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TENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE  
ON  
AGRICULTURE, LIVESTOCK AND COOPERATIVES

REPORT ON  
THE SUGAR SHORTAGE AND ITS ESCALATED COSTS IN THE COUNTRY

PARLIAMENT BUILDINGS  
NAIROBI

DECEMBER 2011

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## PREFACE

Mr. Speaker, Sir,

On Friday, 25<sup>th</sup>, November, 2011, the Committee held a meeting with the Ministry of Agriculture in which issues regarding the high cost of sugar were raised. Due to great interest in the matter, the deliberations were not concluded.

In the subsequent meetings on Thursday, 1<sup>st</sup> December, 2011, and Thursday, 8<sup>th</sup> December, 2011, the Committee had lengthy deliberations with the Ministry of Agriculture and in which the Chief Executives of all the Sugar Millers, as the major players in the sugar sector, were in attendance.

The details of the evidence and discussions that proceeded are explained in this report. It emerged that the shortage of sugar has been occasioned mainly by decline in production experienced in all the factories as result of extreme drought conditions which affected the growth and development of cane. To the extent that factories are now harvesting immature cane aged between 13-15 months, instead of cane at 18-24 months which ideal for crushing.

The high cost of production has also impacted negatively on the farmers' ability to invest in good agronomic practices to achieve high yields of cane. This has also been compounded by unavailability of sugar from imports from COMESA and other sugar producing countries.

It also emerged that the high prices achieved in the markets resulting from the shortage were explained as due to the actions of some of the unscrupulous retailers to reap huge profits by escalating the costs of the commodity. According to the millers the retail cost should not have exceeded Kshs. 150 per Kg, but which have reached over Kshs. 200 per Kg.

At the conclusion of the deliberations, the Committee recommended that all the Millers be issued with permits to import a maximum of 275,000 tonnes of sugar from non-COMESA countries in the next four (4) months based on their proportions of their production capacities. This was determined based on monthly consumption estimated at 65,000 tonnes of sugar. The four months period was calculated to coincide with the estimated time taken for the cane to reach maturity from the current age of 13 months. During the period, the Millers would be expected to close down milling operations except where the cane has reached its maturity.

## 1.0 INTRODUCTION

01. The Departmental Committee on Agriculture, Livestock and Cooperatives is one of the twelve Departmental Committees established under Standing Order No. 198 of the Kenya National Assembly Standing Orders with the mandate and functions:-

- 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.*

02. The Terms of Reference of the Departmental Committee of Agriculture, Livestock and Cooperatives are stated in the Second Schedule of the Standing Order 198 (2), as follows:

- 1) Agriculture
- 2) Livestock
- 3) Fisheries Development
- 4) Cooperative development
- 5) Production and Marketing

03. The sugar sector falls in the Ministry of Agriculture which the Committee exercises oversight role over in executing its mandate function. Consequently it constitutes a subject item in the domain of the Committee.

sugar which now retail at over Kshs. 200 per Kg compared to Kshs. 80-115 per Kg year.

## 2.0 THE SUGAR PRODUCTION IN THE COUNTRY

09. According to the Ministry of Agriculture, Kenya's sugar production capacity is estimated at 530,000 metric tonnes against consumption demand estimated at 780,000 tonnes. There are currently nine (9) sugar factories involved in sugar production, namely Chemelil, Muhoroni, Mumias, Nzoia, South Nyanza, West Kenya, Soin, Kibos, and Butali. New investments are being developed at Kwale International Sugar Company, proposed Tana Integrated Sugar Project, Trans-Mara Sugar Company and Sukari industries to upscale production.
10. According to the Kenya Sugar Board (KSB), sugar production has increased over the years. It stood at 377,438 tonnes in 2001 and rose to 523,652 tonnes in 2010, which reflects a growth capacity of 39 per cent. At the same time, sugar consumption rose from 630,065 tonnes (2001 figures) to 772,731 tonnes (2010 figures).
11. This has meant that Kenya has to import sugar to bridge deficit. However the world faces sugar deficits which have contributed to price volatility. Most sugar produced (70%) is consumed in the producing countries while the residual (30%) is traded at the international market which is also being threatened with increasing demand in markets in Asia, especially in India and China.
12. According to the Ministry of Agriculture (MOA), sugar production, sales and closing stocks have tended to take cyclical swings every year based on weather conditions, availability of sugar imports, political situations, policies and interventions, and world sugar prices. These factors were stated to be volatile and unpredictable.
13. According to the Report of the Departmental Committee on Agriculture, Livestock and Cooperatives (2010), it explained that the globalization now taking place around the world and emergence of trade blocs through integration initiatives, non sugar factors among them multilateral trade regimes and preferential arrangements have emerged as strong determinants of world market sugar prices. The determinants are however region specific and not necessarily a reflection of global supply and demand for the commodity.

Table 2 showing the total sugar production per factory for two years, Jan-Sept, 2010 and Jan-Sept, 2011

Factory	Jan-Sept 2011	Jan-Sept 2010
Chemelil	18,489	26,018
Muhoroni	19340	22,960
Mumias	145,581	160,117
Nzoia	49,216	45,718
South Nyanza	57,659	35,707
West Kenya	49,491	55,385
Soi	978	1,150
Kibos	21,994	26,691
Butali	13,364	N/A
TOTAL	376,112	373,746

Source: Ministry of Agriculture (2011)

### 3.0 SUGAR SALES

18. The total sugar sales in the period between January and September 2011 were 379,210 metric tonnes compared to 370,582 metric tonnes achieved during the same period in 2010 (see table 3 below). This reflected an increase of 2.3% in sugar sales in 2011. The increase in the recorded production and sales could be mainly attributed to the commissioning of the Butali Sugar Company towards the end of January 2011.
19. Statistics by the Ministry of Agriculture on the data on closing sugar stocks indicate that the sugar held by the factories at the end of September 2011 amounted to 868 tonnes compared to 15,161 tonnes during the same period in 2010. This represented a 94% decrease in the stocks held and which has been attributed to low sugar importation in 2011.

sugar factories in the country. The meetings were held at Parliament Buildings on Thursday, 1<sup>st</sup> December, 2011, and Thursday, 8<sup>th</sup> December, 2011.

23. On both occasions, the Committee heard explanations given for the shortage of sugar and its current high prices, as follows:-

- 1) That, the effects of burning of seed cane during the post election violence in 2007/8 had a destabilizing action on cane development programmes in the sugar growing areas.
- 2) That, the rainfall patterns have not worked in favour of cane development. The effects of severe drought in the 2009/10 period adversely affected the seed cane development meant to replace the ones destroyed in the post-election violence period. The weather patterns have also become erratic due to global climatic changes.
- 3) That, there existed inability by new sugar millers to develop their cane, particularly in Nyando Sugar Belt, leading to serious competition for existing cane resulting in haphazard harvesting regimes and supply crunch
- 4) That, the poor operational performance of the Parastatal Sugar Mills, such as Chemelil and Muhoroni Sugar Mills, leading to over mature cane due to delayed harvesting, and delayed payments which have forced farmers to supply canes to other millers and Kibos (private miller) in particular.
- 5) That, unavailability of mature cane for crushing in most sugar belts has contributed immensely to the reduced production, as a result of explanations given in (i) and (ii) above.

Most factories were reported to be crushing immature cane at 13-15 months, instead of 18-24 months.

The Committee noted that the harvesting of immature cane in production was worrying since so much cane would go to waste without any value in contributing to sugar content.

- 6) That, the Sugar Companies lacked adequate surface area under cane commensurate to their milling capacities. For example Mumias Sugar Company which commands up to 49 % of the market share has

According to the Kenya Sugar Board (KSB), the delay in processing registration process for importers included:-

- (i) lengthy procedures in the engagement with other relevant arms of the Government;
  - (ii) inadequate feedback mechanism on reasons behind decline of delay in registration from the parent Ministry of Agriculture;
  - (iii) high costs incurred by importers and manufacturers at the Port of Mombasa due to delays in the clearance of goods, coupled with the slow registration processes.
- 14) That, the prices of both cane and sugar have continued to increase with no signs of a reverse trend in future. For example the cane prices increased from Kshs 2,600 per tonne to Kshs 4,500 per tonne between November 2010 and November 2011 across in all milling companies (see annex 2). The prices increases move with the cost of production which is higher in Kenya compared to other producing countries, and so the consumer prices must also move in tandem.
- 15) That, the escalating cost of electricity, fuel, fertilizers, packaging materials and other consumables has increased the cost of production by 40% which has worked to impact on the consumer price of sugar.

However the 'true' consumer price of consumer based on the prevailing circumstances was estimated at Kshs. 115 per Kg based on the pricing formula.

The current market price of over Kshs 200 was therefore a distortion by the retail markets to want to make huge profits and therefore exploitative.

According to the millers their recommended prices should not be more than Kshs. 150 per Kg, based on indicative prices at annex 3.

- 16) That, the land tenure system where members of a family continue to subdivide land proves a major challenge in the declining trends in sugar production and promoting quality of cane, and leading to problems of cane payment formula.

tonne of sugar. However the prevailing prices of sugar at the market are reflective of the actual situation.

24. At the conclusion of the deliberations, the Committee was informed that privatization of the Sugar Companies was proceeding at very slow pace and which was creating uncertainties in the sugar sector. The Committee was further informed that farmers are cane developers than sugar companies but they face challenges of high cost of farm inputs. The Committee was also informed that payments to farmers based on the formula defined in the Sugar Act (2001) posed challenges to the Sugar companies and a source of differential rates per tonne paid by factories. For example subsidies to farmers in term of inputs could be considered in the formula, and the crushing of young cane with very low sucrose content.

## 5.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

25. Upon deliberating on the submissions received from the Ministry of Agriculture and Management of the Sugar Mills, regarding the causes of the sugar shortage and high prices, the Committee now makes the following observations:-

- i) There was low sugar production at 376,112 tonnes against rising consumption which stood at 772,731 tonnes in 2011. This reflected more than 50% consumption at expense of supply by factories. The low production was explained as due to:-

- ✓ extreme drought conditions experienced in 2009/10 season affected production
- ✓ declining sugar stock levels
- ✓ harvesting of under-age cane
- ✓ inefficient operations due old mills at the factories
- ✓ reducing land for sugar production due subdivision by family members
- ✓ conversion of land into food crop production by farmers
- ✓ stiff competition for available cane by both the parastatals and private sugar companies impacted in access to cane by factories who had invested in the cane development

- ii) The closure by all factories for routine maintenance at the same time worsened the supply of sugar into the market. This was noted to be ill-

promote private sector driven modernization and expansion of sugar factories and help increase their efficiencies.

In the report of the Committee on 'the challenges facing the Sugar sector in Kenya', the Committee recommended that the share capital by farmers during privatization be pegged at 51%. This would act as an incentive for farmers to boost production and deliver sugar crop to the factories as result of their ownership.

- 2) There is urgent need to invest in irrigated sugar farming in ASALs to increase land acreage under cane production and to move away from rain-fed farming which is susceptible to changing weather patterns.
- 3) Review of the cost of production of sugar to make it affordable by the farmers and factories through subsidy by the Government e.g., through the use of utilization of portion of Sugar Development Levy (SDF) by the Kenya sugar Board to subsidize farm inputs and offer credit schemes at proposed rate at 2% interest using the sugar crop as collateral. The miller to which the farmer delivers cane must provide proof of contractual agreements and which would be enforced to ensure the farmer pay back the loans.
- 4) There is need for adequate investments in sugar research to develop varieties of sugar which are early maturing and high yielding in sucrose content in order to compete with countries like Mauritius and South Africa by empowering research and as earlier recommended in the Committee's report on the sugar sector.
- 5) The Ministry of Lands fast track its reforms in the land policies regarding land tenure system to minimize land division by families and which is impacting on available land size for cane production. Prudent land use management practices should be worked out, implemented and enforced to control uneconomical land units under the crop and other farming enterprises.
- 6) All the Sugar Millers be provided with licences to import duty-free sugar (non-COMESA) amounting to a maximum of 275,000 tonnes proportionate to their production capacities with immediate effect. The quantities were arrived at after taking into account monthly consumption

14) The Ministry of Agriculture and the Sugar factories, especially the parastatals, work to provide budgets to upgrade and replace the outdated sugar technologies to achieve competitive efficiency with private sugar firms in the production processes.

15) The Ministry of State for Provincial Administration and Internal Security immediately ceased from further encroachment into nuclear estate belonging to Chemelil Sugar Company, and that the District Commissioner, Muhoroni District be stopped from issuing intimidating directives to the Management of Chemelil Sugar Company relating to safe distances of the buffer zones until the matter is sorted out by the two parties and the Ministry of Agriculture.

16) Any sugar that has landed at the Port of Mombasa be cleared immediately into the markets to stabilize prices.

## 6.0 CONCLUSION

27. The Committee finds that the cause of the shortage of sugar was as result of sequence of events that have culminated in the decreased production of sugar by factories. These were occasioned mainly by poor weather conditions which prevailed in 2009/2010 season, crushing of immature cane and low volumes of imports due to dwindling availability of sugar at traditional regional market (COMESA), and the high prices of sugar residual international sugar market. These factors against the backdrop of other factors which have been described in section 4.0 have conspired to wean availability of the commodity at the market outlets.

28. The manifestation of the sugar shortage has created wealth of opportunities for the unscrupulous retailers to seize it to exorbitantly increase sugar prices to reap profits from the consumers. The prizes were stated by millers to be beyond their recommended levels.

29. The Committee therefore concludes that the retailers were responsible for the skyrocketing sugar prices which must be urgently addressed. The recommendations which have been proposed in this report need fast tracking to address the current high sugar prices.

30. Above all, all sugar millers be issued with licences to import sugar at duty-free tariffs and their consumer prices be labeled on packages to inform the consumers

## MINUTES

MINUTES OF THE 190<sup>TH</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND CO-OPERATIVES, HELD AT THE 2<sup>ND</sup> FLOOR, CONTINENTAL BUILDING, ON TUESDAY, 13<sup>TH</sup> DECEMBER 2011, AT 10.00 AM.

PRESENT

Hon. John Mututho, EBS, MP - Chairperson  
Hon. Benson I. Mbai, MP  
Hon. (Dr.) Victor K. Munyaka, MP.  
Hon. Benjamin Washiali, MP  
Hon. (Dr.) Robert O. Monda, MP  
Hon. Fred Outa, MP

ABSENT WITH APOLOGY

Hon. Lucas Chepkitony, MP - Vice Chairperson  
Hon. John D. Pesa, MP  
Hon. (Dr.) Erastus Mureithi, HSC, MBS, MP  
Hon. (Dr.) Mohammed Sirat, MP  
Hon. Evans Akula, MP

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

Paul Ngetich - Senior Research Officer  
Salad Guyo - Clerk Assistant  
Marale Sande - Research Officer  
Denis Dindi - Office Attendant  
John Nganga - Hansard Officer

MIN.NO.266 /2011:

PRELIMINARY

The meeting was reconvened and commenced with a word of prayer at 10.29a.m to adopt the report on the Sugar shortage and its escalated costs in the Country

MIN.NO.267 /2011: ADOPTION OF THE REPORT ON SUGAR SHORTAGE AND ITS ESCALATED COSTS IN THE COUNTRY

While giving the highlights of the previous meeting that resulted in several recommendations on the way forward regarding sugar shortages and escalating prices of the commodity, the Chair sought to address the issue of pending permits of sugar of imported sugar at the Port of Mombasa.

The chair further clarified that the report has restricted itself to addressing the issue of sugar shortages and escalating prices alongside unavailability of mature cane for sugar production.

MINUTES OF THE 189<sup>TH</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND CO-OPERATIVES, HELD AT THE 4<sup>TH</sup> FLOOR, CONTINENTAL BUILDING, ON THURSDAY, 8<sup>TH</sup> DECEMBER 2011, AT 3.00 P.M.

PRESENT

Hon. John Mututho, MP - Chairperson  
Hon. Lucas Chepkitony, MP - Vice Chairperson  
Hon. John D. Pesa, MP  
Hon. Benson I. Mbai, MP  
Hon. (Dr.) Erastus Mureithi, HSC, MBS, MP  
Hon. Evans Akula, MP  
Hon. (Dr.) Victor K. Munyaka, MP.  
Hon. (Dr.) Mohammed Sirat, MP

ABSENT WITH APOLOGY

Hon. Benjamin Washiali, MP  
Hon. (Dr.) Robert O. Monda, MP  
Hon. Fred Outa, MP

IN ATTENDANCE:

Hon. Justus Kizito, MP – Shinyalu Constituency

MINISTRY OF AGRICULTURE

Hon. Ndambuki	Assistant Minister
R. Arina	Ministry Of Agriculture
Rosemary Mkok	Chief Executive Officer, Kenya Sugar Board
Francis K. Ingara	Head of Engineering,
Kiplagat Bett	Joint receiver Manager, Muhoroni & Miwani
Eng. Martin Owiti	Joint receiver Manager, Muhoroni & Miwani
Dr. Evans Kidero	Managing Director, Mumias Sugar
Charles A. Owelle	Ag. Managing Director, Chemelil
S.S Chatthe Raju	Chairman, Kibos & Allied industries
Joydnti Patel	Managing Director, Butali Sugar Mills
Francis Akhonya	General Manager, Soin Sugar Company
Jaswant S. Rai	Managing Director, West Kenya Sugar Company
Tejveer S.Rai	Chairman, West Kenya Sugar Company

KENYA NATIONAL ASSEMBLY

Paul Ngetich	- Senior Research Officer
Marale Sande	- Research Officer
Denis Dindi	- Office Attendant

- b) Kenya Sugar Board (KSB) to develop an administrative mechanism to monitor sugar production as a self regularly mechanism
- c) Ministry of Agriculture to support millers on cane development

Documents to be tabled

*Ministry recommendations with respect to prices and importation quotas for millers by Tuesday 13<sup>th</sup> December, 2011 at 10am*

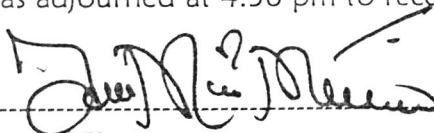
*Mumias sugar report to be sent electronically to the secretariat and a copy to the Ministry by Friday 9<sup>th</sup> December, 2011 at 5.00pm*

MIN.NO.265 /2011:

ADJOURNMENT

The meeting was adjourned at 4.36 pm to reconvene on Tuesday, 13<sup>th</sup> December 2011 at 11.00 am

Signed-----



Chairperson

(Hon. John Mututho, MP)

Date-----

13<sup>th</sup> Dec. 2011

MINUTES OF THE 188<sup>TH</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND CO-OPERATIVES, HELD AT THE 4<sup>TH</sup> FLOOR, CONTINENTAL BUILDING, ON THURSDAY, 8<sup>TH</sup> DECEMBER 2011, AT 11.00 A.M.

PRESENT

Hon. John Mututho, MP - Chairperson  
Hon. Lucas Chepkitony, MP - Vice Chairperson  
Hon. John D. Pesa, MP  
Hon. Benson I. Mbai, MP  
Hon. (Dr.) Erastus Mureithi, HSC, MBS, MP  
Hon. Evans Akula, MP  
Hon. (Dr.) Victor K. Munyaka, MP.  
Hon. (Dr.) Mohammed Sirat, MP

ABSENT WITH APOLOGY

Hon. Benjamin Washiali, MP  
Hon. (Dr.) Robert O. Monda, MP  
Hon. Fred Outa, MP

IN ATTENDANCE:

**MINISTRY OF AGRICULTURE**

Hon. Ndambuki	Ass. Minister
R. Arina	Ministry Of Agriculture
Rosemary Mkok	Chief Executive Officer, Kenya Sugar Board
Francis K. Ingara	Head of Engineering,
Kiplagat Bett	Joint receiver Manager, Muhoroni & Miwani
Eng. Martin Owiti	Joint receiver Manager, Muhoroni & Miwani
Dr. Evans Kidero	Managing Director, Mumias Sugar
Charles A. Owelle	Ag. Managing Director, Chemelil
S.S Chatthe Raju	Chairman, Kibos & Allied industries
Joydnti Patel	Managing Director, Butali Sugar Mills
Francis Akhonya	General Manager, Soini Sugar Company
Jaswant S. Rai	Managing Director, West Kenya Sugar Company
Tejveer S.Rai	Chairman, West Kenya Sugar Company

**KENYA NATIONAL ASSEMBLY**

Paul Ngetich	- Senior Research Officer
Marale Sande	- Research Officer
Denis Dindi	- Office Attendant
John Nganga	- Hansard Officer

- (ii) Clarify on the 4% levy by Kenya Sugar Board to all millers and why these funds are not being utilized to stabilize prices as initially envisioned.
- (iii) Consult with the Ministry of Finance to waive duty of sugar imported from non-comesa region thereby allowing millers to import duty free sugar

The Minister acknowledging that indeed there was a problem that requires immediate attention, shared with the Committee that on several occasions the Ministry of Finance has failed to reply to the Ministry's request to allow for duty free sugar imports into the country to ease the shortage and thereby reduce the sugar prices.

Document tabled

*Letter from the Ministry of Agriculture to the Ministry of Finance urging the latter to allow for duty free sugar imports for a period of 6 months*

The Minister was therefore given time to consult on the above matters and report to the Committee at 3.00pm for further specific recommendations.

MIN.NO.262 /2011:

ADJOURNMENT

The meeting was adjourned at 1.37 pm to reconvene at 3.00pm at the same venue for further deliberations and recommendations.

Chairperson.....



(Hon. John Mututho, MP)

.....Date

13th. Dec. 2011

MINUTES OF THE 185<sup>th</sup> SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND CO-OPERATIVES, HELD AT THE MEDIA CENTRE, MAIN PARLIAMENT BUILDINGS, ON THURSDAY, 1<sup>ST</sup> DECEMBER 2011, AT 10.00 A.M.

PRESENT

Hon. John Mututho, MP	-	Chairperson
Hon. Lucas Chepkitony, MP	-	Vice Chairperson
Hon. Fred Outa, MP		
Hon. John D. Pesa, MP		
Hon. Benson I. Mbai, MP		
Hon. (Dr.) Erastus Mureithi, HSC, MBS, MP		
Hon. (Dr.) Robert O. Monda, MP		
Hon. Evans Akula, MP		

ABSENT WITH APOLOGY

Hon. (Dr.) Victor K. Munyaka, MP.  
Hon. Benjamin Washiali, MP  
Hon. (Dr.) Mohammed Sirat, MP

IN ATTENDANCE:

MINISTRY OF AGRICULTURE

Hon. Ndambuki	Assistant Minister
Romano Kiome (Dr)	PS, Ministry of Agriculture
Kiplagat Bett	Joint receiver Manager, Muhoroni & Miwani
Eng. Martin Owiti	Joint receiver Manager, Muhoroni & Miwani
Saul Wasilwa	MD, Nzoia Sugar
Charles A. Owelle	Ag. MD Chemelil
Paul Odola	MD, Sony Sugar

KENYA NATIONAL ASSEMBLY

Paul Ngetich	-	Senior Research Officer
Salad Guyo	-	Clerk Assistant
Marale Sande	-	Research Officer
Denis Dindi	-	Office Attendant
John Nganga	-	Hansard Officer

MIN.NO.250 /2011:

PRELIMINARY

The meeting started with a word of prayer at 10.19am

MIN.NO.251 /2011:

PRESENTATION BY THE MINISTER FOR AGRICULTURE

While explaining the trend, the Minister was dissatisfied by the manner in which the Company was losing its area under cane to Provincial Administration and the laxity by the Administration to implement the Cane Protection Programme.

The Minister therefore reiterated that immature cane was contributing to low volumes of sugar and further increased consumption of the cane.

The Committee was concerned about the laxity in the Provincial Administration in implementing the Cane Protection Program and the alleged illegal acquisition of nucleus land meant for cane growing in Chemilil.

With the foregoing the Chair directed that the Minister of internal Security and Provincial Administration be invited to explain the circumstances behind the illegal acquisition of land and the inability of the Administration to provide the requisite protection to the programme meant to deter poaching of cane.

The Minister was further urged by the Committee to consider legislating regulations to discourage illegal harvesting of cane.

While discussion the contribution of the Mumias sugar Company the Committee took cognizant of the slump in production by the company from 23,615MT in January to 9,932MT in September and was concerned about the reasons of the slump.

While concluding the Committee challenged the Ministry to take note and consider the following:

- i. Develop a policy to countercheck weighbridges to allow farmers to receive value for their produce.
- ii. Working together with the Minister of internal security, investigate the circumstances under which weighbridges' are allowed to operate illegally thereby defrauding farmers
- iii. Consider increasing research on varieties of cane and soils to increase output
- iv. Investigate the increase in sugar pricing which as it is now, does not correspond to the increase in sugarcane prices offered to farmers by millers (value chain analysis for sugar production).
- v. Proposal, as a regulatory mechanism that weighbridges outside of the millers jurisdictions be owned by farmers to maximize on the value of the produce.

Document to table

*Value chain analysis for sugar production in the different zones*

MIN.NO.252 /2011:

ANY OTHER BUSINESS

## ANNEXES

## APPENDIX II

## SUGAR AND SUGAR BY-PRODUCT IMPORTS FOR THE PERIOD JANUARY TO OCTOBER 2011 BY TYPE AND COUNTRY OF ORIGIN

## i) Sugar By-product i.e. Molasses and Jaggery

COUNTRY OF ORIGIN	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	TOTAL JAN-OCTOBER 2011	TOTAL JAN-OCT 2010
Uganda	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.39
Australia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.03	0.00	9.03	0.00
India	2.00	2.00	3.21	1.07	0.60	0.00	2.60	0.00	0.02	0.30	11.80	10.63
TOTAL	2.00	2.00	3.21	1.07	0.60	0.00	2.60	0.00	9.05	0.30	20.83	13.02

## ii) Mill/Brown Sugar (Tonnes)

Country	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	TOTAL JAN-OCTOBER 2011	TOTAL JAN-OCT 2010
Swaziland	-	-	-	-	-	-	-	-	-	-	-	504.00
Zimbabwe	-	-	-	-	-	-	-	-	-	-	-	-
Botswana	-	-	-	-	-	-	-	-	10.00	-	10.00	-
Sudan	-	-	-	-	-	-	-	-	0.002	-	0.00	-
Egypt	5,996.00	-	-	-	-	-	-	-	-	-	5,996.00	85,336.13
France	-	-	0.07	-	-	-	-	-	-	-	0.07	-
Italy	-	-	-	-	-	-	7.87	-	-	-	7.87	0.02
United Arab Emirate	-	-	-	-	0.45	-	0.80	-	-	-	1.25	-
Mauritius	66.00	316.00	176.45	-	485.45	66.20	-	-	-	-	1,110.10	6,586.79
Netherlands	-	0.02	-	-	-	-	-	-	-	-	0.02	0.03
Uganda	30.00	-	-	-	-	-	28.00	15.00	-	-	73.00	800.00
Tanzania	-	-	-	-	-	-	0.00	-	-	-	0.00	0.03
India	-	-	-	-	-	-	-	-	1,412.00	70.15	1,482.15	3,850.00
Malawi	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total	6,092.00	316.02	176.52	0.00	485.90	66.20	28.80	22.87	1,422.00	70.15	8,680.46	102,033.85

## iii) White Refined Sugar (Tonnes)

Country	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	TOTAL JAN-OCTOBER 2011	TOTAL JAN-OCT 2010
Egypt	3,516.50	2,300.00	4,975.00	1,225.00	600.00	1,725.00	925.000	1,425.000	1,350.000	525.000	18,566.50	5,067.00
Brazil	-	-	-	-	-	-	-	-	-	1,400.000	1,400.00	1,040.00
South Africa	6,668.50	432.00	1,496.00	824.00	344.00	1,116.00	986.000	1,473.700	5,364.000	4,166.500	23,070.70	44,147.55
Mauritius	0.03	-	-	-	-	-	-	-	-	-	0.03	0.01
Saudi Arabia	3,330.00	2,366.00	4,867.00	4,796.00	2,765.00	2,075.00	5,561.500	2,425.000	4,568.920	5,776.000	38,530.42	40,670.15
Malaysia	-	-	-	-	-	-	-	-	-	250.000	250.00	-
Netherlands	-	23.00	0.03	0.07	-	0.07	0.011	-	-	0.048	23.23	23.15
United Arab Emirate	0.06	-	0.07	0.05	0.02	1,290.08	0.132	2,010.582	0.060	4.800	3,305.85	32.66
Germany	-	-	-	-	-	-	-	-	-	1.560	1.56	-
Pakistan	-	-	-	-	-	-	-	-	-	0.025	0.03	-
Algeria	-	-	-	-	-	-	-	-	1.000	-	1.00	-
Canada	-	-	-	-	-	-	-	-	-	0.635	0.64	391.00
Belgium	-	0.02	0.00	-	-	-	-	-	-	-	0.02	1,127.00
Turkey	-	-	-	-	-	-	-	-	-	-	-	0.35
Swaziland	-	-	-	-	-	-	-	-	-	-	-	1,176.00
United Kingdom	-	-	-	-	-	150.00	200.000	-	0.100	0.054	350.15	0.22
Thailand	-	-	-	-	500.00	500.00	-	-	-	-	1,000.00	1,850.00
U.S.A	-	-	-	-	-	-	-	-	-	-	-	0.76
France	-	230.00	-	-	-	-	-	-	-	-	230.00	253.00
Australia	-	-	-	-	-	-	-	-	-	-	-	621.00
India	208.00	725.00	364.00	286.00	333.00	350.00	275.000	24.000	-	-	2,565.00	0.16
Sub-total	13,923.09	6,076.02	11,702.10	7,131.12	4,542.02	7,206.15	7,947.64	7,358.28	11,285.64	12,193.212	89,295.13	96,400.01
TOTAL SUGAR IMPORTS (II+III)	20,015.09	6,392.04	11,878.62	7,131.12	5,027.92	7,272.35	7,976.445	7,381.150	12,707.642	12,193.212	97,975.59	198,433.86

## CANE PAYMENT DURING THE MONTHS OF NOVEMBER 2010 - NOVEMBER 2011

MONTHS IN 2010-2011	1. CANE PRICES PAID IN THE MONTH (KSHS/T)
---------------------	---

## 1. Mumias

Nov-10	3,148
Dec-10	3,148
Jan-11	3,148
Feb-11	3,148
Mar-11	3,148
Apr-11	3,148
May-11	3,200
Jun-11	3,200
Jul-11	3,200
Aug-11	3,475
Sep-11	3,475
Oct-11	4,186
Nov-11	4,186

MONTHS IN 2010-2011	1. CANE PRICES PAID IN THE MONTH (KSHS/T)
---------------------	---

## 3. Chemelil

Nov-10	2,978
Dec-10	2,978
Jan-11	2,960
Feb-11	2,880
Mar-11	2,905
Apr-11	2,930
May-11	3,100
Jun-11	3,100
Jul-11	3,474
Aug-11	4,100
Sep-11	4,300
Oct-11	4,300
Nov-11	4,300

## 2. Nzioa

Nov-10	3,100
Dec-10	3,100
Jan-11	3,100
Feb-11	3,100
Mar-11	3,100
Apr-11	3,100
May-11	3,100
Jun-11	3,100
Jul-11	3,100
Aug-11	3,100
Sep-11	3,100
Oct-11	3,400
Nov-11	3,800

## 4. Muhoroni

Nov-10	2,950
Dec-10	2,950
Jan-11	2,950
Feb-11	2,950
Mar-11	2,950
Apr-11	2,950
May-11	3,200
Jun-11	3,200
Jul-11	3,500
Aug-11	4,000
Sep-11	4,000
Oct-11	4,000
Nov-11	4,000

TABLE III: MONTHLY SUGAR PRICES FOR JANUARY-NOVEMBER 2010 AND 2011

MONTH	EX-FACTORY SUGAR PRICES(KSHS./50KG BAG)		WHOLESALE SUGAR PRICE (KSHS/50-KG BAG)			
	MEAN*		RANGE		MEAN	
	2010	2011	2010	2011	2010	2011
January	3,844	3,683	4000-4300	3650-3900	4,196	3,797
February	3,861	3,644	3800-4200	3650-4150	3,954	3,871
March	3,751	3,693	3850-4200	3600-4000	3,984	3,781
April	3,935	4,019	3750-4100	4100-4350	3,886	4,206
May	4,022	4,048	4050-4350	4100-4500	4,116	4,237
June	4,114	4,140	4100-4450	4150-5800	4,211	4,450
July	4,107	4,760	4150-4400	5800-6700	4,288	6,161
August	4,143	5,862	4150-4400	7000-8540	4,289	7,434
September	4,138	6,202	4170-4450	7000-9800	4,289	8,423
October	4,024	6,922	3950-4350	9000-9800	4,264	9,450
November	3,852	7,808	3850-4350	8500-9800	4,061	9,282
OVERALL	3,981	4,980	3750-4450	3600-9800	4,140	5,917

\* Weighted average

OFFICE OF THE PRESIDENT

Telegrams: .....  
Telephone: .....  
Fax: 020-2393643  
When replying please quote

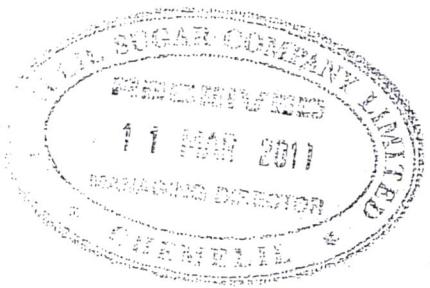


DISTRICT COMMISSIONER  
MUHORONI DISTRICT  
P.O. Box 13-40107  
MUHORONI

Ref. No. ....  
D. 1/C/VOL.I/(6)

10<sup>th</sup> March, 2011

The Manager Director,  
Chemelil Sugar Company,  
P.O. Box 17,  
CHEMELIL.



RE: REQUEST FOR LAND FOR CONSTRUCTION OF MUHORONI DISTRICT HEADQUARTERS AT CHEMELIL - (50 ACRES)

During our District Development Committee meeting held on 7<sup>th</sup> February, 2011 to deliberate on the location of the District Head-quarters for Muhoroni District, it was resolved by unanimous decision, that it be located at Chemelil.

However, the current premises occupied by the District Commissioner are only two (2) acres, and are residential houses belonging to Ministry of Co-operative Development.

The District Development Committee resolved to request your good office to allocate at least Fifty (50) acres from your nucleus estate to accommodate the following offices:

1. The District Headquarters
2. The Muhoroni Police Division
3. Departmental Offices for all government Ministries
4. Administration Police Lines
5. A Police Station
6. Construction of Staff Quarters for Civil Servants.

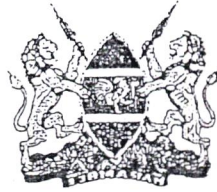
*Annex 1 Done on 14/3/11  
Respond, the request will be forwarded to this full board for discussion and concurrence from parent office. CC set in hand*

Given the fact that we are partners in development, and Chemelil Sugar Company being a government agency, and also in the spirit of Strategic Corporate Social Responsibility, we request for your favorable appraisal and approval of our request, so that the district services take off with the aim of bringing services closer to the people.

ANNEX 5

OFFICE OF THE PRESIDENT

Telegrams: .....  
Telephone: .....  
Fax: 020-2393643  
when replying please quote



DISTRICT COMMISSIONER  
MUHORONI DISTRICT  
P.O. BOX 17-40107  
CHEMELIL.

Ref. No.D.1/C/VOL.1/13.

Date: 18<sup>TH</sup> JULY, 2011.

The Managing Director,  
Chemelil Sugar Company,  
P.O Box 177,  
MUHORONI.



RE:FIFTY (50) METRES RADIUS FOR PLANTING CANE AWAY  
FROM DISTRICT HEADQUARTERS.

The District Security and Intelligence Committee held on Thursday 14<sup>th</sup> July, 2011 at the District Commissioner's Office of which you were absent with apologies, to deliberate on the above mentioned issues.

Due to security operations orders and strategic safeguards to security installations, the committee decided that cane growing on government land can only be done not less than fifty (50) metres from the present District Headquarters. This will safeguard the District Armoury, Treasury, AP Lines and classified government documents and hardware.

Please get in touch with the undersigned to organize for a date to plant trees along the cutline in the spirit of good neighborliness and environmental protection.

Thanks in anticipation.

FRED .O.OUMA  
DISTRICT COMMISSIONER  
MUHORONI DISTRICT

~~CONFIDENTIAL~~

Noted