka, MP		

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	-	Senior Research officer
Mr. Bon Mathooko	-	Senior Research officer
Mr. Evans Oanda	-	Third Clerk Assistant
Alice Ngasura	-	Hansard

MUMIAS SUGAR COMPANY

Evans Kidero	-	Managing Director
Wesley Koech	-	Head of ICT
Charles Ngetich	-	Head of Agriculture
Emily Otieno	-	Company Secretary
Peter Kibati	-	Company Finance Officer
James Luchacha	-	Head of Operations

Paul Murgor	-	Head of Sales and Distribution
Pamela Lutta	-	Marketing and Corporate Affairs Manager
Zephania Osok	-	Nyanza Provincial Cooperative Officer

MIN.043/2010: PRELIMINARY

The meeting started with a prayer followed by introduction of the Members and the management of Mumias Sugar Company.

MIN.44/2010: ADJOURNMENT

The Committee stood down receiving the evidence from the Management of Mumias Sugar Company after the Managing Director showed reluctance to respond to some queries addressed to him. Consequently, the Committee adjourned at 5:45pm, till 26th March, 2010 at the time and date to be confirmed later.

SIGNED --

CHAIRPERSON

DATE --
28th March 2010

MINUTES OF THE THIRTY EIGHTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN MAIN COMMITTEE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON WEDNESDAY, FEBRUARY 17TH, 2010 AT 2:15 PM.

PRESENT

Hon. John Mututho, MP - **Chairperson**
Hon. Erastus Mureithi, MBS, HSC, MP
Hon. Fredrick Outa, MP.
Hon. Evans Akula, MP
Hon. (Dr.) Victor Kioko Munyaka, MP
Hon. (Dr.) Robert O. Monda, MP
Hon. Jomo Washiali - friend of the Committee
Hon. Alfred Odhiambo - friend of the Committee
Hon. (Dr.) Victor Kioko Munyaka, MP

APOLOGIES

Hon. Lucas Chepkitony, MP -**Vice-Chairperson**
Hon. John D. Pesa, MP,
Hon. Benson Mbai, MP
Hon. Peris Chepchumba, MP
Hon. Kambi Kazungu, MP

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich - Senior Research officer
Mr. Evans Oanda - Third Clerk Assistant
Mr. Mathooko - Senior Research officer
Alice Ngasura - Hansard

SONY AWENDO SUGAR COMPANY

Paul Odola - Managing director
Patrick Makonyango - Head of agriculture
Bernard Otieno - Head of manufacturing
Eunice Kitche - Company Secretary
Zephania Osok - Provincial Cooperative Officer, Nyanza

MIN. 038/2010: PRELIMINARY

The meeting opened with a word of prayer.

MIN.039/2010: INTRODUCTION OF THE AGENDA

The Committee sought responses from the Sony Sugar Management on the challenges of the sugar sector and in particular respond to the issues raised by farmers when the Committee visited sugar growing areas last year, 2009.

MIN.NO 040/2010: THE PROCEEDINGS

The deliberations proceedeed thus-

i. **Delayed payments**

The Committee heard that the problem of delayed payments used to exist owing to insolvency of the Company. The Company management that this has now been addressed and payment done as per the provisions of the Sugar Act (2001) which require that payment be done 30 days after sugar deliveries.

ii. **Late harvest**

The Committee was informed that there could be isolated cases of 'helicopter' harvesting and when such cases are detected, the culprits face disciplinary action. The Committee was further informed that a programme has been put in place for developing and harvesting of cane by the sugar company.

iii. **Cane transportation**

The Company management explained the problem of cane transportation has been addressed by hiring of a private transporter company to support the sugar company own transport system, at fair rates.

iv. **Overdependency on sugar**

The Committee was informed there is a programme in place to diversify into coal generation chip board making.

v. **High Cess charged by the Company**

The Committee was informed that the Cess was charged and submitted to local authorities to maintain roads. However, the local authorities have not used the money as expected and there have plans to have the Cess money retained by the factories who will then do the road maintenance works themselves.

vi. Cane burning

The Committee was informed that cane burning was a common occurrence within the factory plantations. According to the Company, such illegal burning activities are done by unknown people on mature cane which result in cane losses by the company. The culprits once arrested are dealt with in accordance with law.

vii. Poor research

The Committee noted with concern that the varieties of cane used in 1970s is the one being used now which take up to 24 months to mature. The Committee was informed that there are new varieties now that mature within 17 months but farmers are yet to adopt the planting of these varieties.

viii. Consultancy

The Committee was informed that operations of the factory are done by the company professionals hired when the current management came into office two and half years ago. This has reduced the costs of hiring experts for maintenance.

ix. High taxation

It was stated that tax levied on sugar in Kenya stands at 27%, which is the highest in commodity goods. It was further stated that the tax rate is controlled by the central government and sugar millers are not involved. The Committee proposed that the government should reduce the current tax rate on sugar in order for farmers to maximum benefits for their investment.

x. Funding to KSB

The Committee was informed that the value for money from the Kenya Sugar Board (KSB) was not worth when the cost benefit analysis is undertaken.

xi. Flaws within the Sugar Act (2001)

The Committee was informed that the Sugar Act (2001) is inadequate to address issues of the sugar sector. The Committee was informed that even the amendments effected in 2005 could not work to create a good working environment for the sector players to operate.

MIN.041/2010: ANY OTHER BUSINESS

The Committee heard that there is need for the formation of the out growers SACCO to look into the interests of the farmers as in western sugar belts. The sugar companies should be sensitized on how to undertake proposed privatization programmes.

MIN042/2010: ADJOURNMENT

There being no any other business, the meeting was adjourned at 4:40 pm till 4:50pm, same day, and the same venue

SIGNED --

CHAIRPERSON

DATE --

25th. March 2010

MINUTES OF THE FORTIETH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN MAIN COMMITTEE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON THURSDAY, FEBRUARY 18TH , 2010 AT 2:15 PM.

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Lucas Chepkitony, MP	-	**Vice-Chairperson**
Hon. (Dr.)Victor Kioko Munyaka, MP		
Hon. John D. Pesa, MP,		
Hon. Erastus Mureithi, MBS, HSC, MP		
Hon. Fredrick Outa, MP.		
Hon. Evans Akula, MP		
Hon. (Dr.)Robert O. Monda, MP		
Hon. Jomo Washiali	-	friend of the Committee
Hon. Martha Karua	-	friend of the Committee

APOLOGIES

Hon. Benson Mbai, MP
Hon. Peris Chepchumba, MP
Hon. Kambi Kazungu, MP

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	-	Senior Research officer
Mr. Evans Oanda	-	Third Clerk Assistant
Mr. Mathooko	-	Senior Research officer
Alice Ngasura	-	Hansard

KENYA SUGAR BOARD

Obado Z. Okoth	-	Chairman Kenya Sugar Board (KSB)
Nicholas Oricho	-	Director, KSB
Billy Wanjala	-	Director, KSB
David Kodongo	-	Director, KSB
Eng. Mohammed mukhwana	-	Director, KSB
Ewing Makhaka Mwombe	-	Director KSB
Gichana T.	-	Representative, ISC
Roemary Mkok	-	Chief Executive Officer, KSB
Fredrick Kebeney	-	Head of Agriculture, KSB
Andrew Osodo	-	Company Secretary, KSB

Solomon Odera	-	SDF/PM
Abnev V. Ingosi	-	Microfinance
Humphrey N. muttu	-	representative, PS/Treasury
Francis K. Ingara	-	Head of sugar technology KSB
Kipngetich Bett	-	Joint receiver manager miwani/muhoroni
Martin Awiti	-	Joint receiver manager miwani/muhoroni
Zephania Osok	-	Provincial Cooperative Officer, Ministry of Cooperatives

MIN.044/2010: PRELIMINARY

The meeting started with prayer, followed by introduction of Members and witnesses.

MIN.045/2010: RECEIVING EVIDENCE

The joint receiver managers of Muhoroni and Miwani could not proceed to give evidence since the Kenya Sugar Board (KSB) explained they had no prior knowledge of the contents of their statements as their employer. The Committee therefore stood down the receivers and sought to know from the KSB of the various challenges facing the sugar industry and what they were doing to mitigate them. The responses were as follows-

i. **Poor management**

The Committee was informed that the management of the government-owed factories was not satisfactory. This was evident from the poor performance compared to privately owned companies in terms profits, prices, and time of payment. The government-owned factories also had a large workforce leading to high cost of expenditures.

The Committee was concerned by the revelations that both Miwani and Muhoroni Sugar Companies had no business plans and only operated at break even point with the company management getting high salaries while the companies were in deep debts. The Committee therefore requested for the necessary documentation to be availed to the Committee including procedures for the sourcing and subsequent appointment of the two receiver managers.

ii. Low prices

The Committee was informed that a formula had been developed for determining fair prices in different sugar belts in 2003 and which was agreed upon by all players in the sector. The Committee was further informed that this was not being adhered to by the millers. The Committee was also informed that KSB could not enforce the implementation of the same, and that Parliament could provide the enabling legislation for the KSB to act.

iii. Political interference

The Committee was told that it is difficult to adhere to laws regarding importation taxes, duties and customs as provided in the sugar act (2001) due to political interferences. The Committee was further told that political interference was also responsible for the reasons why the industry could not be well regulated.

iv. Land grabbing

The Committee was informed that land belonging to Miwani had been grabbed and a total of kshs.680million had been paid for the recovery of the land. The Committee demanded the evidence for the payment as well as the records of the inventory of Miwani Sugar Company.

MIN.046/2010: ADJOURNMENT

The meeting was adjourned at 6:10 pm till 18March 2010 at 9:00am.

SIGNED ---

CHAIRPERSON

DATE --- 25th. March. 2010.

MINUTES OF THE THIRTY SIXTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN MAIN COMMITTEE ROOM, COUNTY HALL, PARLIAMENT BUILDINGS ON TUESDAY, 16TH FEBRUARY, 2010 AT 9:30 AM

PRESENT

Hon. John Mututho, MP	-	**Chairperson**
Hon. Benson Mbai, MP		
Hon. (Dr.) Robert O. Monda, MP		
Hon. Erastus Mureithi, MBS, HSC, MP		
Hon. Fredrick Outa, MP.		
Hon. John Washiali	-	friend of the Committee

APOLOGIES

Hon. Lucas Chepkitony, MP	-	**Vice-Chairperson**
Hon. John D. Pesa, MP,		
Hon. Kambi Kazungu, MP		
Hon. Evans Akula, MP		
Hon. Victor Kioko Munyaka		
Hon. Peris Chepchumba, MP		

IN ATTENDANCE:

NATIONAL ASSEMBLY

Mr. Paul K. Ngetich	-	Senior Research officer
Mr. Evans Oanda	-	Third Clerk Assistant
Mr. Mathooko	-	Senior Research officer
Chwwalla Wekesa	-	Hansard

CHEMILIL SUGAR COMPANY

Dr. Simeon K Mining	-	Chairman
Robert Kochelle	-	Board Member
Eng. Musebe Edward	-	Managing Director
Daniel Rono	-	Board Member
Zephania Osok	-	Provincial Cooperative Officer, Nyanza Province

MIN. 029/2010: PRELIMINARY

The meeting opened with a word of prayer and thereafter the Chairman introduced members of the Committee and outlined the rules governing the public hearing as per the Standing Orders.

MIN.O30/2010: CHALLENGES FACING FARMERS IN CHEMILIL SUGAR COMPANY

The Committee sought explanations from the management of Chemelil Sugar Company on the challenges facing the farmers and the Company at large as captured earlier from the public sugar hearing conducted by the Committee in September 2009. The responses were as follows-

i. Faulty Weigh Bridge

The management denied reports of tampered weighing machines and informed the Committee that their machines were always in compliance with the Weights and Measure standards from Kenya Bureau of Standards (KBS). The Committee however demanded certificate of inspection from KBS. The Company was advised to stop rounding up of weights when measuring the farm cane.

ii. Late payment of farmers

The Committee was concerned that payment of cane farmers is delayed. The management clarified that this has since been clarified and that the December 2009 supplies have been paid. The Company management informed the Committee the problem of cash flow has been addressed.

iii. Low price of cane

The Committee heard that the Chemelil Sugar Company paid good prices compared to other companies in the COMESA region despite the high cost of production. The Committee further heard that sugar prices are demand driven and determined by distributors. The Company added that non-tariff barriers e.g., illegal importation of sugar do also affect sugar prices in the market. The Committee therefore resolved that the importation of sugar be undertaken by the sugar factories and not individuals.

iv. Conflict with Muhoroni

The management denied claims that there is conflict with Muhoroni, but took issue with KIBOS due to the later buying cane supply for which it has not invested in. The management informed the Committee that KIBOS had cane of its own but poached cane from Chemelil and Muhoroni.

v. Poor cane varieties

The Committee was informed that inspite of the research department of the industry coming up with early maturing varieties, the farmers were reluctant to adopt them because in the event of delayed harvest, they could loss 100% as compared to 50% if they used the current varieties. The Committee urged the management to encourage farmers to grow early maturing varieties and harvest them on time.

The research department of the Company was also advised to extract all the other by-products of the cane as well as initiating diversification.

vi. Nepotism and recruitment problem

The Committee was told that the recruitment and appointment procedure that used to be unprofessional is now professional with human resource department being made functional. Most of the unqualified workers have since left the Company and any recruitment being undertaken is vetted by KACC and NSIS before appointment in order to ensure persons of high integrity are employed.

vii. High cost of farm inputs

The fertilizer prices were said to be high in the past because the company used to tender them alone. However with the intervention of the government through Agricultural Development Corporation (ADC), the prices are expected to decrease.

viii. Poor representation

The Committee was informed that the composition of the Board had no representation from farmers. The Committee advised that the Board should have farmer's representation. The Committee also recommended to the management the inclusion of farmers' representative at the weigh bridge.

ix. Obsolete mills

The Committee was informed that the company will move from the old system of maintenance and embrace the reliability centered ones so as to avoid shutting down operations. The Company explained that this will be achieved with hiring of well trained and better engineers. The Committee therefore resolved that the independent technical experts be hired to look into maintenance of the companies.

x. High levies

The Committee was informed that sugar industry was overtaxed in the country and that the central government need to review the taxes imposed on sugar.

xi. High Cess

The Chemelil management explained that Cess charged at kshs.19 per tone of cane was being deducted from farmers and some remitted councils for the maintenance of roads. However this work ended up not being done or done poorly. The Committee recommended that the fund be consolidated from all the sugar companies and the road maintenance conducted from a centralized office.

xii. Land grabbing

The Committee was informed that some special purpose plots along river banks were grabbed by squatters along the rivers and roads and in them cane was planted. The Company has repossessed them and all employees have signed code of ethics to adhere to all rules of the company. The Company also resolved that the poor farmers whose cane was confiscated be compensated.

xiii. Sugar tribunals

The Committee was informed that sugar tribunal existed in the company. The Committee urged the management to use the forum to expedite cases in order to address the problems affecting the company.

MIN.031/2010: PRIVATIZATION OF THE COMPANY

The Chemelil management said that it is their wish that privatization follow the due process of the law pursuant to the provisions of sugar act of 2001 and as amended in 2005, where priority goes to farmers. The management further said that there is need for capital investment to replace the outdated technology and address the problem of capacity as well as improving efficiency. The management also explained that capital outlay required was estimated between 2 and 2.5 billion shillings of which the payback period will be between 7 and 8 years.

MIN.032/2010: ANY OTHER BUSINESS

The Nyanza Provincial Cooperative Officer was directed to look into issue of illegal middlemen buying the cane from farmers in the region and thereafter selling the cane to the factories.

MIN.033/2010: ADJOURNMENT

There being no any other business, the meeting was adjourned to 2:30pm on the same day, 16 February 2010, at the same venue.

SIGNED --

CHAIRPERSON

DATE --

25th March. 2012

MINUTES OF THE TWENTY SEVENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD AT WORLD VISION MULTIPURPOSE HALL, TANA DELTA ON FRIDAY 16 OCTOBER, 2009 AT 10.00 A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Lucas Chepkitony, M.P. Vice- Chairman
Hon. Benson Mbai, M.P.
Hon. Evans Akula, M.P.
Hon. Fredrick Outa, M.P.
Hon. (Dr.) Victor Munyaka, M.P.
Hon. Kambi Kazungu, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Robert Monda, M.P.
Hon. Erastus Mureithi, M.P.
Hon. John Pesa, M.P.
Hon. Peris Chepchumba, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Serah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Jacinta Kinanu – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. Clement Muyesu – Ministry of Agriculture
Mr. Christopher Macharia – Ministry of Agriculture
Mr. Richard Magelo – Kenya Sugar Board

AWEPA

Mrs. Pamela Matinde- Regional Director --AWEPA
Mrs. Penina Ogeto – Office Manager - AWEPA

MIN. 132/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 133/2009: COURTESY CALL ON THE D.C – TANA DELTA

The Committee paid a courtesy call on the District Commissioner Tana Delta and was briefed on the issues affecting the district including the planned establishment a sugar company in the area. The Committee was informed that plans were under way to the some 17,000 hectares under cane production and that the activity would be a joint venture between TARDA and Mumias Sugar Company. The DC informed the Committee that there was a lot of opposition to the plan from the locals who are predominantly pastoralists and feared they would lose their grazing land.

MIN. 134/2009 PUBLIC HEARING

The following are the issues raised by the members of public during the public hearing. These are:-

Loss of livelihood - In Tana Delta most people rely livestock as their source of livelihood and the introduction of the sugar project which is targeting the acquisition of pastoral land would render them landless.

Land adjudication – the pastoralist's community alleged that their farming neighbours have title deeds for their land while the pastoralists do not have due to discrimination in the facilitation in the acquisition of title deeds. Fear was expressed that residents of some wards eg Garsen Central Ward were likely to become squatters because the project would cover the entire ward. The area residents called for proper zoning of the land so that grazing land and farming land is distinct. This is order that none of the parties takes undue advantage of the other.

Lack of sensitization and involvement of locals – Area residents pointed out that they had not been sensitized on new project making them perceive the project as being imposed on them.

Environmental Concerns – Local fishermen in the area expressed fears that use of fertilizers and pesticides would pollute the Tana River threatening the existence of the marine life.

Collapsed projects – It was pointed out that past projects tried in the area had failed raising fears that the same may happen to the proposed sugar project. Locals quoted the collapsed rice project in the area which was started in 1995 and collapsed in 1997 during the El-Niño rains.

Project ownership - According to the presentation made by the TARDA Managing Director, The project shareholding was: - Mumias Sugar Company - 51%, TARDA- 30%, Local Community – 10% and other Stakeholders owned 9%. The locals called for 80% ownership of the project by themselves and the remaining 20% by other interested parties since they would be losing their land and therefore their heritage.

The Committee directed the management of TARDA to submit minutes of all deliberations on the projects by Monday 19th October 2009.

MIN. 135/2009 ADJOURNMENT

There being no other business the meeting was adjourned at forty five minutes past One O'clock until 3.00 pm in the afternoon at the ADC Kisiwani Malindi.

AFTERNOON SESSION

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Lucas Chepkitony, M.P.
Hon. Benson Mbai, M.P.
Hon. (Dr.) Victor Munyaka, M.P.
Hon. Kambi Kazungu, M.P.

Hon. Fredrick Outa, M.P.
Hon. Evans Akula, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Robert Monda, M.P.
Hon. Erastus Mureithi, M.P.
Hon. Peris Chepchumba, M.P.
Hon. John Pesa, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Serah Kioko – Clerk Assistant
Mr. Bonnie Mathooko – Senior Researcher Officer
Mr. Charles Ondigi – Assistant Hansard Editor
Mr. Solomon Liria – Senior Serjeant – At – Arms
Ms. Jacinta Kinanu – Secretary
Mr. Peter Kitheka – Parliamentary Intern

AWEPA

Mrs. Pamela Matinde- Country Director –AWEPA
Mr. Frank Kayitare – AWEPA

MINISTRY OF AGRICULTURE

Mr. Clement Muyesu – Ministry of Agriculture
Mr. Christopher Macharia – Ministry of Agriculture

MIN.136/2009 VISIT TO ADC KISIWANI COMPLEX, MALINDI

The Committee visited to ADC Kisiwani Complex regarding the Agribusiness machinery in the farm and was met by ADC Coast Regional Manager Mr. Mohammed Bulle who was accompanied by the Manager ADC Kisiwani Complex. The Committee was informed that under the Agricultural Mechanization Services, twelve (12) tractors were brought for ADC Kisiwani and that the machines were meant for Agribusiness in the region. The twelve (12) tractors were distributed in the region as follows, five (5) tractors went to Tana Delta, five (5) tractors were at the ADC Kisiwani while the remaining two (2) were taken to ADC Galana.

Further the Members were informed that the tractors were delivered to the ADC Kisiwani in December 2008 while their implements were delivered in August 2009. All the implements which constitute eight (8) ploughs and four (4) planters are operational.

The Committee south to know the following:

- Why it took so long to acquire other implements such as ploughs and planters.
- How much is charged per tractor per day when the tractors are hired out.
- The acreage of ADC Kisiwani and how much was under use.
- What activities the farm was undertaking.

The Committee also sought to know the status of the off-take livestock at ADC Galana Ranch.

The Committee directed the Regional Director to submit an inventory of all ADC Machinery countrywide by Thursday October 22 2009.

The Committee resolved that the Managing Director, ADC should appear before them at an appropriate date in future to respond to issues of concern since the officers who met the Committee were not able to respond to issues raised.

MIN. 137/2009 ADJOURNMENT

There being no other business the meeting was adjourned at thirty five minutes past Three O'clock until Saturday 17^{th} October 2009 at 9.00 am.

SIGNED...

CHAIRMAN

DATE.......26/10/09...

MINUTES OF THE TWENTY SIXTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD AT KWALE INTERNATIONAL SUGAR COMPANY ON THURSDAY 15 OCTOBER, 2009 AT 11.00 A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Lucas Chepkitony, M.P. Vice- Chairman
Hon. Benson Mbai, M.P.
Hon. Evans Akula, M.P.
Hon. Fredrick Outa, M.P.
Hon. (Dr.) Victor Munyaka, M.P.
Hon. Kambi Kazungu, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Robert Monda, M.P.
Hon. Erastus Mureithi, M.P.
Hon. John Pesa, M.P.
Hon. Peris Chepchumba, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Jacinta Kinanu – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. Clement Muyesu – Ministry of Agriculture
Mr. Christopher Macharia – Ministry of Agriculture
Mr. Richard Magelo – Kenya Sugar Board

AWEPA

Mrs. Pamela Matinde- Regional Director –AWEPA
Mrs. Penina Ogeto – Office Manager - AWEPA

MIN. 127/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 128/2009: COUTESY CALL ON THE PROVINCIAL COMMISSIONER (PC), COAST PROVINCE

Prior to the commencement of the public hearing, the Committee paid a courtesy call on the PC, Coast Province, Mr. Ernest Munyi and was briefed on the status of agriculture in the province in general. The Committee was informed that following the closure of Associated Sugar Company, Raimisi, sugar growing had been halted until the inception of the new Kwale International Sugar Company in Ramisi area of Msambweni District. The Company had already planted cane and was preparing to construct a factory. The Committee was informed that area residents had not been compensated for trees they had lost during ground preparation for the company to commence cane planting and that those who occupied the land had not been provided with alternative land for settlement. In Tana Delta, the Committee was informed that plans were underway to start sugarcane growing and that the venture would be undertaken by Mumias Sugar Company in collaboration with TARDA

MIN. 129/2009 MEETING WITH THE D.C – MSABWENI DISTRICT

The District Commissioner welcomed the Committee to the District after which the Committee was given an overview of Kwale International Sugar Company in Ramisi sugar belt. The D.C informed the Committee that the Government had leased land to the private Company for 99 years and that the land had previously been used by the defunct Associated Sugar Company, Ramisi. The D.C informed members that the total acreage of the land is 12,000 Hectares which has been divided as follows:- 4,000 Hectares being for the company's Nucleus estate, 4,000 Hectares for the Tiomin extraction and the remaining 4,000 Hectares for resettlement of squatters.

The Committee was informed that directors of Kwale International Sugar Company are Datwan , a majority share holder based in Japan, Kaush and Ashir. The latter are local Asian immigrants based in Nairobi.

MIN. 130/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included local residents (squatters), political leaders, women representatives, men representatives, youth representatives, religious leaders and representatives of Kwale International Sugar Company.

In briefing the Committee the Kwale International Sugar Company Agriculture Manager. Mr. Ambrose Abung'u informed the Committee that Kwale Internaltional Sugar Company was incorporated as a private company in August 2006 with a consortium of Japanese and local investors. The manager stated that the company intended to put 12,000 ha under sugarcane production and that the project of reviving the sugar factory would be in two phases.

Under phase I the company had already put established a nursery had plans to put 2000 hectares under nucleus estate and 2000 hectares for out growers. The Company is scheduled to start cane crushing in late 2010 and carry out other operations like cogeneration and ethanol production.

The expected benefits to the farmers will be among others creation of employment, provision of social amenities like schools and health centres. There will also be ready market for farmers' cane produce.

The company expects that the farmers will supply about 60% of the cane while the company will cater for 40% but late the farmers will produce 80% while the company produces 20% of the cane for sugar production.

The crushing capacity of the factory is estimated to 3,000 tonnes of sugarcane per day which will later be improved to 5,000 tonnes per day.

Local residents raised the following issues:-

- **Lack of sensitization** – the locals pointed that although they had been invited to join out growers companies, the time was too short and they require to be sensitized prior to their joining an out growers company.

- **Stringent conditions for membership as out Growers Company** – the locals noted that for the recruitment as a member of the out growers company title deeds (original) were a requirement. Since most of the locals were squatters, they did not have title deeds.

- **Lack of compensation of farmers** – the farmers were not compensated after the Kwale International Sugar Company acquired the former associated sugar company, Ramisi land upon which locals had settled for over 20 years and planted trees which were destroyed to pave way for the company.

- **Social and public utilities** – Area residents requested that land be put aside for school and health facilities within the company site.

- **Resettlement** – locals requested that area residents who were moved from where they were living to pave way for the company be resettled on alternative land.

- **Compensation of former Associated sugar company, Ramisi Employees** – following its collapse in 1988 the locals who were employees for the company have not been compensated up to date.

- **Low wages** for workers hired on casual basis – Casual laborers of the Kwale International Sugar Company are paid daily wages as low as Ksh.170.

- **Reservation of wetlands** - Locals requested that wetlands around Kwale International Sugar Company be reserved to enable them carry out rice farming in the land.

Upon conclusion of the public hearing, the Committee resolved that a search be carried out to establish the directors of Kwale International Sugar Company.

The Committee recommends that area residents whose trees were cut down to pave way for the establishment of Kwale International Company should be fully compensated.

The Committee further recommends that the prospective sugar cane farmers who are area residents and Kwale International Sugar Company should sign an agreement outlining the role of each party and indicating what monetary and other benefits will accrue to the farmer.

The Committee called on area residents to form cooperative unions through which they would be able to acquire shares in the sugar company.

The Committee also recommends that area residents who were occupying land which was taken to pave way for the new sugar company be resettled on an alternative land on permanent basis.

MIN. 131/2009 ADJOURNMENT

There being no other business the meeting was adjourned at thirty five minutes past Three O'clock until Friday 16th October 2009 at 9.00 am.

SIGNED..

CHAIRMAN

DATE.......................26/10/09......................................

MINUTES OF THE TWENTY-THIRD SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN MABANGA AGRICULTURAL TRAINING INSTITUTE ON SATURDAY 12 SEPTEMBER, 2009 AT 11.00 A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.
Hon. Fredrick Outa, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.
Hon. Erastus Mureithi, M.P.
Hon. John Pesa, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Country Director –AWEPA
Mrs. Penina Ogeto – Office Manager - AWEPA

MIN. 113/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 114/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders:-

- **Delayed harvesting** of mature cane evidenced by the presence of overgrown cane in the farms for up to 60 months. This problem could be addressed through implementation of expansion programme to raise crushing capacity of Nzoia Sugar Company from 4000 to 7000 tonnes per day.
- **Failure to operationalize the new sugar company at Bungoma** whose equipments and machines are lying uninstalled.

- **High cost of production** due to high cost of inputs such as fertilizer. Other times no fertilizer is delivered. Farmers explained that they had not been supplied fertilizer in the last 6 months which would to low cane yield.

- Delayed payments. Farmers stated that although following intervention by the Ministry of Agriculture they were now being paid 3 to 4 months after cane delivery, there was room for improvement so that they are paid promptly.

- **Manipulation of cane weights at the weighbridge** owing to the lack of farmers representation at the weighbridge when the cane is weighed.

- **Poor feeder roads** despite payment of cess money whose purpose should be maintaining such roads.

- **Lack of access to loan facilities** due to stringent conditions put on the way of cane farmers desiring to obtain AFC loans.

- **Undercapitalization of Nzoia Sugar Company**. From the inception of the Company, it has not had adequate capital to enable it operate effectively hence it is not a viable business. There is need for the Government to inject money into the company to enable it operate optimally.

- **High cost of fertilizer** though prices of fertilizer are going down globally. Such costs are deducted from farmers benefits before farmers are paid.

- **Privatization.** Farmers expressed desire to buy 70% of Nzoia Sugar Company but requested that the company's debts be written off first so that they do not inherit debts and begin from a point of disadvantage. They urged for more time to mobilize resources to buy the factory.

- Exploitation of farmers through deductions of presumptive tax since 2004 since they hold farmers arrears.

- **Low quality seed varieties** which when planted produce low cane output.

MIN. 112/2009 ADJOURNMENT

There being no other business the meeting was adjourned at thirty five minutes past One O'clock until 2.30 pm at Malava Primary school.

AFTERNOON SESSION – MALAVA PRIMARY SCHOOL

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.
Hon. Fredrick Outa, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.
Hon. Erastus Mureithi, M.P.
Hon. John Pesa, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Regional Director –AWEPA
Mrs. Penina Ogeto – Officer Manager – AWEPA

MIN. 113/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 114/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders:-

- **Delays in harvesting of mature cane** by up to 40 to 45 months. This has led to the need for a new factory to absorb the remaining cane capacity in the Nzoia Sugar belt.

- **High cost of transport** from farm to the factory. Charges of transportation are determined between transporters and transporters who work on contractual basis in which the contract agreement is signed without involving the farmer yet the transport charges are borne by the farmer.

- **The Sugar development levy remitted to the Kenya Sugar Board benefits millers** only because they are able to secure loans and maintain factories but do not bother to repair farm access roads and bridges.

- Weak out growers companies which do not defend farmers' rights in the event of oppression and exploitation by the millers.

- Money remitted by farmers for research on improved seed cane has not yielded results as no such improved cane variety has been developed.

- Conditions for acquisition of AFC loans make most farmers ineligible because a minimum 3 acre piece of land is required for consideration for a loan.

To address the problems cited above, farmers proposed the following;-

- Setting up of mini mills at the farms to enable farmers crush sugar cane and sell the sucrose to the millers.
- Setting up of the light industries in the region to help farmers process other farm proceeds such as bananas, sunflowers among other crops.
- Legislation should be strengthened to ensure that millers harvest the burned cane and pay farmers in good time. In addition there is need for regulation of cane prices to be in tandem with increase in sugar prices.
- The installation of weighbridges at the farms so that cane is weighed there prior to transporting it to the factory.
- Increase factories so that there is a 40 km radius from one factory to the other.

MIN. 115/2009 ADJOURNMENT

There being no other business the meeting was adjourned at Five O'clock until a date to be notified.

SIGNED...

CHAIRMAN

DATE 26/8/09...

MINUTES OF THE TWENTY-SECOND SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN MATUNGU MARKET ON FRIDAY 11 SEPTEMBER, 2009 AT 11.00 A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.
Hon. Fredrick Outa M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.
Hon. Erastus Mureithi, M.P.
Hon. John Pesa, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi –Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Country Director –AWEPA

Mrs. Penina Ogeto – AWEPA

MIN. 107/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 108/2009: PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders:-

- **Wastage of cane through spillage** while being transported from the farms to the millers. This leads to loss of cane amounting to up to 5 tonnes at times.

- **Lack of transparency and accountability in the management of remittances to Mumias Out-Growers Company Limited (MOCO).** Farmers remit Kshs.2000 every month to MOCO for investment. The initial aim wasto enable them purchase land for cane production. Land was purchased at Bukura and Shwale and devoted to cane production but proceeds from the same do not benefit farmers at all. Instead representatives of the out grower companies pocket everything and have even used part of the money to put up a building, Mumias SACCO plaza, which they rent out fail to share proceeds from it with farmers.

- **Manipulation of the weighbridge** leading to low tonnage of cane delivered. Farmers would wish to have their sugarcane weighed in the farms prior to transportation to the factories.

- **High charges on farm inputs** which result in some farmers getting negative returns after cost deductions.

- **Inadequacy of the Sugar Act 2001.** The Act should be reviewed to provide for farmers to benefit from sugar bi-products.

- **High poverty levels** leading to sugarcane farmers to sell the farm inputs especially fertilizers provided by the factory management.

- **Poor quality cane seeds** provided by the factories through the Agronomy department. The farmers are provided with third generation seeds which give low cane yields.

- **Late delivery of farm inputs** by the millers to the farmers. For example top dressing fertilizer is delivered when the cane is 13 months old which is too late.

MIN. 109/2009 ADJOURNMENT

There being no other business the meeting was adjourned at fifteen minutes past one o'clock until September 11, 2009 in Nambale market at 2.30 p.m.

AFTERNOON SESSION - NAMBALE TOWN

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.
Hon. Fredrick Outa M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.

Hon. Erastus Mureithi, M.P.
Hon. John Pesa, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Country Director
Mrs. Penina Ogeto – Office Manager

MIN. 110/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 111/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders:-

- **Loss of harvested sugarcane** on transit from the farms to the factory through spillage owing to the long distance from the farms to the factory. This leads to loss of tonnage.

- **Delayed harvesting** of mature cane by the factory which takes on average 36 and 40 months as opposed to the recommended maturity age of 18 months.

- **Low cane prices** in contrast to high sugar prices. The increase in cane prices by the millers is coupled with drastic increment in transport costs charged on the farmers.

- Loss of cane tonnage at the weighbridge which is occasioned by **manipulation of the weighbridge.**

- **High costs of farm inputs** especially fertilizer sold by the factory at ksh.3200 per 50 kg bag as opposed to recommended to ksh.2500 per bag. In addition the factory charges interest on all the inputs delivered to the farm for cane production.

- **Takeover by Mumias Sugar Company of a piece of land totaling to 341 Hectares issued by the government for the construction of a Busia Sugar Company** to cater for the increasing cane production capacity in the area. Mumias Sugar Company claims that at the time the land acquired by the Government they were owed ksh.56 million being charges related to supply of farm inputs on the land -, a figure which has risen to Kshs.180million. The Company has been farming cane on the piece of land and has harvested twice but not disclosed how much revenue it has raised from sale of cane. Farmers explained that they are unable to access the land and farm although according to them the Government had set aside Ksh.53million to assist them grow cane in anticipation of the new sugar factory as they waited for an investor. The committee resolved to raise the matter with the Ministry of Agriculture with a view to fast tracking the setting up of a new factory in the area.

- **Multiple taxation** including cess, Value added tax, sugar development levy and interest charged on the inputs delivered to farmers by the factory. The farmers called for the reduction of the taxes and classification of sugar as a food crop so as to have it exempted from Value added tax.

- **No benefit from sale of bi-products** which include electricity sold to the national grid, sale of molasses and ethanol.

MIN. 112/2009 **ADJOURNMENT**

There being no other business the meeting was adjourned at twenty five minutes to five o'clock until September 12, 2009 in Mabanga market at 11.00 a.m.

SIGNED...
CHAIRMAN

DATE............................26/10/09..

MINUTES OF THE TWENTY FIRST SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN SHIANDA MARKET, MUMIAS ON THURSDAY 10 SEPTEMBER, 2009 AT 9.00 A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Fredrick Outa M.P.
Hon. John Pesa, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.
Hon. Erastus Mureithi, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Regional Coordinator –AWEPA
Mrs. Penina Ogeto – Office Manager - AWEPA

MIN. 100/2009 : PRAYER

The meeting opened with a word of prayer.

MIN. 101/2009: COURTESY CALL TO THE PROVINCIAL COMMISSIONER (PC) , WESTERN PROVINCE

The committee paid a courtesy call on the Provincial Commissioner, Western Province, Mr. Kilele. The PC highlighted the problems faced by sugarcane farmers which include food insecurity due to lack of land since available land is dedicated to cane production, lack of representation of the farmer at the factory during the weighing of the sugarcane, delays in payments, delayed in harvesting of mature cane arising from selective (*helicopter*) harvesting, lack of collateral for loans, high cane transportation cost and poor relationship between the factories and the farmers.

The PC urged for policy change to ensure that 30% of the total arable land is used for food production in a bid to tackle food insecurity in the province.

MIN. 102/2009: PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders:-

- **Failure by government to provide subsidized inputs** like fertilizers granted cane farmers which causes the cost of production to go high. Fertilizer is sold to farmers by the factories at kshs.3000 against the recommended price of about kshs.2500. In addition the factory delivers excess bags of fertilizer for which the farmer is charged for plus interest and there is no clear policy on delivery.

- **Use of dilapidated tractors** to transport cane from the farm to the factory leading frequent breakdowns and delayed transportation of cane to the factory leading to losses through theft. Farmers are also charged high transport cost which is coupled with cane loss through spillage.

- **Delayed harvesting** of mature canes which take 30 months as opposed to maturity period of 18 months of the cane variety. This leads to drying of the cane reducing the sucrose content as well as the tonnage.

- **Mumias Company making remittances to Provincial Administration** for alleged security services in the area and members of Provincial Administration staff being housed by Mumias Sugar Company hence their likelihood of being compromised and therefore not able to objectively intervene in disputes between farmers and the millers.

- **Inadequacy of the Sugar Act 2001** especially since it does not provide for farmers to benefit in any way from cane bi-products e.g. co-generation of electricity by Mumias Sugar Company which produces 26 Mega watts , sale of molasses and production of ethanol by the Company.

- **Levying of 30% of the total returns as a penalty for the burned cane** contrary to the provisions in the Sugar Act, 2001 which no provision for such a levy.

- **Inadequate compensation to farmers** who were evicted from the land forming the Mumias Sugar Company Nucleus estate at the rate of ksh.90 to Ksh.150 per acre in 1979. Farmers requested for adequate compensation for their land.

- **Manipulation of the weighbridge**. Cane is weighed in the factories in the absence of the cane farmer giving room for manipulation. This leads to manipulation of cane weight resulting in reduction of tonnage.

- **Too many charges** including high fuel prices charged by transporters, cess, interests on inputs and sugar development levy among others. This leaves the farmer with very low returns on the cane, for instance a farmer may earn on average Kshs.20, 000 per acre after a period of 2 to 3 years.

- **Manipulation of farmers' statements** by the factories. Farmers produced several statements which show constant figures in cane tonnage up to three decimal places.

- **High interests charged on AFC loans** at kshs. 20% making it almost impossible for poor farmers to access loans.

- **Lack of representation of women in the sugar sector** which in turn leads to high poverty rate in the sugar belt prompting high HIV/Aids rates of prevalence.

- **Mismanagement of the cess money by the county council** with no services rendered to the farmers.

MIN. 103/2009 ADJOURNMENT

There being no other business the meeting was adjourned at two o'clock until September 10, 2009 in Mumias market at 2.30 p.m.

AFTERNOON SESSION – MUMIAS MARKET

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. John Pesa, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.

Hon. Kambi Kazungu, M.P.
Hon. Erastus Mureithi, M.P.
Hon. Fredrick Outa M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Country Director –AWEPA
Mrs. Penina Ogeto – AWEPA

MIN. 104/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 105/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders at Mumias:-

- **Lack of representation of farmers in the cane transportation contract** which is signed between the millers and the transporters without involving the farmer. This leaves minimal or no room for farmers' choice in the transport of sugarcane.

- **High cost of inputs**, eg fertilizer is charged at ksh.2500 as opposed to the recommended price of ksh.1600 and paid with interest.

- **Monopoly of Mumias Sugar Company.** The Company has even gone to court to stop any interested private investors in the sugar belt.

- **Cane is weighed in the absence of the farmer** which results into manipulation of cane weights lowering the tonnage per tractor.

- **The entire cost of cane production is borne by the farmer** who is paid when all expenses have been deducted including cost of implements, transportation and fertilizers.

- **Low quality seeds**, supplied by the factories that lead to low output.

MIN. 106/2009 ADJOURNMENT

There being no other business the meeting was adjourned at four o'clock until September 11, 2009 in Matungu market at 11.30 a.m

SIGNED..

CHAIRMAN

DATE 26/10/09

MINUTES OF THE TWENTIETH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN MIWANI SUGAR COMPANY ON WEDNESDAY 9 SEPTEMBER, 2009 AT 12.45 P.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Fredrick Outa M.P.
Hon. John Pesa, M.P.
Hon. Evans Akula, M.P.
Hon. Peris Chepchumba, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.
Hon. Erastus Mureithi, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Directo, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Country Director –AWEPA

Mrs. Penina Ogeto – Office M anager - AWEPA

MIN. 97/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 98/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by farmers and other stakeholders at Miwani:-

Food insecurity. Following the collapse of Miwani Sugar factory and subsequent placement of the factory in receivership, the receiver manager had had restricted farmers from practicing alternative farming on the approximately 10,000 acres nucleus estate which for instance enable them to grow food crops on the nucleus estate. This has led to loss of livelihood for the farmers and food insecurity in the Miwani area.

Misappropriation of the Kshs.600 million loan from AFC that was made to revamp the Miwani Sugar Company by the former directors of the Company.

In addition the **assets of the company that include tractors were taken over by the former managers** including the title deed to the factory, cannibalization of the distillery and other machinery etc. Farmers informed the Committee that about Kshs.500 million was required to revamp the Company and enable it to become operational.

Inaccessibility of the loans from AFC owing to the lack of title deeds which would be used as collateral considering that the farmers in Miwani zone do not hold title deeds to their farms. Farmers made an appeal to be allowed to access unsecured loans.

There are **pending cases in court** over the ownership of the nucleus estate of the Miwani Sugar Company with claims of the land having been auctioned to settle debts.

MIN. 99/2009 **ADJOURNMENT**

There being no other business the meeting was adjourned at thirty minutes past Three O'clock until September 10, 2009 at 9.00 a.m in Shianda Market, Mumias.

SIGNED...

CHAIRMAN

DATE......26/10/09...

MINUTES OF THE NINETEENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN CHEMELIL ROUND ABOUT ON TUESDAY 8 SEPTEMBER, 2009 AT 9.30 A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Erastus Mureithi, M.P.
Hon. Fredrick Outa M.P.
Hon. John Pesa, M.P.
Hon. Evans Akula, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. Peris Chepchumba, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Assistant Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Regional Director –AWEPA

Mrs. Penina Ogeto – AWEPA

MIN. 89/2009: COURTESY CALL TO THE DISTRICT COMMISSIONER (DC) - NYANDO DISTRICT

The Committee paid a courtesy call on the District Commissioner and was given an overview of the challenges facing the sugarcane farmers in Nyando sugar belt. The D.C cites challenges facing sugar cane farmers including delayed payments, food insecurity because most of the land is devoted to sugar cane growing hence no land left for growing food crops such as maize and beans, low crushing capacity, and lack of representation of farmers in the decision making process on sugar cane related issues.

MIN. 90/2009 VISIT TO THE WEIGH BRIDGE AT KIBOS

The Committee visited Kibos Weighbridge and was informed by the Weighbridge Manager that :-

The transport costs from the weighbridge to the Kibos factory are not catered for by the farmers but by the factory.

The weighbridge is attended to by the employees of the Kibos Sugar Factory with no farmer's representation when cane is being weighed.

The Committee noted that the weighbridge did not have Kenya Bureau of Standards certification raising doubt as to the quality of the weighbridge and leaving a room for possible manipulation of the weights.

MIN. 91/2009: VISIT TO KISUMU SUGAR BELT CO-OPERATIVE UNION (KSBCU)

The Committee visited KSBCU and was briefed about problems facing cane farmers in the Nyando District by the union representatives who included Messrs Peter Onyango, General Manager and Atiang Atiang Chairman KSBCU Muhoroni Branch, as lack of adequate capital, transportation problems occasioned by availability of few tractors, poor roads at the Sugar belt both main and feeder roads, late payment by millers to farmers and low crushing capacity leading to tractors taking 2 to 3 days before the cane is crushed.

MIN. 92/2009 PUBLIC HEARING AT CHEMELIL ROUND ABOUT

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability out-grower companies' representatives.

The following were cited as problems faced by the farmers in the cane production process:-

Manipulation of the weigh bridge. The Committee was informed that for every delivery, the cane farmer loses at least 3 tonnes per tractor.

Heavy taxation burden. The Committee heard that cane farmers pay too many taxes including cess, sugar development levy, and interest charged by millers on inputs. The Committee was also informed that despite the farmers paying cess they do not receive services such as maintenance of the roads at the sugar belt supposed to be financed by cess money.

Discrimination in the harvesting of sugarcane, this leads to sugarcane over maturing in the farm.

Mismanagement of the factory, because incompetent individuals are appointed to head the sugar factories and they end up running down the factories.

Low cane prices per tonne at Ksh.2850 as opposed to the recommended government directed price of Ksh.3000 per tonne. The farmers called for the review of the cane prices commensurate with prevailing sugar prices in the country.

Harassment of farmers carrying out cane production at the special sugar plots at the banks of the river where the company confiscates their cane.

MIN. 93/2009 ADJOURNMENT

There being no other business the meeting was adjourned at thirty minutes past One O'clock until two o'clock at Muhoroni Sugar Company.

AFTERNOON SESSION - MUHORONI

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Erastus Mureithi, M.P.
Hon. Fredrick Outa M.P.
Hon. John Pesa, M.P.
Hon. Evans Akula, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. Peris Chepchumba, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Assistant Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Regional Director –AWEPA
Mrs. Penina Ogeto – AWEPA

MIN. 94/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 95/2009 PUBLIC HEARING

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youth representatives, representatives of people with disability and out-grower companies' representatives.

The following were cited as problems faced by the farmers in the cane production process:-

Poor roads in the sugar growing areas lead to cane spillage on transit which in turn results to low cane tonnage per tractor.

Obsolete Equipment, the machines at the factory are old leading to inefficiency due to low crushing capacity of the factory. Transporters manage one trip of cane produce per week as opposed to 4 trips per week.

High transport costs, farmers overcharged on cost of transportation which is kshs.700 per tone instead of the recommended Kshs.400. Farmers requested that millers to cover transportation cost from the farm to the factory.

Selective application of the Sugar Act 2001 where the millers apply the Act as favourable to them. For instance, the millers make deductions on burned cane without consulting the farmers. Farmers requested for review on the Sugar Act, 2001 to enable them have representation when sugar pricing decisions are made.

Restrictive loan requirements. Kenya Sugar Board requirement that loans be granted through the AFC to sugarcane farmers means that farmers need collateral like title deeds to acquire loans which many of them do not have. Farmers were of the view that the loans be lend through financial institutions within the region.

Low cane prices. Farmers are paid Kshs.2, 750 as opposed to the Government recommended price of Kshs.3, 500 per tonne.

Frequent breakdown of machines. The receiver manager does not take necessary steps to ensure machines at the factory are properly serviced leading to frequent breakdowns resulting to backlog of mature harvested cane.

Delays in harvesting of mature cane which goes up to 58 months as opposed to 18 months of cane maturity.

Farmers do not benefit in any way from cane bi-products like molasses and ethanol produced by the factory. Farmers requested to be paid part of the proceeds of bi-products arrears since they produce the cane from which the bi-products come.

Lack of transparency and accountability in the management of the cess money by the county council and the millers. Muhoroni county council utilizes 40% of the cess money instead of the 20% recommended by law for administrative purposes and 80% for the upgrading of the feeder roads in the sugar belt. The committees would recommend to Parliament that the Local authorities Committee further investigates the matter.

Privatization of Muhoroni Sugar Company. Farmers recommended 100% ownership of the factory, that is, Muhoroni Sugar Company together with the Agro chemical plant. They nevertheless requested for time to mobilize resources to purchase shares.

MIN. 96/2009 ADJOURNMENT

There being no other business the Chairman adjourned the meeting at forty minutes past Four O'clock until Wednesday 9th September 2009 at 9.00 am at Miwani Sugar Factory.

SIGNED ....

CHAIRMAN

DATE......26/10/09..

MINUTES OF THE EIGHTEENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN SONY SUGAR COMPANY AWENDO ON MONDAY 7 SEPTEMBER, 2009 AT 11.00A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Benson Mbai, M.P.
Hon. Erastus Mureithi, M.P.
Hon. Fredrick Outa M.P.
Hon. John Pesa, M.P.
Hon. Evans Akula, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. Lucas Chepkitony, M.P.
Hon. Peris Chepchumba, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Kambi Kazungu, M.P.

INATTENDANCE

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Bonnie Mathooko – Senior Research Officer
Mr. Charles Ondigi - Assistant Hansard Editor
Mr. Stephen Gikonyo – Secretary
Mr. Solomon Liria – Sergeant - At - Arms
Mr. Peter Kitheka – Parliamentary Intern

MINISTRY OF AGRICULTURE

Mr. A. Ingosi – Director, Ministry of Agriculture

AWEPA

Mrs. Pamela Matinde- Regional Director –AWEPA
Mrs. Penina Ogeto – Office Manager - AWEPA

MIN. 85/2009: COURTESY CALL TO THE DISTRICT COMMISSIONER (DC) - RONGO DISTRICT

The Committee paid a courtesy on the District Commissioner, Rongo District during which the DC briefed Members on the challenges facing sugarcane farmers in SONY sugar belt. Among the problems faced by the farmer are inefficiency in the capacity of the factories to crush the sugarcane, delayed harvesting of matured cane up to between 40 and 60 months instead of 18 months, delayed payments and inability to access loan facilities. The DC informed the Committee that the Government had plans to privatize SONY Sugar Company but there was need to allow for adequate time in order to enable farmers prepare to buy shares rather than sell the company to outsiders to the detriment of locals. The DC stated that farmers needed to be explained the process of privatization in order for them to own it and therefore minimize resistance to the plan.

MIN. 86/2009: PUBLIC HEARING AT AWENDO – SOUTH NYANZA

The chairman briefed the meeting on the rules that govern public hearings and invited stake holders to make submissions. Those who made submissions included farmers, political leaders, farmers' cooperative unions' representatives, women representatives, men representatives, youths representatives, representatives of people with disability out-grower companies' representatives.

The following challenges ranging from planting to marketing were sighted by the stakeholders:-
Difficulties in accessing AFC loans facilities – majority of farmers who are women and youths have no title deeds which are a requirement as collateral for accessing the loans.

Delayed harvesting of cane – the sugarcane variety grown by farmers matures at the age of 18 months but in contrast most of the sugarcane is harvested on average of between 40 months and 60 months. This leads to low sucrose content and drying of the canes which cuts on the cane tonnage.

Low crushing capacity – There are old machines in the factories which cannot cope with the sugarcane output from the farmers that occasions delay in crushing of the cane. For SONY sugar company to crush cane efficiently and effectively, there is need to overhaul and rehabilitate machines at the factory. This will require approximately Ksh.500, 000, 0000.

Backlog of harvested cane – This is due to the low crushing capacity by the factory.

Lack of the operationalization of the sugar company's expansion programme – the government in 2003 upon coming to power of the NARC administration promised to expand the sugar companies crushing capacity from 3000 tonnes to 6000 tonnes per day. This has not been implemented to date in spite of farmers and the factory having increased their acreage under cultivation of sugarcane.

Lack of representation of farmers in the production process – in the drafting of the contract between farmers and millers, farmers are only required to sign the Agreement without knowledge of terms and conditions to be applied. Deductions of the productions inputs are effected by millers at the source without consulting the farmers and prior to the release of the farmers' statement and payments.

Selective implementation of the Sugar Act 2001- Sugarcane is weighed at the factory in contrast to the provision that weighing should be done at the farm. This results in exploitation of the farmers since they are not present at the weighbridge to countercheck the tonnage of the cane. All costs including the cost of transportation of cane from the farm to the factory are borne by the farmer.

Pollution – Elements of pollutant chemicals are discharged from the factories into the rivers leading to environmental degradation which poses a health risk.

Discrimination during harvesting of the sugarcane – there is favouritism in the harvesting of the cane based on how connected you are with the management and how much you bribe to get your cane harvested. This results in what the farmers locally refer to as *helicopter* harvesting where the millers harvest cane by selecting certain farms.

Most land in the zone A and Zone B is devoted only to sugar cane production leaving **no land for crop production hence food insecurity**.

Mismanagement of the Cess money amounting to 1% per every tonne delivered but no service is rendered to the farmer using the cess money despite legal provision that 80% of cess should go back to the farmer while the remaining 20% should go to the Local Government activities. The cess money should be devoted services such as upgrading of the feeder roads to the farmers farms.

The planned privatization of the SONY sugar company – Farmers require adequate time to understand the process and raise revenue to buy shares. The farmers made a plea for the sale of the factory to be separated from the nucleus estates so that only the factory and not the land would be sold.

Delays in payment of cane – the farmers wait for up to 6 months to receive their cane payments.

MIN. 88/2009 ADJOURNMENT

There being no other business the Chairman adjourned the meeting at five O' clock until the Tuesday September 8, 2009 at Chemelil Round About for the next public hearing.

SIGNED...

CHAIRMAN

DATE......26/10/09...

MINUTES OF THE SEVENTEENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD IN COMMITTEE ROOM 4TH FLOOR,CONTINENTAL HOUSE ,PARLIAMENT BUILDINGS ON THURSDAY 27, 2009 AT 11.00A.M.

PRESENT

Hon. John Mututho, M.P. - Chairman
Hon. Lucas Chepkitony, M.P.
Hon. Benson Mbai, M.P.
Hon. Erastus Mureithi, M.P.
Hon. (Dr.) Robert Monda, M.P.
Hon. Fredrick Outa M.P.
Hon. Kambi Kazungu, M.P.

ABSENT WITH APOLOGY

Hon. (Dr.) Victor Munyaka, M.P.
Hon. John Pesa, M.P.
Hon. Peris Chepchumba, M.P.
Hon. Evans Akula, M.P.

KENYA NATIONAL ASSEMBLY

Mrs. Sarah Kioko – First Clerk Assistant
Mr. Peter Kitheka – Parliamentary Intern

MIN. 79/2009 PRAYER

The meeting opened with a word of prayer.

MIN. 80/2009 CONFIRMATION OF MINUTES

Confirmation of the minutes of the sixteenth sitting was deferred to a later date.

MIN. 81/2009 CONSIDERATION OF THE PROGRAMME OF VISIT TO SUGAR CANE GROWING AREAS IN NYANZA AND WESTERN PROVINCES

In considering the programme of activities for the visit to the sugar growing areas in Western and Nyanza provinces Members resolved as follows:-

1. Nyanza Province

- The Committee would visit Chemilil Sugar Company and Muhoroni Sugar Company in a single day.

- Kibos Sugar Company and Miwani Sugar Company would be visited in a single day.
- The Committee wouldl visit SONY Sugar Company in a day.

2. Western Province

- Nzoia Sugar Company and Western Kenya Sugar Company would be visited in one day.

- Mumias Sugar Company will be visited in a single day.

3. Strategic Plan

The Committee will undertake the drafting of the strategic plan with AWEPA in a single day upon completion of public hearings.

Stakeholders to be heard by the Committee would include:-

- Farmers and farmers representatives
- Provincial administration
- Farmers Cooperatives
- Local leaders
- Field Officers from the Cooperatives and Agriculture ministries
- Area Members of Parliament

Visit to China and South Korea

The Committee resolved to visit China and South Korea from 1st to 16th November 2009.

MIN. 82 /2009 CONSIDERATION OF DRAFT REPORT OF INSPECTION TOUR TO ADC GALANA RANCH, ADC KISIWANI, BURA IRRIGATION SCHEME AND HOLA IRRIGATION SCHEME

The Committee considered the above stated draft report and resolved as follows:-

- The number of animals remaining in the ADC Galana Ranch should be reflected in the preface.

- Before submitting the report to Parliament the Top management of the ADC should appear before the Committee to provide further insight regarding the management of the management of the off-take livestock programme.

- The number of animals held in ADC Galana Ranch, Mutara and Lanet should be reflected in the preface.

- The paragraph on briefing by the Area Member of Parliament should be deleted from the Report.

- The Committee resolved to schedule a meeting with the Minister for Livestock Development after meeting with the management of ADC in order to obtain further clarification on the management and disposal of the off-take animals.

MIN.83/2009 ANY OTHER BUSINESS

Letter of Invitation to MPs

The Committee resolved that MPs from sugar cane growing areas should be notified in writing about the intended visit by the Committee.

Annual Programme of Activities – Priority Areas

In light of the programme of activities the Committee identified a number of areas as to be given priority as follows:-

- The ADCs
- Coffee
- Pyrethrum
- Fisheries
- TARDA
- Kenya Meat Commission (KMC)
- KEVEVAPI
- CIC and various cooperatives
- KUSCO
- National Irrigation Board (NIB)
- Kenya Agricultural Research Institute (KARI)
- National Cereals and Produce Board (NCPB)

MIN. 84/2009 ADJOURNMENT

There being no other business the Chairman adjourned the sitting at twenty five minutes to two o'clock until Monday September 07 2009.

CHAIRMAN..
SIGNATURE

DATE.......26/10/09...