



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
AGRICULTURE, LIVESTOCK AND COOPERATIVES

REPORT ON
THE SHORTAGE OF MAIZE SEED IN THE COUNTRY

PARLIAMENT BUILDINGS
NAIROBI

MAY 2011

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PREFACE

Mr. Speaker, Sir,

On Thursday, 7th April, 2011, the House debated a response by the Minister for Agriculture to a question raised by the Member for Cherangany Constituency, the Hon. Joshua Kutuny, MP, relating to shortage of maize seed in the country. The ministerial response generated great interest among the Members as reflected in the several point of orders to want to know the underlying reasons for seed shortage.

At the conclusion of the debate, the Temporary Deputy Speaker directed that the relevant Departmental Committee investigated the matter after the Members insisted the matter was of great national concern because availability of seed is directly linked to food security in the country.

Subsequently, the Departmental Committee on Agriculture, Livestock and Cooperatives deliberated on the matter at its sitting on Tuesday, 19th April, 2011. Thereafter, the Departmental Committee resolved to visit to the Kenya Seed Company Limited to gather evidence into the cause of the problem of shortage of seed maize. The Committee further resolved to invite the Ministry of Agriculture to deliberate on the matter.

The Committee undertook the visit to Kitale on 6-7 May, 2011, when it met with the management and the Board of Directors of the Kenya Seed Company Limited. Thereafter on Tuesday, 17th May, 2011, the Committee met with the Ministry of Agriculture.

The details of the evidence received from the Kenya seed company and the Ministry of Agriculture are explained in this report which the Committee urges the House to appraise itself with in order to gain an insight into the genesis of the maize seed shortage.

In presenting this report, the Committee would like to record its appreciation and gratitude to the Minister for Agriculture and the Kenya Seed Company for the detailed submissions on the sequence of events that led to the maize seed shortage. The explanations given helped to shed light on the seed shortage.

The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the necessary support and services extended to the Members to enable the Committee expeditiously execute its work and in compiling this report.

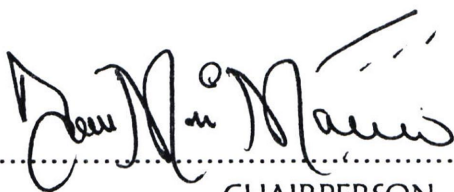
I thank all Members of the Committee for sacrifice and hard work against the background of busy commitments in their respective constituencies. I further thank the secretariat staff of the National Assembly for their commitment and dedication in making the work of the Committee easily accomplished.

Mr. Speaker, Sir,

On behalf of the Committee, I now have the honour and pleasure to present this Report and Recommendations to the House for consideration and adoption.

Thank You

Signed



CHAIRPERSON

(HON. JOHN M. MUTUTHO, MP)

Date.....

14th. June 2011

1.0 INTRODUCTION

The Departmental Committee on Agriculture, Livestock and Cooperatives is established under Standing Order No. 198. Its mandate pursuant to Standing Order 198(3) is-

- i) *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;*
- ii) *to study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;*
- iii) *to study and review all legislation referred to it;*
- iv) *to study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives;*
- v) *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*
- vi) *to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

Section 124 of the new Constitution also provides for the establishment of the Committees of Parliament. In particular reference to Section 124 (1), it states as follows:-

'Each House of Parliament may establish Committees, and shall make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its Committees.'

In accordance with the Second Schedule of the Standing Order 198 (2), the Terms of Reference (TOR) for the Departmental Committee of Agriculture, Livestock and Cooperatives are as follows:-

- (i) Agriculture
- (ii) Livestock
- (iii) Fisheries Development
- (iv) Cooperative development

(v) Production and Marketing

Subsequently, the Committee exercises oversight role over the agriculture sector which the seed maize production sub sector by the Kenya Seed Company Limited falls.

The Standing Orders and the Constitution also empower the Committees to make its selection of the subjects regarding the policy, management, administration and other activities of the Ministries and Departments falling under its jurisdiction.

The Committee comprises:-

1. The Hon. John M. Mututho, MP (Chairperson)
2. The Hon. Lucas Chepkitony, MP (Vice Chairperson)
3. The Hon. Benson Mbai, MP
4. The Hon. (Dr.) Victor Munyaka, MP
5. The Hon. John D. Pesa, MP
6. The Hon. (Dr.) Erastus Mureithi, HSC, MBS, MP
7. The Hon. (Dr.) Robert Monda, MP
8. The Hon. Frederick Outa, MP
9. The Hon. Evan Akula, MP
10. The Hon. (Dr.) Mohammad Sirat, MP
11. The Hon. Benjamin Washiali, MP

On Thursday, 7th April, 2011, the House debated a response by the Minister for Agriculture to a question raised by the Member for Cherangany Constituency, the Hon. Joshua Kutuny, MP, relating to shortage of maize seed in the country. The ministerial response generated a lengthy debate characterized by several point of orders seeking clarifications on the contents of the response by the Minister.

At the conclusion of the debate, the Temporary Deputy Speaker directed that the relevant Departmental Committee investigated the matter after the Members insisted the issue of maize seed shortage was of grave concern and needed serious attention. The Members stated that the issue of maize is directly linked to the Kenya's food security which currently poses a threat to security of the country.

Following the ruling by the Temporary Deputy Speaker, the Departmental Committee on Agriculture, Livestock and Cooperatives deliberated on the matter at its sitting on Tuesday, 19th April, 2011. Thereafter, the Committee resolved to undertake a visit to the Kenya Seed Company Limited to gain an insight into the extent of the problem of

shortage of seed maize and later to invite the Ministry of Agriculture to discuss the matter further. The Kenya Seed Company Limited is a state corporation charged with the responsibility of production and marketing of quality seeds in the country.

The Committee undertook the visit to Kitale on 6-7 May, 2011, to meet with the management and the Board of Directors of the Kenya Seed Company Limited. At the Kenya Seed Company, the Committee first toured the research and seed production farms, and dam construction site for irrigated seed production before being briefed on the seed situation in the country.

In conducting the inquiry, the Committee received evidence relating to the following:-

- i) the causes of the current shortage of maize seed
- ii) the seed varieties available
- iii) the prices of the different size packages for the different seed varieties (e.g., 2kg, 10kg and 25 kg packs)
- iv) the capacity of the Kenya Seed Company Ltd to produce seeds for the country
- v) the challenges facing the company in executing its mandate
- vi) the steps that need to be taken to mitigate future seed shortage

This Report contains the findings of the Departmental Committee on Agriculture, Livestock and Cooperatives on the investigation. In compiling this report, the Committee considered the evidence from the management and board of directors of the Kenya Seed Company Ltd, and the Ministry of Agriculture.

2.0 THE KENYA SEED COMPANY LIMITED

The Company is charged with the responsibility of producing certified seeds for the country and for export. It has the objective to add value to the farming enterprise and to contribute to food self-sufficiency essential to improving the quality of life of the people and towards achieving sustainable economic growth and prosperity.

The seed company has the core functions to:-

- i) develop better seed varieties and improve the existing cultivars
- ii) produce and process high quality certified seed products
- iii) distribute high quality seeds to the farmers efficiently and effectively

Since its incorporation in Kenya in July 1956 to promote the use of improved strains of pasture seed developed by the then National Agricultural Research Station at Kitale, the company has continued to improve and diversify its products and services. In 1958, the Company introduced commercial production of sunflower for the European bird feed market. In 1962, it introduced hybrid maize production.

Today, the Company boasts of its wide range of products including in excess of 60 certified seed varieties of maize, pasture, horticulture, sorghum, sunflower and indigenous vegetables seeds developed to suit the different agro-ecological zones in Kenya and African as a whole.

The Seed Company currently holds an estimated 80 percent market share of maize seed in Kenya which makes it a leading player in the Government's strategy of achieving food security. The remaining 20 percent is met by private seed companies.

The company has subsidiary seed companies which include:-

- (i) **Simlaw Seed Company Ltd:** It was formerly Simpson and Whitelaw Company and was incorporated in 1979. It is involved in horticultural trading in simlaw seeds and its operations currently include the development, processing, importation and marketing of high quality seed products.
- (ii) **Mt. Elgon Seed company Ltd, Kampala, Uganda:** It was incorporated in 2002 to support the Company's seed business in Uganda, Rwanda and Democratic Republic of Congo through the development and marketing of certified seed products.
- (iii) **Kibo Seed Company Ltd, Arusha, Tanzania;** which was incorporated in 2002 to produce and market quality seeds in Tanzania and Southern part of Africa.

According to the management, the financial performance of the company has recorded upward trends since 2003 after the government implemented intervention measures which included change in the management of the parastatal. Prior to 2003, the management had remained in the office since 1985.

Except for profit before tax which had for a longtime remained constant since 2005, there have been remarkable increases in the performance indicators to date and in particular, the turnover and net worth of the assets. The turnover rose from estimated

Kshs 2.9 billion in 2005/2006 to Kshs 4.1 billion in 2009/10. The company posted net worth assets of Kshs 6.2 billion in 2009/10 compared to Kshs 4.1 billion in 2005/06.

The data presented in the table below helps to illustrate the financial performance in the period 2005- 2010.

Table 1 showing trends in turnover, pretax profit and net assets of Kenya Seed Company in the 2005- 2010 period

Year	2005/6	2006/7	2007/8	2008/9	2009/10
Turnover (millions)	2,870,854	2,858,575	2,895,406	3,779,666	4,117,930
Pretax Profits (millions)	659,766	569,173	436,819	601,356	526,892
Net Assets (millions)	4,109,372	4,315,225	5,658,538	5,956,348	6,189,485

Source: Kenya Seed Company Limited (2011)

The slight variation in the pretax profits was explained as due to rising costs of seed production against a backdrop of reducing sale prices of the seeds.

Kenya Seed Company develops seed products ranging from maize, wheat, pasture, sunflower, sorghum and finger millet, legumes and horticulture seed varieties. The maize seed varieties are produced and categorized depending on the type of ecological zones. The maize varieties include highland, medium, lowland and dry land types which have been summarized in the table 2 below.

Wheat is the second priority crop in production by the company and developed through acquisition of germ plasma from KARI for its multiplication and subsequent supply to the farmers. The common varieties grown in Kenya include the *KS Mwamba*, *K Fahari*, *K Kongoni*, *Mbuni*, *Mbega* and *Robin*. The company stated that new varieties were being developed which are resistant to diseases, such as stem rust.

In Pasture Seed development, the seed company produces varieties, including *Rhodes Grass*, *Forage Sorghums*, *Leguminous Grasses* and *Lawn Grass*.

The development of Sunflower Varieties has been intensified through production of hybrids for oil extraction which include *H8998*, *Hungarian White*, *Kenya Fedha* and *4898*.

Table 2 showing the maize varieties produced for the different Agroecological zones in the country

Ecological Zone	Altitude and Rainfall	Suitable Areas	Existing Varieties	New Varieties
Highland	Altitude at 1500-2100m above sea level and 800-1500mm rainfall	Trans-Nzoia, Uasin Gishu, Nandi, Keiyo and Marakwet	H614, H626, H627, H628, H629, H6210, H6212, H6213	H6214, H6216, H6217, H6218, H6219
Medium	Altitude at 1000-1500m and 750m-1000mm of rainfall; with maturity period of 4-5months		H624, H513, H515, H516, H520	UA Kayongo H1 which is tolerant to Striga weeds
Lowland	Altitude at 0-1250m above sea level with 400mm of rainfall. Tolerant to moisture stress		PH 01, PH 02, PH 04	PH 06, PH 07, PH 08, PH 09
Dry land	Suitable for dry lands, arid and marginal areas with 200-500mm of rainfall and altitude of between 500-1000m above sea level. Maturity period is 3-4months		DH 01, DH 02, DH 03, DH 04	DH 06, DH 07

Source: Kenya Seed Company (2011)

According to the company management, the production of Sorghum and Finger Millet Varieties promises great potential owing to their ability to withstand drought. The Company currently produces sorghum varieties of *Serna*, *Seredo* and *E1291* which have good quality malting characteristics, and finger millet varieties, such as *P224* and *Katumani*.

The Legumes Seeds produced by the company include varieties of beans, peas, cow peas, and green grams, while the horticultural seed varieties include cabbages, kales, onion, cucumber, eggplant, capsicums, tomatoes, spinach, cauliflower, broccoli and indigenous vegetables.

3.0 MAIZE REQUIREMENTS IN THE COUNTRY

According to Ministry of Agriculture, the national maize production is estimated at between 24 million to 33 million bags (90 Kg per bag) annually against consumption levels of about 36 million bags, but which is experiencing upward trends.

An estimated total of 1.6 million acres and 0.65 million acres of maize are planted during the long rains and short rains, respectively, with a modest estimation of 2.3 million acres being put under maize production annually. The estimated yields per acre vary, but on average farmers record 10-13 bags.

Statistical data on production and demand indicates that there will always be a shortfall in maize demand requirements. The deficit is commonly met through importation of maize.

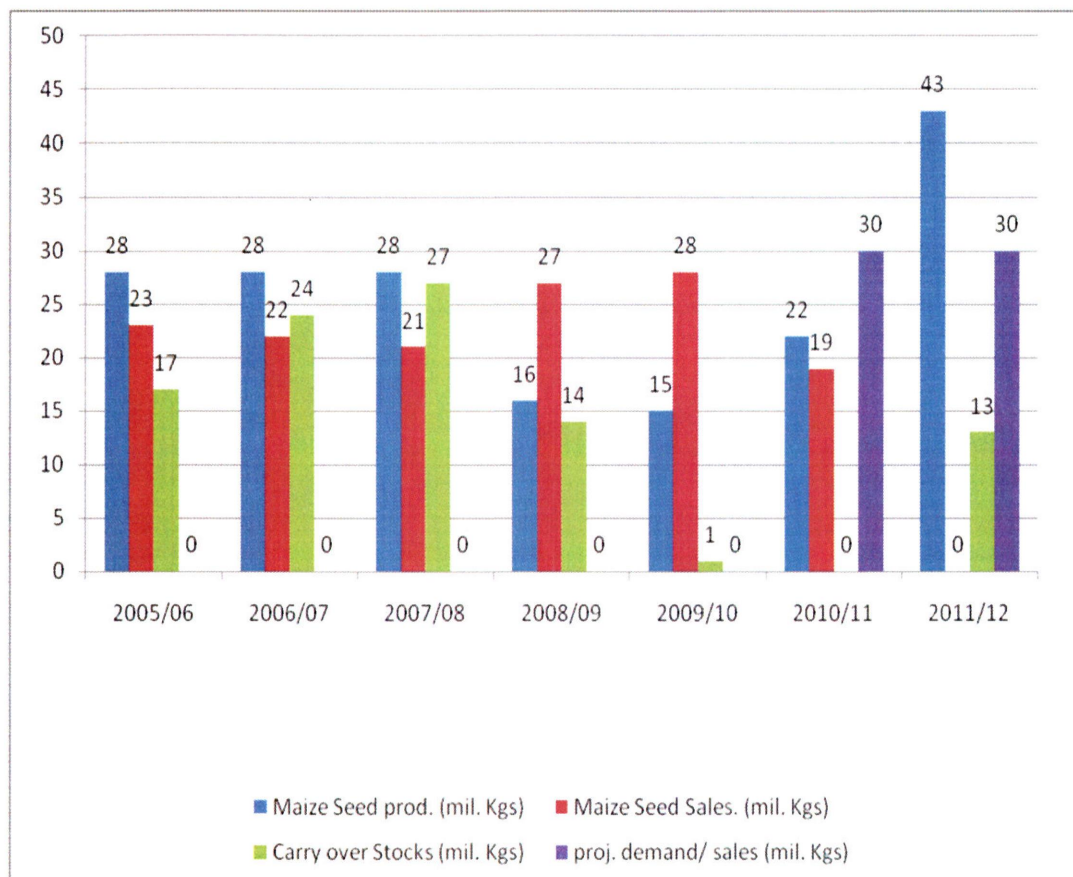
Estimates by the Kenya Seed Company indicate that, on average, a 10 kg bag of maize seed is needed to cover an acre of planted area. Consequently, an estimated 23 million Kgs of maize seed would be required annually for the estimated 2.3 million acres of planted area.

However, records on sales of seeds in the country, for both the Kenya Seed Company and private seed companies, show a national annual average at 25-28 million Kgs. If 23 million Kgs would be the needed for local sales, the balance sales were explained as due to seed exportation to other countries in the region.

Evidently, the Kenya Seed Company is therefore required to produce at least 26 million kilograms annually to satisfy the current seed requirements in the Country. The graph 1 below summarizes the production, sales, carryover stocks and projected demand by the Kenya Seed Company in the period 2005-2010.

From the figures, it is evident that the maize seed production declined from 28 million Kgs of certified seed in 2005/6 to the lowest level of production of 15 million Kgs in 2009/10. Thereafter, it has dramatically increased to 21 million Kgs in 2010/11.

Graph 1 showing seed production and demand trends



Source: Kenya Seed Company (2011)

On the other hand, the demand for seeds has generally increased from 23 million Kgs in 2005/6 to 27 million Kgs in 2009/10, although it declined to 20 million Kgs in the subsequent year, 2010/2011. The carryover stocks reflected an increasing trend from 17 million Kgs in 2005/2006 to 27 million in 2007/08, and thereafter, it dramatically decreased to nil balance in 2010/2011.

The decline in the carryover stocks was explained as consistent with the decision to clear the stocks else the seeds might be spoilt and written off as obsolete. By January 2011, the company had no carry-over stocks.

4.0 FIELD VISIT TO THE KENYA SEED COMPANY LIMITED, KITALE

The inspection tour to the seed company at its headquarters at the outskirts of Kitale town, on May 6-7, 2011, was informed by the urgent need to gather information in an attempt to gain an insight into the causes of the seed shortage in the country. This was after the debate on the matter in the House raised varied responses.

Further, the farmers, especially in the maize growing areas of Rift Valley, had raised complaints over non-availability of seeds during the current planting season in the early part of this year, 2011.

On arrival at Kitale, the Committee first toured the Seed Research Centre Offices at Elgon Down Farms at Endebbes Township. At the Research Centre, the Committee was welcomed by the Managing Director of the Kenya Seed Company, Mr. Willy Bett, who briefly explained the various seed research activities being undertaken by the company.

Therafter, the Committee visited the maize seed farms and company's dam under construction for irrigated water supplies during the dry spells. At the dam site, the Managing Director informed the Committee that the decision to construct the dam was as a result of the impacts of the dry spell experienced in 2009/2010 year which adversely affected the seed production and leading to the current shortage of seed from the company.

The dam was being constructed by the technical personnel of the company and projected to cost Kshs 16 million. The Committee praised the company for its move to reduce cost of construction of the dam by utilizing its own staff instead of awarding tenders which have drained billions of monies from the government budgets in similar ventures by other Ministries and Institutions in charge of irrigation dams.

The Committee also visited the company seed driers complex. The facility dries the seed to reduce moisture content and process them before packaging and storing before onward distribution to agents and retailers, and export. Some of the seed is stored as reserve stocks for future needs and for use by the company in its research work on its farms.

Therafter, the Committee held a meeting with the management and the Board of Kenya Seed company Limited at the board room of the company's headquarters in the late afternoon. The details of the proceedings are presented in the section 5.0.

5.0 MEETING WITH THE MANAGEMENT AND THE BOARD OF DIRECTORS OF THE KENYA SEED COMPANY

On the afternoon of Friday, 6th May, 2011, the Committee met with the management and Board of Directors of the Kenya Seed Company to discuss the seed shortage. The meeting was held at Board Room of the company headquarters offices.

During the meeting, the Committee heard explanations given for the seed maize shortage and was informed, as follows:-

- i) The shortage of the seed affected the only those maize seed varieties that are produced for growing in high altitude areas. These were mainly the 600 series varieties grown by farmers mainly in the highland areas of Rift Valley region, such as Trans Nzoia, Nandi, Uasin Gishu, Keiyo, Marakwet, Kericho and Trans Mara. The varieties included H 614, H 626, H627, H 628 and H 628.
- ii) At a Company's Board meeting held on 14th March, 2008 (see Minutes attached at annex I), the Board took a strategic decision to reduce seed maize production (by about half) due to excess carry-over stocks which stood at about 26 million against estimated annual demand at 23 million Kgs.

The Board's decision was informed by a management paper on '*Research, Production and Marketing*' (see annex II) presented before it during the meeting which recommended for reduction of land acreage for production to 14,220 acres in 2008/2009 from 27,252 acres in 2007/2008 year.

However, from the production figures of 2008/2009 presented before the Committee, the company managed to plant 16,515 acres which produced about 16 million Kgs of seed. Table 3 below presents details of the acreage and production trends in the period, 2005-2011.

Table 3 showing the trends in acreage and production (2005-2011)

Year	Planted area(acres)	Production(Kgs)	Yield per acre(Kgs)
2005/2006	22,230	27,741,130	1,248
2006/2007	23,194	27,565,665	1,188
2007/2008	27,252	27,346,112	996
2008/2009	16,515	16,177,191	979.5
2009/2010	21,708	15,097,320	695.4
2010/2011	22,004	21,389,909	972.1

Source: Kenya Seed Company Limited

- iii) The company planted 21,708 acres of maize seed production in 2009/2010 with expected yield of 1,000 Kgs of clean seed per acre and an expected total yield of 22 million Kgs. However, due to the drought experienced during the season, a production of 15,097,320 Kgs was actually harvested after the yield per acre dropped to 695 Kg (see Table 3 above). The irrigated areas of Perkerra in Marigat and Migotiyu in Mogotio area were reportedly worst hit and an estimated 500 acres of planted areas was adversely affected. According to the company, this drastic drop in production marked the onset of events leading to the current seed shortage.
- iv) Although the company targeted 29 million Kgs of seed production from planting a total of 29,000 acres in 2010/2011 year, it actually managed only 22,000 acres from which a total of 21,484 million Kgs of seed were achieved. The company explained that the failure to achieve the projected area of planting was due to decline by farmers contracted to produce the seeds as result of low producer prices paid by the company compared to its competitors (private seed companies).

The company contract farmers outside its farms to grow seed in order to increase its supply base to meet local and external demand. This explanation was found consistent with the Minister's explanation on the floor of the House on the 7th April, 2011. According to the company, an additional 3 million Kgs of seeds from Bura and Hola irrigation schemes was expected by end of June 2011.

- v) The company was unable to meet its targets for seed production due to lack of sufficient and suitable land. The management stated that the company required a total of 4,500 acres for the production of basic seed to satisfy both local and regional demand, and to build its carry-over stocks at 300%.

The management further stated that only 1,500 acres of basic seed production were currently being met from its Elgon Down farms, and that the production of certified maize seed (CIG) and other seeds is achieved by contracting farmers which had also not attained the targeted acreage due to decline by the farmers, as stated in (iii) above. Other contributing factors to unmet targets include:-

- ✓ limited application of agricultural technology innovation, e.g., irrigation farming
- ✓ reliance on rain-fed seed production
- ✓ maize seed diseases and pests
- ✓ inadequate supply of basic seed

Subsequently, all these factors worked to make the company only able to plant acreage amounting to 22,000 acres maize seed against targeted 29,000 acres.

- vi) The low producer prices offered by the company for seed production have become a source of disincentives to many farmers contracted to produce seeds and who have since shifted to commercial maize production. A comparative analysis of the producer prices per kg of seed by the company and private companies help to illustrate the great disparity in prices as depicted by the table 4 below.

Table 4 showing the comparative producer prices for Kenya seed Company and lowest paying private company

Company	Year					
	2006	2007	2008	2009	2010	2011
Kenya Seed Company	34.00	36.00	36.00	41.00	42.00	52.00
Lowest Private Company	42.00	45.00	50.00	55.00	60.00	60.00

Source: Kenya Seed Company (2011)

The low producer (and retail) price by the company was explained as due to Government control on the producer prices of the seed. Consequently, the company has not been able to attract more farmers to grow the seeds.

For example, in 2009/2010, the company paid producer price per kg at kshs 41.00 which it increased to kshs 47.00 in 2010/2011 year. During the same period, the retail prices per kg were constant at kshs. 115.00. This is in contrast to the private companies which were paying producer prices of over kshs 55.00 per kg of seed and retail prices of over kshs 150.00 during the period.

An analysis of the producer, retail and agent prices for the maize seed reveal a wide disparity between those offered by the Kenya Seed Company and those by the counterpart private companies, as presented in the table 5 below. This reflected farmers' preferences to the higher producer prices offered by the private companies and the consequent supply of seeds to the private companies and engagement in commercial production of seeds.

Table 5 showing the different prices per Kg paid by the Kenya Seed Company and private companies for the maize seed

Company	Prices	
	Seed maize per kg (Agent/Dealer/Distributor)	Seed Maize per kg Retail/Farmer
Kenya Seed	102	115
Farm Chem	148	165
Pannar	160	180
East Africa	110	125
Western Seed	130	140
Average price per kg	137	152.5

Source: Kenya Seed Company (2011)

- vii) Overtime, there had been declining yields in the production of seed as a result of deterioration of soil fertility in the company's farms, poor agronomic practices and diseases and pests which have worked to worsen the situation created by non-responsive contractibility of farmers in the effort to increase land acreage for seed production. The table 6 below presents the scenario in the yields per acre in the period 2005 – 2011.

Table 6 showing trends in acreage planted and corresponding Yield per acre in the period 2005-2011

Parameter	Year					
	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
Planted area	22,230	23,194	27,252	16,515	21,708	22,004
Yields per acre	1,248	1,188	996	979.5	695.4	972.1

Source: Kenya Seed Company (2011)

- viii) The Company explained that rainfall patterns have not worked to favour the production of seed. The company currently relies on rain-fed seed production activities as it explores and invests in dam development for irrigation on its farms at Kitale. Although Kitale is within a region which often receive high amount of rainfall (see Table 7 on data on trends in rainfall), the recent weather patterns have become erratic, a phenomenon which has been attributed to global climatic change.

Table 7 on past trends in the rainfall in the period, 2005-2011

Year	2005	2006	2007	2008	2009	2010	2011
Mean rainfall (mm)	83.75	83.75	87.92	82.75	49.29	112.40	No records yet

Source: Kenya Seed Company (2011)

Except for the year 2010/2011, the trends in the amount of rainfall have generally been on a decreasing.

The 2009 year was the worst season when it recorded the lowest at 49.29 mm. This resulted in the drought which was experienced during the season and which culminated to the lowest yield (at 695.4 kgs per acre) ever recorded in the period 2005-2011. Consequently, this marked the beginning of the depletion of seed stocks as recharge of new seed dwindled and therefore leading to the current seed shortage.

However, the high amount of rainfall recorded in 2010 resulted in the high production of seed at 21,389,909 kgs of which an amount of 19,654,993 kgs were sold. But, at the same time, there were no carry-over stocks to cushion the seed demand by farmers, thereby leading to the outcry over the maize seed shortage.

- ix) At a meeting on 13th June, 2008 (see Minutes attached at annex III), the Research, Production and Marketing Committee of the company approved stock write-offs involving disposal of 753,019 kgs low germinating maize seed varieties composed of H94001 (420,524 kgs) and H515 (332,495 kgs) to be sold as commercial maize.

According to the company, these maize varieties were disposed at good price and saved the institution expenditures related to fumigation, storage costs, insurance costs, and avail the company some funds tied up in the stocks.

The company explained that the disposal of the stocks was undertaken in accordance with the disposal procurement procedures by the finance department. The evidence presented also indicated the maize was sold to the government for onward distribution to the Internally Displace Persons (IDPs).

At this juncture, the Committee noted that the disposal of stocks as commercial maize was not new in the company. Earlier in 2006, an amount of 3,591,000 kgs was also sold as commercial maize (see data at Table presented at annex IV).

- x) Further to disposal of seed in (ix) above and the data on information presented at annex IV, a substantial amount of seed stocks were written off and disposed as obsolete at various times during the period 2005-2011, as follows:-

- ✓ In 2006, 249,000 kgs;
- ✓ In 2007, 129,000 kgs;
- ✓ In 2008, 839,000 kgs; and
- ✓ In 2009, 150,000 kgs.

- xi) Kenya Seed Company had supplied approximately 16.2 million Kgs of seed against a demand of about 17.5 million Kgs as at 6th May, 2011. The balance (1.13 million kgs) could have been met from the supply from the private seed companies. However, the company explained that its maize seed varieties were preferred choices by the farmers due to what they perceive is quality-value.

This account of evidence was consistent with the minister's response given on 7th April, 2011, when he (Hon. Ndambuki, MP; Assistant Minister for Agriculture) told the House that:

'There is a shortfall of 2,000,000 kilogrammes which is being met by the other private companies. What is emerging is that most of our farmers do not want seeds from other companies. We have varieties which are equivalent to what is being produced by the Kenya Seed Company but farmers do not want to buy that.'

- xii) The Committee was informed that the targeted production of maize seed variety, H 614, would be 14.5 million to be achieved by October 2011 against expected demand of 8 million Kgs. The company explained that this would go along way in ensuring that there would be sufficient availability of this variety before the next planting season expected to begin at the end of this year (2011).

The Committee was however concerned over 'what the price of the seed would be?' and recommended that the company reviewed the seed prices to make them affordable to the farmers if the country is to make progress in achieving self-sufficiency in maize requirements. The Committee noted that high cost of farm inputs had always stood in the way of farming activity, especially maize production.

The Company also presented before the Committee the past trends in actual sales (both local and export) in the period, 2005-2011. The details of the volumes are presented in the Table 8 below, while the corresponding sales figures involving the different varieties of seeds are presented at annexes V and VI for local and export sales, respectively. The total sales were as presented at annex VII.

Table 8 showing local and export sales by the company in the period, 2005-2011.

Category	Year					
	200/06	2006/07	2007/08	2008/09	2009/10	2011
Local Sales (Kgs)	21,963,693	21,610,100	19,864,490	24,691,670	26,032,989	19,654,993
Export sales (Kgs)	965,480	741,500	1,005,022	1,790,600	1,229,000	0

Source: Kenya Seed Company

The Committee was informed that the company had been marketing its seed business in the region and especially countries of Rwanda, Democratic Republic of Congo, Tanzania and Uganda. The company explained the export of seed could not be viewed in this light as contributing to current shortage of seeds since it was the business practice of the company to trade in seed in accordance with its mandate and in its effort to generate its own sources of revenue away from reliance from the Government's funding.

6.0 INTERVENTION MEASURES BEING TAKEN BY THE KENYA SEED COMPANY (AND MINISTRY OF AGRICULTURE)

At the conclusion of the deliberations, the Committee was informed that the company had put in place mitigation measures which were being implemented in response to seed crisis and to prevent recurrence in the future. The measures were arrived at following the Board's deliberation on a paper, attached at annex VIII, which contained detailed agenda on the matter.

The interventions were outlined to include:-

- 1) Offering farmers the medium altitude varieties, especially the H 513, which has the potential to produce high yields per acre at 25 bags (of 90 Kgs each) when good agronomic practices were applied.
- 2) Providing alternative seed crop varieties to the farmers, such as pasture, beans, sorghum, millet and wheat, to diversify food needs requirements.

- 3) Increasing the acreage of land for seed production to about 43,000 acres in the 2011/2012 year, up from the 26,000 acres in the last season (2010/2011) with about 29,000 acres being reserved for cultivation of high altitude seed varieties and 13,000 acres in irrigated seed production.
- 4) Review of the producer prices per Kg of seed from the current Kshs 47.00 to Kshs 52.00 to encourage farmers to grow seeds in the 2011/2012 season. According to the company, this has attracted good response from the farmers.
- 5) Establishment of 'seed village system' aimed at bringing farmers together in an area to grow only one variety of seed to overcome challenges posed by isolation distances required for different seed varieties.
- 6) Initiate negotiations with the Agricultural Development Corporation (ADC) to increase the area under seed production within its farms from the current 8,500 acres to 11,700 acres, and that negotiations involving lease of 1,200 acres by the Kenya Seed had been concluded.
- 7) Fast tracking the completion of construction works at irrigation dam, and expanding irrigation facilities and increasing land under irrigation at the company's Elgon Down farm.
- 8) Pursuing negotiations and providing for budgets to purchase an estimated 1,800 acres of private land adjacent to the Elgon Down farm for basic seed production.
- 9) Investments in soil testing equipment for soil sampling and testing to identify the soil type and appropriate fertilizers to be used by farmers in order to increase yields per acre.
- 10) Laying of strategies for building up stocks and setting up Strategic Seed Reserve by the Government to cushion against crop failures.
- 11) Strengthening field extension services to educate contracted farmers on best agronomic practices to increase yield of the seed.
- 12) Adoption of new technology in research and production to increase quality of seed and enhance resistance to pests and diseases.

- 13) Review of the strategic plan to take into account the development of instruments for detection of genetically modified organisms (GMOs) by June 2013 and in accordance with international protocols on GMOs.

7.0 MEETING WITH THE MINISTRY OF AGRICULTURE

On Tuesday, 17th May, 2011, the Committee met with the Minister for Agriculture, the Hon. (Dr) Sally Kosgei, EGH, MP, to further discuss issues of maize seed shortage. The Managing Director of the Kenya Seed Company Ltd, Mr. Willy Bett, accompanied the Minister.

During the meeting, the Minister reiterated the reasons contained in the ministry's response to the question on seed shortage on the floor of the House on 7th April, 2011, that, the depletion of stocks, long drought and high demand for the seed were the major contributing factors.

The Minister informed the Committee that the ministry was not alerted on the looming seed crisis. However, the issue was being given great attention. The Committee was concerned by this revelation yet the Ministry is well represented at the Board of Directors of the Kenya Seed Company Ltd and should be regularly briefed on the national issues of the agricultural sector.

The Committee noted that the agriculture sector is the mainstay of the economy of the country and that the Ministry should give priority attention to address issues threatening the sector. Consequently, the Ministry should be proactive to want to receive reports regularly on its important sub sectors including the status of the availability, sufficiency and affordability of farm inputs, e.g., the seeds and fertilizers.

The Committee was further informed that intervention measures to counteract the problem include increasing land acreage through negotiations between Kenya Seed Company and Agricultural Development Corporation over the use of the latter's farms in seed production, and increasing the yields per acre through application of best farm husbandry.

At the conclusion of the meeting, the Committee noted that seed is critical to achieving sustained progress to meeting the targets of maize food production and requirements. Consequently the Ministry should take urgent measures to ensure that seed is available in sufficient quantities and affordable for the farmers prior to planting seasons. The Committee noted that any delays in planting leads to poor yields of the crop.

8.0 MAIZE SEED PRICES

The retail prices of the maize seed were observed to vary for the different seed companies, as presented at Table 5, section 5.0 above. Overall, the prices offered by the Kenya Seed Company are very low compared to those offered by the private seed companies. In the current year (2010/2011), Kenya seed sold its seed at Kshs 115 per Kg which translated into Kshs 230/-, Kshs 1,100/- and Kshs 2,750/- for the 2Kgs, 10Kgs and 25 Kgs packets, respectively.

The private seed companies, on the other hand, sold their seeds at an average over Kshs 150/- and with the highest price of kshs 180/- being achieved for the Pannar Seed Company. For the Pannar Seed Company, the prices translates to Kshs 360/-, Kshs 1,800/- and Kshs 4,500/- for the 2Kg, 10Kg and 25Kg packets, respectively. The low prices charged by the Kenya Seed Company were earlier explained as due to Government control.

Kenya Seed Company serves the farmers in the maize growing regions through its distribution agents (400 No.) and stockists (2022 No.) which were spread out in various towns in those regions. The major concentrations were in towns in parts of Rift Valley, South Nyanza and Western Provinces (see annex IX).

9.0 COMMITTEE'S FINDINGS AND RECOMMENDATIONS

The Committee analyzed the evidence presented to explain the current seed shortage during the deliberation on the matter with the Ministry of Agriculture and the Kenya Seed Company. The Committee now makes the following observations as the major causes of the seed shortage:-

- i) That, the Board of Directors made a decision to reduce seed production by half in 2008 against a background of glaring-
 - ✓ declining yields per acre
 - ✓ erratic rainfall patterns
 - ✓ growing resentment by contracted farmers to engage in seed production (due to low producer prices by paid by the company)
 - ✓ declining stock reserves
 - ✓ inadequate land for seed production
 - ✓ growing demand for seeds locally and in the region

- ✓ highest amount of stock reserves being written off that year (at 839,000 Kgs)

The Committee therefore concluded the decision was mis-informed and that the former Board was responsible for taking the bold resolution in reduction of the production and release of the stocks.

- ii) The shortage of the seed involved maize varieties of '600 series' grown in high altitude areas mainly in the Rift Valley region, such as Trans Nzoia, Nandi, Uasin Gishu, Keiyo, Marakwet, Kericho and Trans Mara. The varieties included H 614, H 626, H627, H 628 and H 628 which were preferred by farmers in the region.
- iii) The drought which was experienced in 2009 adversely affected the production and led to the gradual depletion of seed stock reserves and culminating in the build-up of climaxed shortage with nil reserves being achieved in 2010/2011 season.
- iv) The company was not able to achieve targeted 29,000 acres of seed production in 2010 due to withdrawal of contracted farmers from their participation in seed growing citing poor producer prices paid by Kenya Seed Company.
- v) Between 2008 and 2010, a total of 989,000 Kgs of seed was written off as obsolete and destroyed. This had the net effect of reducing the stock reserve against increasing seed demand.
- vi) The production yields of the seed had been on the decline in the period 2005-2011, due to deterioration in soil fertility coupled with poor farm practices, pests and diseases which have resulted in poor harvests of the seed. The Board and the Management therefore displayed incompetence in considering and adopting the management paper to make deliberate decision to reduce the stocks.
- vii) The popular demand for the seed from the Kenya Seed Company due to what the customers perceive as quality seed created stress on the stocks available at the company. This observation was well within the domain of the Board and Management at the Kenya Seed Company to work against the reduction in production.

The Committee therefore concluded the Board demonstrated high level of incompetence in addressing the issues of seed production against accumulating carry over stocks. To the extent that they could proceed to reduce production by half and yet proceed to fast track the sale of stock reserve at the same time, was inconceivable.

While noting that intervention measures (see section 6.0) had been proposed to address the seed shortage issues by the Ministry of Agriculture and the Kenya seed Company, the Committee recommended the urgent need to fast track them in order to ensure availability of seed before the next planting cycle at end of the 2011 year.

Further, the Committee recommends that:-

- i. The Kenya Seed Company fast tracks the completion of construction of the irrigation dam and irrigation systems at the Elgon Down farm to address impacts of drought situations.
- ii. The Ministry of Agriculture provide for immediate and adequate budgets to address seed production sector since seed availability remains critical to food production and security.
- iii. The Ministry of Agriculture be held responsible and reprimanded for the seed shortage for being part of decision to implement the reduction of seed production by virtue of being represented at the Board of the Kenya Seed Company.
- iv. There is urgent need to build capacity in the farm extension services by the Kenya Seed Company to increase the seed production yields per acre within its farms.
- v. To provide for timely supply of seeds, the Ministry of Agriculture and the Kenya Seed Company provide budgetary provisions to revive and rehabilitate the Kenya Farmers Associations' stores to stock the seed and act as distribution outlets before the planting season. The Seed Agents and Stockists were noted to sell seeds at very high prices compared to those sold by the Kenya Seed Company.
- vi. Review of the cost of seed to make it affordable through subsidy by the Government after examination of gross margin analysis in the seed production.

- vii. The Ministries of Agriculture and Lands move expeditiously to rationalize pieces of land owned by the ADC with a view to re-allocating some farms for lease to Kenya Seed Company production and research, especially in those farms where seed production was currently being practised. The ADC farms at Malindi, Galana and Bachuma ranches are proposed for consideration for lease by the Kenya Seed Company.
- viii. The Ministry of Agriculture provided budgets in the 2011/2012 year to raise funds to enable the Kenya Seed Company to purchase the estimated 1,800 acres of the private land adjacent to its Elgon Down farm which is targeted for basic seed production.
- ix. Establishment of a Strategic Seed Reserve by the Government to cushion farmers against crop failures during worst times, and stabilize prices at below Kshs 100.00 per kilo.
- x. The Ministry and the Kenya Seed Company fast tracks the establishment of a facility for detection of genetically modified organisms (GMOs) to avoid contamination of seed development in the farms owned or leased by the company and in the contracted farmers' fields.
- xi. The Government supports the Kenya Seed Company to provide funds for the development of the expansion of irrigation facilities in the constructed dam.
- xii. The Ministry of Agriculture and the Kenya Seed Company provide for funds in the budgets to upgrade and replace the outdated machinery, especially in the driers, to meet the present world technological trends of seed drying and processing.
- xiii. The Ministry of Agriculture builds its capacity in the directorate of crops to monitor and assess the seed situation in the country at all times with a view to taking timely response and briefing the country appropriately.
- xiv. The Criminal Investigation Department and the Kenya Anti-Corruption Commission move to establish whether the export of seeds and the decision by the Board and Management to reduce production (by half) and hastily sell the reserves were informed by any corruption practice, and to establish how the sales of the stock reserve were finally handled.

10.0 CONCLUSION

The Committee finds that the genesis of the maize seed shortage was the decision by the Board of the Kenya Seed Company to reduce the production by as much as half in 2008 while at the same time fast tracking the clearance of sale of the stock reserves. These two major decisions were made against the backdrop of visible declining yields as a result inadequate land, withdrawal of contracted farmers in seed production business, declining soil fertility, pest and diseases, unreliable rainfall and increasing demand; among other factors. The manifestation of drought in 2009/10 season exacerbated the situation of a predictable shortage of seed.

The Committee therefore holds the view that the Kenya Seed Company and the Ministry of Agriculture were responsible for the seed crisis. Therefore, the intervention measures and the recommendations which have been made in this report need to be fast tracked to address seed issues before the next planting season. In the meanwhile, the Ministry of Agriculture and the Kenya Seed company should undertake to brief the country on seed situation and seed prices before every planting season in order to remove uncertainties and assure farmers of adequate seeds for planting every season. Seed availability is very critical to ensuring the country meets its food security needs and rid itself of famine and hunger, and expensive food imports.

KENYA SEED COMPANY LIMITED

**MINUTES OF THE RESEARCH, PRODUCTION & MARKETING COMMITTEE
MEETING HELD AT THE COMPANY'S BOARD ROOM AT TRANS NZOIA
TEACHERS PLAZA, KITALE, ON 14TH MARCH 2008, AT 8.30 A.M:**

PRESENT:

- | | | |
|--------------------------|---|--|
| 1. Mr. Zedekiah Agata | - | Chairman |
| 2. Ms. Beatrice King'ori | - | Alt. Director (Rep. PS, Ministry of Agriculture) |
| 3. Mr. Joseph Ndeda | - | Alt. Director (Rep. ADC) |
| 4. Mr. Francis Koech | - | Director |
| 5. Mrs. Lily Githiyyi | - | Director |
| 6. Mrs. Jedidah Gachanja | - | Director |
| 7. Mr. Hosea Sitienei | - | Managing Director |

IN ATTENDANCE:

- | | | |
|-------------------------|---|---|
| 1. Mrs. Meuledi Iseme | - | Deputy Managing Director |
| 2. Mr. Francis Mwaura | - | Sales & Marketing Manager |
| 3. Mr. Alfonse Laboso | - | Ag. Operations Manager |
| 4. Mr. Azariah Soi | - | Ag. General Manager, Simlaw Seeds Co. Ltd |
| 5. Ms. Eunice Ombachi | - | Production Manager (Seed Maize) |
| 6. Mrs. Elizabeth Lebo | - | Quality Assurance Manager |
| 7. Mrs. Andrew Ngeno | - | Mechanical Engineer |
| 8. Mr. Francis Ndambuki | - | Research Manager |
| 9. Mrs. Esther Bii | - | Nakuru Branch Manager |
| 10. Ms. Joyce Agufana | - | Pasture/Sunflower Manager |
| 11. Mr. Hosea Sirma | - | Basic Seed Unit Manager |
| 12. Mrs. Rose Cauri | - | Company Secretary |

MIN. RPMC 15/151/008: COMMENCEMENT:

- 151.1 The meeting commenced at 8.30 a.m.
151.2 The agenda was adopted as tabled without any amendments.

**MIN. RPMC 15/152/008: CONFIRMATION OF THE MINUTES OF THE
MEETING HELD ON 6TH DECEMBER 2007:**

The minutes were noted to be a true record of the proceedings of the meeting that was held on 6th December 2007. They were proposed for confirmation by Mr. F. Koech and seconded by Mr. J. Ndeda and signed by the Chairman.

- ii) Construction of the new storage facility at the Seed Driers Complex was on-going. However, completion was expected to be delayed by about a month. The delay was attributed to a shortage of building materials, especially cement, following the post-election violence.

The Committee urged that completion should not exceed the extra one month (by 31st July 2008) and that quality should not be compromised.

- iii) Other on-going projects were the construction of the ablution block and fencing of the Seed Driers Complex. The overhaul of the stand-by generator was due to commence soon, the Local Purchase Order (LPO) having been issued.

iv) CONCLUSION:

The Manager was directed to present his work plan in form of a matrix for easy analysis in future.

The report was noted.

154.6 PRODUCTION DEPARTMENT:

(a) SEED MAIZE (COMM. PAPER NO. RPMC 11/111):

The highlights of the seed maize Production Manager's report were as follows:

- i) During the quarter under review, the Department had been engaged in harvesting and delivery of the main season's crop to the Seed Driers, planting of the off-season crop, recruitment of growers and payment for the seed delivered.
- ii) A total of 26,256,688 Kgs of clean seed consisting of various varieties had been harvested, against a target of 25,410,000 Kgs. The yield per acre was 962 Kgs. It was noted that this yield was lower than the previous year's of 1,100 Kgs per acre. This was attributed mainly to unfavourable weather conditions at the time of harvest as there was too much rain throughout the season, which led to rotting and sprouting of seed. Towards the end of the season, hailstorms led to lodging in some instances.
- iii) Planting of the off-season crop for the period 2007/2008 under irrigation had been completed while harvesting of the earlier crop had begun in Wei Wei, Sigor and Ziwani.
- iv) The production planning for 2008/2009 season was complete. A total of 14,220 AC were projected for production, much lower than the previous year's (27,252 AC) as there were sufficient carry-over stocks. The expected yield was 13 million Kgs. However, it was observed that growers (farmers) were facing challenges in terms of high production costs.

However, the Seed Allocation Panel which met on 20.2.2008 had allocated 16,191 AC and recruitment of growers was complete. Land preparation was therefore in progress.

Growers were encouraged to purchase crop insurance cover, and a seminar had been held, facilitated by the Company to sensitize them on the benefits. The Ministry of Agriculture representative urged the Company to expect substantial amounts of orders for seed maize in aid of the internationally displaced persons following the post-election violence. The Management confirmed that it would be up to the challenge.

v) **CONCLUSION:**

The Committee noted the report and directed as follows:

The overall objective will be to produce 16million Kgs of seed maize at an average yield above 1000kgs per acre.

- a) That production should be in accordance with the market demand;
- b) That efficiency in seed production should be maximized, and wastage minimized;
- c) To provide quality objectives and action plan and strategies for achieving the set targets
- d) To aim at increasing yields to 1,000 Kgs per acre as the minimum average.
- e) To provide each seed variety's optimum potential, which was essential for planning purposes.

(b) **PASTURE & SUNFLOWER DEPARTMENT (COMM. PAPER NO. RPMC 11/113):**

The highlights of the Pasture & Sunflower Manager's report were as follows:

- i) During the period under review, harvesting of crops that are managed by the Department was completed. A total of 693,292 Kgs of commercial sunflower was achieved, against a target of 1.5 million Kgs; 26,726 Kgs of pasture against a target of 100,000 Kgs and 355,710 Kgs of sorghums and finger millets against a target of 400,000 Kgs, respectively. An extra 75 AC were due to be harvested at KVDA Sigor by April 2008, expected to yield 75,000 Kgs. The annual target would therefore be met. The below - target achievement in some seed varieties was attributed to heavy rains during the production period, which led to rotting, while the 2nd crop was affected by dry weather conditions which set in with effect from September 2007 to-date. Seed grass in Nakuru District had not yet been delivered as the production areas could not be accessed following the post-election violence.
- ii) Production planning had been completed, and in the coming season, the following acreage was planned:

sealing and dispatch of basic seed to production departments; delivery of pre-basic seed to contracted growers; monitoring of the off-season crop in the field and overseeing the dam construction procedures.

The report was noted.

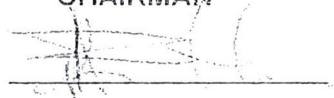
There being no other business to deliberate upon, the meeting ended at 3.30 p.m.

Minutes approved for circulation


CHAIRMAN

28/4/08
DATE

Minutes confirmed:


CHAIRMAN

15/6/08
DATE

SEED MAIZE PRODUCTION.

PAPER FOR RESEARCH, PRODUCTION AND MARKETING
COMMITTEE MEETING OF THE BOARD OF 14TH MARCH 2008.

INTRODUCTION.

The main activities between the months of December 2007 and February 2008 were; harvesting and delivery of the main season crop, planting of the off-season crop, Recruitment of Growers for 2008/2009 season, Production Planning, Seed Allocation Committee Meeting and Payment for delivered seed.

DETAILS OF THE ACTIVITIES:

1. HARVESTING OF SEED MAIZE:

Harvesting of main season 2007/2008 crops were completed in mid-December, 2007 as scheduled. A total of 26,126,688 clean kgs of various varieties have been delivered the Performance Contract Target is 25,410,000 Kgs and this has therefore been achieved. (Table 1).

A) Seed Maize Production Yield Analysis As At 29/02/08 Table 1

Var	Acres	Wet Kgs	Clean kgs	Con. Fac	Aver. C/Seed Per Acres
H 614	9,237.73	12,084,190	7,160,471	0.59	775.13
H 625	1,015.58	1196170	771457	0.64	759.62
H 626	700.83	874710	478902	0.55	683.34
H 628	2,907.28	4093500	2313353	0.57	795.71
H 629	1,075.21	2306400	1392562	0.60	1,295.16
H 6210	2,133.71	4677840	2532978	0.54	1,187.12
H 6213	5,637.88	9561440	5579210	0.58	989.59
H 513	2,121.85	3994259	3169378	0.79	1,493.69
H 520	635.00	1123300	666620	0.59	1,049.80

DH 01	293.06	292420	267279	0.91	912.03
DH 04	529.02	1000370	973562	0.97	1,840.32
DLC 1	382.78	237280	116937	0.49	305.49
PH 4	582.31	818432	793979	0.97	1,363.50
Total	27,252.23	42,260,311	26,216,688	0.62	962.00

B). Off-Season Crops (2007/2008).

Planting of off-season crops in various irrigated areas countrywide was completed and harvesting of the earlier planted ones has since begun.

Harvesting of the off-season crops is going on in Wei Wei, Sigor and Gicheha farm, Ziwani.

Table 2.

POWER NAME/VAR	PLANTED (Ha)	HARV. (HA)	BAL. TO HARV. (Ha)	WET KGS DEL. (Ha)	REMARKS
01					
W.D.A S/Centre	11.00	11.00	0	2,660	Harvesting completed
Wei Wei Farmers Asso.	10.00	10.00	0	18,380	Harvesting completed
02					
Wei Wei Farmers Asso.	198.00	141.00	57.0	343,990	Harvesting going on
04					
Ngotiyo Plantations	75.00	0	75.0	0	Not yet ready
01					
Gicheha Farms, Ziwani	132.0	0	132.0	0	Almost ready for harvest.
513					
Gicheha Farms, Ziwani	81.0	51.0	30.0	1300 x 90	In store at Ziwani, Taveta awaiting del. To Ruaraka Stooking, drying & selection going on.
Total	507.0	288.0	219.0		

Harvesting and delivery of seed from Gicheha Farm, Ziwani has been completely slowed down due to limited storage capacity at Ruaraka. The matter is currently under consideration by the management.

3. FINAL PAYMENT TO GROWERS.

Final payment for the delivered crop for 2007/2008 main season is being prepared and will be paid before end march 2008 as per the Contracted Agreement signed between the company and the growers.

4. PRODUCTION PLANNING FOR THE 2008/2009 SEASON.

This was done and a total of **14,220 acres** of various varieties was projected for production. This area is a little less than half the production area for the 2007/2008 season. The reason for reduction being availability of enough stocks for certain varieties for the current and next season's needs and the continuing low sales.

PROPOSED PRODUCTION TARGETS. 2008/2009 SEASON.

TABLE 3.

VARIETY	KGS NEEDED	PROJECTED AREA (Ac)	REMARKS
High Altitude Varieties			
H 614	8,000,000	8,000	
H 6210	2,000,000	2,000	
Sub Total	10,000,000	10,000	
Medium Late Varieties			
H 624	750,000	750	
H 522	30,000	30	New variety for introduction
Sub Total	780,000	780	
Dry Land Varieties			
DH 01	300,000	600	
DH 02	500,000	1,000	
DH 04	100,000	100	
DH 06	100,000	100	New variety, to be introduced off-season
Sub Total	1,000,000	1,800	

Lowland Varieties			
PH 1	300,000	600	
PH 4	800,000	1,000	
PH 5	40,000	40	New variety for introduction
Sub Total	1,140,000	1,640	
GRAND TOTAL	12,920,000	14,220	

5. SEED ALLOCATION (2008/2009 SEASON).

Recruitment of farmers was completed in line with the Production Planning targets. The Seed Allocation Committee Meeting was held on 20th February, 2008 with a total of 16,191 acres being allocated.

6. OTHER REMARKS.

Land preparation is going on in readiness for planting the main season (2008/09) crop.

Inputs for issue to farmers continue to be received at the Production Stores.

Prepared By:



Eunice B. Ombachi (Ms)
Production manager (Seed Maize).

Approved By:.....

Managing Director. KSCo.

CONFIDENTIAL

KENYA SEED COMPANY LIMITED

MINUTES OF THE RESEARCH, PRODUCTION & MARKETING COMMITTEE
MEETING HELD AT THE COMPANY'S BOARD ROOM AT TRANS NZOIA
TEACHERS PLAZA, KITALE, ON 13TH JUNE 2008, AT 8.30 A.M:

PRESENT:

- | | | |
|--------------------------|---|--------------------------|
| 1. Mr. Zedekiah Agata | - | Chairman |
| 2. Mrs. Jedidah Gachanja | - | Director |
| 3. Mr. Francis Koech | - | Director |
| 4. Mr. Joseph Ndeda | - | Alt. Director (Rep. ADC) |
| 5. Mrs. Lily Githiyyi | - | Director |
| 6. Mr. Hosea Sitienei | - | Managing Director |

IN ATTENDANCE:

- | | | |
|-----------------------|---|---------------------------------|
| 1. Mrs. Meuledi Iseme | - | Deputy Managing Director |
| 2. Mr. Francis Mwaura | - | Sales & Marketing Manager |
| 3. Mr. Alfonse Laboso | - | Ag. Operations Manager |
| 4. Ms. Eunice Ombachi | - | Production Manager (Seed Maize) |
| 5. Mr. James Chemweno | - | Rep. Quality Assurance Manager |
| 6. Mr. Andrew Ng'eno | - | Mechanical Engineer |
| 7. Mr. Mathew Mwarrey | - | Rep. Research Manager |
| 8. Mrs. Rose Sirma | - | Rep. Nakuru Branch Manager |
| 9. Ms. Joyce Agufana | - | Pasture/Sunflower Manager |
| 10. Mr. Hosea Sirma | - | Basic Seed Unit Manager |
| 11. Mrs. Rose Cauri | - | Company Secretary |

ABSENT WITH APOLOGIES:

- | | | |
|-----------------------|---|--|
| Ms. Beatrice King'ori | - | Alt. Director (Rep. PS, Ministry of Agriculture) |
|-----------------------|---|--|

MIN. RPMC 16/154/008: COMMENCEMENT:

- 154.1 The meeting commenced at 8.30 a.m.
154.2 The agenda was adopted as tabled.

MIN. RPMC 16/155/008: CONFIRMATION OF THE MINUTES OF THE
MEETING HELD ON 19.3.2008:

- 155.1 The following corrections were made before the minutes of the meeting held on 19th March 2008 were confirmed:

- i) Min. 154.1 (iv) 4th paragraph: Read: "areas" not "arrears".



– In performance analysis, insert "market value" at the top of the column.

- ii) Min. 154.4 (iv) (a): Read: "identify" instead of "identifying".

155.2: After the corrections were made, the minutes were proposed for adoption by Mr. Ndeda and seconded by Mrs. Gachanja, and thereafter confirmed as a true record of the proceedings, and signed by the Chairman.

MIN. RPMC 16/156/008: MATTERS ARISING:

1. Construction of a Dam at Elgon Downs Farm (Min. 153/1):

1. The Committee was informed that all the potential Government Institutions engaged in drilling and dam construction with the exception of ADC were not in a position to provide quotations for the service. In view of the little time before the end of the financial year and also because of insufficiency of funds, the management decided to postpone the exercise to the next financial year to allow for allocation of sufficient funding and engage in competitive procurement for the works. The Committee, however, advised the proper designs and costings for the project should be done to facilitate allocation of sufficient funding for this important project before tendering.

2. Sale of low germinating seed sorghum (Min. 153/3):

The Committee was informed that the low germinating seed sorghum was being sold in bits, and the process was continuing.

MIN. RPMC 16/157/008: TO RECEIVE THE FOLLOWING REPORTS:

157.1: SALES AND MARKETING DEPARTMENT (COMM. PAPER NO. 12/115):

The highlights of the Sales and Marketing Manager's report were as follows:

- i) Seed maize dispatches for the quarter just ended had been met. A total of 15,795,570 Kgs of seed had been dispatched for sale in various outlets, against an annual target at 19,126,000 Kgs. This was comparatively lower than the performance during the same period last year. In terms of sales, 82% of the set target had been achieved. This was as compared to other seeds - 70% of wheat, 187% of sunflower; 48% of sorghum 39% of beans and 25% of pasture. The North Rift, Central Rift and South Rift, respectively, recorded the highest sales volume, followed by Central Kenya, Nyanza and Western regions of the country.
- ii) However, the performance could have been even better were it not for the post-election political situation which led to displacement of persons, coupled with increased cost of farm inputs which led to reduced acreage. All the same, the Company fared quite well compared to the competitors.

With the resumption of stability in the country coupled with intensive product promotion activities all over the country, higher sales were expected before the end of the current rainy season.

- iii) A follow-up report on the Congolese market survey carried out in March 2008 was provided. The Sales and Marketing Department was working hand in hand with the Research Department to ensure seed registration and sourcing of orders from agents and the Congolese Ministry of Agriculture and Marketing. A total of 10 varieties had been proposed for that market for registration and release at total fees of US Dollars 25,765 (K.Shs.1.6 million).

On request, the Committee **APPROVED** this expenditure which would be utilized to put the various varieties into the National Performance Trials (NPT) and the National catalogue. The trials carried out had registered very good performance.

So far, seed worth K.Shs.5.3 million had been sold in D.R. Congo, with the removal of tax on imported seeds by the Congolese Government.

iv) Conclusion:

The Manager was directed to do the following:

- a) To indicate specific targets for the external markets in their departmental work plans.- including various seed types.
- b) To strategize carefully on how to trade in the foreign market and present the plan to the Committee for approval and input.

The Board members expressed a desire to visit the D.R. Congo to observe the Company performance.

The report was noted.

157.2: NAKURU BRANCH (COMM. PAPER NO. RPMC 12/116):

The highlights of the Nakuru Branch Manager's report were as follows:

- i) A total of 4,251 AC of seed wheat had been planted out of the contracted 8,482 AC. The targeted yield for the 2008/2009 financial year was 6,488,730 Kgs of various varieties of seed wheat. This was compared to 4,797 AC in 2007/2008 whereby 3,705,320 Kgs were achieved. Production was carried out in Narok (1987 AC) Nakuru (724 AC) Trans Nzoia (655 AC) Uasin Gishu (585 AC) and Timau (300 AC). Planting was in progress in Maralal while it was yet to commence in Nyandarua.

The Committee was informed that the bulk of the crop in Narok (1,987 AC) had been affected by the dry spell and it was feared that the entire crop might be lost. Consequently, the Committee advised that further production be carried out under Rapid Results Initiative (RRI) in order to meet the targeted 6 million Kgs.

- ii) Seed Stocks as at 31st May 2008 were provided. A total of 3,428 MT of seed wheat had been processed, 4.71 MT of oats, with processing of a further two lots expected to be

completed in the 2nd week of June 2008. The servicing of the plant and machinery would commence in the 1st week of June 2008.

- iii) A comparative data for the financial years 2006/2007 and 2007/2008 sales was provided. The actual sales of all seed crops in 2006/2007 amounted to K.Shs.248 million (between July 2006 – June 2007) and K.Shs.263.2 million between January 2007 – March 2008, which was higher than the previous year in spite of the post elections turmoil that was experienced in some parts of the country early in the year. The projected sales for the year were K.Shs.410 million.
- iv) The branch's marketing and promotional activities for the year had progressed well, with 100% of the targeted number of field days planned for the year having been achieved.
- v) Conclusion:

The Committee requested that an analysis showing how the adverse weather effects would impact on the Company financially as the growers in the affected regions had already been provided with farm inputs be prepared and submitted in the next meeting.

The report was noted.

157.3 QUALITY ASSURANCE (COMM. PAPER NO. 12/117):

The highlights of the Quality Assurance Manager's report were as follows:

- i) Activities during the period March to June 2008 included various tests analysis, sampling of carry-over stocks, both processed, dressed and raw seed. There was also a review of post-certification survey.

Lack of adequate modern laboratory facilities was decried. In order to cope with the evolving technology in the field of seed research and testing, a fully equipped modern laboratory was required. The laboratory also lacked a seed pathology section to analyse diseases detected during seed testing. This was in addition to lack of soil testing section, limited qualified staff and limited opportunities for refresher courses and exposure of the existing staff in order to improve their skills.

The Committee noted that all those challenges shall be catered for once a modern laboratory was constructed at Elgon Downs Farm, intended also to service other departments in the Company that engage in research.

- ii) The post certification survey which was conducted by randomly sampling seed distributors and farmers revealed that a large number were ignorant of the right varieties for the various ecological zones. The Committee observed that this was very serious, and directed that field demonstrations be conducted in all regions to enlighten farmers on the ideal varieties for each area. During the survey, agents and stockists were provided with the relevant technical information on seed handling.

- iii) The department had successfully carried out the scheduled surveillance audit of the ISO 9001:2001 Quality Management System in the month of March 2008. The audit revealed that there was continual improvement of operations. Auditors from the certifying body also confirmed this fact. The next surveillance audit shall be carried out in August 2008.

The report was noted.

157.4 PROCESSING DEPARTMENT (COMM. PAPER NO. RPMC 12/118):

The highlights of the report by the Mechanical Engineer in charge of the Seed Processing Department were as follows:

- i) The processing of seed maize requirements for the long rains season had been completed by the last day of May 2008, with a total of 20,822,613 Kgs having been processed. However, processing of special varieties required by the Sales & Marketing Department was going on.
- ii) The scheduled annual maintenance for plant and machinery was on-going with 40% of the works so far accomplished. Construction of a storage facility was progressing well and expected to be completed on schedule. It was noted that activities at the department had been affected by the curfew imposed by the Government in the region as working hours had been reduced.
- iii) Stock levels in all the storage facilities as at the end of May 2008 were provided. 15,094,446 Kgs of high altitude seed maize varieties were in stock; 3,304,848 Kgs of medium altitude varieties and 691,354 Kgs of dryland varieties. These quantities were inclusive of the carry-over stocks.
- iv) The Committee was requested to approve disposal of low germinating seed of H. 9401 and H 515 seed maize varieties as commercial seed due to poor germination. The disposal of the seed at a time when the price of commercial maize was still good would also lead to savings on fumigation and storage related costs, and insurance costs. A total of 753,019 Kgs was affected.

The Committee **APPROVED** the request, subject to strict adherence to disposal and procurement procedures.

v) Conclusion:

The Committee reiterated that the store which was under construction should be completed by 31st July 2008 as earlier on approved, and also directed as follows:

- a) That seed processing should be carried out in accordance with the market demand rather than stock piling and
- b) That the burners should be modified in order to eliminate smoking the seed.

The report was noted.

157.5 PRODUCTION DEPARTMENT

a) SEED MAIZE (COMM. PAPER NO. RPMC 12/119):

The highlights of the report by the Production Manager in charge of seed maize were as follows:

- i) Planting of the main season crop had been completed by 30th April 2008 as scheduled. Following a spell of dry weather conditions, there was poor germination of some crops leading to a re-planting of about 55 AC and writing off about 40 AC. It was also evident that there might be a shortage of dryland Coastal varieties due to lack of basic seed. However, the Basic Seed Unit Manager had been requested to enhance the production of the affected parental lines for planting in the second season.

- ii) Production levels in terms of seed maize varieties were provided. A total of 13,060.85 AC of high altitude seed varieties had been planted against a target of 10,000 AC. Registration of this crop by KEPHIS was completed in some cases.

1,017 AC of medium altitude varieties had been planted against a target of 780 AC, 489 AC of dryland varieties against a target of 1,800 AC and 1,074 AC of Coastal varieties against a target of 1,640 AC.

In total 15,640.85 AC had been planted against a projected target of 14,220 AC. However, 16,029 AC had been allocated to ensure sufficiency.

- iii) It was noted that the increase in the cost of farm inputs had resulted in a decrease of profit margins, therefore discouraging the seed growers. Limited application of agricultural technology and innovation by growers had also led to reduced productivity. Other factors attributed to low production included over-reliance on rain-fed seed production hence vulnerability to erratic weather conditions, increased maize diseases and inadequate supply of basic seed.

Measures to address these problems included provision of enhanced technical support to growers, expanded use of irrigation farming and improved surveillance of diseases and pests in collaboration with breeders and researchers in developing tolerant/resistant varieties.

The Committee directed that all efforts should be put in place to ensuring that the challenges are addressed as opposed to merely noting an increase in the number of challenges, and that optimum productivity should be 1000 Kgs per AC as a cost reduction strategy.

The report was noted.

b) PASTURE & SUNFLOWER (COMM. PAPER NO. 12/120):

- i) Production for the current season had gone on as scheduled. A total of 110 AC of

K. Fedha Sunflower had been planted, expected to yield 69,000 Kgs. However, the target acreage was 2,301. 1015 AC of commercial sunflower had been planted, expected to yield 600,00 Kgs; the target acreage was 3,000.

- ii) The targeted acreage for pasture was 1,420 out of which only 844 AC had been planted, mainly at Elgon Downs Farm, Trans Nzoia and Nakuru. In sorghum and finger millet, the targeted acreage was 700 out of which 423 AC had been planted. Small scale farmer were enthusiastic, while the Wei Wei farmers group had expressed their interest to produce sorghum and finger millet under irrigation so long as the producer price was revised.
- iii) All the crops had performed well except in some areas where early planted commercial sunflower had been adversely affected by too much rainfall leading to rotting while the subsequent dry spell had affected the 2nd crop.
- iv) Conclusion:

The Committee observed that:

- There was justified need to renew the producer prices of orphan crops and sunflower in order to motivate the growers, as the demand for the seed was on the upward trend.
- Commercial sunflower continued to post negative returns and requested that the cost effectiveness to justify continued production be provided.

The Committee noted the report.

157.6 FARM OPERATIONS (ELGON DOWNS FARM) (COMM. PAPER NO. RPMC 12/121):

The highlights of the report of the Acting Operations Manager at Elgon Downs were as follows:

- i) The planting of seed maize, which began in March 2008, was complete. The total acreage viz-a-viz the expected yield was as follows:

	Acres	Actual Yield (Kgs)
Pre-Basic Seed maize	14	8,400
Basic Seed Maize	310	186,000
CIG Maize	600	960,000
Basic/CIG Wheat	450	495,000
Commercial Wheat	800	960,000
Commercial Sunflower	200	120,000
Basic Seed pasture	200	8,000
Certified Seed Pasture	200	8,000
Oats	150	180,000

The Committee was informed that the total income projected from the various farming enterprises, including income from coffee, milk and hay in 2008 was in excess of K.Shs.100 million. However, the Committee noted that with proper management, the yield and income should be far higher than the projection.

ii) Conclusion:

The Committee directed as follows:

- a) To optimize farm operations and convert it to a model farm in terms of quality management and yields.
- b) To classify coffee in terms of grade and class and improve the yields per bush to at least 10 Kgs per year.

The report was noted.

157.8. RESEARCH AND BASIC SEED UNIT (COMM. PAPER NO. RPMC 12/122):

a) RESEARCH:

The highlights of the Research Manager's report were as follows:

- i) All maize, pasture and wheat trials were doing well. However, only the drought tolerant varieties of maize were expected to survive in parts of Central, Eastern and South Rift regions following the dry spell.

Other crops being maintained were finger millet, seredo, and serena sorghum, groundnuts and sunflower.

- ii) Ten varieties of seed maize were recommended for release by the NPT committee meeting scheduled to be held on 12th June 2008. Others were one variety of wheat and two varieties of sunflower.

iii) Conclusion:

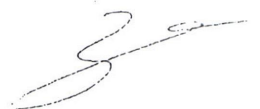
The Committee directed as follows:

- a) That the released seed varieties should be popularized before commercialization.
- b) To come up with varieties that can compete favourably with such popular varieties as H. 614.
- c) To pay more attention to defect elimination and maintenance.
- d) That the issue of plant variety registration should be pursued.

The report was noted.

b) BASIC SEED UNIT:

The highlights of the Basic Seed Unit Manager's report were as follows:



The Unit had endeavoured to fulfill its mandate of sustaining the bulking and processing of basic seed to meet certified seed production requirements. The projected production figures for the 2008/2009 season were provided as follows:

Crop:	Acres:
Maize: Basic	428
Pre-Basic	54
Pasture	253
Sunflower	75
Sorghum	50
Millet	40

Only 651.5 AC had been planted, but the process was on-going.

The Committee approved disposal of 82,422.9 Kgs of basic seed maize for commercial purposes as it was not yet dressed and destruction of all seed in torn packages as it was already dressed, all valued at K.Shs. 2 million.

The report was noted.

**MIN. RPMC 16/158/008 TO RECEIVE AND DELIBERATE ON THE REPORT OF THE
TECHNICAL COMMITTEE (COMM. PAPER NO. RPMC 12/123):**

The Committee was informed that the *Ad hoc* Technical Committee had met to review producer prices of orphaned crops, which include forage sorghum, grain sorghum, finger millet, sunflower seed, basic seed maize and certified seed maize, respectively. The escalation of the cost of farm inputs had made some growers especially of pasture and sunflower reluctant to engage in production due to the consequent low returns.

After taking all factors into consideration, the *Ad hoc* Committee made the following recommendations on price adjustments:

	Crop:	Current Price (K.Shs. per kg.):	Proposed Prices (K.Shs. per kg):
1. Forage Sorghum	Selling Prices		
	Producer	25	50
	Agent	80	90
	Stockist	85	95
	Retail	90	100
2. Grain Sorghum	Selling Prices		
	Producer	25	40
	Agents	50	70
	Stockists	55	75
	Retail	60	80
3. Finger Millet	Selling Prices		
	Producer	40	50
	Agents	50	70
	Stockists	55	75
	Retail	60	80

ANNEX IV

5 YEARS STOCK MOVEMENT	
YEAR	MAIZE (000)
30th JUNE. 2005	17,055
PRODUCTION	33,993
RAW MAIZE TO SIMLAW	(569)
SALES	(22,929)
30TH JUNE. 2006 closing	27,549
OPENING	27,549
PRODUCTION	21,543
RAW MAIZE TO SIMLAW	(926)
OBSOLETE (WRITTEN OFF)	(249)
SOLD AS COMMERCIAL	(3,591)
SALES	(22,352)
30TH JUNE. 2007 closing	21,974
OPENING	21,974
PRODUCTION	27,665
RAW MAIZE TO SIMLAW	(1,538)
OBSOLETE (WRITTEN OFF)	(129)
SALES	(20,870)
30TH JUNE. 2008 closing	27,101
OPENING	27,101
PRODUCTION	16,477
RAW MAIZE TO SIMLAW	(348)
CONDEMNED SEED	(832)
OBSOLETE (WRITTEN OFF)	(839)
SALES	(27,082)
30TH JUNE. 2009 closing	14,477
OPENING	14,477
PRODUCTION	14,903
RAW MAIZE TO SIMLAW	(825)
OBSOLETE (WRITTEN OFF)	(150)
SALES	(27,541)
30TH JUNE. 2010 closing	863

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VARIETY	ACTUAL LOCAL SALES OVER THE YEARS							ACTUAL SALES 2010/11 (APRIL 30 TH)
	ACTUAL SALES 2003/04	ACTUAL SALES 2004/05	ACTUAL SALES 2005/06	ACTUAL SALES 2006/07	ACTUAL SALES 2007/08	ACTUAL SALES 2008/09	ACTUAL SALES 2009/10	
H614	10,400,704	10,029,252	10,343,756	9,901,544	10,358,151	10,897,812	8,177,364	4,819,186
H625	955,109	765,464	740,199	647,471	621,664	588,409	776,760	704,892
H626	391,610	426,747	467,999	390,076	354,166	419,753	549,011	959
H627	976,158	732,574	713,176	350,744	71,454	1,545	0	0
H628	1,295,792	1,271,332	676,582	1,157,198	981,811	1,228,918	1,259,593	705,499
H629	288,289	852,689	1,081,769	680,448	862,212	1,060,909	986,279	3,318,747
H6210	175,846	544,069	1,406,810	1,675,934	686,720	1,100,537	3,652,378	613
H6213	125,049	854,354	1,894,657	3,730,671	3,426,964	4,908,697	1,754,174	4,289,379
H9401	1,833,213	1,128,495	640,583	120,566	66,660	23,630	148,797	125,830
H6212	0	0	78,910	81,398	131,451	73,846	89,683	1,397
S-total	16,441,770	16,604,976	18,044,441	18,736,050	17,561,253	20,304,056	17,394,039	13,966,502
H624	223	0	0	5,992	115,311	337,739	2,385,183	1,556,175
H623	39,166	10,106	30,890	15,550	7,206	0	0	0
H511	283,593	277,562	26,790	1,356	72	0	0	0
H513	1,344,235	1,528,937	1,596,111	1,570,326	1,238,810	1,808,988	1,652,630	1,356,495
H515	0	56,246	304,024	133,044	117,920	153,452	27,330	2
H516	0	28,501	350,040	160,368	218,779	481,591	433,426	681,152
H520	0	0	0	0	41,804	363,806	207,722	116,511
H522	0	0	0	0	0	32,248	0	0
S-total	1,667,217	1,901,352	2,307,855	1,874,652	1,739,902	3,145,576	4,738,539	3,710,335
DLC-1	15,768	15,004	4	0	0	79,344	32,900	0
KAT	36,724	91,884	110,574	826	0	0	7,040	21,462
DH 01	26,050	111,036	340,541	37,281	55,046	81,816	622,347	437,964
DH 02	85,816	161,783	177,553	203,612	113,416	277,430	329,892	55,458
DH 03	20	3,086	0	0	0	0	0	0
DH04	0	35,834	406,156	230,131	210,461	711,265	827,972	904,433
DH06	0	0	0	0	0	0	0	0
S-total	164,378	418,627	1,034,828	471,850	378,923	1,149,855	1,820,151	1,419,317
PH1	48,574	145,857	206,587	89,645	16,953	27,028	381,472	95,019
PH4	123,821	164,217	369,982	437,903	167,459	65,155	1,698,788	463,820
PH5	0	0	0	0	0	0	0	0
S - total	172,395	310,074	576,569	527,548	184,412	92,183	2,080,260	558,839
G-total	18,445,760	19,235,029	21,963,693	21,610,100	19,864,490	24,691,670	26,032,989	19,654,993

VARIETY	ACTUAL EXPORT SALES OVER THE YEARS									
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10			
H614		333,000	450,000	298,000	475,112	681,000	326,068			
H625		96,000	210,000	120,000	206,000	220,800	44,000			
H626		40,640	40,000		30,000	20,000				
H627			10,000			0				
H628		24,800	40,000	130,000	156,536	451,000	470,928			
H629			30,000			0				
H6210						0				
H6213						0				
H9401						0				
H6212						0				
S-total	0	494,440	780,000	548,000	867,648	1,372,800	840,996			
H624				20,000		0	177,000			
H623			10,000			0				
H511		10,000				0				
H513		35,000	150,480	128,000	137,374	295,400	15,008			
H515			15,000	5,000		25,000				
H516				10,000		0				
H520						20,000	15,000			
H522						0				
S-total	0	45,000	175,480	163,000	137,374	340,400	207,008			
DLC-1						0				
KAT			10,000			0				
DH 01						0				
DH 02						0	22,000			
DH 03						0				
DH04				30,000		69,400	70,996			
DH06						0				
s-total	0	0	10,000	30,000	0	69,400	92,996			
PH1						0				
PH4				500		8,000	88,000			
PH5						0				
s - total	0	0	0	500	0	8,000	88,000			
G-total	0	539,440	965,480	741,500	1,005,022	1,790,600	1,229,000			

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ANNEX VII

VARIETY	ACTUAL TOTAL SALES OVER THE YEARS								ACTUAL SALES 2010/11(July - April))
	ACTUAL SALES 2003/04	ACTUAL SALES 2004/05	ACTUAL SALES 2005/06	ACTUAL SALES 2006/07	ACTUAL SALES 2007/08	ACTUAL SALES 2008/09	ACTUAL SALES 2009/10		
H614	10,400,704	10,362,252	10,793,756	10,199,544	10,833,263	11,578,812	8,503,432	4,819,186	
H625	955,109	861,464	950,199	767,471	827,664	809,209	820,760	704,892	
H626	391,610	467,387	507,999	390,076	384,166	439,753	549,011	959	
H627	976,158	732,574	723,176	350,744	71,454	1,545			
H628	1,295,792	1,296,132	716,582	1,287,198	1,138,347	1,679,918	1,730,521	705,499	
H629	288,289	852,689	1,111,769	680,448	862,212	1,060,909	986,279	3,318,747	
H6210	175,846	544,069	1,406,810	1,675,934	686,720	1,100,537	3,652,378	613	
H6213	125,049	854,354	1,894,657	3,730,671	3,426,964	4,908,697	1,754,174	4,289,379	
H9401	1,833,213	1,128,495	640,583	120,566	66,660	23,630	148,797	125,830	
H6212		0	78,910	81,398	131,451	73,846	89,683	1,397	
S-total	16,441,770	17,099,416	18,824,441	19,284,050	18,428,901	21,676,856	18,235,035	13,966,502	
H624	223	0	0	14,008	115,311	337,739	2,562,183	1,556,175	
H623	39,166	10,106	40,890	15,550	7,206				
H511	283,593	287,562	26,790	1,356	72				
H513	1,344,235	1,563,937	1,746,591	1,698,326	1,376,184	2,104,388	1,667,638	1,356,495	
H515		56,246	319,024	138,044	117,920	178,452	27,330	2	
H516		28,501	350,040	170,368	218,779	481,591	433,426	681,152	
H520					41,804	383,806	222,722	116,511	
H522							32,248		
S-total	1,667,217	1,946,352	2,483,335	2,037,652	1,877,276	3,485,976	4,945,547	3,710,335	
DLC-1	15,768	15,004	4			79,344	32,900		
KAT	36,724	91,884	120,574	826			7,040		
DH01	26,050	111,036	340,541	37,281	55,046	81,816	622,347	21,462	
DH02	85,816	161,783	177,553	203,612	113,416	277,430	351,892	437,964	
DH03	20	3,086	0					55,458	
DH04		35,834	406,156	260,131	210,461	780,665	898,968	904,433	
DH06									
S-total	164,378	418,627	1,044,828	501,850	378,923	1,219,255	1,913,147	1,419,317	
PH1	48,574	145,857	206,587	89,645	16,953	27,028	381,472	95,019	
PH4	123,821	164,217	369,982	438,403	167,459	73,155	1,786,788	463,820	
PH5									
s - total	172,395	310,074	576,569	528,048	184,412	100,183	2,168,260	558,839	
G-total	18,445,760	19,774,469	22,929,173	22,351,600	20,869,512	26,482,270	27,261,989	19,654,993	

10/10/11



MANAGEMENT PAPER PRESENTED TO THE BOARD MEETING OF 29TH APRIL, 2011

BOARD PAPER NO 260/011

1.0 INTRODUCTION

- 1.1 The management report is presented at a time when the company is facing various challenges arising from the seed situation in the country.
- 1.2 As management, we have put in place elaborate measures to address the situation.

2.0 MAIZE SEED SITUATION

- 2.1 According to the Ministry of Agriculture, the national maize seed requirements range between 25-26 million kilograms annually.
- 2.2 The company planned to produce 26 million kilograms for current planting season, however due to adverse weather and declining yields per unit area, a total of 21,522,259 kilograms which represents 83% of the total seed requirement was realized. A further 2,931,000 kilograms are in the fields.
- 2.3 A total of 15.4 million kilograms of high altitude seed varieties against an average requirement of 17.5 million kilograms for the current long rains planting season has been distributed. Based on the prevailing circumstances, the company managed to satisfy 85% of the normal seed requirement for the long rains planting season.

3.0 INTERVENTION STRATEGIES

- 3.1 The immediate strategies the company has put in place to mitigate the seed situation include;
 - i) Selling the remaining seed stock directly to farmers to avoid overpricing, hoarding or forcing farmers to buy other items in order to be sold seeds from the agents/stockists.
 - ii) Offering the farmers medium altitude varieties, ie. H513. If farmers employ good agronomic practices, the expected yield per acre is 25 bags of 90 kgs.
 - iii) Availing seed of alternative crops to farmers e.g pasture, beans, highland sorghum and wheat.
 - iv) Increasing the acreage under seed maize production to about 43,000 acres out of which 29,000 acres (%) are for high altitude varieties.
 - v) Increased acreage under irrigation to about 13,000 acres.
- 3.2 As a long term strategy, the management;

- i) Implemented the reviewed producer prices to attract more farmers to grow seed for the 2011/2012 season.
- ii) Introduced the seed village strategy – consolidating farmers in an area to grow seed especially one variety so as to save on isolation distances.
- iii) Encouraged our subsidiaries in the regions to start seed production to meet their local demand and ultimately reduce pressure on our local production.
- i) Increased land under irrigation through expanding existing irrigation facilities, sourcing for more irrigated land and installing more irrigation facilities in our farm.
- ii) Supports research and development of varieties which are tolerant to too much rain hence preventing post harvest losses e.g ear rots,
- iii) Is laying down strategies on how to build up seed stocks and strategic seed reserves. The ideal situation is to have stocks that can last for two seasons and strategic seed reserves which can be utilized in case of crop failure.
- iv) In collaboration with other stakeholders, is strengthening the field service in order to teach farmers on best agronomic practices for maximum yield.
- v) Pursuing avenues for adoption of new technology in research and production to increase seed quality enhance tolerance to pests and diseases.

4.0 **ENTERPRISE RESOURCE PLANNING (ERP)**

The progress of the ERP activities is as tabulated below;

Table 1: ERP activities

No.	Activity	Status
1	Implementation of POS in Branches	The POS System has now been implemented in all the branches and is running well. (Generating of cash sales) and updating of stocks. The POS shall update the ERP System at set time intervals and may work without direct connection for a set internal The Branches covered are; Eldoret, Nakuru, Kericho, Bungoma, Kakamega and Kisii
2.	Power back up Installation of generators in all branches	All the branches have been installed with power generators
3.	Procurement of serv-	Two servers were supplied; however, one was faulty and had to be returned to the vendor. The vendor re-

	ers	turned it to HP (manufacturer) but is yet to supply another one.
4.	Infrastructure – Connectivity	Several service providers had been contacted. These were Telkom Kenya, Safaricom and KDN (Kenya Data Network) Tests were carried out and KDN still offers better services. We have re-negotiated the tariffs to come down for higher bandwidth all the stations and this shall be reflected in the future invoices.
5.	Procurement of HR and Payroll	The tender committee did not approve the request and advised that this purchase be re-tendered. This is due to the revised requirements from ICT who requested for an integrated system that will accommodate all the modules.

In view of the above and the fact that it is only 3 months remaining to the end of the financial year, we are requesting the Board to approve the use of restricted tender for the HR and payroll system.

5.0 FINANCIAL RESULTS

5.1 Cash flow statement

• Available cash in various Banks	-	Kshs 898,843,600.00
• Cash on call (KCB)	-	Kshs 200,000,000.00
• Investment in Treasury Bills	-	Kshs 60,000,000.00
Total	-	<u>Kshs 1,158,843,600.00</u>

5.2 Table 2: Management accounts as at 31.03.11

Description	As at 31.03.2011 (kshs '000)	As at 31.03.2010 (Kshs '000)	Target (Kshs)	Variance (Kshs '000)
Turnover	2,323,125	2,792,533	3,206,940	(883,815)
Cost of sales	(1,292,537)	(1,580,704)	(1,639,649)	347,112
Trading profit	1,030,588	1,211,829	1,567,291	(536,703)
Operating expenses	(935,635)	(905,017)	(1,367,701)	432,066
Other income	30,057	48,916	52,410.00	(22,353)
Pre tax profit	125,010	355,728	252,000	(126,990)

6.0 BOARD INDUCTION PROGRAM

8.1 Simlaw Seeds

- 8.1.1 Simlaw seeds managed a turnover of kshs 935 million for the last 9 months compared to kshs 760 million over the same period last year. This was against a target of kshs 913 million. The increase in turnover in the third quarter is mainly attributed to the Ministry of Agriculture orders which stood at approximately kshs 235 million.
- 8.1.2 The year's sales are predicted to surpass the one billion mark, despite the shortages of some popular varieties e.g spinach and maize six series.
- 8.1.3 Cost of sales; The cost of sales during the period amounted to Kshs 701.5M compared to Kshs 570.4M for the same period last year. This is attributed to huge importation of vegetable seeds varieties and extensive contraction of local production by out growers as compared to previous years.
-



- 8.1.4 **Operating expenditures;** The operating expenditure incurred over the nine months of the period under review is kshs 119 million compared to the previous period expenditure of kshs 109 million.
- 8.1.5 The increase of expenditure of kshs 10 million (9.8%) is attributed to general increase in the cost of production e.g. fuels costs increase, government minimum wage increase etc. This was however below target expenditure by 2%. This was an improvement despite the challenges faced in doing business.
- 8.1.6 **Trading profit;** the company managed a trading profit of kshs 114 million compared to the previous year figure of kshs 80.9 million which represents an increase of 40%.
- 8.1.7 **Table 3: Production summary 2011 Season One**

Crop	Acres	Target(Kgs)	Remarks/Challenges
Beans	1750	525,000	Challenges include severe water stress due to prevailing dry spell.
Cowpeas	400	120,000	Severe water stress due to prevailing dry spell.
G/Grams	400	80,000	
PEAS	50	15,000	Seed was issued in March ,the land is prepared and growers are awaiting the rains
Total	100	30,000	

8.2 **Kenya Seed Company - Rwanda**

8.2.1 **Table 4: Maize Seed production**

Location	Variety	Target (acres)	Actual (acres)	Remarks
Nsinda Prison	H513	123.5	74.1	Crop is ready, harvesting commenced on 15.4.11
Miyove Prison	H628	-	98.8	All the male lines were lost due to severe drought
Kinigi	H628	-	74.1	About 37 acres suffered severe cold temperatures during the Dec-Jan period. The remaining 38 acres is doing well.
Total		123.5	247	

8.2.2 **Plan for the current season**

The target for maize seed production for this season is 2,075 acres for the medium altitude seed (H-513). The farms are located along the Akanyaru river basin in the south.

We are expected to contract a total of 1037.4 acres from the following co-operatives for maize seed production:-

- | | | | |
|-------|------------------|---|-------------|
| (i) | COAMANYA | - | 598 acres |
| (ii) | COABAKA | - | 321 acres |
| (iii) | Jyambere Muhinzi | - | 118.4 acres |

These co-operatives have been producing open pollinated maize seeds for RADA. The season begins in **May-June 2010**.

8.2.3 Company registration

We have presented all the required documents for registration. It is required that, at least one Director should be a resident but not necessarily a Rwandese.

8.2.4 Renovation of the depot

Currently the depot is awaiting repairs and renovation. Once the registration is complete and the registration number issued then we can hire/contract for the repairs and renovations. Meanwhile, the lease agreement is also being prepared by the Finance & Administration Director at RADA.

The seed processing plant construction is on-going and should be completed by November 2011.

8.3 Kenya Seed Company (Uganda) & Mt. Elgon Seed Company

8.3.1 Seed planting 2011 (1st Season)

The company received basic seed from Kenya Seed on the 24th march, 2011; So far, the company has distributed 8,636 kgs of basic seed and 36,500 kgs fertilizer to the growers. The area planted is 470 acres which constitutes about 40% of the projected acreage.

Planting is still in progress as the rains are still on, which has encouraged the farmers to continue with the planting.

8.3.2 Seed processing 2010 (2nd Season)

The total clean seed realized in the 2nd season was 229,942 kgs from 280 acres averaging 822kgs per acre. As at the close of the period 143 tons had been dressed and delivered to the sales outlets in Mbale and Kapchorwa.

The raw seed yet to be dressed is 87.7 tons. It is expected that the seed dressing and packaging will be completed before end of April, 2011.

8.3.3 Revenue

d

So far the seed maize sales realized is Ushs.254 million (Approx. Kshs 10 million) as at the close of the period. It is expected that more sales will still be realized before the end of the April, 2011.

8.3.4 Refurbishment of New Premises

Kenya Seed Company extended financial support of Kshs.10 Million to Mt. Elgon Seed Company to assist in refurbishment of the new premises.

The contract was awarded to a contractor called EK Group after evaluation of three bids with the help of the consultant, Associated Engineers. This consultant was also responsible for developing the bills of quantities, bid documents, supervision of the refurbishment and issuing of certificates of completion.

Table 5: Current Expenditure

Description	Cost (Kshs)	Amount paid (Kshs)	Balance(Kshs)	Remarks
Initial Rent	711,660	711,660		
Consultancy fee	150,601	150,601	Nil	
Contract amount	6,185,264			
1 st payment to contractor		2,078,594		
2 nd payment to contractor		2,136,109	1,970,561	Completion of works by 30 th April 2011
Furniture and fittings (Estimated)	1,500,000		1,500,000	
TOTAL	8,547,525	5,076,964	3,470,561	

8.3.5 Seed production in Masindi

The company embarked on seed production of 320 acres for both H520 and H614 in second season of 2010 at an estimated cost of Ushs. 703,518,000 (K. Shs. 28 Million) was undertaken through financial assistance from Kenya Seed Company.

The total yield was **226,280Kg** clean seed; of which 207,228Kg was H520 and 19,052Kg was H614.

Table 6: The cost breakdown is as below

Description	Cost (Kshs)	Balance
Purchase of raw seed from growers	10,894,963	
Purchase of tools and equipment	428,967	

Fertilizers for season 2011A		
DAP	5,700,000	
CAN	2,129,000	
Herbicides	2,750,000	
Total	21,902,930	6,097,070

It is expected that the company, should be able to start repaying the two loans beginning from the next financial year (2011/12). The company has therefore requested to use the balance of Kshs 7,549,545 from the two loans to purchase 5 acres of land in Masindi and a new vehicle for the company.

Considering the impressive progress that the company has made, we request the Board to approve Kshs 7,549,545 as requested for the purchase of Land and vehicle.

8.4 Kibo Seed Company

8.4.1 The 150 acres of H614 has been successfully detasseled and the crop inspected by TOSCI (the official certifying body) in the Southern Highlands. If sufficient rains are realized during the critical pollination and grain filling stages, we anticipate to realize between 120 – 160 MT.

Processing will be done at the government cleaning facility at Njombe.

In effort to increase our production acreage in the South during the coming season of November 2011, additional land is being sought and good progress has been made. A total of 430 acres was sourced between February and March 2011 in the Northern Highlands. This comprises 100 acres H614 and 330 acres of H513. 130 acres of H513 is under irrigation and therefore at an advanced stage of detasseling.

Rainfall pattern in the North has been erratic. However in the event that sufficient rains are realized during the season, we expect to realize on additional 60MT of H614 and 130 MT of H513 all from the rainfed fields.

Demand of sorghum Macia has been on the rise from Government and NGO world. To meet this market, we have 100 acres under production for this variety. Upto 60MT is expected when the crop is harvested by June 2011.

Horticulture production of Tomato, Capsicum, indigenous vegetables and Okra is well under course and expected to go on without any difficulties since the entire acreage is under irrigation.

8.4.2 Challenges

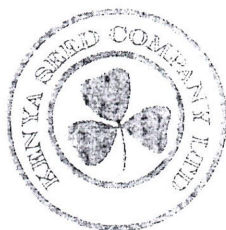
Weather Patten; Rains did not commence until mid March in the Northern region of the country. February and March is the main planting season for cereals in the region.

Sales and Marketing; Maize sales as expected has continued to drop due to limited stocks. This has given competition an edge even in the Southern Highlands where the high altitude varieties have been dominant in the past.

Willy Bett

Managing Director



**AGENT/STOCKIST SUMMARY 2010**

REGION	NO AGENTS	NO OF STOCKISTS
Simlaws	156	350
T/Nzoia/Pokot	40	186
Eldoret	41	348
Bungoma	39	37
Kakamega	29	43
Kisii	22	305
Nakuru	55	450
Kericho	18	303
TOTAL	400	2022

This list of agents and stockists is as at end of 2010.

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ANNEX VIII

MINUTES OF THE COMMITTEE'S SITTINGS

MINUTES OF THE ONE HUNDRED AND FORTY SEVENTH SITTING OF THE
DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES
HELD AT MBEGU PLAZA, KENYA SEED COMPANY HEADQUARTERS, KITALE ON
FRIDAY, 6TH MAY, 2011, AT 16:30 PM

PRESENT

Hon. John Mututho, MP	-	Chairperson
Hon. Lucas Chepkitony, MP	-	Vice Chairperson
Hon. John D. Pesa, MP.		

APOLOGIES

Hon. (Dr.) Victor Kioko Munyaka, MP
Hon. (Dr.) Erastus Mureithi, MBS, HSC, MP
Hon. Benson Mbai, MP
Hon. Mohammud Sirat, MP
Hon. Benjamin Washiali, MP
Hon. Fredrick Outa, MP
Hon. (Dr.) Robert O. Monda, MP
Hon. Evans Akula, MP

IN ATTENDANCE

KENYA NATIONAL ASSEMBLY

Paul K. Ngetich	-	Senior Research Officer
Evans Oanda	-	Third Clerk Assistant
Charles Ondigi	-	Assistant Hansard Editor

KENYA SEED COMPANY

Andrew Mullei	-	Chairman
Justina Sitt	-	Director
Jedidah Gachanja	-	Director
Johnson Irungu	-	Rep PS Ministry of Agriculture
W A Kisiero	-	Director
Kamau Mwaura	-	Rep PS Treasury
Willy Bett	-	Managing Director
Alfred Busolo	-	Deputy Managing Director
Lenard Menya Ong'onge	-	Finance Manager
Hosea Sirma	-	Chief Officer in Basic Seed
Andrew Ngeno	-	Processing/ Eng. Manager
Francis Ndambuki	-	Research and Development Manager
Eunice Ombachi	-	Ag. Operations Manager
Beatrice Anyabu	-	Ag. CDO
Esther Bii	-	COP
Sammy Chepsiror	-	Chief Public Relations
Michael Rotich	-	Senior Administration Officer
Rose Cauri	-	representing Company Secretary

MIN.NO. 118/2011:

PRELIMINARY

The meeting started with a word of prayer.

MIN.NO. 119/2011: SHORTAGE OF SEEDS (MAIZE)

Papers laid:

- I. Minutes of the board meeting that ratified the decision to decrease seed production dated 14th, March, 2008
- II. A management paper bearing a decision to decrease production
- III. Minutes of the marketing and production planning Committee dated 23rd, January, 2008 that endorsed the management paper to reduce production
- IV. KSC Financial Statements for the years ending 30/06/2008, 30/06/2010, 30/06/2006
- V. A breakdown of the gross margin analysis of producing a kg of maize seeds for the years 2002 to 2011

The Committee sought to know from the Kenya Seed Company the causes of seed shortage (maize) in the country especially the 6 series and what is being done to address the crisis.

Kenya Seed Company informed the Committee that:

- i. Indeed there is shortage of maize seed for planting in this season especially the 6 series
- ii. This is due to a Board meeting held on 14th, March, 2008 that ratified the management paper that called for reduction in seed production.
- iii. This management paper was done to cater for the decreasing demand of the carryover seeds in the year 2007.
- iv. Some members of the management were discontented with the decision but since they had to adhere to the principle of consensus, the majority took the day.
- v. Subsequently, production was stopped in the year 2008.
- vi. There was drought in the year 2009 that affected the production of seeds coupled with the low production price of Khs. 41 offered to farmers for production.
- vii. By January 2010, there were neither carryover stocks nor production from farmers.
- viii. As far as the Kenya Seed Company (KSC) was concerned, there was a demand of 17.5 million kgs of seeds in the year 2011 out of which KSC had supplied 16.5 million Kgs as at 6th, May 2011.
- ix. Remedial measures that have been taken to address the seed crisis include doubling the production acreage to 10,000 acres; encouraging farmers to produce by offering better production prices of Khs. 52 up from Khs. 41; and construction of a water dam at Godown farm for basic seed production during the drought season among others.
- x. By October 2011, the amount of 614 variety in the stores should be 14 million Kgs against a demand of 8 million Kgs.

- xi. KSC is faced with various challenges which include inadequate land for production, competition, high production cost especially chemicals and electricity, inadequate researchers and outdated machinery.
- xii. Beside maize seeds, KSC produces sorghum, millet, wheat, coffee and sugarcane seeds.

Way forward

The KSC to avail a report on orders, supplies, targets and stocks for the years 2007 to May, 2011 to the Committee by Monday 9th May, 2011.

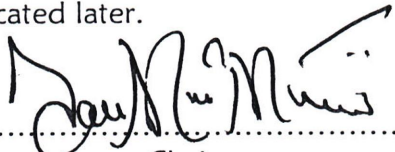
The KSC to reconcile and avail supporting documents of the 1.1 million Kgs of carryover that had not been captured in the books of account in 2009 before availing them to Committee by Monday, 9th May, 2011.

KSC to relook at the whole production process with a view to reducing the cost especially that one of chemicals

MIN.NO. 120/2011: ADJOURNMENT

The meeting was adjourned at 8:07 pm to a date and venue to be confirmed and communicated later.

Signed..... Date


Chairperson
(Hon. John Mututho, MP)

14th June 2011

MINUTES OF THE ONE HUNDRED AND FORTY EIGHT SITTING OF THE
DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES
HELD AT CONTINENTAL HOUSE, 5TH FLOOR, 17TH MAY, 2011, AT 1.20 PM

PRESENT

Hon. John Mututho, MP	-	Chairperson
Hon. Lucas Chepkitony, MP	-	Vice Chairperson
Hon. John D. Pesa, MP.		
Hon. Mohammud Sirat, MP		
Hon. (Dr.) Robert O. Monda, MP		
Hon. Fredrick Outa, MP		
Hon. (Dr.) Erastus Mureithi, MBS, HSC, MP		
Hon. Benson Mbai, MP		

APOLOGIES

Hon. (Dr.) Victor Kioko Munyaka, MP
Hon. Benjamin Washiali, MP
Hon. Evans Akula, MP

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

Paul Ngetich	-	Senior Research Officer
Marale Sande	-	Research Officer

MINISTRY OF AGRICULTURE

Dr. Sally Kosgei, EGH, M	-Minister for Agriculture
Dr. Romano Kiome, CBS	-Permanent Secretary
Hudson Agesa	-Parliamentary Business

NATIONAL CEREALS PRODUCE BOARD (NCOB)

Gideon .K Misoi	Managing Director
W.K Korir	Export/ Import Co-coordinator
Kanyaa J.M	Assistant Operations Manager

KENYA SEED COMPANY (KSC)

Willy Bett	Managing Director
Erick Kiplagat	Chief Accountant

KENYA PLANTS HEALTH INSPECTORATE SERVICES (KEPHIS)

James Onsando	Managing Director
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MIN.NO. 121/2011

PRELIMINARY

The meeting started with a word of prayer.

MIN.NO. 122/2011

FOOD SECURITY SITUATION

The Committee was informed, as follows:-

- i) That, there were no commercial stocks available at the National Cereals and Produce Board (NCPB) Depots
- ii) That, there were an estimated 210,000 bags for the Strategic Grain Reserve (SGR) as at 25th February, 2011.
- iii) That, the purchase price for the maize from farmers were not set by the NCPB, but by the Government.
- iv) That, the NCPB paid Kshs 2,500/- per 90 Kg bag of maize during the last season.

While deliberating on the matter, the Committee responded, as follows:-

- i) That, the Ministry of Agriculture set indicative price of the maize as determined by the Gross Margin Analysis to save farmers from losses in the farming business due to high cost of farm inputs.
- ii) That, the NCPB should be provided with adequate budgets to purchase the maize for the SGR and not the current practice by the Ministry of Special Programmes.
- iii) That, the SGR at 8 million bags has proved inadequate due to rising consumption trends which has led frequent importations to bridge the deficits during worse times.
- iv) That, the annual budgetary allocation amounting to Kshs 21 billion for irrigation be reverted to the Ministry of Agriculture from the Ministry of Water and Irrigation since irrigation is currently not linked to food production.
- v) That, the Ministry of Agriculture makes public the quantities of maize produced every year to guide disaster-preparedness.

MIN.NO. 123/2011

MAIZE SEED SHORTAGE

The Minister reiterated the reasons contained in the ministry's response to the shortage of seeds on the floor of the House on 7th April, 2011, that, the depletion of stocks, long drought and high demand for the seed were the major contributing factors.

The Committee was informed that the ministry was not alerted on the looming seed crisis. The Committee was concerned by this revelation yet the Ministry is well represented at the Board of the Kenya Seed Company Ltd and should have been regularly briefed on the matter.

The Committee was further informed that intervention measures to counteract the problem include increasing land acreage through negotiations between Kenya Seed Company and Agricultural Development Corporation over the use of the latter's farms in seed production, and increasing the yields per acre through application of best farm husbandry.

The Committee noted that the agriculture sector is the mainstay of the economy of the country and recommended that:-

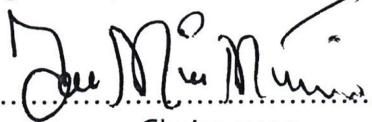
- i) The Ministry should be proactive to want to receive reports regularly on its important sub sectors including the status of the availability, sufficiency and affordability of farm inputs, e.g., the seeds and fertilizers.
- ii) The Ministry should take urgent measures to ensure that seed is available in sufficient quantities and affordable for the farmers prior to planting seasons because delays in planting leads to poor yields of the crop.
- iii) The Kenya Seed Company and the Agricultural Development Corporation fast tracked the conclusions on plans by the former to lease farms for seed production from the latter.
- iv) The Kenya Seed Company invested in best farm husbandry to increase yield against deteriorating soil fertility, reducing land availability for seeds and erratic rainfall.

MIN.NO 124/2011:

ADJOURNMENT

There being no any other business, the meeting was adjourned at about 2.30 pm.

Signed.....



.....Date

14th June 2011

Chairperson

(Hon. John Mututho, MP)

MINUTES OF THE ONE HUNDRED AND FIFTIETH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES HELD AT MAIN PARLIAMENT BUILDING, COMMITTEE ROOM 9, ON 31ST MAY, 2011, AT 6.15 PM

PRESENT

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

APOLOGIES

Hon. Benjamin Washiali, MP
Hon. Evans Akula, MP
Hon. Mohammud Sirat, MP
Hon. (Dr.) Erastus Mureithi, MBS, HSC, MP

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

Paul Ngetich - Senior Research Officer

MIN.NO. 129/2011

PRELIMINARY

The meeting started with a word of prayer.

MIN.NO. 130/2011

ADOPTION OF THE REPORT ON SEED MAIZE SHORTAGE

The Committee studied the report on its investigation on the seed shortage and adopted with minor amendments in the recommendations, as follows:-

- i) That, the Ministry be held accountable for the seed shortage since it was part of the decision to clear the stocks and to reduce production, be included on the recommendations.
- ii) That, the Board of the Company showed incompetence in adopting the management paper without much deliberation on it based on the then prevailing factors that were already working against seed production, be included on the observations.

MIN.NO 131/2011:

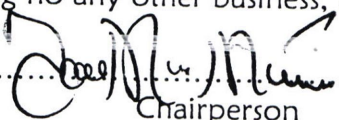
ADOPTION OF THE REPORT ON THE COMMITTEE'S VISIT TO THE PEOPLE'S REPUBLIC OF CHINA

The Report of the Visit to China by a delegation of the Members of the Committee on 26 May – 04 June, 2010, was adopted without amendment.

MIN.NO 132/2011:

ADJOURNMENT

There being no any other business, the meeting was adjourned at 7.15 pm.

Signed..........Date 14th June 2011

Chairperson

(Hon. John Mututho, MP)