

Paper Laid by  
Hon. Joyce Laboso, CAH, MP  
on 22/10/2014  
BY MILK FARMERS REPRESENTATIVES

PUBLIC PETITION

Approved  
355  
22/10/14  
SWA

ON  
THE IMMINENT PRIVATIZATION OF THE NEW KENYA CO-OPERATIVE CREAMERIES  
(KCC)



I, THE UNDERSIGNED, on behalf of milk farmers representatives from across the country,

DRAW the attention of the House to the following;

- i) THAT, aware that the Kenya Co-operative Creameries (KCC) was established in 1925 to enable milk farmers to market their produce and grow their savings;
- ii) THAT, the majority stake in the original KCC is held by small scale farmers and estimated at a net worth of five billion Kenya Shillings;
- iii) NOTING, that a conspiracy of mismanagement allegedly plunged the giant farmers' co-operative society into insolvency and thereafter receivership in the late 1990's;
- iv) THAT, KCC was to sold under unclear circumstances at throw-away price to private entrepreneurs who re-named it KCC 2000, before the NARC Government reclaimed it and rebranded it New KCC on 25<sup>th</sup> of June 2003;
- v) THAT, the change in ownership of the original KCC to KCC 2000 and later to New KCC did not conclusively determine, address and protect the rights and shareholding of farmers in the society
- vi) THAT, the Government is at an advanced stage of privatizing the New KCC through an Initial Public Offer of shares at the Nairobi Securities Exchange in a formula that allocates an insignificant 31% of shareholding to farmers who are the majority stakeholders, and 10% to the Government;
- vii) THAT, aware that if the planned privatization of the New KCC proceeds without safeguarding the rights of farmers, they risk permanent loss of their hard earned stakes worth billions of shillings in the society by ceding 59% shareholding to private investors;

EMILY CHEMBI  
Resident  
FA 0.2/10



**PUBLIC PETITION**  
**BY MILK FARMERS REPRESENTATIVES**  
**ON**  
**THE IMMINENT PRIVATIZATION OF THE NEW KENYA CO-OPERATIVE CREAMERIES**  
**(KCC)**

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viii) **THAT**, that this sale would be tantamount to the Government's abdication of its duty to protect farmers' right to property as provided for under Article 40(3) of the Constitution;

ix) **THAT**, that the inalienable right of farmers to retain their majority stake can only be protected through a proposed privatization structured that would give farmers 85%, the Government 10% and staff of the company 5% shareholding in the company;

**THEREFORE** your humble petitioner PRAYS that the National Assembly, through the Departmental Committee on Agriculture, Livestock and Co-operatives:

- (a) Intervenes to have a special audit on KCC done by the Auditor General in accordance with Article 229(5) to ascertain the circumstances that led to the collapse of KCC as well as the current ownership structure of the New KCC, and a report thereto submitted to the National Assembly for action;
- (b) Urges the Privatization Commission to ensure sustainable transfer of ownership of the New KCC to Kenyan Dairy Farmers in accordance with shareholding structure proposed by the farmers, rather than through the Nairobi Securities Exchange; and
- (c) Urges the Cabinet Secretary responsible for Co-operatives in compliance with Section 29 of the Privatization Act, to limit the eligible investors to Dairy Farmers' Groups and individual dairy farmers supplying milk to New KCC and that funds generated from privatization be channeled towards revamping the Kenyan Dairy industry.

**THAT**, to the best of our knowledge, there is no pending case before any court of law in respect to this matter.

And your **PETITIONERS** will ever pray.

**PRESENTED BY,**

**HON. (DR.) JOYCE LABOSO, MBS, MP**  
**MEMBER FOR SOTIK CONSTITUENCY**

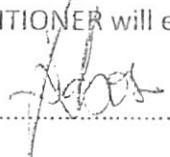
**DATE:** .....

**PETITION BY MILK FARMERS REPRESENTATIVES ON THE PRIVATIZATION OF THE NEW KCC**

- Dairy farmers – 85% through their Apex Cooperative Society
- Government – 10%
- Employees of the company – 5%

3. Urges the Cabinet Secretary for the time being responsible for Cooperatives to ensure compliance with the provisions of section 29 of the Privatization Act and subsequently limit eligible investors to Dairy Farmers groups and individual Dairy Farmers supplying milk to the company and ensure that funds from privatization of the New KCC are channeled towards developing the Kenyan dairy industry.

And your PETITIONER will ever pray.


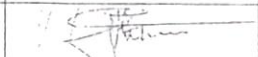
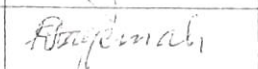
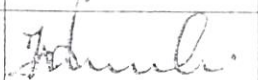
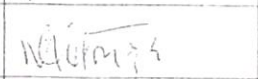
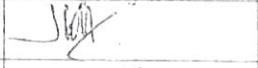

Signature..... 

Date..... 22/10/2010

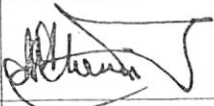


**PRESENTED BY**

**HON. (DR.) JOYCE LABOSOS, MGH, M.P.**

**DEPUTY SPEAKER AND MEMBER OF PARLIAMENT FOR SOTIK CONSTITUENCY ON BEHALF OF THE FOLLOWING PETITIONERS BEING FARMERS REPRESENTATIVES ON PRIVATIZATION OF NEW KCC**

No.	Names	Full Address	National ID	Signature
1.	Philip Kipkorir Bitok	P.O. Box 1615 -38100 Eldoret	3312628	
2.	Jonah Tonui	P.O. Box 270-20203 KONISTANI	4346757	
3.	Lydia N. Kagema	Box 1319, N7621 10100	1825123	
4.	Muchemi Ndiritu	29 Kaliba	098092	
5.	Michael Gitonga Njeru	62 RUMENJES EMBU	27143000	
6.	Eng. Jan Mutai	P.O. Box 164-30302 LESSOS	4590554	
7.	Dr. Samson Muttai	P.O. Box 600 ELDORET	0793202	

**PETITION BY MILK FARMERS REPRESENTATIVES ON THE PRIVATIZATION  
OF THE NEW KCC**

8.	L. Gen. A. K. Arap Cheruiyot	P.O. BOX 1021 KAPSABET	2310840	
9.	Timothy K. Tororei	P.O. BOX 41 ELSAMBA DIVINE	0447783	Timothy
10.	Mrs. Alice Chesire	P.O. BOX 13 KIDOROT	3651772	
11.	Hon. Matu Wamae	P.O. Box 40485 NAIROBI	0347104	



PARLIAMENT

OFFICE OF THE DEPUTY SPEAKER NATIONAL ASSEMBLY

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26<sup>th</sup> August 2014

RECEIVED	
DIRECTORATE OF LEGAL SERVICES	
NATIONAL ASSEMBLY	
DATE RECEIVED	26.8.2014
NAME	
TIME RECEIVED	8:12 AM
SIGNATURE	<i>[Signature]</i>

The Director,  
Legal Services,  
National Assembly  
Nairobi

Dear Sir,

RE: PRIVATIZATION OF THE NEW KCC

This letter is in reference to our earlier conversation concerning KCC. Attached herein please find the list of KCC suppliers, the minutes and the Parliamentary Questions for your necessary action

Yours Sincerely,

*[Signature]*

HON. DR. JOYCE LABOSO, MGH, M.P.,  
DEPUTY SPEAKER OF THE NATIONAL ASSEMBLY

8/29/14  
8  
Mr. Mwangi  
we please do it  
with it

Dy

Meeting of Farmers Representatives on Privatization of New KCC held on  
28<sup>th</sup> May 2014 in Kenya Dairy Board's Boardroom at NSSF Building

**1.0 Members present**

- |                                   |   |                             |
|-----------------------------------|---|-----------------------------|
| 1. Philip Kipliorir Bitok         | - | 0720-682878 – Chairing      |
| 2. Abraham Rugutt                 | - | 0721-414775                 |
| 3. Jonah Tonui                    | - | 0721-217218                 |
| 4. Hon. Joel Barmasai             | - | 0722-788850                 |
| 5. Lydia N. Kagema                | - | 0721-344479                 |
| 6. Muchemi Ndiritu                | - | 0724-355035                 |
| 7. Michael Gitong Njeru           | - | 0720-392716                 |
| 8. Kipkorir Arap Menjo            | - | 0722-748248                 |
| 9. David Kingori Njogu            | - | 0723-271862                 |
| 10. Eng. Jan Mutai                | - | 0722-310094                 |
| 11. Dr. Samson Muttai             | - | 0722-250363                 |
| 12. Lt. Gen. A. K. Arap Cheruiyot | - | 0722-717128                 |
| 13. Timothy K. Tororei            | - | 0722-268046– Taking Minutes |
| 14. Mrs. Alice Chesire            | - | 0722-772920                 |
| 15. Hon. Matu Wamae               | - | 0722-752750                 |
| 16. Philip .K Cherono             | - | 0725-702595                 |

**2.0 Agenda**

- 2.1** Gathering of information on the ownership of New KCC.

### 3.0 Apologies

Machira Gichohi – Managing Director – KDB

### 4.0 Opening Remarks

**4.1** The meeting started at 10.25am with a word of prayers from Mrs. Lydia Kagema. The Chairperson, Mr. Bitok welcomed the members and introduced the subject matter as a follow-up of the issues that arose from the New KCC Privatization meeting at the School of Government on 15<sup>th</sup> May 2014.

### 5.0 Gathering of Information on the Ownership of New KCC

**5.1** - The background on the privatization Programme was presented including the consultative process that took place.

**5.2** - The issues arising from the School of Government were discussed. The members expressed their dissatisfaction on the consultant's report as it did not represent the farmers' interest as submitted during the consultative stage.

**5.3** - The consultants should have obtained information on the circumstances that led to the acquisition of KCC by KCC 2000 Holdings/KCC 2000 Limited. It should also be clarified that New KCC was not bought but taken over through executive order by the Government.

**5.4** - The consultants should recognize the fact that, KCC was developed solely using farmers' resources, and thus it is owned by farmers.

**5.5** - The list of the suppliers of KCC as of 1999 is the true list of owners as at that time. This information is with New KCC management and PWC who was their Auditor and should be obtained for presentation to the Privatization Commission and the consultants.

5.6 - The meeting resolved that, Kenya Dairy Board contacts Price Waterhouse Coopers and any other person/institution that may possess this information.

5.7 - It was noted, that as at its collapse, the share capital of KCC was as follows:

Individual dairy	-	60.38%
Dairy Co-op Societies	-	35.56%
-Govt. Institutions	-	3.7%
Other Institutions	-	0.34%

5.8 - Documents presented indicated that, in 2003 the Government repossessed KCC with the

intension of transforming it to a State Corporation in order to give farmers time to organize themselves in readiness to takeover. Further, farmers are willing to refund Government the KShs. 547 million which was paid to KCC holdings/KCC 2000 Ltd. This spirit is in line with clause 18 Subsection 2 (f), Clause 24 Subsection (e) (f) and Clause 29 Subsection (2) of the Privatization Act, which goes a long way in achieving the aspirations of Vision 2030, Millennium Development Goals and the Jubilee Manifesto.

5.9 - The meeting resolved to assemble the following documents for presentation to Kenya Dairy Board for onward transmission to the Privatization Commission:

5.9.1 Parliamentary Hansard on budget statement by Hon. Mwiraria of 14/6/2003

5.9.2 KCC Dairy Farmers Co-operative Society Ltd. Memorandum to privatization Commission.

5.9.3 Hon. Joseph Nyagah's presentation to the Privatization Commission on New KCC

5.9.4 Letter by Mr. Sogomo on Handing/taking over of KCC 2000 Holdings/KCC 2000 Limited by



5.12 The meeting reiterated that, the farmers have the capacity to manage the New KCC without a strategic partner and should be handed over to them. In pursuant of these objectives the Kenya Dairy farmers have established the KCC Dairy Farmers Co-operative Ltd. as a vehicle to refund the KShs. 547,000,000.00 to Government and acquire 85% stake in New KCC. The KCC Dairy Co-operative Ltd. has a broad based membership comprising of, Dairy co-operative

Industry does not end-up being monopolized by a few players.

5.11 Farmers expressed their concern and requested the Government to ensure that the

avoid a situation where the Government may make a decision without farmers input.

5.10 The meeting also resolved that the information should be obtained as soon as possible to

5.9.15 Privatization Commission Act

5.9.14 Legal Notice establishing New KCC

5.9.13 Copies of Share Certificates issued to Farmers by KCC

5.9.12 The scramble for New KCC – Organic farmer Newsletter

5.9.11 The revitalization of KCC: The politics of Policy Reforms in the Dairy Sector in Kenya

to New KCC factory - Eldoret.

5.9.10 H.E Hon Kibaki's statement in Eldoret during 2004 ASK show and during his visit

Australia, Netherlands, Denmark and Canada

5.9.9 Global best practice on dairying and processing - India, New Zealand, South Africa and

5.9.8 Jubilee manifesto – Farmers opportunities in value chain

5.9.7 Policy documents – ERS,SRA and DMP - its implication on New KCC

5.9.6 List of current suppliers of New KCC

5.9.5 List of suppliers as at 1999

Societies, Self Help Groups, and Community based organizations, Dairy Companies and individual farmers drawn from the entire country.

5.13 In conclusion, the Privatization of New KCC should be informed by the following factors:

#### 5.13.1 Political Factors

5.13.1.1 Political good will as demonstrated by statements made by the H.E Hon. Mwai Kibaki,

Hon Joseph Nyagah, Hon. Njeru Ndwiga, Hon. Kipruto Arap Kirwa and the aspirations

of the Jubilee Manifesto.

5.13.1.2 There is precedence that, Government has extended substantial support to various

farmer sub-sectors as follows:

a) Coffee Farmers

b) Maize Farmers

c) Beef Farmers

d) Kenya Meat Commission

e) Sugarcane farmers

f) Rice Farmers

g) Pyrethrum Farmers

It is therefore appropriate that, Dairy Farmers be considered in similar light. Noting unlike that all other Dairy Farmers have invested heavily in New KCC through capital development levies, that went into substantial base of New KCC.

#### 5.13.2 Economic Factors

5.13.2.1 The aspirations of Vision 2030, Economic Recovery Strategy for Wealth and

employment creation, Strategy for the Revitalization of Agriculture, Agriculture Sector

Development Strategy and Millennium Development Goals.

**5.13.2.2** Capital Market in Kenya is mature and should there be need for capital, Dairy Farmer can easily acquire such capital from our dynamic capital market. Further, Farmer operatives in Kenya have diversified into the provision of financial services through Savings & Credit Organizations which may act as source of capital.

**5.13.2.3** Bringing in a foreign investor in the name of Strategic Partner, is a risk undertaking this investor, in pursuit of profit making, may result to importing subsidized and cheap dairy produce including milk powder for reconstitution at the expense of the Kenyan Dairy Farmer.

**5.13.2.4** The Dairy Industry in Kenya is mature enough to access finances and any market access required without the assistance of a Strategic Partner.

### **5.13.3 Social Factors**

**5.13.3.1** Global best practices demonstrate that, the most developed dairy industries are overwhelmingly owned and controlled by farmers. This is the principal that led to the establishment of the KCC in 1925 and it is the same spirit that the Kenyan farmer is pursuing. Bringing in a strategic investor at this stage without the involvement of farmers is an attempt to discriminate against the Kenyan Dairy Farmer.

**5.13.3.2** Research has demonstrated that dairying has the capacity to improve the standard of living and quality of life of most Kenyans. In order to improve the livelihood of Kenyan farmers, dairying should be encouraged through ensuring that farmers reap maximum benefit through the enterprise. This can only be achieved through ownership of dairy value chain enterprises by the farmers.

5.13.3.3 Dairying is a major source of food and nutrition security for most Kenyans and this

should be promoted.

5.13.3.4 Dairying is a source of insurance to Dairy farmers.

#### 5.13.4 Technological Factors

5.13.4.1 Technology adoption is fully mature in Kenyan Dairy Enterprises and any needed technological input can easily be acquired by Kenyan Dairy Farmers or Entrepreneurs.

There is therefore no justifiable need for a Strategic Investor as this may not be a

value adding action.

#### 5.13.5 Legal Factors

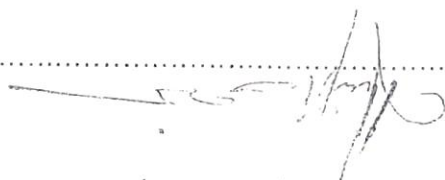
5.13.5.1 The proposed privatization of New KCC should take cognizance of provisions of the Privatization Act as stated in clauses 18, 24 and 29

5.13.5.2 KCC was acquired through executive order and not through an auction. The same

order should be used to return it to the farmers, the original owners.

5.13.5.3 The Constitution of Kenya 2010 provides for the protection of the peoples' wealth as provided in article 40. The Government of Kenya has the responsibility to ensure that this is done to the Kenyan Dairy Farmer by ensuring that the New KCC is reverted back to farmers and not dispose it to profiteers.

Chairman



Date

28/05/2014

Secretary



Date

28/05/2014

1.0 KCC DAIRY FARMERS CO-OPERATIVE SOCIETY LTD.

2.0 MEMORANDUM TO THE PRIVATIZATION COMMISSION ON THE PROPOSED PRIVATIZATION OF NEW KENYA COOPERATIVE CREAMERIES LIMITED

3.0 PREAMBLE

In this preamble to our memorandum, we the dairy farmers who supply milk to New KCC aver that we are the key stakeholders in the dairy industry in Kenya and hereby make expression of interest to bid for purchase of New Kenya Cooperative Creameries Ltd., at this point in time when the company is on way to privatization.

Kenya Cooperative Creameries was incorporated as a limited liability company in 1925, although it had already been in operation for several years. It was then known as Cooperative Creamery Limited. The first creamery was opened in 1926 at Naivasha. In 1931, it matched with Kipkelion Creameries and changed its name in the year 1945 to Kenya Cooperative Creameries Ltd. It was placed under receivership in 1999 by the debenture holders; Commercial Bank.

The company started with one dairy processing plant in Naivasha and as at today we have eleven (11) factories, eleven (11) milk cooling plants, eight (8) sales depots and over sixty (60) satellite coolers country wide.

By 1999 before the company was placed under receivership the Kenya dairy farmers countrywide owned this company by virtue of shares they paid through capital development levy from the milk delivered and up to today they still have the share certificate; even though they were not paid for several months milk delivered before collapse of KCC in 1999. This is a phenomenon that even escalates their push for ownership through a majority shareholding arrangement of 85% so that they could recoup their past losses.

In the year 1999, Kenya Commercial Bank appointed a Receiver Manager, Price Water-House Coopers who sold KCC to KCC Holding/ KCC 2000 at Kenya Shillings Four Hundred million (Kshs. 400 million) only whereas the value of KCC at that time was over Kshs. 6 billion.

In the year 2003, Government took over and paid off the KCC Holding /KCC 2000 Kshs. 400 million and an additional Kshs. 140 million for the stock and profit then, thus totaling Kshs. 540 million. Thanks to the Narc Government which was in power then and which from then the dairy industry has grown for the benefit of the Kenya Dairy farmers.

#### 4.0 STATEMENT(S) OF IMPORTANCE

The KCC Dairy Farmers Cooperative society Ltd, a body corporate to be: acting on behalf of the Dairy farmers:-

- a) Urges the Privatization Commission to ensure sustainable transfer of ownership of the New KCC to Kenya Dairy Farmers and safeguard against what befall Mumias Sugar Company where individual farmers disposed off their shares soon after IPO.

- b) Further urges the Cabinet Secretary for the time being responsible for this matter to exercise due process of law and powers conferred under Chapter 29 of the Privatization Act and to limit eligible investors in NKCC privatization to Dairy farmer groups, and individual dairy farmers supplying milk to the Company (NKCC) and old suppliers can activate their shares through supplying milk anew.

- c) Calls upon the government of Kenya to utilize proceeds from privatization of new KCC for the development of dairy industry (dairy stabilization fund)

- d) Pledges to work with **County Government(s)** to decentralize some functions to counties while maintaining a National structure.

Provided:

✓ Any other partner coming in at a later date shall have the full acceptance of the Dairy Farmer Fraternity supplying milk to the company (NEW KCC)

- (i) Requests that the dairy Farmers' proposal inset be considered in its entirety and in the event of other emerging issues for harmonization, we be consulted for further and better dialogue.

- (ii) Request the privatization commission to create a shareholding structure to the Company as follows: 85% to the Dairy Farmers through their Apex cooperative society, 10% to the Government of Kenya and 5% to the

employees of NKCC, all directly but not through the IPO (Nairobi Stock

Exchange) AT ALL

(iii) Request Privatization Commission to make reference

(a) To the Government Statement (budget speech) by the former Minister for Finance Hon. David Mwiraria on 14.6.2003.

(b) To the Letter of the Permanent Secretary Ministry of Cooperative Development, Mr. Benjamin K. Sogomo O.G.W Ref No. MCD/S/AGR/1/7 of 24<sup>th</sup> June, 2003.

(c) To refer to recommendation by the Minister of Co-operative Development Hon. Joseph Nyagah EGH, MP presentation to the Privatization Commission on New KCC as per the attached copy.

(e) Request that the tenure of office of the current Directors be extended until the privatization exercise is consummated for the following reasons;

- They have abundant knowledge and experiences of the challenges facing NKCC: past and present.

- They supported the course for privatization of New KCC hence their continuity in overseeing it until the final conclusion is of essence.

- Since repossession of KCC holding / KCC 2000 and upon emergence of NKCC in the year 2003 they have been instrumental in making it vibrant.

## 5.0. NKCC PRIVATIZATION OPTION

### Broad Policy Objective

To empower small holder farmers who are the backbone of the Dairy industry in Kenya by ensuring that they purchase the company based on requested shareholding structure of 85%, directly and not through the IPO (Nairobi Stock Exchange) AT ALL.

## 6.0 INTENDED PRIVATIZATION OF NKCC

We are aware of the Government's intention to privatize New Kenya Cooperatives Creameries Limited (NKCC) and the task is now in the hands of the Privatization

Commission of Kenya on behalf of Government, as per the report of the Presidential Task Force on parastatal reforms presented to His Excellency Hon. Uhuru Kenyatta, CGH – President and Commander in Chief of the Defence Forces of the Republic of Kenya on 12<sup>th</sup> October, 2013.

In that respect therefore, we the Dairy farmers have this to say in our memorandum:

- 6.0.1. **First and foremost**, we thank the Kenya Government (Narc Government) who by way of executive order repossessed KCC Holding/KCC 2000 on public interest and for the benefit of the dairy farmers, in the year 2003. **The purchase by KCC Holding/ KCC 2000 was otherwise a grievous economic injustice *ab.initio*, let alone historical injustice. Therefore the impending sale to the farmer should be highly discounted based on their past contribution in building KCC.**
- 6.0.2. The Dairy farmer and the Kenya Farmers at large conceived Government effort of paying off KCC Holding/KCC 2000 in the year 2003 as a transitional move to revert the property to the Kenyan Dairy Farmer but to their disappointment they witnessed an unexpected crystallization of the company into a state parastatal.
- 6.0.3 We the Dairy Farmers strongly urge the government to critically reflect on the chronology of all the unfair events that culminated into displacement of the actual owners (dairy farmers) from ownership of Kenya co-operate Creameries Ltd and reasonably empower them in the privatization arrangement of the company.
- 6.04 Compensation to the Dairy Farmer through government acceptance of majority shareholding of the company by the farmer would in a big way cushion the farmer against the past agony and social stigma implanted by their suffering a *triple jeopardy* (losing both body and limbs) that is to mean loss of colossal sum of milk dues and losing the company twice in 1999 and 2003 respectively.
- 6.05 The triple loss to date is a fact that seriously negates the well applauded principle of criminal Law, (*double jeopardy*) and the current status is a Minus on the jurisprudence of



proprietary rights and or law. The law does not allow punishment twice for a mistake already punished.

- 6.0.6 The dairy farmer continues inputting into the dairy value chain and by extension subsidizes diverse institutions and by all fairness must be given the first priority in the privatization arrangement. That would be a significant gesture by Government.
- 6.0.7 In order to sustain competitiveness in the dairy industry, the Dairy farmer needs to have the controlling shares in the company and this need be considered critically in the privatization arrangement.
- 6.0.8 We the Dairy Farmers urge Government to show utmost goodwill and good faith and ensure the following;
- Goodwill and good faith in empowering the Dairy farmer in the privatization of NKCC.
  - Avoid putting conditions that are likely to hinder the dairy farmer from buying shares
  - Ensure putting in place achievable mode of buying shares by the dairy farmer
  - Ensure equity in dealing with purchase of shares by the dairy farmers at large.
- 6.0.9 We the Dairy farmers wish to purchase shares as **individual, corporate, cooperative societies, dairy companies, milk community based organizations and self help dairy groups provided they supply milk to the processor – NKCC.**
- 6.10 We the Dairy farmers need to be allowed to build our shares, over time through agreed deduction of Kshs. 1 per kg of milk delivered to NKCC, upon government's acceptance of the arrangement.
- 6.11 Our ability to pay NKCC shares is based on the latest delivery of 300,000 kgs of milk per day valued as follows:
- $$300,000 \text{ kgs} \times \text{kshs } 1 \times 30\text{days} = \text{Kshs } 9\text{m} \times 12 \text{ months} = \text{Kshs } 108\text{m p.a.}$$

Our milk delivery graduates each and every day .hence our competence to pay

6.12 The Dairy Board autonomy as a regulatory agency in the dairy sector is critical in balancing the interest of the farmer, processor and consumer and ensures fairness in the entire dairy value chain.

It regulates and ensures milk quality standard, milk quality testing, premise inspection, regulates imports/exports, licencing of all milk processors, milk bars coolers and key is safety of consumers.

(a) Therefore the Kenya dairy board should be protected, strengthened and excluded from any merger with any other regulatory entity.

(b) Plays role of stabilization of the market and pricing through managing strategic reserve and stabilization fund.

7.0 There shall be no regional fragmentation of the company for purposes of retention of the KCC brand in the market and also for purposes of benefiting from accruing economies of Scale.

## 8.0 CONCLUSION

We the Dairy farmers in the Republic of Kenya having been honoured by the invitation to participate in today's public consultation on the proposed privatization of NKCC:

8.0.1 **Express our thanks to:** - (i) the Privatization Commission for inviting us to participate in this important dialogue touching on the future well being of dairy farmers.

(ii) **Express our thanks** to NKCC for having been a valuable milk processing partner. New KCC should remain focused to implementing its recent strategies on enhancing milk production. The spirit of that strategy should be enhanced so that dairy remains a competitive industry.

8.0.2 The government should assist the Dairy farmer by utilizing this institution as a strategic reserve for the benefit of our dairy farmers and the country at large.

8.0.3 We the Dairy Farmers continue to consider government as a strategic partner in the industry in the context of food security, regulations, stability, policy making, marketing, protection and security in general hence should continue with that responsibility without necessarily owning shares in NKCC.

8.0.4 Appreciate the commitment in the Privatization Commission's charter to the stakeholders in public institutions identified for privatization to engage in consultations to ensure inclusiveness in the privatization process and ownership of NKCC.

9.0 This memorandum, duly executed by bonafide representatives in the dairy sub-sector, this.....day of ..... was arrived at through wide consultative forums and plat form of the dairy industry related players; milk producers, agricultural marketing cooperative societies, agricultural marketing unions, dairy producing companies and milk self help groups, large and small scale individual farmers in the Republic of Kenya.

We hereby execute by appending our signatures as follows;

Name Title

Philip Bitok

Chairman

Lydia Kagema

Treasurer

Timothy K. Tororei

Secretary

Witnesseth by:-

1. Michael G. Njeru

vice chairman

2. Muchemi Nderitu

vice secretary

*Michael G. Njeru*

*Muchemi Nderitu*

Sign

*Philip Bitok*

*Lydia Kagema*

NB: Appended are the details of officials elected in a National Dairy Forum at Nairobi on 9<sup>th</sup> January, 2014 to collect and collate Dairy Farmers' views regarding intended privatization of NKCC and present the same in form of a memorandum.

# 3

Hon. Joseph W. N. Nyagah, EGH, MP  
Presentation to the Privatisation Commission on New KCC

The first co-operative society in Kenya was a dairy one at Kipkelion (Lumbwa), one hundred years ago. This society was the origin of KCC.

The history of KCC dates back to 22nd August 1925 when Kenya Co-operative Creameries Ltd (KCC) was incorporated as a limited liability company. The principal business of KCC Ltd was buying, processing and selling dairy products both in the domestic market and export market. The company started with only one factory in Naivasha but today has Eleven (11) dairy processing factories and Eleven (11) Cooling Plants. The growth was mainly achieved during the period 1966 to 1988. As at the time there was a lot of technical, technological and financial assistance from DANIDA. Besides the factory that was set up at Miritini to serve the coastal region, the rest of KCC factories and cooling plants exist in the medium and high potential parts of Kenya, where over 70% of the population lives and where poverty is prevalent. By 1987/88, KCC was selling 1 million litres per day with purchases from dairy farmers reaching a peak of 1.4 litres per day.

By 1992, the dairy industry was liberalized and other private processors came in. KCC was unable to reengineer/restructure operations or reduce high operating fixed costs. There were serious financial irregularities and procurement abuses due to lax management then. There were serious delays in payments to farmers and suppliers. KCC was now faced with very serious working capital constraints. The company resulted to huge

much political opposition in most milk producing areas. There would be much bigger opposition right from the grassroot to Parliament. It is for this reason that I believe the best way forward is:

“Return” the New KCC to the dairy farmers through cooperative ownership. The farmers are ready and willing to refund the entire KShs.540 million to the Government. They are in a position to set up a Cooperative Union (equivalent to a Holding Company) for this purpose. We did this for the small-scale coffee farmers last year.

But given the strategic nature of the sector, and given the poor history of KCC during the last twenty years or so, the government should retain a portion of the shares initially. The balance of the government shares can then be sold gradually to the dairy cooperative as KCC stabilises.

This approach would be very well received by the dairy farming community. The Government would not lose its initial 2003 capital input, especially since it has even received some dividend payments. It would get full support of the Parliament.

Any other approach would run into serious problems with the public, who already believe that there is an attempt by some wealthy people to buy it as has happened before.

S. 4

MINISTRY OF CO-OPERATIVE DEVELOPMENT  
Office of the Permanent Secretary

Telegrams: "CO-OPS" NAIROBI  
Telephone: Nairobi 339650/9  
When replying please quote



RE-INSURANCE PLAZA,  
TAIFA ROAD,  
P.O. BOX 30547 - 00100  
NAIROBI

Ref No. MCD/S/AGR/11/7

24<sup>th</sup> June, 2003

Mr. Paul Odhiambo,  
General Manager,  
KCC 2000 Ltd,  
P.O BOX 8953,  
NAIROBI.

Dear Mr Odhiambo,

**RE: HANDING/TAKING OVER OF KCC 2000 LTD.  
BY NEW KCC LTD. ON 25<sup>TH</sup> JUNE, 2003**

The Government has decided to buy back the KCC 2000 Ltd and restore it to the farmers. Consequently the Ministry of Co-operative Development has registered the "New Kenya Co-operative Creameries Ltd" (New KCC Ltd) under the Co-operative Societies Act No.12 of 1997.

It has been decided that the New KCC Ltd takes over the Assets and liabilities of the KCC Holdings Ltd and KCC 2000 Ltd with effect from 25<sup>th</sup> June, 2003. You are, therefore, asked to hand over to Mr. Prudenziio Nicholas Gaitara who has been appointed as the interim General Manager of the New KCC Ltd.

Yours

BENJAMIN K. SOGOMO O.G.W.  
PERMANENT SECRETARY

CC Mr. Prudenziio Nicholas Gaitara,  
P.O Box 67052,  
**NAIROBI.**

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