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**KENYA NATIONAL ASSEMBLY
TENTH PARLIAMENT – SECOND SESSION**



**DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND
NATURAL RESOURCES**

**REPORT ON FOOD SECURITY STATUS AND THE
MAIZE SHORTAGE IN THE COUNTRY**

**Clerks Chambers
National Assembly
Nairobi**

April 2009

TABLE OF CONTENT

PREFACE	3
EXECUTIVE SUMMARY.....	9
CURRENT FOOD SITUATION.....	10
ONGOING INTERVENTIONS.....	10
FOOD SECURITY STATUS.....	12
REPORTS ON FOOD SECURITY STATUS.....	16
FOOD SECURITY SITUATION – JAN-MAY 2008.....	16
FOOD SECURITY SITUATION - DECEMBER 2008.....	30
FOOD SECURITY SITUATION – JANUARY 2009.....	25
MAIZE SHORTAGE IN THE COUNTRY.....	30
COMMITTEE FINDINGS AND OBSERVATIONS.....	40
EVIDENCE RECEIVED.....	54
RECOMMENDATIONS.....	71

PREFACE

Mr. Speaker Sir, On behalf of the Members of the Departmental Committee on Agriculture, Lands and Natural Resources, I feel honoured to present to the House, the Committee's Report on National food Security Status and the Maize shortage in the Country.

1.1. Mandate of the Committee

The Departmental Committee on Agriculture, Lands and Natural Resources was established pursuant to provisions of Standing Order No. 151; with the following mandate: -

- 1.1.1 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;*
- 1.1.2 to study the programme and policy objectives of the Ministries and Departments and the effectiveness for implementation;*
- 1.1.3 to study and know all legislation after First Reading, subject to the exceptions under Standing Order 101A (4);*
- 1.1.4 to study, assess and analyze the relative success of Ministries and Departments as measured by the results obtained as compared with its stated objectives;*
- 1.15 to investigate and inquire into all matters relating to all assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House or a Minister and;*
- 1.16 to make reports and recommendations to the House as often as possible, including recommendations on proposed legislation.*

Mr. Speaker Sir,

1.2 Oversight

The Committee oversees the following Government Ministries and Departments, namely: -

1. Ministry of Agriculture;
2. Ministry of Lands;
3. Ministry of Water and Irrigations;
4. Ministry of Co-operative Development and Marketing;
5. Ministry of Regional Development Authorities;
6. Ministry of State for Development of Northern Kenya and other Arid Lands;
7. Ministry of livestock development;
8. Ministry of Fisheries development;
9. Ministry of Environment and Minerals Resources;
10. Ministry of Forestry and Wildlife; and
11. Ministry of State for Special Programmes.

1.3 Committee composition

The following are the Members of the Committee:

1. Hon. Mututho, John M.N, MP. - **Chairman**
2. Hon. Mureithi, Erastus, MBS, HSC, M.P.
3. Hon. Washiali, Benjamin Jomo, M.P.
4. Hon. Muriuki, Ruteere Silas, M.P.
5. Hon. Mbai, Itwiku Benson, M.P.
6. Hon. Kazungu, Kambi Samuel, M.P.
7. Hon. Munyaka, Victor Kioko, M.P.
8. Hon. Akula, Evans Bulimo, M.P.
9. Hon. Simam, Peris Chepchumba, M.P.
10. Hon. Monda, Robert Onsare, M.P.

Mr. Speaker Sir,

1.4 Committee Considerations

During its sitting held on Friday, January 3 2009, the Committee noted the following:-

- 1.4.1 A reported widespread food shortage; especially maize grain, in the Country during the Month of November – December 2008 and subsequent outcry by Kenyans in January 2009 on further maize shortages;

- 1.4.2 Increased food prices especially maize flour, a common food commodity among the middle-income and low income earners among Kenyans;
- 1.4.3 Continued Media Reports on the alleged disappearance and subsequent or shortage of maize in the Country;
- 1.4.4 The banning of exportation of maize outside Kenya by the Minister for Agriculture;
- 1.4.5 The Declaration of famine as a national disaster by the Head of State and subsequent appeal by the Government for food aid from the donor partners and humanitarian organizations;
- 1.4.6 Lack of satisfactory information from relevant Government Departments or Ministries on the possible causes of the famine situation, increased food and food products prices and maize shortage or providing appropriate measure to mitigate the same;
- 1.4.7 The introduction of cheaply-priced or subsidized maize flour for the low income earners among Kenyans by the Government.

1.5 Committee resolutions

In light of the above, the committee therefore resolved to:

- 1.5.1 Investigate the alleged maize shortage – what causes, may have led to the price increase of food commodities and possible or proposed recommendations on the causes and future mitigating measures;
- 1.5.2 Inquire into the causes and impact on the current famine situation in Kenya, propose possible solutions both short term as well as long term;
- 1.5.3 Measures in place to mitigate food security in Kenya;

1.6 Committee undertakings and evidence gathering

The Committee undertook the following:

1.6.1 Received evidence from:

- i. Minister of Agriculture,
- ii. Minister of State for Special Programmes,
- iii. Managing Director, Kenya Bureau of Standards,
- iv. Managing Director, Kenya Plant Health and Inspectorate Service (KEPHIS),
- v. Executive Chairman and Chief Executive Officer, Grain Bulk Handlers limited;

- vi. Managing Director, Kenya Ports Authority;
- vii. Managing Director, National Cereals and Produce Board; and
- viii. Members of the Public.

1.6.2 Visits and tours to:

- i. National Cereals and Produce Board (NCPB) Silos and facilities in Mombasa;
- ii. Kenya Bureau of Standards (KEBS) Laboratories at Ambalal House, Mombasa on the Safety and Quality of maize imported by both the Government and Private Millers;
- iii. Kenya Ports Authority on the Ships carrying maize that berthed at the Port;
- iv. KEPHIS on the Inspection of ships and grain imported; and
- v. Inspected the Grain Bulk Handlers Limited facilities in Mombasa.

1.6.3 The Committee received write ups or reports on the following: -

- i. Report of the Internal Audit of the National Cereals and Produce Board by the Ministry of Finance;
- ii. Report on the inspection of the Grain Bulk Handlers Limited on the Condemned maize by the Permanent Secretary,
- iii. Ministry of Industrialization;
- iv. write up on the Condemned Maize by the Minister for Public Health and Sanitation;
- v. report by Mombasa maize millers on the proposed second grain Handler ;
- vi. The Committee also received information on the matter from the Member of Parliament for Kangundo; and
- vii. Various reports on National Cereals and Produce Board, Ministry of Agriculture and the or by Ministry of State for Special Programmes.

Mr. Speaker Sir,


The Committee takes the earliest opportunity to thank all Kenyans, institutions and international organizations who volunteered information

either orally or by writing, that the contributions towards assisting the Committee has not been in vain;

Further, the Committee wishes to appreciate the support given your office and the Office of the Clerk for facilitating its work and providing Human Resource as well as the Parliamentary Service Commission for the provision of funds for this noble work in the interest of the people of Kenya.

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Agriculture, Lands and Natural Resources, to present and commend this report to the House pursuant to provision of Standing Order No. 162 of the National Assembly.


On behalf of the Committee, I request the house to adopt the report.

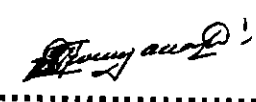
SIGNED:  DATE: 28th April 2009.

**HON. JOHN M.N. MUTUTHO, MP
CHAIRMAN,
DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND
NATURAL RESOURCES**

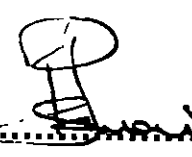
1.Hon. Erastus Mureithi, MBS, HSC, MP..... 

2.Hon. Silas Ruteere Muriuki, MP..... 

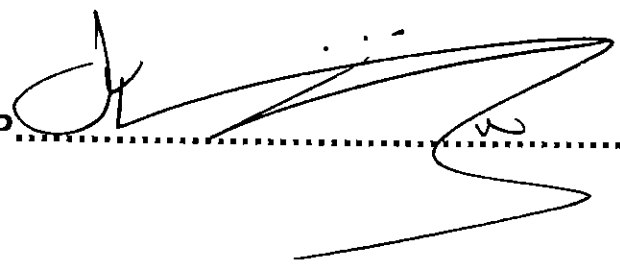
3.Hon. Benjamin Jomo Washiali, MP..... 

4.Hon. Dr. Victor Kioko Munyaka, MP..... 

5.Hon. Dr. Robert Onsare Monda, MP.....

6.Hon. Peris Chepchumba Simam, MP..... 

7.Hon. Benson Itwiku Mbai, MP.....

8.Hon. Samuel Kambi Kazungu, MP..... 

9.Hon. Evans Bulimo Akula, MP.....

2. EXECUTIVE SUMMARY – BACKGROUND INFORMATION

2.1 The Committee heard that Kenya is currently facing the worst food security situations in its last 50 years. This is as a result of:

- Successive failed rain seasons since late 2006;
- Worsening Global Economy;
- High food and fuel prices both locally and globally;
- Effects of the post-election violence;
- Livestock disease outbreaks;
- High cost of farm inputs – fertilizer;
- High poverty levels;
- Increased resource-based conflicts; and
- International pressure for Bio-fuels.

2.2 The most affected areas are: -

(i) Agro-pastoral and Pastoral areas in Coast, Eastern, North Eastern and parts of Rift Valley provinces where the main problems are:-

- Depleted water and pasture resources;
- Livestock diseases;
- Very high food prices;
- Decline in livestock prices;
- High malnutrition rate in children
- conflicts and ;
- Poor famine relief distribution network.

(ii) Marginal Agricultural areas of lowlands of Eastern and Central Province, parts of Rift Valley and Nyanza Province, hinterlands of coast Province where the main problems are: -

- Crop failure – due to low rainfall
- High prices of food
- High production cost
- Water Scarcity and
- Food cartels;
- High poverty levels
- Low livestock productivity

(iii) Urban and Peri-urban areas – particularly the slums in major towns where the main problems include:

- High food prices;
- High levels of unemployment;

- High prevalence of HIV/Aids;
 - Widespread poverty;
- (iv) Post-Election Crisis in those affected areas, where the problems include:
- Disruption of livelihoods;
 - Slow resettlement process of the internally displaced persons and subsequent restoration of livelihood; poor famine relief distribution
 - Disruptions of productivity; and
 - The IDPs complex.

3. Current Food Situation

3.1 The Committee was further informed that there are about 10 million Kenyans who are food insecure and therefore need urgent assistance and they fall in the following categories:-

- **3.2 million** People affected by drought in **ASAL** areas are expected to be covered under the Emergency Operation Programme (EMOP);
- **2.0 million People** in rural areas not covered under the EMOP but are food insecure due to chronic poverty, drought and HIV/AIDS among other factors;
- **3.0 million** People in **Urban and Peri-urban areas**;
- **1.5 million** School going **children** under the School Feeding Programme; and
- **0.15 Million Internally Displaced People (IDPs)** who have been resettled but still require assistance.

3.2. ON-GOING INTERVENTIONS

The Committee was informed that the government with the help of humanitarian organizations, donor community and others has put in place measures to alleviate and manage the current crisis: -

3.2.1 Provision of assistance to 1.4 million Kenyans through EMOP in eleven (11) districts in the ASAL areas; and a further 1.2 million school children under the School Feeding Programme. The current EMOP phase which began in September 2008 and ended in March 2009 was to distribute **140,696 MT** of foodstuffs;

- 3.2.2 Provision of food to the 1 million people not covered under the EMOP Programme by the Ministry of State for Special Programmes by availing 2500MT of assorted foodstuff;
- 3.2.3 Since December 2008, The Ministry of state for Development of Northern Kenya and other arid areas; under the Arid Lands Resources Management Project, has been providing support to sectoral activities: -Water Trucks, Livestock Disease Control, Human Health and Supplementary and therapeutic feeding.
- 3.2.4 The Ministry of Livestock Development has started Livestock off-take activities targeting 200,000 cattle. However only **Kshs.500 million** has been availed for the purchase of 30,000 cattle;
- 3.2.5 And further, the Ministry of Livestock Development is providing feed supplements to target 3% of breeding animals as well as availing Kshs. 500 million to livestock disease control.
- 3.2.6 Minister for Agriculture informed the committee that, the government has put in place short term intervention measure by:-
- i. Supplying famine relief food and other staff to people affected by drought;
 - ii. Increasing the maize supply in the country hence price reduction
- 3.2.7 To address the above, the government has put in place the following measures:-
- i. Banned the export of maize and maize flour;
 - ii. Invented the process of importation of 5 million bags of white maize by NCPB;
 - iii. Waived duty on all maize imports between January 16, 2009 to July 2009;
 - iv. Reduced import duty on wheat and rice from 35% to 10%;
 - v. Increased producer price of maize grain from Kshs. 1750 to 2300 to encourage farmers to sell maize to NCPB for SGR; and
 - vi. Guaranteed US\$ 83 Million for importation of maize through (GSM-102) credit guarantee system offered by U.S.A

4. KENYA FOOD SECURITY STATUS

4.1 The food security status of an estimated 3.7 million persons, including 500,000 school children, in pastoral, agro-pastoral and marginal agricultural areas is at a critical precipice, due to failure of the short rains, after a succession of three poor seasons, High food and non-food prices, livestock disease, crop failure and conflict. In addition, 3.5-4.1M urban dwellers and about 300, 000 IDP's after the post-election crisis are also considered highly food insecure and in need of a comprehensive multi-sectoral intervention aimed at mitigating a catastrophic decline in food security. **(See Annex IV)**

4.2 Background

- 4.2.1 The adverse impacts of the current poor short-rains season are a culmination of a succession of failed rainy seasons, since the long rains of 2006 through the long rains of 2008. The 2008 long-rains season performed poorly in many areas including the pastoral livelihoods of Turkana, Mandera, Samburu, Baringo, Marsabit, Wajir, Moyale and Garissa; significant areas in the agro pastoral and the marginal agricultural livelihoods in Kitui, Mwingi, Makueni, Mbeere, Malindi, Kilifi, Kwale; and Tana River.
- 4.2.2 About 1.4 million rural dwellers were estimated to be highly food insecure in August 2008, **including approximately 300,000 internally displaced persons (IDPs)**. The estimation was cognizant that several more people in the rural areas were food insecure but did not necessarily require emergency food and non-food interventions. In addition, the food security of food-poor urban livelihoods deteriorated precariously as a result of the rise in food and non-food prices for households who depend almost entirely on food purchases
- 4.2.3 The poor performance of the long-rains season was further accentuated by compounding food security factors including decimation of the small stock by the ***peste de petits ruminants (PPR)*** livestock disease in pastoral areas; heightened food and non-food prices across all livelihoods; rising conflict, especially in pastoral areas; below normal short rains in pastoral marginal and agro pastoral areas; and reduced resilience caused by cumulative effect of consecutive years of eroded coping strategies caused by drought, floods and conflict.

4.2.4 National maize supply was also significantly constrained by a decline in the 2008 long rains output in the central highlands and marginal agricultural areas as result of poor rains; erratic rains in southern parts of the Rift Valley highlands;

- sub-optimal application of fertilizers;
- low use of appropriate seed varieties, after nearly 30 percent increase in the cost of production; and
- a 10 percent reduction in area put to maize during the long rains season.

4.2.5 Long rains maize output is estimated to be about 2.1 million MT or 20 percent lower than average output in a country that has a chronic structural deficit in maize production, even during good seasons. Imports of maize from Uganda and Tanzania were low, less than 50 percent of normal, and could not fill the deficit as they normally would. Maize prices rose to unprecedented levels of over 100 percent of normal, in response to the shortfall, **cartels** etc further accenting the enormous pressure on household purchasing capacities.

4.2.6 The onset of the October-December short-rains season coincided with a period of substantial food insecurity across the country's livelihoods. Expectations that a good short-rains season would mitigate deepening food insecurity across livelihoods were not met.

4.3 Marginal Agricultural Livelihood

4.3.1 The marginal agricultural livelihood zone which comprises the larger Makueni, Kitui, Mwingi, Machakos, Tharaka, Mbeere, Meru North, Malindi, Kilifi, Kwale, Taita Taveta, Lamu and the lowlands of Central Province are the worst-affected area, reporting near-total crop failure during the 2008 short-rains season. The marginal agricultural districts are short-rains dependent, deriving up to 70 percent of their annual output from the short-rains season. The failure of the season is particularly critical because the next significant harvest is not expected until **March 2010**. Farm households are under severe food stress after three successive failed seasons coupled with exceptionally high food and nonfood prices, eroding their resilience.

4.3.2 Farm households are trekking for over 10 kilometers in search of water for both household and livestock use. Water for household use is

increasingly scarce resulting in an increase in its price. While livestock production should mitigate crop losses, the low numbers per household and their current poor body conditions, as a result of extended trekking distances and poor pastures, has caused a 50 percent decline in their value. Increasingly, households are depending on undesirable survival strategies such as **charcoal production**, further degrading and endangering future production. Rapidly eroding purchasing capacities resulting from several poor production seasons, high food and non-food prices and poor livestock body condition has compromised non-food expenditure, most notably school and medical care. If the dry conditions persist, livestock could be lost after a near total crop failure, resulting in a livelihood crisis. Already worryingly, high stunting rates of over 30 percent especially in the coastal marginal districts of Malindi, Kilifi and Kwale districts are indicative of an extended period of under-nutrition. An estimated **1.7 million persons** are extremely food insecure and under severe stress as compared to 230,000 in August 2008.

4.4 Pastoral and Agro pastoral Livelihood

4.4.1 The pastoral and agro pastoral livelihood has experienced a mixed short-rains season the northwestern and northeast pastoral areas experienced fair rains, while the northern and southern pastoral rangelands a fairly poor season. Areas that received good rains reported 100-200 percent of normal precipitation in contrast to the northern and southern pastoral areas with 20-80 percent of normal short rains. Although the rains were fairly good and started earlier than normal in the northeast and northwest, they also ended early and little or no rains were reported in December. Pasture, browse, water and milk availability have improved in these areas including Samburu, Turkana, Tana River, parts of Mandera, Wajir and Garissa. Improved livestock conditions are unlikely to be sustained because little or no rains were reported in December. It is likely that current high temperatures will lead to a rapid decline in grazing resources and increased stress, since no additional rains are anticipated until April. Livestock conditions are rapidly deteriorating in northern and south in Kajiado, Moyale, Trans Mara and Narok. Already water trucking is being carried out in parts of Mandera and Moyale districts in the north.

4.4.2 The key determinant of food access, in pastoral areas, is price of livestock and their products, relative to the price of other food and

non-food commodities. Unfortunately food commodity prices are over 120 percent above long-term averages across the region and on an upward trend. In addition, improvements in environmental conditions in parts of the pastoral areas have been mitigated by the **PPR** outbreak in the northwestern pastoral and agro pastoral areas; debilitating conflict in Turkana, Samburu, Marsabit, Marakwet, Tana River and more recently in Mandera districts; and displacements due to floods that occurred in Tana River and Garissa districts. Expected migration of livestock from areas that received poor rains and clustering around limited water sources is likely to exacerbate conflict and predispose livestock of disease leading to livestock productivity losses and in some instances enhanced mortality.

4.5 Urban Livelihood

4.5.1 The urban livelihood is home to about 35 percent of the Kenyan population or about 12 million people. **An estimated 5.7 million of these reside in slums**, deriving most of their income from wage labour and small business. Urban dwellers derive virtually all their food from the market and are continually exposed to the dramatic rise in food and non-food prices that started in late 2007 through January 2009. The failure of the short rains season has tightened the food supply even further and the urban food poor are not adequately cushioned by current government measures intended to provide subsidized maize to low-income areas.

4.5.2 A significant proportion of urban dwellers lost their livelihoods after businesses failed to reopen or operate at normal levels following the post-election crisis. Income sources and wage rates in particular, have remained static as the supply of labor has increased, while food and non-food prices have increased by over 100 percent, over that period. Preliminary results of rapid urban assessment carried out indicate that households are foregoing medical, education, transport, and other important non-food needs, further entrenching chronic food insecurity.

4.6 Post-election Crisis Areas

4.6.1 The food security of internally displaced persons (**IDPs**) remains of serious concern after displacements from their homes, following the post-election crisis in January 2008. An estimated 3,300 persons remain in IDP camps; while close to 150,000 persons are in transition camps. Initially about 500,000 persons were displaced with 350,000 residing in

IDP camps, while the rest integrated with family members outside conflict epicenters. The normally food secure households suddenly became highly to extremely food insecure. The re-settlement process has been difficult and impeded by: lack of sufficient resources to return households to pre-election status; insecurity has continued in some areas characterized by stuttering reconciliation efforts.

4.6.2 The food security status of the IDPs who lost their high-yielding livestock breeds, farm businesses; homes, and household members will require several years to recover, if at all. Returnee households still residing in transition camps with few amenities are highly susceptible malaria, diarrhoea, respiratory and skin diseases, while child malnutrition is rising. IDPs integrated in households as well as small-scale farmers hosting over 200,000 IDPs are also under substantial food stress. The rise in food and non-food prices has impacted adversely on the food security of displaced households who normally do not purchase food and now have to use their limited purchasing capacities to source for food.

4.6.3 Unless the complete or near-complete return to former livelihood status is achieved, at least 150,000 IDPs could become chronically food insecure, while the rest of the displaced remain highly vulnerable to shocks, such as the current increase in food and input prices. On-going interventions include food and non-food commodities to IDPs and returnees; establishment of peace committees; rehabilitation of schools and provision of farm inputs. Ensuring that IDPs are fully resettled now will mitigate the need for a long-term commitment to finance a long-lasting humanitarian crisis.

5. REPORTING ON THE FOOD SECURITY SITUATION

5.1 JAN/FEB 2008 -MAY 2008 - HIGHLIGHTS

- Maize planting for long rains has ended at close of the month of May;
- Rains in the North Rift have been unreliable and poorly distributed;
- Of the long rains national target of 1,239,698 hectares for the year 1,001,917 hectares has been achieved (80%);
- About 24 million bags of maize is expected from this hectare in short rains;

- In central Rift valley 424,616 hectares have been planted compared to 567,600 hectares targeted for long rains (75%);
- This is expected to produce about 12 million bags to come to market in August (south rift) and November/December (north rift); and
- Total annual maize production (long and short rains) therefore estimated at 30 million bags.

5.2 In order to lessen the anticipated impact of food shortages and high prices the buying price for maize delivered to NCPB has been raised to Kshs. 1700 per 90Kg bag. This is to access any maize still with farmers and build SGR towards the 8 million bags.

5.3 **LAST SEASON'S ACHIEVEMENT FOR 2008 WERE LONG & SHORT RAINS**

- Maize production was estimated to drop to 30 million bags compared to 32.5 million bags realized last year (2007).
- The decline in targeted area by 20%, inadequate use of fertilizers and adverse weather in some parts of the country explains the anticipated deficit in production.

5.4 **AVAILABLE MAIZE STOCKS**

5.4.1 It was estimated that the country would have maize stocks of about **8 million** bags from the current and previous harvests held by farmers, traders, millers and NCPB. This amount is expected to supply grain for at least two months, at a consumption rate of about **3 million bags** per month with some proportion going into production of animal feeds. An early crop of about 3 million bags harvested from South Rift, Western and Nyanza Provinces is likely to come into the market by August 2008, with an additional one million bags of maize inflows mainly from Eastern Uganda, if Tanzania does not lift the ban on its maize exports. This, and the planned import of **3 million bags by the government, will bridge the deficit before the long rains harvest in November/December this year.**

MAIZE STOCKS AS AT 25TH MAY 2008

Province	Farmer's stocks (bags)	Traders (bags)	Millers (bags)	NCPB (Bags)	Totals (bags)
Western	258,000	180,000	0	0	438,000
Nyanza	250,350	45,000	0	0	295,350
R/Valley	2,536,838	350,000	0	0	2,886,838
Central	252,570	100,500	0	0	353,070
Eastern	310,460	70,040	0	0	380,500
Coast	40,290	40,600	0	0	80,890
Nairobi	0	210,000	0	0	210,000
N.Eastern	150	6,500	0	0	6,650
NCPB	0	0	0	3,173.280	3,173.280
Millers	0	0	550,000	0	550,000
Total	3,648,658	1,002,640	550,000	3,173,280	8,378,578

5.4.2 A stock of maize of about 3, 173,280*90 Kgs bags of maize held by NCPB as at 22nd May 2008 where:-

- The SGR maize totals were at 2.2 million bags;
- Relief maize at 750,000 bags;
- NCPB commercial maize 150,000 bags
- Maize stocks with farmers in Rift Valley reduced to 2.5 million bags. This was because of sales by the farmers to meet their needs and costs of farm inputs as prices have escalated in the recent past.

5.4.3 Most of this sales has been to millers who have been offering good prices up to Kshs. 2000 per bag against a price of Kshs 1700 offered by NCPB;

5.4.4 **INTERVENTIONS BY MINISTRY OF AGRICULTURE - ACTION PLAN ONE- DURING THE SEASON**

- Continued support to increased productivity through its extension services;
- Intervention of input procurement and supply, especially fertilizers and seeds;
- Mandated the NCPB to build the Strategic Grain Reserve (SGR) from the current level of 4 million bags to 8 million bags in the next two years i.e 2008/08; and
- Increased in production of the drought tolerant crops with KARI, ADC and selected farmers playing a big role in multiplication /bulking of clean seed material.

5.4.5 **ACTION PLAN TWO**

- Removal of import duty on maize equivalent to one month consumption (3 million bags) by end of July 2008;
- Importation of maize by the government through NCPB in order to avoid the risk of flooding the market at harvest time which would result in depressed local prices.; and
- Imported maize to arrive in the country by the end of July, before the harvesting of the current crop in the Districts of South Rift. This will bridge the deficit before the main harvest later in the year.

5.5 CURRENT SEASON'S PROJECTIONS

5.5.1 the Ministry of Agriculture informed the Committee that about **1.2 million hectares** of maize was targeted for planting during the long rains season and **24 million bags** as expected production. For short rains season, it is estimated that **579,618 hectares** will be planted with maize and 6 million bags to be realized. See table below.

5.5.2 Challenges:-

Expected decrease in production (yields) due to

- Unreliable rains in North and central rift,
- Sub-optimal use of fertilizers due to high cost
- Reduced area under crop because of cost of land preparation (high fuel prices) and displacement of farmers especially in Rift Valley Province.

MAIZE TARGET PROJECTION 2008

Province:	Long rains		Short rains		Estimated Totals	
	Target/ Ha	Estimated Production (Bags)	Target/ Ha (bags)	Est. Prod/ Bags	Ha	Bags
R/Valley	567,600	11,870,819	67,785	850,000	635,365	12,720,819
Nyanza	149,907	4,289,321	108,000	1,296,000	281,380	5,585,321
Western	168,060	5,041,820	28,800	518,400	207,940	5,560,220
Central	87,730	975,896	60,760	507,600	148,490	1,483,496
Eastern	195,200	1,266,200	282,623	2,826,230	467,500	4,092,430
Coast	68,206	550,860	28,275	102,580	96,481	635,440
N/Eastern	1,195	2,590	2,000	1,500	3,195	4,090
Nairobi	1,800	5,500	350	750	2,150	6,250
Totals	1,239,698	24,003,006	575,618	6,103,060	1,645,410	30,106,066

5.6 DECEMBER 2008 - HIGHLIGHTS

- 5.6.1 With the government intervention of importing maize and availing subsidized flour, traders have slowed down purchase of maize from the farmers. This depressed farm gate prices to as low as Kshs 1700 per bag;
- 5.6.2 With NCPB having increased the price to Kshs 2050 per bag, farmers therefore delivered maize to NCPB;
- 5.6.3 The unnecessary tensions in the domestic maize markets in recent days has stemmed from many factors, such as rumors, groundless information and particularly the holding back of maize to await for the prices to go even higher (hoarding);
- 5.6.4 Rising food prices are putting approximately 5 millions of people in both urban and rural areas in the country at risk of severe hunger and destitution;
- 5.6.5 NCPB purchased 170,000 bags as a result of the increased purchase price of Kshs 2050 for a 90kg bag of maize;
- 5.6.6 Government approved importation of 5 million bags of white maize. Out of the 5 million bags, NCPB will import 2 million bags and the private sector will import 3 million bags;
- 5.6.7 The private sector has already been allowed to import 1 million bags of yellow maize for livestock feed;
- 5.6.8 The expected 2008 long & short rains of maize production is 30.5 million bags of 90 kg against an annual average production of 34 million bags;**
- 5.6.9 Short rains over Western, Central highlands, Central Rift valley, South Eastern lowlands and the Coastal strip has actually been inadequate for good crop performance. The worst hit is the south Eastern lowlands and coast where in some areas total crop failure has been recorded;
- 5.6.10 The areas that are likely to receive below normal rainfall are currently drought affected and if the rains perform as per the forecast, the situation is likely to worsen if these area;
- 5.6.11 The short rains started earlier than anticipated in several areas including parts of the districts of Turkana, Moyale, Baringo, West Pokot, Samburu and Mandera. Other areas that have received some rains include parts of Kajiado, Narok and hill masses of the lowlands of eastern province;

5.6.12 The highlands in Western Kenya and around Mt. Kenya also were reported to have received fairly early and heavy rains.

5.7 MAIZE STOCKS END OF DEC 2008

5.7.1 The estimated maize stocks by the end of December 2008 is 10.3 million bags x 90kg consisting of Strategic Grain Reserve (SGR) of 1.3 million bags, 0.8 million bags held by millers, 2.8 million bags held by traders and 5.3 million bags by farmers. All the grains held by NCPB are SGR. 1.03 million bags are at NCPB stores while 231,222 bags are being offloaded from the vessel at the port.

MAIZE STOCKS AS AT 28TH DECEMBER 2008

Province	Farmer's Stocks (Bags)	Traders	Millers	NCPB	Totals
		(Bags)	(Bags)	(Bags)	(Bags)
Western	930,423	417,010	0	0	1,347,433
Nyanza	770,360	516,327	0	0	1,286,687
Rift Valley	3,164,660	1,257,090	0	0	4,421,750
Central	74,881	94,020	0	0	168,901
Eastern	315,240	432,467	0	0	747,707
Coast	26,257	40,356	0	0	67,113
Nairobi	0	18,000	0	0	18,000
North Eastern	200	21,324	0	0	21,524
NCPB	0	0	800,015	1,258,436	2,260,831
Totals	5,282,521	2,796,594	800,015	1,258,436	10,339,946

5.8 ESTIMATED STOCKS FOR CONSUMPTION

- 5.8.1 With the projected remaining harvest in North Rift of 8 million bags and target 3.5 million bags from the short rains, a **total of 21.8 million bags will be available in the country between December 2008 and August 2009**. Out of this total of 21.8 bags, 1 million bags will be used for animal feeds and industrial use while another estimated 2 million bags will be lost through post harvest losses. 1.2 million bags are SGR stocks leaving a balance of 17.6 million bags available for consumption. These was estimated to take the country up to **June 2009 at a monthly consumption rate of 2.7 million bags**;
- 5.8.2 Out of the 21.8 million bags available, 1 million bags will be used for animal feeds since the government has arranged to import 1 million bags of yellow maize to ensure that the required 2 million bags of animal feed is available to reduce pressure on white maize;
- 5.8.3 With a post harvest loss of 2 million bags, the balance will be 20.5 million bags and by adding the SGR stock of 1,258,436 bags and with an estimated Deficit (5.4 million bags);
- 5.8.4 The country therefore was reported to experience a deficit **of 5.4 million bags of maize between July and August 2009** when the next early maize harvest from south Rift, Nyanza, parts of Western, Eastern and Central provinces will be expected in the market. There will also be need to build SGR stocks to the statutory level of 6 million bags x 90 kg by 30th June 2009 giving a further deficit of 4.8 million bags. **The country therefore needs to import 10.2 million bags to cater for this deficit** the average percentage increase in maize prices between Nov 2007 and Nov 2008 across selected markets is 70.4 percent. This is quite a significant increase in maize prices and can most likely lead to a limited access to food by a large number of people within the population.
- 5.8.5 Price of Commodities;
- 5.8.6 The price of maize has remained fairly constant in the market over the last 5 months as a result of the following interventions by government;
- 5.8.7 The release of 1.2 million bags of SGR Maize to millers as Kshs 1750 per 90kg bag;

- 5.8.8 The millers offering 30% of their capacity to contract mill government branded flour which is retailing at Kshs 52 per 2kg packet; a scheme that has flopped;
- 5.8.9 Government approval for importation of 5 million bags of white maize; and
- 5.8.10 Approval of importation of 1 million bags of yellow maize for animal feed in order to release the white maize for human consumption.

6. JANUARY 30TH 2009 – HIGHLIGHTS

- 6.1 The maize stocks as at 30th January 2009 were 13.2 million x 90 kg bags. However with the inflows of 2 million bags from cross border trade and 1.2 million bags to yet to be harvested the national availability are 14.4 million bags;
- 6.2 The national consumption at 3 million bags per month from now up to end of August 2009;
- 6.3 Current Maize stocks with NCPB stand at 784,113 bags;
- 6.4 The maize shortage due to drought is putting approximately 10 million people in both urban and rural areas in the country at risk of severe hunger and destitution; Government has declared food situation to be at emergency level due to severe shortages observed in most parts of the country;
- 6.5 Parts of the country are now relying on relief food that is being supplied by the government;
- 6.6 The government has published a legal notice waiving duty on maize imports;
- 6.7 The government has approved importation of 5 million bags of white maize. Out of the 5 million bags, NCPB will import 2 million bags and the private sector will import 3 million bags;
- 6.8 The private sector has already been allowed to import 1 million bags of yellow maize for livestock feed;
- 6.9 The government has increased buying price of maize from Kshs 2,050 to Kshs 2,300 for every 90kg bag as the buying price NCPB to help in mopping surplus maize estimated to be 1-2 million bags held of farmers. This was expected to continue for a period of two months;
- 6.10 The expected 2008 long & short rains of maize production are 28 million bags of 90kg against an annual average production of 34 million bags;
- 6.11 Short rains over Western, Central highlands, Central Rift valley, South Eastern lowlands and the Coastal strip has actually been inadequate for

good crop performance. The worst hit is the south Eastern lowlands and coast where in some areas total crop failure has been recorded.

7. MAIZE STOCKS

7.1 The estimated maize stocks at 30th January is 13.2 million bags x 90 kg consisting of 0.8 million bags with NCPB, 0.5 million bags held by millers, 2.8 million bags held by traders and 9.1 million bags by farmers. All the grains held by NCPB is SGR

7.2 **Farmers stocks** - This reduced in all provinces except in Eastern and Nyanza which recorded minimal increases due to some harvest in upper Eastern and South Nyanza respectively;

7.3 Traders stocks

Increased slightly in Western, Eastern and Nairobi due to maize inflows from Uganda which moved as far as Lower Eastern.

7.4 **New purchases - price implication** - The highest price offered by traders in the surplus districts has been Kshs 2,200 for a 90kg bag. With the new purchase of Kshs 2300 by Government there might be more deliveries to NCPB and stocks held by farmers.

MAIZE STOCKS AS AT 30TH JANUARY 2009

Province	Farmers Stocks (Bags)	Traders (Bags)	Millers (Bags)	NCPB (Bags)	Totals (Bags)
Western	825,200	485,540	0	0	1,310,740
Nyanza	890,345	264,450	0	0	1,174,795
Rift Valley	7,147,871	1,523,553	475,142		9,146,566
Central	45,300	95,500	0	0	140,800
Eastern	106,671	342,248	0	0	448,919
Coast	128,394	11,475	15,789	0	155,658
Nairobi	0	8,565	0	0	8,565
North Eastern	120	345	0	0	465
NCPB	0	0	0	784,113	784,113
Millers	0	0			
Total	9,143,901	2,751,676	490,931	784,113	13,170,621

Carryover stocks as at 30 th Jan 2009 (bags 90 kg)	13,170,621
Imports	
Total East Africa Imports	2,000,000
MAIZE PRODUCTION 2008-09	
Crop still not yet harvested (short rains projection)	1,200,000
Post –harvest losses, industrial use- seeds	-2,000,000
NATIONAL AVAILABILITY (bags 90kg)	14,370,621
Exports (currently there is a ban)	-
Uganda	-
Kenya	-
Tanzania	-
Rwanda	-
Total exports to East Africa	-
Exports outside the region	-
NATIONAL CONSUMPTION (30 th Jan to August 30 th 2009) (3 million Bags/Month)	21,000,000
Maize Deficit as at 30 th August 2009 (bags 90kg)	6,629,379

MAIZE BALANCE SHEET AS AT 30TH JANUARY 2009

8 ESTIMATED Stocks for Consumption

8.1 With the current stocks of 13.2 million bags and the projected remaining harvest of 1.2 million bags and 2 Million Bags of imports from the East African region 2 million bags is estimated as post harvest losses a total of 14.4 million bags will be available in the country between now and August 2009 This will take the country to the end of May 2009 at a monthly consumption rate of 3 million bags.

8.2 Price of commodities

8.2.1 The price of maize has remained fairly constant in the market over the last 5 months as a result of the following interventions by government;

8.2.2 The Release of 1.2 Million Bags of SGR Maize to millers at Kshs 1750 per 90kg bag;

- 8.2.3 The millers offering 30% of their capacity to contract mill government branded flour which is retailing at Kshs 130 per 5 kg packet;
- 8.2.4 Government approval for importation of 5 million bags of white maize;
- 8.2.5 Approval of importation of 1 million bags of yellow maize for animal feed in order to release the white maize for human consumption.

8.3 Price of main brands of flour in major towns

8.3.1 Following Governments intervention to stabilize price of maize flour, the Ministry of Agriculture has been conducting surveys to monitor price trends after the intervention below are the findings of the week ending 23rd January 2009.

WEEKLY AVERAGE PRICE OF 2KG PACKET OF MAIZE FLOUR IN MAJOR CITIES/TOWNS PRICE IN KSHS AND MAIZE LONG RAINS PRODUCTION AND SHORT RAINS PROJECTIONS RESPECTIVELY

Brand	Nairobi	Mombasa	Nyeri	Embu	Nakuru	Kisumu	Kakamega
JOGOO	77	73	80	76	73	75	76
JOGOO	78	0	0	79	0	0	0
NDOVU	75	0	0	0	125	0	0
UGALI AFYA	0	0	125	0	0	0	0
M/CHOICE	0	0	0	0	0	0	0
INGASI	0	0	0	0	0	0	0
HODARI	0	0	0	0	72	72	74
COSMOS	75	0	0	70	0	0	0
PEMBE	76	0	0	0	0	72	0
DOLA	72	71	0	0	74	70	0
HOSTESS	93	0	0	0	65	86	94
POSHO MILL	0	0	66	72	0	65	67
TAIFA	0	0	0	0	0	0	0
JAMBO	0	0	76	0	72	72	0
JEMBE	0	0	73	69	0	70	0
SOKO	77	0	77	79	0	72	0
SANA	0	0	0	0	0	0	0
BAHARI	0	0	72	0	0	74	74
HERI	0	0	0	69	0	0	0
SHUJAA	73	0	0	0	0	0	0
ZAWANDI	0	0	0	78	0	0	0
TSS	0	0	0	0	0	0	0
NZAU	0	71	0	0	0	0	0
CHANIA HARIS	0	0	72	0	0	0	0

8.3.2 Harvesting of the long rains maize crop is virtually complete and a total of 25.8 million bags of 90kg are estimated to have been realized. Another 2

million bags of maize is expected from the short rains crop once harvest is finalized in the larger Kisii, Kuria, Taita, Kwale, Mt.Elgon, parts of West Pokot, Marakwet, Uasin Gishu districts.

8.3.3 The prices in marginal districts registered relatively higher prices at an average of Kshs 85 per 2kg packet with far places like Wajir and Garissa registering a high of Kshs 100 per 2 kgs packet. Posho mill flour at Lodwar was highest at Kshs 105 per 2kgs unit.

CITIES/TOWNS IN SELECTED FOOD DEFICIT DISTRICTS (PRICE IN KSHS)

Brand	Lodwar	Maralal	Kangundo	Makueni	Lamu	Garissa	Wajir
JOGOO	75	75	90	77	0	100	100
JOGOO	0	0	0	0	0	0	0
UGALI AFYA	0	0	0	132	0	0	0
M/CHOICE	0	0	0	0	0	0	0
INGASI	0	0	0	0	0	0	0
HODARI	74	74	0	0	0	90	0
COSMOS	0	0	0	75	0	0	100
PEMBE	0	0	0	87	0	0	0
DOLA	74	74	0	0	85	0	100
HOSTESS	0	0	0	0	0	150	140
POSHO MILL	105	95	85	56	0	0	0
TAIFA	0	0	0	0	0	0	0
JAMBO	0	0	90	0	0	0	0
JIMBI	0	0	105	0	0	0	0
JEMBE	0	0	0	88	0	0	0
SOKO	0	0	0	0	0	0	0
SANA	0	0	0	0	0	0	0
BAHARI	0	0	0	0	0	0	0
HERI	0	0	0	0	0	0	0
SHUJAA	0	0	0	0	0	0	0
ZAWADI	0	0	0	0	0	0	0
TIMA	0	0	0	0	90	0	0
TSS	0	0	0	0	0	0	0
NZAU	0	0	0	75	0	0	0
Taifa	0	0	0	0	0	90	0
Jahazi				0	0	90	0

R/Valley	567,600	87	495,325	13,580,405	68,810	420,000	14,000,405
Nyanza	149,907	90	131,920	4,311,847	108,000	750,000	5,061,847
Western	192,093	95	176,820	4,973,486	28,800	518,400	5,469,360
Central	87,730	95	83,350	1,070,342	60,760	105,561	1,175,903
Eastern	195,200	85	165,920	1,332,663	282,623	446,784	1,779,447
Coast	71040	75	71,514	563,800	28,275	68,000	631,800
N/Eastern	1,195	60	717	2,590	2,000	500	3,090
Nairobi	1,800	90	1,630	5,500	350	750	6,250
Totals	1,266,565	89	1,127,196	25,840,633	579,618	2,309,995	28,128,102

8.4 CONCLUSIONS

The Committee studied the reports by the Ministry of Agriculture, and found that they give an impression on the famine situation, maize production and hence stocks and food security are under control, however, its isn't case, the ministry appears to be changing or not in tandem with its reporting mechanism as in January 2008, they reported that 23 million bags would be to the country up to September 2008 which never made beyond May 2008 despite taking into consideration the post elections violence, this shows poor prudent management of the food situations.

9 MAIZE SHORTAGE, IMPORTATIONS AND NATIONAL MAIZE PRODUCTION

9.1 The Ministry of Agriculture gave evidence to the effect that national maize output for the 2008/'09 production season is about 2.16 million MT and could be much lower, if no rains occur. National output is close to 20 percent lower than the short-term average. Poor rainfall in the southeastern, coastal lowlands and the central highlands coupled with lowered production in key growing areas has precipitated the decline in Output. It is unclear on the extent to which millers and traders will be able to competitively source maize from the international market. As such it is not known whether projected imports will be achieved to meet the shortfall although on a positive note Ministry of Finance has given blanket waivers on Import Duty + VAT for six (6) months and allowed free-for-all imports;

9.2 Apart from reduced hectarage, high input costs and suboptimal application of recommended inputs during the 2008 long rains season, the near-total crop failure of the short-rains season in the southeastern, coastal and central highlands is of great concern. The coastal and southeastern lowlands overwhelmingly depend on the short rains to supply up to 70 percent of their annual output, after a succession of about three poor seasons. National supply is constrained by lowered imports from Tanzania and Uganda which normally fills the deficit, in a normal season. It is estimated that cross-border imports will be only 40 percent of their normal levels. Current national supply constitutes an estimated **927,000 MT** of maize as at the end of December 2008.

9.3 The supply comprises a strategic grain reserve (SGR) of **117,000 MT**, **72,000 MT** held by **millers**, **252,000 MT by traders** and **477,000 MT by farmers**. Most of the SGR was being milled and sold at a subsidized price of Kshs. 170 per 5-kg bag to the most vulnerable households. However, the quantities are largely insufficient. The Government of Kenya intends to facilitate the importation of about 450,000 MT of maize, out of which 180,000 MT will be imported by the NCPB on behalf of Government. The remaining 270,000 MT will be imported by traders and millers.

Expected Supply	MT
Strategic Grain Reserve (SGR)	117,000
Millers	72,000
Traders	477,000

9.4 Farmers begun to supply to the SGR after the producer purchase price was increased from Kshs. 1,750 to Kshs. 2,050. However, the increase in the purchase price tends to increase the pressure on maize prices in other parts of the country where up to 70 percent of the population are net consumers of maize or maize products. In January 2008 maize prices were 100-120 percent higher than respective averages, severely eroded purchasing capacities of highly vulnerable pastoralists, marginal farmers and urban dwellers, entrenching their food insecurity.

9.5 MAIZE STOCKS IN THE COUNTRY

9.5.1 Based on the Report from the Kenya Food Security Steering Group and Ministry of Agriculture, Maize supply in the seasons 2008 declined by 80% in the central and Marginal areas as a result of the decline in the production epicenters of the country due to among others the post election violence; high cost of inputs resulting in 30% increase in cost of production and near 10% production in the area under Maize;

9.5.2 Further based on the following reports tabled before the Committee, on the maize stocks holding position;

- i. Report on the Maize stock holding as the 20th June 2008 presented to the committee on Agriculture, Land and Natural Resources while on an inspection tour of NCPB facilities in Nakuru on June 20, 2008;
- ii. Report on the Maize Balance Sheet as at 20th June, 2008 and 30th June 2008 tabled by the Minister for Agriculture before the committee on February 16, 2009;
- iii. Report on the SGR, Famine Relief and Commercial Maize Stocks between December 7th 2008 and January 2009 held by NCPB presented before the Committee by the Managing Director, National Cereals and Produce Board on February 20, 2009

Shows that there has been a deliberate drop with no measure in place to alleviate the dwindling stock levels;

9.5.3 According to the Cabinet Memorandum; Aailed to the Committee, the Committee found out that:-

- i. It was meant to apprise cabinet on the Maize situation; reasons for increasing maize and maize flour prices and approval to address anticipated shortage.
- ii. It is responsibility of the government to ensure food security to the people through:-
 - a. Increased production; and
 - b. Procure reserve maize for use during periods of shortage.

9.5.4 The Memo projected that by August 2009, a total of 23.5 million Bags x 90Kgs would be available to take 2 million bags to be used

for animal feeds and industrial use, while another 2 Million would be lost through post harvest losses. Leaving a balance of 19.4 Million Bags which would take the country up to June 2009 at a Monthly consumption rate of 2.7 million bags; therefore a deficit of 5.4 million will be experienced;

- 9.5.5 As the November 14, 2008, only 5439 bag x 90Kgs of maize had been purchased from farmers, the reason being the price being offered by NCPB of Kshs. 1700 is low compared to the one offered by other players;
- 9.5.6 Farmers and dealers have also been reported holding or hoarding up to 8.1 Million Bags of maize;
- 9.5.7 The cabinet memo approved:-
- i. Importation of 200, 000 MT by millers duty free; and
 - ii. Increased the purchasing price by NCPB from Kshs.1700 to 2000 per 90 Kg bag.
 - iii. Release of limited quantities of SGR Maize to the market i.e 400, 000 x 90 kg bags at a rate of 100,000 bags per week to millers only at market price;
- 9.5.8 Maize procured by government either for local use or for overseas is through NCPB: hence on the importation of 2 million bags equivalent to 180 000 MT was done by NCPB;
- 9.5.9 Following the above approval , the Cabinet establish a sub Committee chaired by the Prime Minister, under the exercise, The Cabinet Adhoc Food Security Sub Committee approved direct procurement for the Maize amounting to 180,000 MT; the sub-committee approved initially 6 firms to undertake importations subject to provision of further documentations:-
- i. Noble Resources SA PTY Ltd – SA
 - ii. Euroworld communities- England
 - iii. B.N Kotecha and Sons- Kenya
 - iv. Pabari Distributors- Kenya
 - v. Hola Cesard Trading Co. Ltd Dubai UAE; and
 - vi. AFGRI Company Ltd- SA;

All quoted between Kshs. 3,078 to 3, 258 per 90Kg bag.

9.5.10 Others are:-

- i. Marke Daniels (Uganda)- 425 per metric ton

- ii. Senwes (SA) -430 per metric ton
- iii. Riva Commodities (Ivory Coast)- 374 per metric ton
- iv. Euroworld (SA) -430 per metric ton

9.5.11 The Committee found out that the tenders were awarded to: -

- i. AFGRI leading (Pty) Ltd of South Africa at US \$430 per MT;
- ii. Euro World Ltd of South Africa at US \$430 per MT; and
- iii. Senwes (Pty) Ltd of South Africa at US \$430 per MT.

9.5.12 The committee observed that AFGRI Co. Ltd was given direct procurement before the actual award and quoted US \$ 430 per metric ton above the world market prices at the time;

9.5.13 Despite quotation by others at lower prices and all the companies awarded are in South Africa, the Committee has unconfirmed evidence that all the companies have Kenya directors hence registered in Kenya.;

9.5.14 All the companies qualified to supply GMO free white Maize; however, the result of the analysis by KEPHIS showed that 90% of the maize imported from South Africa were GMO;

9.5.15 However, only 55,000 MT were awarded due to availability of funds and were awarded to two(2) firms, namely:-

- i. Senewes PTY Ltd (SA)- 25,000 MT at 325 per MT;
- ii. Euro world commodities Ltd (UK) - 30,000 MT at 330 per MT;

9.5.16 PRICE OF IMPORTED MAIZE

9.5.17 International maize price hit an all time high during the year 2008 according to FAO at USD 270.0 per Metric ton for white maize (NON-GMO) year 2007/08 crop. This committee received evidence that at tendering, one of the bidders was able and willing to supply at USD 150.0 per metric ton (non-GMO) but did not qualify. For a season of drought where a low bid would have been a strategic win for the people of Kenya, this process raises serious questions and should be seriously audited by relevant Government departments;

9.5.18 The Committee observed that were there prudent management of the available funds, the country could have bought 5.1 million bags instead of 1.7 million;

The companies that won the tender are as listed below:

COMPANY	REGISTERED IN	COUNTRY OF ORIGIN	QUANTITY (MTS)	VALUE (Kshs)
AFGRI TRADING (PTY) LTD	SOUTH AFRICA	SOUTH AFRICA	82132	2,628,249,601
EUROWORLD COMMODITIES	ENGLAND	SOUTH AFRICA	56220	1,833,567,098
SEWES 9PTY) LTD.	SOUTH AFRICA	SOUTH AFRICA	22800	718,202,436
TANZANIAN GOVERNMENT	TANZANIA	TANZANIA	4000	78,390,000
Total			165152	5,258,409,135

9.6 MAIZE STOCK BALANCE

9.6.1 The Committee learnt that the actual Maize Stocks holding were as follows:-

i. January, 2008:-

SGR ----- 2,927,129 bags x 90kg
 Commercial-----1,218, 106 bags x 90kg
 Famine relief -----908, 353 bags x 90kg

Total ----- 5,053, 588 bags x 90kg

ii. June,2008

SGR ----- 1,656,852 bags x 90kg
 Commercial -----0 bags x 90kg
 Famine relief-----672,988 bags x 90kg

Total -----2,329,840 bags x 90kg

9.6.2 Maize stocks holding at **20th June 2008** by NCPB

SGR -----1,939,239 x 90 Kgs Bags
 Famine relief-----667,413 x 90 Kgs Bags
Total -----2,606,652 x 90 Kgs Bags

9.6.3 However as at **30th June, 2008** the maize stock held at NCPB

SGR -----	1,656,852 bags x 90 Kgs
Famine relief -----	625,852 bags x 90 Kgs
Total -----	2,282,704 bags x 90 Kgs

Therefore Between, 20th June and 30th June 2008, a total of 323,948 bags x 90 kg were sold by NCPB.

9.6.4 the projected maize by as per the Cabinet Memorandum, that as at November 24, 2008, were **10.5 million bags x 90 Kg given as follows: -**

- 1.4 Million Bags SGR;
- 0.2 Million Bags Famine relief
- 0.8 Million Bags Held by Millers
- 2.6 Million BagsHeld by traders
- 5.5 Million Bags Held by farmers

9.6.5 But the actual maize stocks being held by NCPB in the month of December 2008, January 2009 and February 17, 2009 were: -

i. December, 2008

SGR -----	951,978 bags x 90kg
Commercial-----	0 bags x 90kg
Famine relief-----	370, 898 bags x 90kg

Total-----1, 322, 876 bags x 90kg

ii. January 2009

SGR-----	1, 177, 054 bags x 90kg
Commercial-----	0 bags x 90kg
Famine relief-----	282,380 bags x 90kg

Total-----1,459,434 bags x 90kg

iii. February 17, 2009

SGR-----	917, 605 bags x 90kg
Commercial-----	0 bags x 90kg

Famine relief----- 202, 739 bags x 90kg

Total----- -1, 120, 344 bags x 90kg

RELEASES

9.6.6 the Committee discovered in the course of its investigations that there might have been laxity to follow up to the release 3.4 million of bags SGS stocks released under unclear circumstances or arrangements by NCPB, though release orders were issued by trustee, this might have led to panic and eventual market upheaval that escalated prices;

9.6.7 the releases were as below and that they released more than they had, may need Further investigations to be carried out to determine whether there were clear omission or commissions committed after the following release of SGR stocks;

<i>Date</i>	<i>Authority</i>	<i>No. of Bags</i>
<i>04/12/07</i>	<i>OP/R&R/15/053</i>	<i>1,000,000</i>
<i>26/05/08</i>	<i>OP/R&R/15/013/VOL.XI</i>	<i>1,000,000</i>
<i>04/08/08</i>	<i>OP/SP/15/013/VOL.VX</i>	<i>500,000</i>
<i>22/08/08</i>	<i>OP/SP/57/6/1A/VOL.II</i>	<i>250,000</i>
<i>16/09/08</i>	<i>OP/SP/57/6/1A VOL. II</i>	<i>150,000</i>
<i>09/10/08</i>	<i>OP/SP/57/6/1A VOL. II</i>	<i>500,000</i>
		<i>Total 3,400,000</i>

- 9.6.8 (a) The maize imported totaling 154, 454.99 MT arrived in the country from South Africa between August 26, 2008 and November 24, 2008;
- (b) The 10 consignment registered 80% short landing of about 6300 MT;
- (c) All the consignment were GM Maize as reported by KEPHIS;
- (d) The import were due by:-
- i. AFGRI Trading Co. limited;
 - ii. Euro world Commodities Ltd;
 - iii. SENWES Ltd;

Therefore as at Dec 1, 2008 there were further 154, 474.99 million tons.

9. 7. OBSERVATIONS:

9.7.1 Based on the above, there exist no links to any maize disappearance however, the release Vis –a- Vis the production levels could have been averted earlier either by:-

- a) Offering better prices to farmers;
- b) Putting control measures on the releases on SGR;
- c) Importation of maize by government early in 2008; and
- d) Putting in place clear procedures of managing food crises;
- e) Undertake producer market surveys of analysis to relief actual production levels

9.7.2 The committee found that:-

- i. The memo to the cabinet did not address the problem of increased prices of Maize since they recommended for importation of maize which happened to be more expensive hence end to high prices on maize and maize flour;
- ii. The releases of maize by NCPB based on the various orders issued by trustees was not well informed as they never took into consideration the prevailing food situation critically and national production;
- iii. There is need to establish an independent well funded and equipped SGR stores under the Ministry of State for Special Programmes to carry out the day to day administration of Maize stocks especially SGR;

9.7.3 On Famine Relief, The committee observes:-

- i. This is the government responsibility to assist and offer support to the affected people in times of difficulties or those who are affected by poverty and other calamities;
- ii. There is need to put in place a policy on famine relief to address issues of problems associated famine;
- iii. The government in order to address the question of disappearance or sale of famine relief by Provincial Administration and making sure that sure reaches the intended beneficiaries introduces a new system of smart card as is used in Asia and Latin America.

9.7.5 The system ensures that the right beneficiary under EMOP receives his rightful share and further assist in weeding out those that might

have been lucky to have got other sources of income. The system requires identification of stockist either supermarket or mini shops etc for distribution purposes.

9.7.6 To resolve the chronic famine and drought associated problems; the committee proposes the following measures:-

- i. Water Harvesting, by terracing, Dams or Mechanical Interventions in feeding aquifers;
- ii. Extensive re-forestation, rangeland reseeding;
- iii. Introduction of new technologies in agriculture
- iv. Extensive agriculture using new technologies particularly drip irrigation, dry planting and improved agronomy.
- v. Appropriate dry land farming technologies including appropriate agronomy, crop husbandry, post harvest management and other measures in force at Ministry of Agriculture and also livestock development.

10 COMMITTEE FINDINGS AND OBSERVATIONS

11.1 MINISTRY OF AGRICULTURE - Based on evidence received; The Committee found that;

- 12.1.1 It is responsibility of the Ministry of Agriculture to inform nation on food security briefing and predictions;
- 12.1.2 It is responsible for giving directions on the overall maize production and predict the production and decline if any through its market survey;
- 12.1.3 National Cereals and Produce Board, and lead agency in the buying of maize, importation and subsequent custodian of the grain in country falls under the Ministry of Agriculture except the Management of strategic Grain Reserve which is partly administered;
- 12.1.4 The Minister for Agriculture wrote a cabinet memorandum in May 2008 requesting the Cabinet to grant authority for the importation of 180 000 MT of maize to alleviate famine and stabilize the grain market'
- 12.1.5 The Minister for Agriculture further sought the increase of the strategic grain reserve from 3 million bags x 90kgs in 8 million bags from the Head of State which was granted;
- 12.1.6 In order to address and control the rising price of maize flour effectively among other measures, there is need for the government to consider the **re-establishment of the National Milling Corporation alongside NCPB in the long term;**
- 12.1.7 The approval by the government to import 3 million bags of maize by the NCPB and to allow millers to import 2 million bags, might discourage the market speculators and hoarders with the end result of increased supplies in the market leading to decrease in maize prices in the near short term; But it has not been the case;
- 12.1.8 Based on the crop performance in western, Nyanza and North Rift , 27 million bags of maize were estimated to be realized during the long rains against an average production of 28 million bags;
- 12.1.9 The registration of millers is for purposes of communicating government policies, prices and other directives rather than as forum for bargaining prices;
- 12.1.10 Increases of prices from Kshs.1700 to Kshs. 2300 was meant to benefit big farmers and further millers but not small farmers;

- 12.1.11 The sales and purchases procedures at NCPB may be areas of corruption though the various depot managers have ceiling of sales and purchases, further, there must be express authority to any depot on sales and purchases;
- 12.1.12 The ministry for agriculture may not aware of businessmen or dealers or traders who buy from NCPB at a price of Kshs.1700 and later sell to NCPB at Kshs.2300 without any movement of stock;
- 12.1.13 The timing of increase in prices of maize from Kshs.1700 to Kshs.2300 per bag was not motivated to benefit farmers rather to many other market forces. Further farmers raised the issue of poor pricing by NCPB yet millers were buying at high/better prices;
- 12.1.14 Some of the maize from South Africa got burnt or an expulsion occurred in the hatch hence no payment to the shopper until ascertained and test conducted by KEBs for human consumption. Some of the consignment may be rejected by KEBs however, proposal for alternative use has been bought;
- 12.1.15 It the changes effected at NCPB, board of Management and Senior Managers was **based on a consultancy report for restructuring and to remove redundancies in the organization, NCPB was run down hence needed restructuring;**
- 12.1.16 The controls of stock at NCPB needs to be re-looked to ensure all loopholes are sealed;
- 12.1.17 The **sudden increase in maize flour prices was due to the millers transferring the cost of maize to consumers since they bought maize at Kshs. 2300 instead of Kshs.1700;**
- 12.1.18 Procurement of government commodities, maize included is a nightmare due to stringent rules it should be easier to procure commodities like maize in such situations. **The cabinet allowed for direct procurement as the situation was pre-carious.** There were 2 suppliers who were requested to quote both local and international;
- 12.1.19 There were is no maize consignment being held at the Port of Mombasa and most consignment that have been imported have been cleared based on documentation, inspections and test. **There are restrictions on the importation of more maize as the tenders do not allow for GMO maize;**
- 12.1.20 Grain Bulk Limited is part of the problem at the **port in terms of capacity for handling and documentation;**

12.1.21 No aflatoxins presence were reported on the maize imported, either by KEPHIS or KEBS and for purposes of natural safety such stocks are re-directed to other uses or returned to county of origin as per the law.

12.2 MINISTRY OF STATE FOR SPECIAL PROGRAMMES

The Committee received evidence, both written and oral, from the Minister for State for Special Programmes and Permanent Secretary (Chairman, Strategic Grain Trustees Board) and found out that:-

12.2.1 The country was faced with the worst food crisis a result of various factors including the failed rain seasons, global food crisis due to the high demand for grains for bio-fuels and global and local reduction in production levels;

12.2.2 About 9 – 10 million Kenyans faced severe food shortage.

12.2.3 The Government is well aware of the situation through the Cabinet memo and request made for authority to find the most immediate solution'

12.2.4 The Strategic Grain Reserve has not been replenished as required despite requirement by law or tradition. The Ministry of Finance needed to release funds in advance for the reserve to be replenished;

12.2.5 The reporting on the dwindling levels of SGR have not been reported or updated as required by the NCPB as well as the trustees;

12.2.6 Strategic Grain Reserve is managed and administered as per Legal Notice No. 55 of 2003 by the Board of Trustees who includes Permanent Secretaries of Ministry of State for Special Programmes, Finance and Agriculture. **The legal notice has not been amended to reflect increased consumption and population increases since then;**

12.2.7 The Board of Trustees has been meeting regularly;

12.2.8 The Minister **for Agriculture did attend a meeting of the Board of Trustees which was unusual;**

12.2.9 The Ministry of State for Special Programme has issue alerts on the decreasing or dwindling levels of SGR to both Ministry of Agriculture and Finance;

12.2.10 The SGR **has been converted by the trustees to famine relief without providing alternative or cash equivalent on time.**

12.3 NATIONAL CEREALS AND PRODUCE BOARD:

- 12.3.1 Any person/individual/company or Institution can do business with NCPB following the grain market liberalization in 1993;
- 12.3.2 There was **decline levels of both commercial, relief and Strategic Grain Reserves stocks at the NCPB against a backdrop of increase market prices and low production levels of in the country in November 2007 to May 2008;**
- 12.3.3 NCPB is the lead agency in the importation of maize having made the tender specification, identified the tendering companies in Asia for supply of bagging material; and
- 12.3.4 NCPB was allowed by the PPOA to tender for maize and gunny bags through direct and single sourcing due to the emergency in the country.

12.4 CABINET ADHOC SUB COMMITTEE ON FOOD SECURITY

- 12.4.1 Established by the Cabinet on May 2008 to provide leadership and give solution to the food crisis; - chaired by Prime Minister;
- 12.4.2 Was in charge of the importation of maize and did have influence on the companies that tendered for the maize imports;
- 12.4.3 Altered the tender specification to allow the highest bidder instead of the lowest bidder.

12.5 KENYA PLANT HEALTH INSPECTORATE SERVICES

- 12.5.1 KEPHIS is empowered to undertake spot sampling and tests on all importation of maize pursuant to its mandate; and enabling Act;
- 12.5.2 About 95% of all shipment of maize that were imported by NCPB was GM maize;
- 12.5.3 Apart from inspecting for GM maize, they also ensure that no foreign matter, on the imports, and not meant for planting in Kenya;
- 12.5.4 At the time of importation, KEPHIS laboratories and machine had broken down hence relying on the SGS laboratories; therefore the independence of results is not assured;
- 12.5.5 The number of officer undertaking the inspection of ships are few at any one time and further more ships were arriving without their knowledge;

- 12.5.6 Most test of samples were done or conducted in Nairobi and take up to three days before the actual results are availed hence leads to allowing of unwanted food imports into the country or is may be subject to manipulation;
- 12.5.7 75% of the test were by visual test including aflatoxins susptibility;

12.6 KENYA BUREAU OF STANDARDS (KEBS)

The Committee received both oral and written evidence through inspection of the facilities of Kenya Bureau of Standards and found out that:-

- 12.6.1 The Managing Director differed with inspection and test carried out on the condemned maize whereas the results and analysis were based on KEBS specification;
- 12.6.2 The condemned maize was contaminated with Aluminum Phosphide, a fumigant which exploded while the consignment was being shipped hence causing discoloration and therefore declared unfit for the intended purpose;
- 12.6.3 The above fumigant has long term effects on both human beings and animals if consumed in high doses or quantities;
- 12.6.4 KEBS is the statutory bodies for standardization for the country and has the authority or oversight over other testing or standards bodies in Kenya. And furthermore, it chairs the CODEX, an association of all standards bodies
- 12.6.5 The KEBS has laboratories both at the Port of Mombasa and in Nairobi;
- 12.6.6 The allowable moisture content of all grain imported in 13.5% subject to drying to acceptable levels of 12.5%, above which they are deem not fit;
- 12.6.7 That KEBS was instructed by Permanent Secretary, Ministry of Agriculture to allow entry into the country or importation of maize with a moisture content of 13.5% against the set standards;
- 12.6.8 Maize or grain with moisture content of 13.5% and above, are prone to grow of moulds and hence ***aflatoxins***;
- 12.6.9 KEBS was also instructed by Permanent Secretary, Ministry of Agriculture to allow importation of genetically modified (GM) maize against the requirements of existing laws at international conventions or obligation of the country;

- 12.6.10 The office of the Prime Minister influenced the decision and results of the condemned maize declaring fit for human consumption and further appointed Intertek solutions to undertake further test in complete disregard to the results of the statutory body (KEBS) of the Republic of Kenya;
- 12.6.11 The condemned maize ex-MV fonarun where offloaded to Grain bulk handlers limited with alleged instructions of KEBS courtesy of the Managing Director, National cereals and Produce Board;
- 12.6.12 The Minister for Public Health, based on the analysis and result given by government chemist declare the condemned maize unfit for manufacture of animal feed;
- 12.6.13 KEBS has the capacity to provide the necessary safety and quality of food imports based on its facilities;
- 12.6.14 That sampling conducted by KEBS on the condemned maize while on board MV FONARUN was only up to a depth of 3m where the actual dept of the hull in which the consignment was stored had a depth of 14m.

12.7 KENYA PORTS AUTHORITY

The committee based on the evidence received from the Managing Director, Kenya Ports Authority found out that: -

- 12.7.1 There is an agreement between KPA and GBHL, for the latter in handle fertilizer but has never undertaken since 2000;
- 12.7.2 There are two methods of offloading ships – conventional method and by grain Bulk handlers. The former is only provided by KPA, its cheaper and used for fertilizers;
- 12.7.3 Most ships that dock at the Port of Mombasa do declare their schedules in advance to the Port;
- 12.7.4 There was a proposed and subsequent advertisement for a second Grain and fertilizer handlers at the Port however was cancelled with the advice of Attorney General; and
- 12.7.5 The most problem affecting movement of cargo from the port to the hinterland, Grain Bulk and NCPB deports is the provision of off take – Transport in either mode – Railway and Road;

12.8 FOOD SECURITY AND FAMINE

The committee observes and found out that food insecurity in Kenya is exacerbated by a combination of transitory factors including:-

- 12.8.1 A succession of droughts because of failed rainy seasons;
- 12.8.2 Rising food and non-food prices and global turbulence in trade and governance;
- 12.8.3 Livestock diseases;
- 12.8.4 Conflicts in most areas especially productivity areas;
- 12.8.5 Longer term factors such as poverty and chronic food security.
- 12.8.6 Cartels and lack of proper government measures to address the insecurity.

12.9 MAIZE MILLERS

- 12.9.1** Inflated food commodity prices to a level of **104% in maize and 214% in wheat;**
- 12.9.2 Manipulation of pricing in cahoots with NCPB and Ministry of Agriculture officials to fan severe maize shortage;
- 12.9.3 Monopoly by one conglomerate of millers who is said to control over **42% of the entire "unga" business;**
- 12.9.4 Manipulation of prices and attempt to be allowed to run a second grain bulk handling facility;
- 12.9.5 Mismanagement of subsidized "unga" by Government;
- 12.9.6 Allegation that Mombasa Maize Millers and associated companies had in fact over **500,000-90kgs bags of maize** and refused to declare the same to the government at the time when famine was declared a National Disaster;
- 12.9.7 Maize Millers following the collapse of the Government owned **National Milling Corporation**, Nakuru have taken full advantage of mismanagement of this industry.

12.10 GRAIN BULK HANDLERS LIMITED

- 12.10.1 On 17th of December 2002, GBHL and KPA entered into an agreement where the former was granted an extremely preferential monopoly of handling grains and fertilizers shipped in bulk at the port of Mombasa. The clauses in this agreement granted GBHL the following privileges:
- 12.10.2 **An eight year monopoly wherein** KPA shall not allow any other entity to discharge bulk commodities and thereafter storing these commodities in bulk anywhere in the vicinity of the port or any

- land controlled by KPA. This 8 year period expired on 15th February 2008;
- 12.10.3 Companies using the convention grain handling method at the quayside are charged USD 10.00 per ton while GBHL prescribed to a rate of USD.3.50 per ton. This current KPA tariffs became effective on the 1st of March 2008;
- 12.10.4 Priority access to Berth No. 3 and Berth No. 4 at the port for those ships which GBHL has been contracted to discharge commodities from;
- 12.10.5 Although the agreement was signed in Dec. 2002, the exclusivity clause was backdated for 2 years to 15th February 2000. This was meant to bar all the applicants who had applied for the said license. These applicants included **Multiport International Ltd. Coast Silos Ltd. Mombasa Maize Millers Ltd. and Mssrs. J.B. Maina.;**
- 12.10.6 The contract between GBHL and KPA was skewed and irregular and renewing it under the same provisions would be unfair to the public and business community.
- 12.10.7 Bulk grain handling at the Port of Mombasa is done in two options:
a) Grain Bulk Handlers Ltd that uses a specialized ship and unloading and a conveyor belt to transfer grain in a faster manner and,
b) The convention method which may be referred to as manual and proves to be very slow;
- 12.10.8 In 2006, **GBHL made an application to KPA for an extension of their monopoly to 2028 but KPA Board of Directors rejected this application preferring to tender for a second facility to compete with GBHL. However the expression of interest for a second facility advertised by KPA was canceled three days to its expiring date. The monopoly of GBHL has led to the high cost of handling and storage charges which the grain importers have to foot;**
- 12.10.9 GBHL levies high storage charges to importers having to bag their cargo and haul it to conventional warehouses for storage, thereby further increasing costs. These costs are in turn passed on to consumer through higher maize flour prices;
- 12.10.10 GBHL operates at 40% of its installed capacity. **It is worth noting that in 2008 there were numerous ships queuing for about a month waiting to discharge grain while on the other side hundreds of trucks waited for days to collect**

cargo for GBHL. Importers incurred hundreds of millions in demurrage as a result of this delay which could have been avoided had there been multiple grain handlers. **NCPB alone paid millions in demurrages after importing 1.6 million bags of maize to alleviate hunger in Kenya;**

12.10.11 compared to conventional handlers, the use of specialized ship off-loaders that discharge grain by conveyor belt that transfers it to its storage facility as opposed to trucks. enables GBHL to discharge a 30,000MT shipload in less than 3 days whereas the conventional handlers would take not less than 10 days to discharge the same;

12.10.12 Considering that normal vessel into Kenya range between 25,000MT to 35,000MT there is therefore a difference of 7 days. In the current situation a vessel is charged an average of USD 25,000 per day meaning that there is **an increased cost to the importer of USD 175,000.** This translates to about USD 6.00 per ton, over and above the additional USD 6.50 charged by KPA to conventional handlers. It is therefore clear that the conventional handlers are have no capacity to compete with GBHL and they only exist as alternative of the last resort handling only cargo that exceeds GBHL's capacity;

12.10.13 It would take 12 months for a new facility to be operational and by that time, GBHL would have had ten years in which it would have recouped its investment;

12.10.14 unlike **Egypt, which has five grain terminals in the port of Alexandria alone charge less than USD 4.00 in handling charges. Sudan is far ahead of Kenya with two facilities (Sayga and Wheata) and a third one opening soon;**

12.10.15 GBHL can only guarantees a ship discharge rate of only 7,000MT per day with efficient and ready off take - truck deliveries, the highest GBHL has ever managed to achieve in a day is about 7,000MT. GBHL can barely manage to deliver 5,000MT on a normal day;

12.10.16 Cost incurred due to existence of only one facility

TYPE OF COST	COST PER TONNE (USD)
GBHL Handling Charges	12.50
GBHL storage Charges	1.60

GBHL Bagging Charges	1.50
Cost of Bags	3.50
Transport from GBHL to Warehouse	3.00
Warehouse Handling In/Out	7.00
<i>TOTAL</i>	29.10

- 12.10.17 **That the National Cereals and Produce Board, which imported about 150,000MT of maize in 2008, paid an even higher figure in demurrages. Such wastage and misuse of poor taxpayers' resources could have been avoided had there been additional facilities;**
- 12.10.18 Being the only food or grain handler, to envisage a scenario where GBHL is unable to operate due to a break down in machinery, or even due to an unfortunate disaster. **This would put the food security in the country and the whole region at great risk,** a risk that can be mitigated by the licensing of additional handlers;
- 12.10.19 **Maize Commodity Trade** – receiving evidence from KEBS, KEPHIS, KPA etc the committee confirmed that commodity vessels are kept on high seas for a long time and that every six (6) weeks agencies particularly SGS sample the consignment for the same to remain in market;
- 12.10.20 Durban, Maputo, Chicago, Rotterdam etc are such areas where ships wait. It is therefore very difficult to say where maize came from since these vessels are live on high seas a, documents are raised on land at the nearest port;
- 12.10.21 Grain bulk handling is a phenomenon advocated by among others FAO to handle and store grains cost effectively. The driving force in this electoral mechanical system is to:
- Eliminate bags;
 - Fumigate in Unisom;
 - Pro-long storage affecting storage;
 - Offload from vessels efficiently thereby reducing landed costs
 - Quality control;
 - moisture
 - dust

- broken grains
- damaged grains
- soiled grains etc.

TABLE 1.

The table below shows just a few of the vessels which were delayed to discharge in 2008 due to lack of capacity by GBHL.

VESSEL NAME	ARRIVAL DATE	COMMENCED DISCHARGE	DELAY (DAYS)	CARGO TYPE	QUANTITY
WHITE MIST	04/09/2008	07/09/2008	3	MAIZE	19,500
ALFA-K	07/09/2008	11/09/2008	4	MAIZE	28,580
SPYRO B	11/09/2008	14/09/2008	3	WHEAT	34,000
BIANCO VENTURE	19/09/2008	22/09/2008	3	WHEAT	12,000
HAWK	24/09/2008	26/09/2008	2	WHEAT	39,000
INNES	27/09/2008	10/11/2008	10	MAIZE	6,000
DIANA STAR	30/10/2008	10/11/2008	11	MAIZE	7,420
GLOBAL ESCORT	11/11/2008	10/12/2008	20	MAIZE	27,740
GOOD HOPE	18/11/2008	10/12/2008	22	WHEAT	37,011

TABLE 2

The table below shows some of the vessels expected to arrive at the port of Mombasa .

EXPECTED ARRIVAL	VESSEL NAME	QUANTITY (MT)	COMMODITY
27 TH FEB	GOME NAREE	27,000 M/T	MAIZE
2 ND MAR	VOCAL	23,000 M/T	MAIZE
2 ND MAR	ARKIEROLA	18,000 M/T	WHEAT
3 RD MAR	PONOSTROS	27,000 M/T	WHEAT
5 TH MAR	ALQAWIYU	30,000 M/T	MAIZE
7 TH MAR	PATENT	30,000 M/T	MAIZE
10 TH MAR	JIMILTA2	33,000 M/T	MAIZE
20 TH MAR	ALTHIA	27,000 M/T	MAIZE
23 RD MAR	TBA	30,000 M/T	WHEAT
24 TH MAR	TASSON	16,000 M/T	WHEAT
25 TH MAR	LEGEND UNITY	35,000 M/T	WHEAT

12.10.22 The total tonnage for the above vessels adds up to **296,000 MT** in a period of five weeks. GBHL's given its claim may handle 3 million tons a year is indeed true, then it should have no problem handling the above tonnages in five weeks. However, some of the above vessels were forced to discharge using the more expensive conventional method while the rest incurred heavy demurrages due to delays by GBHL. As of 23rd February, 2009, the following 2 ships were already on queue and incurring demurrages while waiting to discharge at GBHL:

1. MV Equator with 6000 MT of wheat
2. MV Pioneer Trader with 11,000 MT of wheat and maize

A SAMPLE OF VESSELS DELAYED

NAME OF SHIP	ARRIVAL DATE	DATE OF COMMENCEMENT OF DISCHARGE	CARGO
WHITE MIST	04/09/08	07/09/08	19500 M/T MAIZE
ALFA-K	07/09/08	09/09/08	28580 M/T MAIZE
SPYRO B	11/09/08	14/09/08	34000 M/T WHEAT
BIANCO VENTURE	19/09/08	22/09/08	12000 M/T MAIZE
HAWK	24/09/08	26/09/08	39000 M/T MAIZE
INNES	27/09/08	As at 07/10/08, not commenced discharge	6000 M/T MAIZE
AFRICAN PUMA	29/09/08	As at 07/10/08, not commenced discharge	25000 M/T MAIZE
KEN GALANT	02/10/08	As at 07/10/08, not commenced discharge	41500 M/T MAIZE
DISCOVER 2	03/10/08	As at 07/10/08, not commenced discharge	16000 M/T MAIZE
LIBERTY EAGLE	07/10/08	As at 07/10/08, not commenced discharge	43500 M/T MAIZE
DIANA STAR	30/10/08	10/11/08	7420 M/T MAIZE
GLOBAL ESCORT	11/11/08	01/12/08	27470 M/T MAIZE
GOOD HOPE	18/11/08	10/12/08	37011 M/T WHEAT
FONA RUN NAREE	24/11/08	30/12/08	31000 M/T WHEAT
IRA	24/11/08	As at 04/12/08, not commenced discharge	24400 M/T WHEAT

13 EVIDENCE RECEIVED BY THE COMMITTEE

13.1 MEETING WITH THE MINISTER OF STATE FOR SPECIAL PROGRAMMES - The Committee received evidence on food security situation and the status of the Strategic Grain Reserves from the Minister of State for Special Programmes and the Permanent Secretary and learnt that:-

- 13.1.1 Ten (10) million Kenyans are facing serious food shortages caused by a global crisis, high prices, failure of rain in successive seasons and lack of proper and early interventions by relevant government departments and ministries;
- 13.1.2 It has warned of the food situation in Kenya and the need for immediate government interventions as early as May 2008;
- 13.1.3 To alleviate the famine situation and feed the drought stricken population, the government requires Kshs. 16.4 billion until September 2009;
- 13.1.4 The warning was in the form of:-
- ❖ Decline in the stocks of maize held by NCPB;
 - ❖ Forecast for crop season of a possible 30% failure due to failure of rainfall;
 - ❖ The public is relying on NCPB for stock supplement for either commercial stock or relief;
 - ❖ increase in price of maize;
 - ❖ Global food crisis coupled with rising prices of oil and farm inputs;
 - ❖ There was net outflow of grain to Tanzania which was hit by low maize production. and
 - ❖ Traditional food donors – WFP have given indications on the global food crisis.
- 13.1.5 Strategic Grain Reserve was established in April 2002 through legal notice No. 55 of 2002 and administered by Board trustees who include Ministry of Agriculture, Ministry of Finance, and Ministry of state for Special Programmes. Or cash equivalent chaired by the Permanent Secretary, Ministry of State for Special Programmes;
- 13.1.6 Strategic Grain Reserve (SGR) was meant to cushion the countries in times of need and on establishment, approved to be 3 million bags per year. However, in 2008, the President approved an increment to 6 million though it has never been attained in 2009 because of the crisis.

- 13.1.7 Strategic Grain Reserve may be in form of cash or cereals stored at NCPB which are charged with the release and selling. And on the other side, NCPB are paid for maintaining the grains.
- 13.1.8 In May 2008, the **government release part of SGR for Commercial purposes following a relatively good harvest in order to replace the SGR with fresh maize.**
- 13.1.9 In addition to doing grain trading on behalf of the government, National Cereals and Produce Board stores three categories of grain – **SGR, famine Relief and Commercial stocks.**
- 13.1.10 In different accounts but on routine basis do inform the Permanent Secretary, Ministry of State for Special Programmes.
- 13.1.11 In October 2008, following lack of farmers selling maize to NCPB citing low prices, government resolved in to importation of maize and received 1.7 million bags (90 kg).
- 13.1.12 The farmers refused to sell maize to NCPB on behalf of government, leading to a reduction on Strategic Grain Reserve stock, as it was released to supplement commercial stocks to stabilize maize flour prices in the market.
- 13.1.13 **The price of maize in the market determines the prices of maize flour in the market. The middlemen, millers and companies have a direct role in the hiking of prices of maize.**
- 13.1.14 The Ministry of State for Special Programmes does not determine or control prices of maize sold by NCPB but it is the Ministry of Agriculture which is also in control of the mode of selling of maize by NCPB. Price per bag of maize and the selling price to the public is fixed by cabinet.
- 13.1.15 The Ministry of Agriculture is in charge of food security in the country while Special Programmes is in charge of food relief and SGR; During the period Jan-Feb 2008, the SGR stocks stood at 3 million bags; however, in February 2009, there exist only 126,000 bags of maize in the SGR stocks;
- 13.1.16 The government is losing an estimated US\$ 2 million on demurrage cost due to delayed documentation and clearance on duty waiver;
- 13.1.17 This US\$ 2.0 Million loss raises eyebrows because of the following reason:- **Maize commodity trade ensembles vessels floating off-shore in strategic markets e.g. Durban, Maputo, Rotterdam, Chicago etc fully loaded and may stay put up to six months when re-inspection on quality takes place. It**

becomes therefore very difficult to know the country of origin. This position was well articulated by KEPHIS. Documents are raised from the nearest port off-Shore. It is therefore highly suspicious that the vessel(s) in question attracted this demurrage;

- 13.1.18 Members were NOT properly informed on the alleged hitches in documentation save for Treasury which took too long to give the necessary duty waivers;
- 13.1.19 **It therefore means and this committee upholds that the USD 2.0 Million be fully investigated;**
- 13.1.20 The Ministry of State for Special Programmes is not in a position to supervise the process of selling and buying of maize at NCPB though NCPB remits its funds to MOSSP;
- 13.1.21 The pricing of maize at Ksh.1700/= per bag is approved and fixed by cabinet on the advice of the Ministry of Agriculture.
- 13.1.22 NCPB is the procurement entity of the government on maize or cereals however the scheduling is taking a long time up to a maximum of 8 months.
- 13.1.23 The procurement of maize whichever source has been affected by the global quest for GMO maize used as bio-fuel.
- 13.1.24 The legal notice No. 55 of 2002 establishing SGR, has not been reviewed as it reads 3 million per year SGR both in the form of cash or grain. Hence need to be reviewed to be in line with current situation of at least 8 million bags per year of SGR.
- 13.1.25 There are genuine reasons that the quality and safety of all maize imports is wanting.
- 13.1.26 There are 8141.36 MT of grain that was rejected by KEBS as its not fit for human consumption, however it was cleared for entry into the country for other uses (Animal feed) in addition it is still costing the NCPB, demurrage cost.
- 13.1.27 There **exist genuine concerns on sellbacks and insider trading at NCPB. This is where the trader buys maize at Kshs. 1700 and resells to NCPB at kshs.1950 or Kshs. 2300 without any movement of stocks.**
- 13.1.28 Procurement procedures by NCPB are not properly adhered to, though done in conjunction with the Cabinet ad hoc Sub Committee on food security chaired by the Prime Minister. There arose a situation of single sourcing without adherence to the tender

- specifications e.g. GMO free, moisture content and other KEBs specifications. In addition, the Ministry of State for Special Programmes only required releasing funds to the procurement entity.
- 13.1.29 Authority/orders to release stocks by NCPB either millers or school/public institutions is prone to manipulation as it lacks a proper distribution mode and confirmation as to whether they were allocated, and sold to the said institutions or millers.
- 13.1.30 On contract milling for government subsidized maize flours lacks proper accountability.
- 13.1.31 Relief maize meant for districts in the whole country released through Districts Commissioners Lacks transparency; it's the responsibility of the DC and MP to collect the district allocation and make sure it reaches the intended beneficiaries;
- 13.1.32 **The attendance of Minister of Agriculture in the SGR trustees meeting held on December 10, 2008 is questionable as it has never happened since the establishment of the SGR;**
- 13.1.33 There is a possibility for the importation of GMO maize unless KEBs examines the consignments on arrival rather than random sampling or impromptu inspection based on the tender specification.
- 13.1.34 Millers were allowed free importation of maize to alleviate the shortage duty free;
- 13.1.35 Millers were registered as large scale and medium to small size millers.
- 13.1.36 Demurrage cost is incurred by government due delayed documentation arising out of late offloading of ships and storage at the grain bulk silos. Duty waiver is processed by the Treasury. Demurrage cost also arises due to delayed ships and late documentation by importers, also having only one grain handler, there is a delay as ship line up on first come first served basis,. Duty Waiver is given by Treasury on per ship basis.
- 13.1.37 **Availability of a second grain Bulk Handler would assist in price reduction** – Demurrage cost, handling cost and improve Port efficiency in terms of cereal or grain handling. Market intelligence on pricing of maize Kenya is provided by the Ministry of Agriculture which advises various stakeholders including the Cabinet;

- 13.1.38 Based on the pricing locally and in the global market, it is better to buy maize locally taking consideration of the time taken, cost loaded on the price and actual cost of maize; and
- 13.1.39 Following reported food deficits in neighbouring countries of Ethiopia and the Sudan and better maize prices being in those countries, there might have been outflow towards those countries from Kenya.

13.2 MEETING WITH MANAGING DIRECTOR, KENYA PORT AUTHORITY - The Committee met with the Managing Director, Kenya Ports Authority, accompanied by Senior Management officials of the KPA. They informed the Committee that:-

- 13.2.1 Grain Bulk handling facilities do not do well in terms of discharge of ships;
- 13.2.2 Delays arise due to ships waiting for both documentation and berthing, all these have cost implication. The average waiting period for any given ship is between 3 days – 1 week;
- 13.2.3 Given the efficiency of the transport chain (off take) the Grain Bulk Handlers would only be able to measure against its capacity of 4500MT per shift i.e. 8hrs. Off take requires proper planning to avoid delays and demurrage cost;
- 13.2.4 Demurrage cost/charges depends on the agreement between the shipper and consignee (cargo owner) and KPA charges on wharfing charges.
- 13.2.5 They expected 6 ships (wheat and maize) in the 10 days, from 11th February to the 21st February, 2009 hence need for planning. The Port Authority was considering seeking assistance from the National Youth Service and the Army's transport battalions for off take purposes, since there is a shortage of trucks following the enforcement of axle load rules.
- 13.2.6 A second bulk may not be necessary considering that an off take problem exists and there is lack of sufficient storage space. Currently there are other options available for offloading ships i.e. conventional way. Except for the purposes of injecting competition the Grain Bulk Handlers has the capacity to handle grain. The challenges faced by the port include:
- The operation of the Port on a 24hr/7 days a week is still a new concept;

- the limited number of trucks for off take purposes and the introduction of axle load rule.
 - Poor railway infrastructure - both inefficient and unreliable.
 - There is suspicion among government departments in the port especially KRA and KPA;
- 13.2.7 Requirements for Uganda/Rwanda/Burundi truck drivers to obtain foreign work permits to operate or to undertake off take business for Uganda/Rwanda/Burundi need to be addressed;

13.3 MEETING WITH KENYA PLANT INSPECTORATE SERVICES

On meeting with KEPHIS, the Committee was informed that:-

- 13.3.1 Sampling of Imported maize is undertaken at the Port, aboard each ship and actual testing is done in Nairobi; but the maize imports would not be held in the port until test are over, they will still be allowed into the market;
- 13.3.2 The tests conducted are for genetically modified maize, organic inclusions (Organism), aflatoxins and the presence of heavy metals or foreign millers;
- 13.3.3 Tests are carried out based on suspicion if the visual test does not give the actual test for aflatoxins;
- 13.3.4 Currently, the department has no machines for testing and currently in collaboration with SGS laboratories in testing. The machine broke down in early December 2008;
- 13.3.5 All results of various test conducted are with the Managing Director, KEPHIS in Nairobi.

13.4 MEETING WITH KENYA BUREAU OF STANDARDS, KEBS

The Committee visited and inspected the KEBS Laboratories at Ambalal House, Mombasa, and met managing director KEBS and the Assistant Director Coast Region. The Committee learnt that:-

- 13.4.1 There is a consignment of 8,141.3MT that were imported but rejected by KEBS based on tests carried on it. However it was not re-shipped to the country of origin but recommended for alternative use;
- 13.4.2 The consignment was allowed into the country on November 25th, 2008 and on testing was found to have a moisture-content of 13.98%

and a discoloration index of 7.68% against the standard 0.5% hence it was rejected.

13.4.3 The rejection was communicated to NCPB as a failure to complying with the prevailing standards. The rest of the consignment was accepted but with artificial drying and a further re-sampling.

13.4.4 **GMO maize is being consumed in Kenya and the grains find their way out into the market in form of donations especially from the USA, However, most Test for GMO are carried out by KEPHIS.**

13.4.5 The actual amount rejected was 6, 3350 MT out of the whole 8141MT. The rest were an excess which has not declared by NCPB.

13.4.6 There is a possibility of the rejected consignment to find its way into the market however, traceability will not be an issue;

13.4.7 Test for the fungal poison, aflatoxins, is carried out in Nairobi and mostly not done on every consignment because it depends on the moisture levels. Moisture over 13.5% is suspect.

13.5 INSPECTION OF GRAIN BULK HANDLERS LIMITED

The committee visited and inspected the facilities of the Grain Bulk handlers Ltd. Tours were conducted in the control room, packaging and bagging areas, loading and Silo complex. The committee held a further meeting with the management- Chairman and Chief Executive Officer, which informed the committee that:-

13.5.1 The facility works as an interface in the chain between shipping and transportation by road and rail; they are only involved in handling since they are not importers or traders in the various commodities that they handle;

13.5.2 The facility was established in the year 2000 and receives deliveries from around the world on behalf of millers, traders, NGOs, Government (NCPB), and relief agencies like WFP. It is therefore internationally (ISO) certified and a member of the International Association of Ports and Harbours (IAPH);

13.5.3 Before its establishment, grain imports was handled by a combination of grabs, and mobile bagging plants, which resulted in low daily discharges of about 2,500 tonnes, high costs for importers and vessels

operators, heavy spillage levels, high dust emissions and weak accounting procedures;

13.5.4 Currently the terminal capacity is 4,500MT per shift of 8 hours;

13.5.5 A major improvement of the facility, in terms of discharge of bulk grain resulted in the reduction of costs to importers from \$24 to \$16 per ton for bagged deliveries and to \$14.5 per ton for bulk deliveries. Other benefits were:-

- ❖ Lower freight and insurance costs;
- ❖ Improved cargo quality;
- ❖ Reduced inventories and better accounting of discharges and delivered quantities;
- ❖ Better utilization of berths;
- ❖ Increased revenue

13.5.6 The terminal was designed to handle a wide range of agricultural produce including products imported in bags as well as in containers such as rice, sorghum, soybeans, malt, barley, wheat maize and fertilizers

13.5.7 The storage capacity includes bulk transit terminal with 24 silos with a total capacity of 67,000 tonnes, a flat store shed with a storage capacity of 18,000 tonnes. The bulk storage terminal has 14 long-term storage silos with total bulk storage of 55,000 tonnes. The terminal also has leased warehouses at the port, with a total storage capacity of 75,000 tonnes

13.5.8 Long-term storage silos are connected to the main transit terminal by a 300 metre single belt conveyor with a transfer speed of 200 tonnes per hour

13.5.9 Currently, the terminal is handling mainly wheat, due to the fact that Kenya is normally self sufficient in maize. However, the maize handled from time to time is meant for relief agencies, like WFP and Oxfam, in times of severe national distress and need, like at the current time for Kenya and for the hinterland

13.5.10 No cargo is handled at the terminal without any documentation as per rules, procedures according to customs and port regulations. Thus only documented and certified cargo is handled

13.5.11 The terminal is holding 8141.3MTs of maize, of which **6350MT is rejected grain and the rest is excess importation which was never declared by the shipper nor claimed by the NCPB. Some**

- 1791.3 MT** has been handed over to the Customs department after the expiry of the 21 days lapse window allowed for declaration and documentation, thus declaration having failed to beat the lapse period
- 13.5.12 The rate of discharge and clearance of cargo depends on the space available at the bulk handlers and the availability of off take services like trucks and rail carriage space;
- 13.5.13 The facility has handled 160,000MT of maize since December 2008 less the rejected 8,141.3MT;
- 13.5.14 Importers are supposed to declare the quantity of cargo its nature and any excess. **They normally do declare the quantities but most ships are declared with a $\pm 5\%$ margin;**
- 13.5.15 The flow of sailing vessels has been frequent since December 2008 leading to a delay in handling and thus resulting in demurrage cost paid to the importer by the government, an unnecessary cost. The poor scheduling of importation of maize by the government both for commercial and relief consignments is also the reason for high loss of revenue by the government;
- 13.5.16 The delay in gazettment of the duty waiver provided to importers, like the NCPB and millers, by the Ministry of Finance further puts the importer at risk and increases the cost of importation
- 13.5.17 The capacity of the facility is affected by the off take services, mentioned above as roads and rail, shared with the main port of Kilindini, Mombasa. Railway transport comprises 4% of all off take services hence most cargo through the terminal relies on road transport, which is further affected by the traffic rules of axel load
- 13.5.18 Before the Grain Bulk Ltd releases any maize consignment, it must get release orders from the NCPB, which is the importer
- 13.5.19 **Grain Bulk does not deal with excess cargo left at the port and does not sell maize to millers;** and
- 13.5.20 Since the year 2000, the facility has been performing below the intended capacity of 300 million tonnes a year, it is currently handling less than one million tonnes a year, and records from 2000 to 2008 show this to be the case.

13.6 MEETING WITH THE MINISTER FOR AGRICULTURE

The Committee received evidence from the Minister for Agriculture and the Minister informed the committee that:-

- 13.6.1 Pleased to meet the Parliamentary Committee on Agriculture Land and Natural Resources, as it's the one mandated to handle matters on Agriculture and more so the issues of food crisis and maize;
- 13.6.2 The total stock of maize held by NCPB as at April 1st 2008 were:
- ❖ Commercial stocks – 841,620 bags
 - ❖ Strategic Grain Reserve – 2,171,375 bags
 - ❖ Giving a total of 3,012,995 bags
- 13.6.3 However, between April 1, 2008 to June 30, 2008 a total of 841,620 bags of Commercial stocks and 514,523 bags of strategic Grain Reserve were sold. Leaving a total 1,656,852 bags as at July 1st, 2008;
- 13.6.4 Following the dwindling stocks of SGR, the alarm was raised by Ministry of Special Programmes and government was requested, in order to bridge the gap, before the next harvest, **to import 3 million bags; and cabinet approval was granted, treasury provided Kshs. 1.5 billion to buy maize, which was realized by an import of 1,790,578 bags from South Africa and 45,296 bags from Tanzania. However, this was not enough total 1,835,874 bags;**
- 13.6.5 The government further bought 647,927 bags from the local market.
- 13.6.6 Therefore, as at July 1, 2008, there were 4, 140,653 bags of maize at NCPB.
- 13.6.7 Sales were undertaken between July 1st 2008 to October 30, 2008 to both major and other millers (Medium size to small) – 654,305 bags, 64,937 bags respectively;
- 13.6.8 A further 2,077,191 were sold to the public and institutions in the period July 1st 2008 to October 30th 2008, leaving a balance of 1,344,220 bags.
- 13.6.9 However, **200,000 bags of maize were transferred to famine Relief (Relief maize) hence a balance of 1,144,220 bags.**
- 13.6.10 The above amounts triggered a shortage of maize supplies and could have led to the government to stop the sale of maize to all millers and any other trader. Further, the importation of maize took rather a long time (from South Africa and Tanzania having arrived in the country in November 2008), hence a leading to a further deterioration of stock, hence prices shot up as a result of the scarcity;

On contract milling,

- 13.6.11 Within the Month of December 2008, government introduced government "subsidized Maize flour" and awarded a contract to Millers who were distributed in the country. A total of 142,878 bags was allocated however, 44,559 bags have not been fully account for, **The award of contract milling was done by a cabinet Ad hoc Sub Committee on food security chaired by the Prime Minister;**
- 13.6.12 The shortage of maize was made worse by the failure of the September 2008 rain causing a huge loss to farmers however, government assisted at in drying;
- 13.6.13 The NCPB Act, cap 338 gives the Board authority to sell maize to anybody or individuals, restrictions are there if there exist insufficient stocks. Therefore, in October 2008, there was a shortage in terms of stocks of SGR hence banned exportation of maize and further stopped the sale of maize to all millers, middlemen and traders.
- 13.6.14 **The maize bought from South Africa (Durban) landed in Mombasa at cost of Kshs 3,741;**
- 13.6.15 SGR was initially under Ministry of Agriculture, then later transferred to Office of the President i.e. Ministry of State for Special Programmes chaired by Permanent Secretary, Special Programmes; i.e. Strategic Grain Reserve trustees.
- 13.6.16 The NCPB, had sold a total of 4,152,576 bags as at January 23rd 2009.
- 13.6.17 **Millers were registered in December 4th 2008 following the recommendations of the Cabinet Ad hoc Sub Committee on food security.**
- 13.6.18 The deficit currently facing the country can be alleviated by buying and stocking of about 7-10 million bags,
- 13.6.19 Causes of maize shortage in the country include:-
- ❖ State of the country preparedness in place on food deficit situation; lack of clearly spelt out mechanism.
 - ❖ Strategic Grain Reserve is a factor of population which was worked out in the 70's, therefore needed enhancement through either policy or gazettelement.
 - ❖ The impact of post election violence experienced at the beginning of 2008 and its further effects on farmers.
 - ❖ Increased cost of farm inputs.

- ❖ Lack of fertilizers to farmers or high cost of fertilizers.

- 13.6.20 The **imported maize is meant to take care of the current situation otherwise Kenya is self-sufficient in terms of grains.**
- 13.6.21 The government is currently engaging farmers by buying maize from them where the government enhanced the price of maize per bag.
- 13.6.22 Currently there is no maize held by farmers and if any not more than 1 million bags.
- 13.6.23 The importation of maize is ongoing and managed by SGR trustees but run by NCPB on the behalf.

On fertilizers, the Minister informed the Committee that:-

- 13.6.24 A second consignment is expected on February 25th 2009 of 900,000 bags both for DAP and CAN; and a further consignment of 1.2 million bags of fertilizers expected by March 10th 2009.
- 13.6.25 Buying of fertilizers is due to pulling of resources by various government departments which include – NCPB and AFC; the pulling of resources is in order to subsidize the prices.
- 13.6.26 The government has proposed to enhance budgetary allocation to the Ministry of Agriculture to 10% so that it can influence the economy; and
- 13.6.27 On the **alleged theft or disappearance of maize at NCPB, the Minister informed the committee that there is No maize which were stolen or disappeared at NCPB.**

13.7 MEETING WITH THE MANAGING DIRECTOR AND CHAIRMAN OF NATIONAL CEREALS AND PRODUCE BOARD

Papers Laid:-

- 13.7.1 The Managing Director laid the following papers:
 1. An apology letter from Jimnah Mbaru, Chairman NCPB;
 2. SGR maize flow from January 2008 to February 2009;
 3. Commercial maize flow from January 2008 to February 2009;
 4. Famine Relief Maize flow from January 2008 to February 2009;
 5. List of buyers of maize from August 2008 to January 2009;
 6. Schedules showing maize importation since May 2008 to date;

7. Approved list of Millers – Large and other Millers as at January 14 2009.
8. Current stocks holding at NCPB as at February 17, 2009;
9. Papers on the sale of Repacked maize flour and maize;
10. Correspondence on the proposal conversion of 6500 MT to alternative uses by KEBS;

On the maize stock flow since January 2008, the Managing director, informed the Committee that:

- 13.7.2 As at January 1st 2008, the NCPB had a total of 3,101,170 bags (90kgs); and as at June 30, 2008 NCPB had a total of 1,656,852 bags (90kg) showing a substantial drop;
- 13.7.3 The SGR in the year 2008, were deteriorating at an alarming rate following the post election crisis hence no purchases were done.
- 13.7.4 The actual stock on **December 30, 2007, were 4,701,170 bags however, SGR trustees transferred 1,000,000 bags to Famine Relief.**
- 13.7.5 In the Month of August 2008 (August 30, 2008) the SGR stocks were at the lowest – 275,387 bags leading to government ban/stoppage of sales of maize to anybody. Further the alarm was raised at this point to inform government of the dwindling stock of SGR.
- 13.7.6 The **above led to the government to form a Cabinet Adhoc sub Committee on Food Security, chaired by the Prime Minister, which recommended urgent importation of 1.7 million bags, which started to arrive in August/September 08.**
- 13.7.7 The stocks (Closing stock) as at February 17th, 2009 were 1,177,054 bag (90kg); However, 56,000 bags are committed stocks meant for contract milling for subsidized maize flour, which is yet to be collected by millers;
- 13.7.8 On storage losses of 19,643 bags was experienced in the financial year 2007/08 due to expiry of grain and weevil attack representing a 0.5% loss which is within the margin losses;
- 13.7.9 Stocks include those which are already in the country plus those being held by Grain Bulk Handlers Limited as they need to be paid demurrage charges until January 2009. However, after rejection, the demurrage cost will be by the shipping line as NCPB is pursuing the insurance having settled the LC.

- 13.7.10 NCPB never requested for the alternative use of the rejected grain.
- 13.7.11 On the just released 1,800MT this was not excess however, was part of an earlier consignment which arrived in the country.
- 13.7.12 NCPB has never paid any demurrage cost to any shipping line as a result of delays attributed by congestion at Port or lack of documentations.
- 13.7.13 On **delays by GBH Limited, NCPB has actually made a protest note to GBH Limited on the delay caused by slow offloading by ships:**
- 13.7.14 The Cabinet Ad hoc Sub Committee on food security did discuss delays and recommended preparation of waiver of duty documentation to be done before ships arrive; further, most delays were due to the procedure or requirement by Ministry of finance to issue waiver on a case by case or ship by ship. This has now been corrected.
- 13.7.15 NCPB contract with suppliers is based on them having an option to use either Grain Bulk facility or use convectional method of discharge which cheaper and slower.

On commercial stocks, the MD informed the Committee that:

- 13.7.16 As at December 2007, 1,319,915 bags (90kg) were in the stores however as at June 30, 2008. There were zero bags; this was attributed to the fact that NCPB could not procure maize locally (especially SGR) leave alone commercial stocks.
- 13.7.17 Part of the reason that made the commercial stocks to be depleted is that the price offered by NCPB could not attract purchases of maize from farmers and further the displacement of farmers following the post election violence.

On the famine relief maize a stock, the committee was informed that:

- 13.7.18 As at Jan 1, 2008, 1 million bags of SGR was transferred to famine relief hence 969,759 bags were available as at January 1, 2008
- 13.7.19 In October 30, 2008, there were 356,297 bags and government instructed NCPB to transfer 200,000 bags of SGR to famine relief, making a total of 556,297 bags (90kgs).
- 13.7.20 As at February 17, 2009, the board had 282,380 bags in stocks;

On the buyers of maize, from August 2008 to February 2009, the committee was informed that:

- 13.7.21 **1,391,622 bags, 204,594 bags, 11,236 bags and 432,059 bags total to 2,039,511 bags, were sold to millers, dealers, institutions and individuals respectively within the period August 2008 to February 2009. This represents 68% to millers and 21% to individuals** (less than 2 bags) during the period.
- 13.7.22 In November 2008, sold on 4,571 bags to wananchi at depot level following the stoppage of sales to anybody by government due to low stocks at the stores; this may have led to the prices hike for maize flour.
- 13.7.23 The board will provide the list of prominent Kenyans who sought to buy maize at NCPB, including a Mr. Kibor or his company Mafuta Farm.

On the importation of maize, the MD informed the committee:-

- 13.7.24 The first consignment of maize received arrived on 18th August 2008 total 17,926 MT; and the last consignment was on November 3,2008 of 27,474MT;
- 13.7.25 That already imported maize is 161,152 MT of the first tranche which is 10%of the total consignment;
- 13.7.26 The second tranche of 2 million bags is still under process and estimated time of arrival to Mombasa is 26 February 2009;
- 13.7.27 That **prices of US\$420-430 were quoted in the first tranche however, prices have dropped due to supplier demand and prices stabilization in the global market to US\$325 – 330;**
- 13.7.28 Global survey was conducted by NCPB, before direct procurement of maize;

On registration of millers: the committee was informed that:-

- 13.7.29 There are only 23 large scale millers who are currently registered with NCPB and who formed the Cereal Millers Association. The capacities of each miller quoted was between 47 bags – 282 bags per hour.
- 13.7.30 The small scale to medium size millers are only 74, having been subjected to a though check to ascertain the existence and capacity.
- 13.7.31 The registration is conformity with cap 338.

On maize stock holding, the committee was informed that:-

13.7.32 As at February 17, 2009, being at the NCPB stores are 1,120,344 bags i.e. 917,605 bags of SGR and 202,739 bags of famine relief;

13.8 MEETING WITH THE MANAGING DIRECTOR, KEPHIS

Papers Laid

13.8.1 The Managing Director, KEPHIS tabled the following documents: -

1. The Annual Report and Financial Statement
2. Maize Analysis forms conducted on Imports of Bulk Maize to January 2009.

13.8.2 He then informed the committee that:-KEPHIS was created in 1986 through an Act of Parliament to undertake:

1. Plant Variety Protection – Intellectuals Property Rights;
2. Seed Certifications – both imported and locally produce seeds;
3. Inspection of Imports and Exports Plants and Products.

13.8.3 That **afflatoxins** test on maize imported is not routinely done but only if the moisture content of the maize is more than 13%. Currently the machines for testing afflatoxins are out of order though being repaired, they are using SGS Laboratories (Sub Contracting) for such test and others;

13.8.4 The Inspectorate has also ordered another machine for such test from The United State of America.

13.8.5 **On GMO, that all maize imported to Kenya for human consumption or otherwise are 90% GMO. This is against the backdrop that the contract or tender specification is for the importation of GMO free maize. Out of eight (8) ships that dock in Mombasa between September 2008 and February, 2009 seven (7) have delivered GMO maize mostly from India and South Africa.**

13.8.6 GMO test are currently done using qualitative method just to detect traces of GMO however the Inspectorate has ordered for a machine to

enable to conduct quantitative test of GMO. The main laboratories are in Nairobi.

- 13.8.7 Following the passage and eventual enactment of the Bio-safety Law, KEPHIS is hoping to use the framework to give direction on issues of Importation of GMO maize.
- 13.8.8 On the Rejected Consignment aboard MV Forerun Naree, of 6500 MTs, the Managing director informed the Committee that they did sample and tested the consignment and approved part of it for human consumption and that he stands by its test and results.
- 13.8.9 That ships must produce certificate of phytosanitary to show compliance of importation.
- 13.8.10 That they undertake to test on pest, diseases, maximum residue levels, harmful organism among others during inspection of the ships;
- 13.8.11 On the status of Laboratories, that, they are well equipped and are ISO1700 certified. However, the machine only work for a maximum of 2 years and very expensive hence cost of updating and repair are exorbitant. In addition, the staffs are well trained to keep up with changes in technology.

14 RECOMMENDATIONS

14.1 RECOMMENDATIONS ON MAIZE IMPORTATIONS

Based on the evidence adduced before the Committee, on maize importation, the Committee recommends that:-

- 14.1.1 the Kenya Anti Corruption Commission further carried out investigation into actions by individuals and companies involved in importation of maize by the National Cereals and Produce Board with a view to establishing whether any sins of omission or commission were committed;
- 14.1.2 Investigations into actions of the Permanent Secretary, Ministry of Agriculture, Permanent Secretary, Ministry of State for Special Programmes, Managing Director, National Cereal and Produce Board and all officers involved in maize importation to establish whether there was professional negligence;
- 14.1.3 Formal complaint be made to professional bodies to **permanently de-register or take necessary actions on all** those found guilty of professional offences as mentioned in this report;
- 14.1.4 Immediate **termination** of the services of Permanent Secretaries, Ministry of Agriculture, Ministry of State for Special Programmes and Managing Director, National Cereals and Produce Board to allow investigations and subsequent criminal and/or civil proceedings against them as pertains to the maize scam;
- 14.1.5 the Kenya Anti-Corruption Commission undertake further investigations on the role of the Cabinet Adhoc Sub Committee on Food Security on the Maize Imports on the alleged irregularities on the maize pricing and subsequent manipulations or influence on the maize importation;
- 14.1.6 Government agencies involved in the importation of Maize-NCPB, KEBS, public health inspectorate and KEPHIS be streamlined and appropriate measures/mechanism be put in place on the way they handle the safety and quality of Maize;
- 14.1.7 the Kenya Anti-Corruption Commission further carries out investigation on the maize importation procurement process and establish the role played by the awarded companies;

- 14.1.8 the **role of Personal Assistant to Prime Minister, the Prime Minister's family, the son and associates, in all this import saga and particularly possible link to maize importers and further to establish whether indeed the companies were registered in Kenya or foreign as alleged;**

14.2 STRATEGIC GRAIN RESERVES (SGR)

Based on evidence before it, the committee recommends that:-

- 14.2.1 Government, through Ministry for State for Special programmes establishment an efficient and lean professional body curved from NCPB; totally independent in all aspects from NCPB, and to be known as **Strategic Grain Reserves Stores;**
- 14.2.2 That the SGR be enhanced from the current membership of three Permanent Secretaries that is: Permanent Secretary; Ministry of State for Special Programmes, Permanent Secretary; Ministry of Finance and Permanent Secretary; ministry of Agriculture **to further include** Permanent Secretary Ministry of Livestock, Permanent Secretary; Public Health and Permanent Secretary; Ministry of Cooperative Development;
- 14.2.3 All the functionalities, management, administrative and oversights of SGR stores be placed under the ministry of State for Special Programmes, with its own budget line or vote;
- 14.2.4 The Ministry of State for Special Programmes should immediately undertake to amend legal notice no.55 of 2002 to enhance the SGR stocks from a minimum level of 3 million x 90Kgs bags to 10 Million x 90kgs bags and further diversify the grains i.e. should not be maize only. In addition, make a cash equivalent of the SGR of Kshs 5 million at any one time or based on the Chicago Board of Trade;
- 14.2.5 On the Various release orders given by the various ministries, individuals and agencies to NCPB, the Committee recommends that further investigation be carried out to ascertain on release orders (especially those that amount to release of 3.4 million bags between December 2007 and October 2008);
- 14.2.6 The Committee agrees with the Observation made on the report of the Special audit on National Cereals and Produce Board by the Ministry of Finance and recommends its implementation.;

- 14.2.7 The Cabinet Adhoc Sub-Committee on food security established in May 2008 that issued these instructions should be further investigated in view to establish on their role in maize importation grossly responsible for this problem and in effect, it's this same committee that gave resolutions which led to very exaggerated import prices and the Taxpayer must have lost over Kshs. 3,692,951,392.00;
- 14.2.8 During bumper harvest, NCPB and SGR stores should buy all the maize or cereals in the market at a good market price for both commercial, strategic and famine relief, taking into consideration the need for diversification of the grain;

14.3 RECOMMENDATIONS ON FOOD SECURITY AND FAMINE RELIEF

- 14.3.1 That the government put in place a policy on food security and famine that spells out on the various measures and intervention to be used in times of famine;
- 14.3.2 that the government should stop the distribution of famine relief with immediate effect through the Provincial Administration and distribute the same through KENYA RED CROSS or through the world food programme; And ensures a supervisory role;
- 14.3.3 That the Kenya Anti Corruption Commission investigates the provincial Administration in view to establish the disappearance and subsequent sale of relief food;
- 14.3.4 That the government through the Emergency operation Programme EMOP Introduce and adopts a COMPUTERIZED FAMINE RELIEF DISTRIBUTION SYSTEM; with network capability to draw food from selected outlets e.g. shops, supermarkets, stores, minis hops etc. countrywide. This system should have a complete dissociation from direct operational linkage to Provincial, District, Divisional, locational and sub-locational Government Administration (chiefs and assistant chiefs will no longer dictate food rations);
- 14.3.5 that through the above programme , the government issues the Famine Relief Account Cards with advanced Micro-Chip be adopted that with maximum data and information on individual recipients to allow private sector outlets dispense relief and debit to a Central Data

System for reimbursement and eliminate current abuses particularly by chiefs and Provincial administration;

14.4 RECOMMENDATIONS ON GRAIN BULK HANDLERS LIMITED

Based on an objective analysis of all evidence before it, this committee further recommends:

- 14.4.1 that the Kenya Bureau of standards, Kenya Plant Health Inspectorate services and public health at the port should with immediate effect destroy the condemned maize, ex-MV FONARUN NAREE approx. 6254.53MT, in public and in the presence of the Parliamentary Committee on Agriculture;
- 14.4.2 That the government through its relevant instruments put in place rules and regulations in view to make and allow the various agencies involved in the inspection and ensuring the quality of imports especially foods to act independently and in constant collaboration - Government Chemist, KEBS, KEPHIS, KETRI and KEFRI among others;
- 14.4.3 That a second grain handling facility be allowed with a similar or more capacity to unbundle the monopoly of current handlers, in addition to providing the traders/importer an opportunity to choose. The facility should be owned by either co-operative movement or NSSF but not any associate or director or agents of the existing handler shall have any stake in it;
- 14.4.4 That the agreement on fertilizer handling, between Grain Bulk Handlers Limited and Kenya Ports Authority should be revoked immediately and KPA to bid for a suitable handler of fertilizer independent from GBHL;
- 14.4.5 That the condemned maize being held at the Grain Bulk handlers Limited be destroyed by KEBS in public in the presence of the Parliamentary committee and all the relevant government agencies like NCPB, KEPHIS, GOVERNMENT CHEMIST AND PUBLIC HEALTH and others;
- 14.4.6 That the GBHL be further investigated in view to establish whether to undertake trade in grains;

- 14.4.7 That the GBHL be further investigated by Kenya anti-corruption Commission in view to establish whether they collaborated to delay discharge of grain from ships, with shipping line to attract higher demurrage cost in the expense of NCPB and hence tax payers;
- 14.4.8 That GBHL is investigated in view to establish its actual handling capacity and why only imports by government handled by Grain Bulk Handlers limited register short landing leading to losses.

14.5 RECOMMENDATIONS ON MAIZE MILLERS

Based on the evidence received, the committee recommends;

- 14.5.1 That no single miller or a conglomerate of millers should be allowed to control more than **12.5% of maize stocks** in this country at any one time;
- 14.5.2 That the Ministry of Agriculture should undertake a capacity assessment of both large scale and medium to small size millers to weed out unscrupulous millers;
- 14.5.3 That no Millers should be allowed to own, lease or even have shares in Grain Bulk Handling facilities or the national milling corporation;
- 14.5.4 Public Health Inspection be established by Government at all main millers premises or conduct spot checks in order to enforce standards set by KEBS on Staple foods;
- 14.5.5 That given sensitivity of maize as a staple food and that over 80% of Kenyans are affected by maize or have maize as their staple diet, millers should **NOT BE ALLOWED MORE THAN 18%** gross margins (PROFITS) based on agreeable gross margin analysis;
- 14.5.6 That the government should establish the Kenya Milling Corporation to be directly owned by workers via NSSF, or SACCOs; The corporation will control NOT LESS THAN 55% of the maize market and 45% of wheat market;
- 14.5.7 The government further investigates, in view to establish whether indeed Mombasa Maize Millers and/or its associated companies were responsible for:-
- Hoarding in excess of **500,000** bags at the point when famine was declared hence causing the shortage in maize in the country;
 - Controls over **42%** of national maize milling business;
 - Are principal bidders in second grain bulk handling facility a monopolistic family concern;

- 14.5.8 Investigations be conducted on whether Maize Millers, even at this moment in time are maintaining **104%** profitability in maize and **214%** in wheat at the expense of high consumer prices
- 14.5.9 Further investigations should be carried as to whether there are deliberate delays in making maize available in market, hence professional negligence, by the Ministry of Agriculture, SGR trustees and NCPB despite continued warning and alerts given by the various government agencies;

14.6 COST PRICES FOR MAIZE RECOMMENDATIONS

- 14.6.1 That further investigations be carried by Kenya Anti Corruption Commission on the conduct of Permanent Secretary, Ministry of Agriculture, in view to establish professional negligence on the importation of maize against specified standards and also on his interference on the functions of Kenya Bureau of Standard and other institution changed ensure the safety and quality of maize import;
- 14.6.2 That the government through Kenya Anti-Corruption Commission carries further investigation in view to establish fraud and loss of public funds, due to the importation of maize as GMO maize as directed by the Permanent Secretary, Ministry of Agriculture;
- 14.6.3 That further investigation be carried out by the Kenya Anti-Corruption Commission in view to establish the role of:
- (i) Cabinet Adhoc Subcommittee on food Security
 - (ii) Personal Assistant to Prime Minister, on the importation of maize and pricing and possible link with the suppliers of maize;
- 14.6.4 That the government through the Ministry of Agriculture should provide the local farmers priority in buying maize in any season at competitive market prices in order to motivate and provide a ready market for the produce based on Gross margin Analysis;
- 14.6.5 That the government should put in place the policy on maize or cereal importation in place in order to provide measures to cushion the local farmer, industries and subsequently the citizenry from high prices of the imported maize or maize product;

- 14.6.6 That the government liberalizes the maize imports, under strict control measures to immediately bring the high food prices down and further encourage farmers to sell to National Cereal and Produce Board at completion prices;
- 14.6.7 That the government through the Ministry for finance provide a blanket import duty waiver to all maize import by National Cereal and Produce Board and Strategic Grain Reserves stores meant for SGR and famine relief and further put measures in place to prevent abuse of the waiver;
- 14.7 **RECOMMENDATIONS ON NCPB AND LEGAL NOTICE NO. 55**
- 14.7.1 That the legal notice No.55 be amended to reflect the correct situation;
- Actual maize 10.0 Million – 90 kg Bags
 - Cash equivalent – 5.0 Million – 90 kg Bags
- 14.7.2 That the Ministry of Agriculture should immediately start reforms in National Cereal and Produce Board to make more commercially competitive;
- 14.7.3 That the government provide sufficient funds or budgetary allocation to NCPB and further dispose off unused assets to make the Board more efficient and;
- 14.7.4 That the government implements fully the policy framework paper on economic reform for 1996-1998 on NCPB; and further implement full the recommendations of consultants on the same presented to cabinet twice in 1997 and 1998;
- 14.7.5 That National Cereals and Produce Board and SGR Stores, should diversify its commercial activities to include wheat, beans, rice among other cereals;
- 14.7.6 That the Minister for Agriculture immediately institute or establish an efficient and professional market survey office to professional advise farmers and the nation at large the market forces and analysis;

14.7.7

That the Minister for Agriculture makes urgent investigation on the local maize market to determine whether pricing is **supply and demand driven, cartel driven or politically driven**, and therefore base the pricing on the market forces of supply and demand.

MINUTES OF THE TWENTY FIRST SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES, HELD ON FRIDAY, JANUARY 23, 2009, IN COMMITTEE ROOM, FIFTH FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10:00 A.M.

PRESENT:

The Hon. Franklin Bett, MP. - **Chairman**

The Hon. (Dr) Robert O. Monda, MP.

The Hon. Erastus K. Mureithi, MP.

The Hon. John M. N. Mututho, MP.

The Hon. Ruteere M. Silas, MP.

The Hon. (Dr) Victor K. Munyaka, MP.

The Hon. Benson I. Mbai, MP.

ABSENT WITH APOLOGY:

The Hon. Benjamin J. Washiali, MP.

The Hon. Peris S. Chepchumba, MP.

The Hon. Evans B. Akula, MP.

The Hon. Kambi K. Samuel, MP.

IN ATTENDANCE

NATIONAL ASSEMBLY:

Mr. Rana Tiampati - Clerk Assistant.

MIN. 099/2009: INTRODUCTION

Prayers were offered by the Chairman.

The Chairman called the meeting to order at 10:05 am and welcomed the Members, and other persons present in the meeting. The agenda was adopted by the Members present.

The Chairman informed the Members:

- That the statements were issued by the Members of the Committee on the food crisis and alleged maize scam, purporting to be from or by the Committee recently and that they were issued against House rules and traditions. And such actions should be held after the Committee has consulted and agreed upon unanimously or otherwise as provided by the House Standing orders;
- That the food crisis and famine are a national disaster which should be addressed fully by the Committee alongside the Maize scam;
- That the Committee will forthwith be proactive on matters affecting or arising from its mandate;
- That the Committee will endeavour to table all its reports on all tours, visit and foreign travel as soon as possible;

MIN. 0100/2008: CONFIRMATION OF MINUTES

Confirmations of Minutes of the Twentieth sitting of the Committee were postponed to a later date.

MIN. 0101/2008: DELIBERATION ON THE COMMITTEE PROGRAMME

The Committee deliberated on the programme of activities and adopted the programme as below.

Friday, January 23, 2009 at 10.00 a.m.	Committee meeting to prepare its programme of activities	Committee Room 5, 5th floor Continental House Parliament Buildings.
Monday, January 26, 2009 at 10.00 a.m.	Meeting with the Minister for Agriculture	Committee Room 5, 5th floor Continental House Parliament Buildings.
Tuesday, January 27, 2009 at 10.00 a.m.	Committee meeting to review evidence received from Minister for Agriculture and tour of NCPB premises in industrial area	Committee Room 5, 5th floor Continental House Parliament Buildings.
Thursday , January 29 - 30, 2009	Tour of Ukambani	
February 1 – 3, 2009	Tour of North rift	
February 4 – 6, 2009	The Kenya we want Conference	Nairobi

February 7 – 9, 2009	Workshop on EPA, WTO negotiations AND EAC Market Protocol – MINISTRY OF TRADE	MOMBASA
February 11 – 13, 2009	Workshop on Standing orders	Safari Park, Nairobi
Tuesday, Feb 16, 2009 at 2.00p.m.	Committee meeting to review evidence received	Committee Room 5, 5th floor Continental House, Parliament Buildings.
Friday, Feb 17, 2009 at 10.00 a.m.	Meeting with the Centre for Governance and Development	Committee Room 5, 5th floor Continental House Parliament Buildings.

MIN. 0102/2008: FOOD SECURITY SITUATION IN THE COUNTRY AND THE MAIZE SCAM

The Committee deliberated on the issues of famine and food crisis currently affecting the country and the alleged maize theft/scam. And in view of the food crisis and the Presidents declaration of the famine situation in the Country as national disaster, The Committee resolved: -

- a) to investigate and inquire into the food crisis and the alleged maize scam in the country, among other issues within the shortest time possible based on the attached programme;
- b) That the issues to be investigated and inquired into are – the causes of the food crisis – shortages currently being experienced, the proposed subsidized flour, the famine situation, varied pricing of maize by NCPB, the current maize stocks in the country, alleged theft and mishandling of the Maize in the country both for relief and for other purposes, among others and proposed measures;
- c) That the inquiry and investigation to be undertaken should not be confined to state corporations, ministries and government departments but also private bodies and individuals.

MIN. 0103/2008: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at Fifteen Minutes past Twelve O'clock, until Tuesday, January 27, 2008 in Committee Room 5,5th Floor, Continental House, Parliament Buildings at 10.00 a.m.

Signed...**Hon. J. Mututho, MP**_____

Date **Jan 29, 2009**__

Chairman

MINUTES OF THE TWENTY SECOND SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES, HELD ON TUESDAY, JANUARY 27, 2009, IN COMMITTEE ROOM, FIFTH FLOOR, CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 09:30 A.M.

PRESENT:

The Hon. (Dr) Robert O. Monda, MP.

The Hon. Erastus K. Mureithi, MP.

The Hon. John M. N. Mututho, MP.

The Hon. Ruteere M. Silas, MP.

The Hon. (Dr) Victor K. Munyaka, MP.

The Hon. Benson I. Mbai, MP.

The Hon. Benjamin J. Washiali, MP.

The Hon. Peris S. Chepchumba, MP.

The Hon. Evans B. Akula, MP.

The Hon. Kambi K. Samuel, MP.

IN ATTENDANCE

NATIONAL ASSEMBLY:

Consolata W. Munga - Deputy Director - Committees

Rana Tiampati - Clerk Assistant.

MIN. 0104/2009: INTRODUCTION

Prayers were offered by the Hon. Robert Monda, MP. The agenda was adopted by the Members present.

The Clerk called the meeting to order at 10:20 am and welcomed the Members, and other persons present in the meeting.

The clerk informed the Members that the only agenda to be tackled is the election of the Chairperson of the committee to replace the Hon. Franklin Bett, MP who was appointed Minister for roads.

He took Members through the procedure in election of the Chairman, where the contestants must be proposed and seconded. And that election is by secret ballot.

MIN. 0105/2008: CONFIRMATION OF MINUTES

Confirmations of Minutes of the Twentieth and Twenty First sittings of the Committee were postponed to a later date.

MIN. 0106/2008: ELECTION OF CHAIRPERSON

Election of the chairperson was conducted by the Presiding officer (clerk), by calling upon the contestants to be proposed and seconded. The Hon. John Michael Njenga Mututho, MP was proposed and seconded by Hon. Silas Muriuki and Hon. Benjamin Washiali, MP respectively.

There being no other contestants, the presiding officer declared Hon. John Michael Njenga Mututho, MP the Chairperson unopposed.

The presiding officer congratulated the Chairperson and handed over the Committee to him.

The chairperson in his acceptance speech noted that: -

- He accept the role of Chairperson of the Committee with a lot of humiliated and promised to steer the Committee to its right position, to discharge its mandate in the development of policies to spur agricultural development in the country;
- the Committee has performed well in the last few month under the leadership of the Hon Franklin Bett, MP and further congratulated him on his new appointment;
- the Committee needs to reclaim its role in advising the public on the wrongs and shortcomings of government, provision of necessary infrastructure to farmers;
- the Committee is supposed to remain the most busy by making many local tours in the country and even a few trips to country with success stories;

MIN. 0107/2008: A.O.B

The members raised the following: -

- that reports of the Committee on all visits made be tabled as soon as possible;
- the committee needs to give Kenyans a proper explanation on the food crisis and maize scam, and further give hope;
- that the committee needs to get organized in its deliberations, adhere to the rules, standing orders and the laws of the Land;
- that there is need to work closely with the relevant ministries in its work in order to achieve its objective;
- that the Committee needs to elect a vice-chairperson, However owing to the short time left for the adoption of new standing orders, there was no need at all;

MIN. 0108/2008: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at Fifteen Minutes past Twelve O'clock, until Thursday, January 29, 2008 in Committee Room 5,5th Floor, Continental House, Parliament Buildings at 09.30 a.m.

Signed **Hon. J. Mututho, MP**

DATE **January 29, 2009**

Chairman

MINUTES OF THE TWENTY FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES, HELD ON TUESDAY, FEBRUARY 3, 2009, IN THE OLD CHAMBERS, MAIN PARLIAMENT BUILDINGS AT 10:00 A.M.

PRESENT:

The Hon. John M. N. Mututho, MP. - **Chairman**

The Hon. Benjamin J. Washiali, MP.

The Hon. Peris S. Chepchumba, MP.

The Hon. Ruteere M. Silas, MP.

ABSENT WITH APOLOGY

The Hon. (Dr) Robert O. Monda, MP.

The Hon. Erastus K. Mureithi, MP.

The Hon. Benson I. Mbai, MP.

The Hon. (Dr) Victor K. Munyaka, MP.

The Hon. Evans B. Akula, MP.

The Hon. Kambi K. Samuel, MP.

IN ATTENDANCE

NATIONAL ASSEMBLY:

Rana Tiampati - Clerk Assistant.

MINISTRY OF AGRICULTURE:

Hon. William S. Ruto, EGH, MP – Minister for Agriculture

MIN. 115/2009: INTRODUCTION

The Chairman called the meeting to order at 10:40 am and welcomed the Members and other persons present in the meeting. Prayers were conducted by the Chairman.

The Agenda was adopted by the Members present.

MIN. 116/2009: CONFIRMATION OF MINUTES

Confirmations of Minutes of the Twenty Fourth sittings were postponed to a later date.

MIN. 117/2009: MEETING WITH THE MINISTER FOR AGRICULTURE

That the Minister appeared before the Committee and briefed on the following: -

- Pleased to meet the Committee on Agriculture Land and Natural Resources, as its the one mandated to handle matters on Agriculture and more so the issues of food crisis and maize;
- The total stock of maize held by NCPB as at April 1st 2008 were
 - a) Commercial stocks – 841,620 bags
 - b) Strategic Grain Reserve – 2,171,375 bags giving a total of 3,012,995 bags.

However, between April 1, 2008 to June 30, 2008 a total of 841,620 bags of Commercial stocks and 514,523 bags of strategic Grain Reserve were also sold. Learning a total 1,656,852 bags as at July 1st, 2008.

- Following the dwindling stocks of SGR, the alarm was raise by Ministry of Special Programmes and government was requested, in order to bridge the gap, before the next harvest, to import 3 million bags; and cabinet approval was granted, treasury provided Kshs. 1.5 billion to buy maize, which was realized by an import of 1,790,578 bags from South Africa and 45,296 bags from Tanzania. However, this was not enough total 1,835,874 bags.
- The government further bought 647,927 bags from the local market.
- Therefore, as at July 1, 2008, there were 4, 140,653 bags of maize at NCPB.
- Further, sales were undertaken between July 1st 2008 to October 30, 2008 to both major another millers (Medium size to small) – 654,305 bags 64,937 bags respectively.
- A further 2,077,191 were sold in the period July 1st 2008 to October 30th 2008, leaving a balance of 1,344,220 bags.
- However, 200,000 bags of maize were transferred to famine Relief (Relief maize) hence a balance of 1,144,220 bags.
- The above amounts trigger a shortage of maize supplies and could have led to the government to stop the sale of maize to all millers and any other trader. Further, the importation of maize took rather a long time (from South Africa and Tanzania having arrived in the country in November 2008), hence a leading to a further deterioration of stock, hence prices short up following such scarcity.
- Minister tabled documents to support the above marked M1;
- On contract milling, within the Month of December 2008, government introduced government "subsidized Maize flour" and awarded a contract to millers who were distributed in the country. A total of 142,878 bags was allocated however only, 44,559 bags have not been fully account to. The award of contract milling was done by a cabinet Ad hoc Committee on food security chaired by the Prime Miller.
- The shortage of maize was made worse by the failure of the September 2008 rain causing a huge loss to farmers however, government assisted at is cost, by drying.

- The NCPB Act, cap 338 gives the Board authority to sell maize to anybody or individuals, restrictions are there if there exists insufficient stocks. Therefore, in October 2008, there was a shortage in terms of stocks of SGR hence banned exportation of maize and further banned the sale of maize to all millers, middlemen and traders.
- The maize bought from South Africa (Durban) landed in Mombasa at cost of Kshs 3,741;
- SGR was initially under agriculture, then later transferred to Office of the President i.e. Ministry of State for Special Programmes hence chaired by Permanent Secretary, Special Programmes; i.e. strategic Grain Reserve trustees.
- The NCPB, had sold a total of 4,152,576 bags as at January 23rd 2009.
- Millers were registered in December 4th 2008 following the recommendations of the Cabinet Ad hoc Committee on food security.
- The deficit currently facing the country can be alleviated by about 7-10 million bags,
- Causes of maize in the country include:-
 - (i) State of the country preparedness in place on food deficit situation; lack of clearly spelt out mechanism.
 - (ii) Strategic grain reserve is a factor of population which was worked out in the 70's, therefore needed enhancement though either policy or gazettment.
 - (iii) The impact of post election violence experienced at the beginning of 2009 and its further effects on farmers.
 - (iv) Increased cost of farm inputs.
 - (v) Lack of fertilizers to farmers or high cost of fertilizers.
- The imported maize is meant to take care of the current situation otherwise Kenya is self-sufficient in terms of grains.
- The government is currently engaging farmers by buying maize from them where the government enhanced the price of maize per bag.
- Currently there is no maize held by farmers and if any not more than 1 million bags.
- On the importation of maize, it's ongoing and managed by SGR trustees but run by NCPB on the behalf.

On fertilizers, the Minister informed the Committee that:

- A second consignment is expected on February 25th 2009 of 900,000 bags both for DAP and CAN; and a further consignment of 1.2 million bags of fertilizers expected by March 10th 2009.
- Buying of fertilizers is due to pulling of resources by various government departments which include – NCPB and AFC; the pulling of resources is in order to subsidize the prices.
- The government has proposed to enhance budgetary allocation to the Ministry to 10% so that it can influence the economy.

On the alleged theft or disappearance of maize at NCPB, the Minister informed the committee that:

- No maize were stolen or disappeared at NCPB.

On issues raised by the Members, the Minister responded that:

- (i) Dealers had an access of about 350, 000 bags as than millers is not true as millers bought maize;
- (ii) The registrar of millers is for purposes of communicating government policies, prices and other directives rather than as forum for bargaining prices;
- (iii) Recent increases of prices from 1700 to 2300 was meant to benefit big farmers of small farmers, and further millers;
- (iv) The sales and purchases procedures at NCPB may be areas of corruption though the various depot managers have ceiling of sales and purchases, further, there must be express authority to any depot on sales and purchases;
- (v) He is not aware of businessmen or dealers or traders who buy from NCPB at a price of 1700 and later sell to NCPB at 2300 without any movement of stock;
- (vi) The timing of increase in prices of maize from 1700 to 2300 per bag was not motivated to benefit farmers rather to many other market prices, hence get maize out of farmer to NCPB. Further farmers raised the issue of poor pricing by NCPB yet millers were buying at high/better prices;
- (vii) Some of the maize from South Africa got burnt or an expulsion occurred in the hatch hence no payment to the shopper until ascertained and test conducted by KEBs for human consumption. Some of the consignment may be rejected by KEBs however, proposals or suggested for alternative use – Animal Consumption.
- (viii) It the changes effected at NCPB, board of Management and Senior Managers was based on a consultancy report for restructuring and to remove redundancies in the organization, NCPB was run down hence restructuring.
- (ix) The controls of stock at NCPB needs to be re-looked to ensure all loopholes are sealed and welcomes the Committee recommendation.
- (x) The sudden increase in maize flour prices was due to the millers transferring the cost of maize to consumers since they bought maize at Kshs. 2300 instead of Kshs.1700.
- (xi) Procurement of government commodities, maize included is a nightmare due to stringent rules and requests Parliament to make easier to procure commodities like maize in such situations. The cabinet allowed for direct procurement as the situation was pre-carious. There were 2 suppliers who were requested to quote both local and international.
- (xii) There is no maize consignment being held at the port of Mombasa and most consignment that have been imported have been cleared based documentation, inspections and test. There are restrictions on the importation of more maize as the tenders do not allow for GMO maize.
- (xiii) Grain Bulk Limited is part of the problem at the port in terms of handling and documentation.
- (xiv) No *afflatoxins* reported on the maize imported by KEPHIS and for purposes of natural safety such stocks are re-directed to other uses or returned to county of origin as per the law.

MIN. 118/2009: A.O.B

- That the Chairman inform the Committee that the Deputy Speaker and the Clerk of the National Assembly have been furnished with the programme of activities of the Committee;
- That the reports of the Committee will be tabled as soon as they are approved by the liaison Committee;
- That the debate on the Report of the Pyrethrum Board of Kenya by the Committee is due for discussion and therefore Members agreed to apprise themselves on the report and the inspectorate of state corporations report on the board for fruitful contributions;

MIN. 119/2009: ADJOURNMENT

And there being no other business, the Chairman adjourned the sitting at Twenty Minutes past one O'clock, until Thursday, February 5, 2009 in the Committee room 5, 5th Floor, Continental House, Parliament Buildings at 10.00 a.m.

Signed Hon. J. Mututho, MP

DATE April 21, 2009

Chairman

MINUTES OF THE TWENTY SEVENTH SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES, HELD ON SUNDAY, FEBRUARY 8, 2009, BARAZA HALL, WHITESANDS HOTEL, MOMBASA IN AT 2:00 P.M.

PRESENT

Hon. John Njenga Mututho, MP - **Chairman**
Hon. Silas Muriuki, MP
Hon. Benjamin Washiali, MP
Hon. Victor Munyaka, MP
Hon. Erastus Mureithi, MP

ABSENT WITH APOLOGY

The Hon. (Dr) Robert O. Monda, MP.
The Hon. Benson I. Mbai, MP.
The Hon. Peris Simam Chepchumba, MP.
The Hon. Evans B. Akulā, MP.
The Hon. Kambi K. Samuēl, MP

IN ATTENDANCE –

NATIONAL ASSEMBLY

Rana Tiampati – Clerk Assistant

MIN. 124 /2009: INTRODUCTION

The Chairman called the Meeting to order at 10:20 a.m. and requested the Secretariat to conduct prayers on behalf of the Committee. The Agenda was adopted with amendments to skip Agenda item 2 and 3 until a later date.

MIN. 125/2009: CONFIRMATION OF MINUTES

Confirmations of Minutes of the Twenty fourth and Twenty fifth sittings of the Committee were postponed to a later date.

MIN. 126/2009 MEETING WITH THE MINISTER OF STATE FOR SPECIAL PROGRAMMES

The Committee met with Ministry of State for Special Programmes and the Permanent Secretary on Thursday, February 5, 2009 and was informed that:-

- 10 million Kenyans are facing serious food shortages caused by a global crisis, high prices, failure of rain in successive seasons and lack of proper and early intersections by relevant government departments and ministries;

- It has warned of the food situation in Kenya and the need for immediate government interventions as early as May 2008;
- To alleviate the famine situation and feed the drought stricken population, the government requires Kshs. 16.4 billion until September 2009.

The warning was in the form of:-

- (i) Decline in the stocks of maize held by NCPB;
 - (ii) Forecast for crop season of a possible 30% failure due to failure of rainfall;
 - (iii) The public is relying on NCPB for stock supplement for either commercial stock or relief;
 - (iv) Steep increase in price of maize;
 - (v) Global food crisis coupled with rising prices of oil and farm inputs;
 - (vi) There was net outflow of grain to Tanzania which was hit by low maize production.
 - (vii) Traditional food and donors – WFP have given indications on the global food crisis.
- that Strategic Grain Reserve was established in April 2002 through legal notice No. 55 and established trustees who include Ministry of Agriculture, Ministry of Finance, and Ministry of State for Special Programmes. And currently chaired by the Permanent Secretary, Ministry of State for Special Programmes.
 - Strategic Grain Reserve (SGR) was meant to cushion the countries in times of need and on establishment, approved to be 2 million bags per year. However, in 2008, the President approved an increment to 6 million though it has never been attained in 2009 because of the crisis.
 - Strategic Grain Reserve may be in form of cash or cereals stored at NCPB which are charged with the release and selling. And on the other side, they are paid for maintaining the grains.
 - In May 2008, the government released part of SGR for Commercial purposes following a relatively good harvest in order to replace the SGR with fresh maize.
 - In addition to doing grain trading on behalf of the government, National Cereals and Produce Board stores has three categories of grain – SGR, Relief and commercial stocks. Which are kept in different accounts but on routine basis do inform the Permanent Secretary, Ministry of State for Special Programmes.
 - In October 2008, following lack of farmers selling maize to NCPB citing low prices, government resolved in to importation of maize and received 1.7 million bags (90 kg).
 - The farmers refused to sell maize to NCPB on behalf of government, led to reduction on strategic grain reserve, as it was released to supplement commercial stocks to stabilize maize flour prices in the market.

- The price of maize in the market controls or determines the prices of maize flour in the market. The middlemen, millers and companies have a direct role in the hiking of prices of maize.
- The Ministry of State for Special Programmes does not determine or control prices of maize sold by NCPB but it is the Ministry of Agriculture which is also in control of the mode of selling of maize by NCPB. Price per bag of maize and the selling price to the public is fixed by cabinet.
- The Ministry of Agriculture is in charge of food security in the country while Special Programmes is in charge of food relief and SGR;
- During the period Jan-Feb 2008, the SGR stocks stood at 3 million bags; and Currently, February 2009, there exist only 126,000 bags of maize in the SGR stocks.

Committee observations:

That:

- The government is losing an estimated USD 2 million on demurrage cost due to delayed documentation and clearance on duty waiver.
- The Ministry of State for Special Programmes is not in a position to supervise the process of selling and buying of maize at NCPB though NCPB remits its funds to MOSSP;
- The pricing of maize at Ksh.1700/= per bag is approved and fixed by cabinet on the advice of the Ministry of Agriculture.
- NCPB is the procurement entity of the government on maize or cereals however the scheduling is taking along time up to a maximum of 8 months.
- The procurement of maize whatever source has been affected by the global quest for GMO maize for use as bio-fuel.
- The legal notice No. 55 of 2002 establishing SGR, has not been reviewed as it reads 3 million per year SGR both in the form of cash or grain. Hence need to be reviewed to be in line with current situation of 6 million bags and later 8 million bags per year of SGR.
- There are genuine reasons that the quality and safety of all maize imports is wanting.
- There are 8141.36 MT of grain that was rejected by KEBS as it is not fit for human consumption, however it was cleared for entry into the country for other uses (Animal feed) in addition it is still costing the NCPB, demurrage cost.
- There exist genuine concerns on sellbacks and insider trading at NCPB. This is where the trader buys maize at Kshs. 1700 and resells to NCPB at Kshs.1950 or Kshs. 2300 without any movement of stocks.
- Procurement procedures by NCPB are not properly adhered to, though done in conjunction with the ad hoc cabinet committee on food security chaired by the Prime Minister. There arose a situation of single sourcing without adherence to the tender specifications e.g. GMO free, moisture content and other KEBS established standards. In addition, the Ministry of State for Special Programmes only required releasing funds to the procurement entity.

- Authority/orders to release stocks by NCPB either millers or school/public institutions is prone to manipulation as it lacks a proper distribution mode and confirmation as to whether they were allocated, and sold to the said institutions or millers.
- On contract milling for government subsidized maize flours lacks proper procedures. The millers contracted to carry out contract milling. However they identified distribution in the country.
- Relief maize meant for Districts in the whole country released through Districts Commissioners Lacks transparency; it's the responsibility of the DC and MP to collect the district allocation and make sure it reaches the intended beneficiaries.
- The attendance of Minister of Agriculture Hon. William Ruto, MP in the SGR trustees meeting held on December 10, 2008 is questionable as it has never happened since the establishment of the SGR;
- There is a possibility for the importation of GMO maize unless KEBs examines the consignments on arrival rather than random sampling or impromptu inspection based on the tender specification.
- Millers were allowed free importation of maize to alleviate the shortage but duty free.
- Millers were registered as large scale and medium to small size millers.
- Demurrage cost is incurred by government due delayed documentation arising out of late offloading of ships and storage at the grain bulk silos. Documentation duty waiver is processed by the Treasury. Demurrage cost arises due to delayed ships and late documentation by importers, also having only one grain handler, there is a delay as ship line up on first come first served basis, further inefficiencies. Duty Waiver is given by Treasury on per ship basis.
- Availability of a second grain Bulk Handler would assist in price reduction – Demurrage cost, handling cost and improve Port efficiency in terms of cereal or grain handling.
- Market intelligence on pricing of maize in Kenya is provided by the Ministry of Agriculture which advises various stakeholders including the Cabinet;
- Based on the pricing locally and in the global market, it is better to buy maize locally taking consideration of the time taken, cost loaded on the price and actual cost of maize;
- Following reported food deficits in neighbouring countries of Ethiopia and the Sudan and good prices in those countries, there might have been inflow towards those countries from Kenya.

MIN. 127/2009: ADJOURNMENT

There being no other business, the Chair adjourned the sittings until Monday, February 16, 2009 in Committee room 5, 5th floor Continental House, Parliament Buildings at 2:30p.m.

Signed.....Hon. J. Mututho, MP.....

Date.....April 21, 2009...

Chairman

MINUTES OF THE THIRTY FIRST SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES HELD ON FRIDAY, FEBRUARY 20TH 2009 IN COMMITTEE ROOM 5, 5TH FLOOR, CONTINENTAL HOUSE AT 10:00 A.M.

PRESENT

Hon. John Mututho, MP Chairman
Hon. Silas Muriuki, MP
Hon. Benjamin Washiali, MP
Hon. Robert Monda, MP
Hon. Benson Mbai, MP
Hon. Peris Simam, MP

ABSENT WITH APOLOGY

Hon. Erastus Mureithi, MP

ABSENT

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

IN ATTENDANCE

NATIONAL ASSEMBLY

Rana Tiampati – Clerk Assistant II

NATIONAL CEREALS AND PRODUCE BOARD(NCPB)

Prof. Gideon Misoi	-	Managing Director, NCPB
Mr. D. Ogwara	-	Operations Manager, NCPB
Mrs. Alice Kamau	-	Company Board Secretary, NCPB
Mr. D.K. Mundia	-	Manager, Procurement
Mr. C. Korir	-	Chief Procurement – Imports & Exports
Mr. C. Ngelechy	-	Chief Accountant
Mr. F. Boit	-	Sales and Marketing, Manager
Mr. C. Kimeu	-	Assistant Manger, Sales & Marketing

MIN 173/2009: INTRODUCTION

Prayers were said by the Secretariat.

Thereafter, the Chairman called the meeting to order at 10:15 a.m. and requested Members for adoption of Agenda with exception of Agenda item 2 and 3 which was postponed to a later date.

He welcomed and introduced Members and the other persons present in the meeting, and subsequent, requested the managing Director, National Cereal and Produce Board to introduce the officers accompanying him.

MIN 174/2009: CONFIRMATION OF MINUTES

Confirmation of Minutes of the 24th, 25th, 26th, 27th, 28th, 29th and 30th were postponed to a later date.

MIN 175/2009: BRIEFING BY MD AND CHAIRMAN OF NATURAL CEREALS AND

The Managing Director, NCPB, apologized for the absence of the Chairman, which is due to other commitments that earlier planned and the Committee, accepted the apologies, which were in writing.

Papers Laid

The Managing Director laid the following paper:

- (a) An apology letter from Jimnah Mbaru, Chairman NCPB;
- (b) SGR maize flow from January 2008 to February 2009;
- (c) Commercial maize flow from January 2008 to February 2009;
- (d) Famine Relief Maize flow from January 2008 to February 2009;
- (e) List of buyers of maize from August 2008 to January 2009;
- (f) Schedules showing maize importation since May 2008 to date;
- (g) Approved list of Millers – Large and other Millers as at January 14 2009.
- (h) Current stocks holding at NCPB as at February 17, 2009;
- (i) Papers on the sale of Repacked maize flour and maize;
- (j) Correspondence on the proposal conversion of 6500 MT to alternative uses by KEBBS (46);

On the maize stock flow since January 2008, the Managing director, informed the Committee that:

- As at January 1st 2008, the NCPB had a total of **3,101,170 bags (90kgs)**; and as at June 30, 2008 NCPB had a total of **1,656,852 bags (90kg)** showing a substantial drop;
- The SGR in the year 2008, were deteriorating at an alarming rate following the post election crisis hence no purchases were done.

- The actual stock on December 30, 2007, were **4,701,170 bags** however, SGR trustees transferred **1,000,000 bags** to Famine Relief.
- In the Month of August 2008 (August 30, 2008) the SGR stocks were at the lowest – **275,387 bags** leading to government ban/stoppage of sales of maize to anybody. Further the alarm was raised at this point to inform government of the dwindling stock of SGR.

The above led to the government to form an adhoc committee on food security which recommended urgent importation of 1.7 million bags, which started to arrive in August/September 08.

The stocks (Closing stock) as at February 17th, 2009 are 1,177,054 bag (90kg); However, 56,000 bags are committed stocks meant for contract milling for subsidized maize flour, which is yet to be collected by millers;

- On storage losses of 19,643 bags was experienced in the financial year 2007/08 due to expiry of grain and weevil attack representing a 0.5% loss which is within the margin losses;
- Stocks include those which are already in the country plus those being held by Grain Bulk Handlers Limited as they need to be written off and paid by Insurance finalizes, they remain in the books. They include the 6500Metric tones rejected by Kenya Bureau of Standards.
- Further, the grain held at the Port by GBH Limited of 6,500MT had accrued demurrage until rejected by KEBs attributed by the NCPB i.e. until January 2009. However, after rejection, the demurrage is with the shopping line as NCPB is pursuing the insurance having settled the LC.
- NCPB never requested for the alternative use of the rejected grain.
- On the just released 1.800MT this was not excess however, was part of an earlier consignment which arrived in the country.
- NCPB has never paid any demurrage cost to any shipping line as a result of delays attributed by congestion at Port or lack of documentations.
- On delays by GBH Limited, NCPB has actually made a protest note to GBH Limited on the delay of shipping arriving.
- The Cabinet Ad hoc Committee on food security did discuss delays and recommended preparation of waiver of duty documentation to be done before ships arrive; further, most delays were due to the procedure or requirement by Ministry of finance to issue waiver on a case by case or ship by ship. This has now been corrected.
- NCPB contract with suppliers is based on them having an option to use either Grain Bulk facility or use convectional method of discharge which cheaper and slower.

On commercial stocks, the MD informed the Committee that:

- As at December 2007, 1,319,915 bags (90kg) were in the stores however as at June 30, 2008. There were zero bags; this was attributed to the fact that NCPB could not procure maize locally (especially SGR) leave alone commercial stocks.
- Part of the reason that made the commercial stocks to be depleted is that the price offered by NCPB could not attract purchases of maize from farmers and further the displacement of farmers following the post election violence.

On the famine relief maize a stock, the committee was informed that:

- As at Jan 1, 2008, 1 million bags of SGR was transferred to famine relief hence 969,759 bags were available as at January 1, 2008
- In October 30, 2008, there were 356,297 bags and government instructed NCPB to transfer 200,000 bags of SGR to famine relief, making a total of 556,297 bags (90kgs).
- As at February 17,2009, the board had 282,380 bags in stocks;

On the buyers of maize, from August 2008 to February 2009, the committee was informed that:

- 1,391,622 bags, 204,594 bags, 11,236 bags and 432,059 bags total to 2,039,511 bags, were sold to millers, dealers, institutions and individuals respectively within the period August 2008 to February 2009. This represents 68% to millers and 21% to individual wananchi (less than 2 bags) during the period.
- In November 2008, sold on 4,571 bags to wananchi at deport level following the stoppage of sales to anybody by government due to low stocks at the stores; this may have led to the prices like for maize flour.
- The board will provide the list of prominent Kenyans who sought to buy maize at NCPB, including a Mr. Kibor or his company Mafuta Farm.

On the importation of maize, the MD informed the committee:

- The first consignment of maize received arrived on 18th August 2008 total 17,926 MT; and the last consignment was on November 3,2008 of 27,474MT;
- That already imported maize is 161,152 MT of the first tranche of 153 000 MT that is 10%;
- The second tranche of 2 million bags is still under process and estimated time of arrival to Mombasa is 26 February 2009;
- That prices of US\$420-430 were quoted in the first tranche however, prices have dropped due to supplier demand and prices stabilization in the global market to US\$325 – 330;
- Globally was conducted before direct procurement of maize

On registration of millers: the committee was informed that:

- There are only 23 large scale millers who are currently registered with NCPB and who formed the Cereal Millers Association. The capacities of each miller quoted to be between 47 bags – 282 bags per hour.

- The small scale to medium size millers are only 74, having been subjected to a thorough check to ascertain the existence and capacity.
- The registration is conformity with cap 338.

On maize stock holding, the committee was informed that:

- As at February 17, 2009, being at the NCPB stores are 1,120,344 bags i.e. 917,605 bags of SGR and 202,739 bags of famine relief;

MIN. 176/2009: ADJOURNMENT

There being no business, the chair adjourned the sitting at thirty minutes past one o'clock until Friday, February 20, 2009 in Committee room 5, 5th floor, Continental House, Parliament Buildings at 2.30 p.m.

AFTERNOON SITTING

PRESENT

Hon. John Mututho, MP - Chairman
 Hon. Silas Ruteere MP
 Hon. Benson Mbai, MP
 Hon. Evans Akula, MP
 Hon. Victor Munyaka,

ABSENT WITH APOLOGY

Hon. Erastus Mureithi, MP

ABSENT

Hon. Robert Monda, MP,
 Hon. Peris Simam, MP
 Hon. Victor Munyaka, MP
 Hon. Kambi Kazungu, MP

IN ATTENDANCE

National Assembly

Rana Tiampati – Clerk Assistant

KENYA PLANT HEALTH INSPECTORATE SERVICES

Dr. J. Chagema Kedera – MD, KEPHIS
 Mr. James Wahome – Regional Manager, Mombasa

MIN 177/2009: INTRODUCTION

Prayers were said by the Secretariat.

The Chairman called the Meeting to order at 2.35p.m., welcomed and introduced Members present and other persons in the Meeting.

He further called on the Managing Director KEPHIS to introduce himself and his officers in the meeting.

The Chairman then called upon Members to adopt the Agenda with the exception of Agenda item 2 and 3 postponed to a later date.

He informed the meeting of the need for KEPHIS to brief the Committee on the all issues pertaining to the quality and safety of grains especially maize into the county.

MIN 178/2009: BRIEFING BY MD, KEPHIS

(a) Papers Laid.

The Managing Director, KEPHIS tabled the following documents.

- (i) The Annual Report and Financial Statement
- (ii) Maize Analysis forms conducted on Imports of Bulk Maize to January 2009. He further requested to table more documents on Tuesday, February 24, 2009 at 9:30a.m.

(b) He then informed the Meeting:

KEPHIS was created in 1986 through an Act of Parliament to undertake:

- Plant Variety Protection – Intellectuals Property Rights.
- Seed Certifications – both imported and locally produce seeds.
- Inspection of Imports and Exports Plants and Products.

(c) He therefore briefed the Committee:

- That aflatoxins test on maize imported is not routinely done but only if the moisture content of the maize is more than 13%. Currently the machines for testing aflatoxins are out of order though repairing, they are using SGS Laboratories (Sub Contracting) for such test and others;
- The Inspectorate has also ordered another machine for test from The United State of America.
- On GMO, that all maize all maize imported to Kenya for human consumption or otherwise are 90% GMO. This is against the backdrop that the contract or tender specification is for the importation of GMO free maize. Out of eight (8) ships that dock in Mombasa between September 2008 and February, seven (7) have delivered GMO maize mostly form India and South Africa.

- GMO test are currently done using quantitative method just to detect traces of GMO however the Inspectorate has ordered for a machine to enable to conduct quantitative test of GMO. The mainline is in Nairobi.
- Following the passage and eventual enactment of the Bio-safety Law, KEPHIS is hoping to use the framework to give direction on issues of Importation of GMO maize.
- On the Rejected Consignment aboard MV Forarun Naree, of 6500 MTs, the Managing director informed the Committee that they did sample and tested the consignment and approved it for human consumption and that he stands by its test and results.
- That ships must produce certificate of phytosanitary to show compliance of importation.
- That they undertake to test pest, diseases, maximum residue levels, harmful organism among others during inspection of the ships.
- On the status of Laboratories, that, they are well equipped and are ISO1700 certified. However, the machine only work for a maximum of 2 years and very expensive hence cost of updating and repair are exorbitant. In addition, the staff are well trained to keep up with changes in technology.

MIN. 179/2009: ADJOURNMENT

There being no other business, the Chairman adjourned the sittings forty minutes past five o'clock until Monday, February 23, 2009 in Committee Room 5, on 5th Floor, Continental House at 3:30pm

Signed...Hon. J. Mututho, MP.....

Date.....April 21, 2009....

CHAIRMAN

MINUTES OF THE THIRTY SECOND SITTING OF DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES HELD ON THURSDAY, APRIL 2, 2009 IN COMMITTEE ROOM 2, 2ND FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT

Hon. John Njenga Mututho, MP – Chairman
Hon. Benson Mbai, MP
Hon. Dr. Victor Munyaka, MP
Hon. Dr. Robert Monda, MP

ABSENT WITH APOLOGY

Hon. Benjamin Washiali, MP
Hon. Erastus Mureithi, MP
Hon. Samuel Kazungu, MP

ABSENT

Hon. Silas Ruteere, MP
Hon. Peris Simam, MP
Hon. Bulimo Akula, MP

IN ATTENDANCE

NATIONAL ASSEMBLY

Rana Tiampati – Clerk Assistant

MIN.180 /2009: INTRODUCTION

Prayers were offered by the secretariat and the Chair called the meeting to order at 10.20a.m. He welcomed Members and other persons present in the meeting.

MIN. 181/2009: CONFIRMATION OF MINUTES

Confirmations of minutes of the 24th, 25th, 26th, 27th, 28th, 29th, 30th and 31st sittings were postponed to a later date.

MIN. 182/2009: DELIBERATION ON COMMITTEE REPORTS

The Committee learnt that there are a number of reports made by the Committee in the last one year and part of 2009 that have not been tabled or adopted by the House. More specific is the Report on the alleged maize shortage and food crisis.

The Committee further learnt that most the reports are at the Liaison Committee awaiting approval. However, the Committee agreed to make a follow up on the various report but specifically members agreed to give their views and recommendation on the Maize Report.

On the draft Report on alleged maize shortage and food crisis, the Committee agreed to include: -

- (i) Ministry of agriculture, being the one responsible, did not foresee the shortage despite the fact that there was looming drought due to failure of two consecutive rainy seasons and lack of or low levels of maize from farmers.
- (ii) Millers did hoard maize in the anticipation of increased price following scarcity of the cereal.
- (iii) The Cabinet Adhoc Committee on Food Scarcity did overrule the SGR trustees in various aspects of their function including ordering the stoppage of sale of maize to millers or traders. This led to higher demand for the maize hence prices shot up and millers hoarded the commodity.
- (iv) The Permanent Secretary, Ministry of Agriculture did overrule the specifications for importation of maize kept by both KEBs and KEPHIS of moisture content and Non-GMO free.
- (v) Government did import GMO maize at the price Non- GMO maize hence there is a possibility of price manipulations hence losses of funds. The prices quoted are far much above the market prices. The quoted prices are US\$200 which does not compare with the buying price US\$430.
- (vi) KEBs being the statutory body for standards in Kenya has a decision making problem. Which has kept, the committee observed that whether it is up to the standards for international organization shifting of positions on spoilt maize is wanting.
 - Further, lack of proper procedure in addressing the problem.
 - It should further dispose of the spoilt maize in public as they are not fit for both human and animal consumption
- (vii) The 3 companies awarded the contract for importation of maize be re-looked further as to why they adhered to a different version of the Tender Specification i.e. on quality of maize, pricing, GMO status, moisture content and agreement on transportation.
- (viii) Grain Bulk handlers Limited, the committee observed that:-
 - Are both handlers and traders of maize;
 - Do not handle fertilizers though they have an agreement with KPA to handle. This should be reversed and another investor be allowed to run.
 - Do not agree for a second Grain Handler even though it is a bottleneck on the process of handling grain as a monopoly.
 - The second handler be owned by co-operatives.
- (ix) The Government has not fully put in place measures to mitigate food security and should:-
 - Increase the SGR stocks from current 3 million bags to 10 million bags both in cash and grain and diversify the grain to wheat, rice, beans and
 - That the management of SGR be established as National food office – NFO to handle the SGR under Ministry of state for special programmes.
 - That NCPB should be run by the Ministry of State for Special Programmes under NFO.
 - That the National Milling Corporation of Kenya be set up by NCPB under the Ministry of State for Special Programmes.

- (x) That the distribution of relief food by the government officials riddled by corruption, misappropriation and constant deficiencies. Hence there is need to introduce smart cards to the poor and affected population.
- (xi) Poor reporting and prediction of seasons by Ministry of Agriculture.
- (xii) The importation of maize should be opened to all to make it cheaper and easily available.
- (xiii) Registration of millers should be done annually and verification of the quoted capacity be ascertained.
- (xiv) There should be no limit on the SGR stocks and should be up to 20 million bags.
- (xv) The government should have more control in terms of price control in food commodities especially those meant for low income earners.
- (xvi) There is a lack of extension officers in rural areas and need to be addressed sufficiently.

MIN. 183/2009: A. O. B

The Committee agreed:

- a) To meet the Minister for Lands and Local government on the crisis affecting Ngariama Ranch in Kirinyaga District on Thursday April 16, 2009 at 10.00 am;
- b) To investigate the sugar and sugar farmers dispute with Mumias Sugar Company Limited. The Members of Parliament to brief the Committee on the above; and
- c) The Chairman to request food rations to be availed by the Committee to Katelebo areas of Machakos from Special programmes.

MIN.184 /2009 ADJOURNMENT

There being no other business, the Chairman adjourned the sitting at Twenty minutes past twelve o'clock until Thursday, April 9, 2009 in Committee Room 5, 5th floor, Continental House, Parliament Buildings at 10.00 am.

SignedHon. J. Mututho, MP... date -----April 27, 2009-----

Chairman

MINUTES OF THE THIRTY THIRD SITTING OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES HELD ON TUESDAY APRIL 9, 2009 COMMITTEE ROOM 5, 5TH FLOOR, CONTINENTAL HOUSE AT 10.00 A.M.

PRESENT

Hon. John N M Mututho, MP – **Chairman**
Hon. Samuel Kazungu Kambi, MP
Hon. Silas Ruteere Muriuki, MP
Hon. Benson Mbai, MP
Hon. Benjamin Washiali, MP
Hon. Dr. Robert Monda, MP
Hon. Erastus Mureithi, MP
Hon. Peter Njuguna Gitau, MP –Friend of the committee.

ABSENT WITH APOLOGY

Hon. Evans Akula, MP
Hon. Dr. Victor Munyaka, MP
Hon. Peris Simam, MP

IN ATTENDANCE

NATIONAL ASSEMBLY

Rana Tiampati – Clerk Assistant

MIN. 185/ 2009 INTRODUCTION

The Chairman called the meeting to order at 10.15 am after prayers were said, invited the Members present, the Member of Parliament for and other persons present in the meeting.

He further requested the Members to adopt the proposed agenda which was undertaken with amendments.

The Committee noted the concerned raised by the Hon. Benjamin Washiali in the plight of sugarcane farmers and on the way the sugar industry is becoming more insensitive to the farmers grievances. The Committee agreed to make a follow up immediately Parliament reconvenes for the 3rd Session on April 21st, 2009.

MIN. 186/2009: CONFIRMATION OF MINUTES

Confirmations of minutes of the 24th, 25th, 26th, 27th, 28th, 29th, 30th, 31st and 32nd sittings were postponed to a later date

MIN. 187/2009 : CONSIDERATION OF THE COMMITTEE REPORT

The Committee considered the report on National food security and alleged maize shortage and agreed that members submit their views, comments and recommendations for insertion of the draft report by the secretariat.

The Committee noted the speed at which the secretariat has put on the draft report and commended. The committee resolved to adopt the report before Parliament reconvenes.

MIN. 188/2009 : SOUTH NGARIAMA RANCH

The Committee welcomed the Member for Parliament, Mwea Constituency to the Committee meeting and requested him to furnish the Committee on the situation on the South Ngariama Ranch

He informed the committee that:-

- i. The land was allocated to South Ngariama Co-operative society as L.R No. 139683 in 1968 for a period of 45 years hence to expire in the year 2013;
- ii. Thus set aside by the Commissioner of Land vide legal notice No. 100 of 196 dated 8th January 1968;
- iii. However in 1986 an extension was sought of 999 years by the council but was granted 25 only. This is as a result of loan from Agricultural Finance Corporation (AFC) of Kshs. 1000,000 borrowed by the co-operative society;
- iv. The Kirinyaga county council, through the clerk, attempted to reposes the land from the society to settle squatters from Ndia and Gichugu against the wishes of the co-operators and disregard to the setting aside of the land by the commissioner of lands
- v. The council, through the clerk undertook the following;
 - a. Purportedly to have repossessed the land through a purported registration from L.R Number to R.T.A registration this was not sanctioned by commission of lands or the ministry for Lands;
 - b. Collected fees from wananchi purportedly for allotment, survey and subdivision of the land;
 - c. Has established three Administration police corps to the ranch to intimidate, arrest and evict the members of the society;
 - d. The council has subdivided the land to settle people from Ndia, Gichugu and Nyeri;
 - e. The clerk of the board has gazette a land board against the law without the consent of the minister or commissioner of lands and further gazette herself in the board.
- vi. The Committee further learned that there has been arbitrary or warrants of arrest, death threats and clashes or skirmishes have been witnessed and even people have been locked up in cells.

MEMBERS COMMENTS AND OBSERVATIONS

- i. That both resident of Mwea Gichugu and Ndia are beneficiaries of the illegal allocation and subdivision of the ranch by the council;
- ii. That the clerk, Kirinyaga county council has done illegality by gazetting the land district board;
- iii. That there are many such cases in the country, like the south Ngariama ranch and the committee need to investigate;
- iv. That the committee to make an effort to visit and inspect the ranch and the situation;
- v. That the Permanent Secretary, the Provincial Administration and Internal Security and Commission of Police should appear before the Committee and shed light n the South Ngariama Ranch.

Therefore the committee resolved that:

- a) That the proper documentation and research on South Ngariama ranch be carried out before the Minister for Lands appear before the committee; and
- b) That the Ministry for Lands and the Ministry for Local Government should brief the committee on what is going on in South Ngariama on April 16, 2009.

MIN. 189/2009: A.O.B

The committee agreed:-

- i) That there is need for a second grain handler in Mombasa and government should not allow the owner or proprietor to be either a agent, director or associate of the current Grain Bulk Handlers Limited;
- ii) That fertilizer contract with KPA should be off-loaded to other parties since they are not handling it since establishment; and
- iii) That the Kenya Industrial Property Institute is to brief the Committee on Thursday, April 16, 2009 at 3.00 p.m.

MIN. 190/2009 ADJOURNMENT

There being no any other business, the Chairman adjourned the sitting at forty five minutes past twelve noon until Thursday, April 16, 2009 at 9.00am

Signed.....**Hon J. Mututho, MP.** ... Date.....**April 27, 2009**.....
Chairman

MINUTES OF THE THIRTY FIFTH SITTING OF DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES HELD ON TUESDAY APRIL 21, 2009 IN COMMITTEE ROOM 5, FIFTH FLOOR, CONTINENTAL HOUSE PARLIAMENT BUILDING AT 9:30 A.M

PRESENT

Hon. Mututho, Njenga Michael John, MP - **Chairman**
Hon. Chepchumba, Peris Simam, MP
Hon. Ruteere, Muriuki Silas, MP
Hon. Kazungu, Kambi Samuel, MP
Hon. Mbai, Itwiku Benson, MP
Hon. Munyaka, Kioko Victor, MP
Hon. Akula Bulimo Evans, MP
Hon. Washiali, Jomo Benjamin, MP
Hon. Mureithi, Kihara Erastus, MP

ABSENT

Dr. the Hon. Monda, Onsare Robert, MP

IN ATTENDANCE

NATIONAL ASSEMBLY

Rana Tiampati- clerk assistant II
Elijah Aming'a- parliamentary intern
Jumo K. David –parliamentary intern

MIN. 197/2009: INTRODUCTION

The Chairman called the meeting to order at 10:10 a.m and the meeting started with a prayer from the secretariat.

Thereafter, the Chairman welcomed the Members to the meeting and made a brief introduction about the agenda on adoption of the report on Food Security and alleged Maize Shortage in the country. He therefore requested the Members to adopt the agenda.

MIN. 198/2009: CONFIRMATION OF THE PREVIOUS MINUTES

Minutes of previous sittings were confirmed by Members present as true record of the Committee deliberations as 24th, 25th, 26th, 27th, 28th, 29th and 30th and were signed by the Chairman.

MIN. 199/2009: CONSIDERATION OF THE DRAFT REPORT ON MAIZE SHORTAGE

The committee considered the report, page by page from page 1 to page 25 and made the following amendments: -

- That the word "illegal" be deleted on para 2.1 on page 11;
- That Paragraph 2.1.1 and paragraph 2.1.4 to be combined to one;
- That Paragraph 2.1.2 be merged with paragraph 2.1.6, para 2.1.6 be deleted;
- That Paragraph 2.1.7 the word a "a brand new, modern" be deleted and that the established SGR stores to work like world food programme or Kenya Red Cross;
- That Paragraph 2.1.8 to be deleted;
- That Paragraph 2.1.9 be added the statement "if possible the government introduce electronic identity cards or smart cards";
- That under the famine relief distribution, the government may introduce the India or British model coupon systems to sought out problems on famine relief.
- That under Paragraph 2.1.10 Legal notice to be amended appropriately and immediately to reflect the changes in time;
- That under Paragraph 2.1.11, individual millers should not be allowed control more than 12.5% of the grain market while millers be allowed up to 55% of maize and 45% wheat of the market respectively;
- That under Paragraph 2.1.12 include that all government findings or reports on SGR, either by EMU, auditor and state corporations, CID, KACC if any be made public or be tabled in parliament;
- That a new Paragraph 2.1.13 be inserted to read "during pamper harvest the government through the NCPB and SGR stores buy the grain from farmers at market prices for both purposes; commercial and SGR. And that the SGR and NCPB should diversify the grain storage to increase food security when there is shortage of maize";
- That in paragraph 2.2.1, the word "disputed" be substituted with "condemned";
- That in paragraph 2.2.2, the word "re-exported" to be substituted with "re-shipped";
- That a new paragraph be inserted appropriately, "that the condemned maize to be destroyed by KEBS in the presence of the committee and the public on the date that should be set by the committee";
- That under Paragraph 2.2.5, the professional bodies like the Government Chemist, KEBS, KEPHIS, KETRI and KEFRI to be allowed to work independently.
- that paragraph 2.2.6 to be deleted;
- that the word "inefficient" in paragraph 2.3 be deleted;
- that under Paragraph 2.3.1, the word "double" be replaced with the "similar or better"
- that the current grain bulk handlers be made to pay KPA on holding fertilizer contract to eight years;
- that on paragraph 2.4.1, the 25% be reduced to 12.5%;
- that in paragraph 2.4.4, the gross margin analysis should be done by Ministry of Agriculture as the indicator of pricing;
- That in Paragraph 2.4.5, SGR and NCPB should be allowed to control 40% of the grain sub sector and the national milling corporations;

- That The management of SGR should be done by independent officers in the relevant ministry but the board of trustees to be enlarged to include the following:
 - *Permanent secretary, ministry of special programmes*
 - *Permanent secretary, ministry of finance*
 - *Permanent secretary, ministry of agriculture*
 - *Permanent secretary, ministry of cooperative development*
 - *Permanent secretary, ministry of livestock*
 - *Permanent secretary, ministry of health*
- That the paragraph 2.2.4 and 2.2.5 to be deleted.
- that the grain release orders for sale by the trustees as incompetent and portray a lot of negligence;
- That the imports were accepted based on the speculation of up to 13.5% , where they were to be dried up to 12.5% from long term storage.

MIN. 200/2009: ADJOURNMENT

There being no any other business, the chairman adjourned the meeting at forty-five minutes past noon until the new committee is formed.

Signed.....Hon. J. Mututho, MP.....

Date...April 27, 2009...

CHAIRMAN

MINUTES OF THE THIRTY SIXTH SITTING OF DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES HELD ON MONDAY APRIL 27, 2009 IN COMMITTEE ROOM 5, FIFTH FLOOR, CONTINENTAL HOUSE PARLIAMENT BUILDING AT 3.00 P.M

PRESENT

Hon. Mututho, Njenga Michael John, MP - **Chairman**

Hon. Mbai, Itwiku Benson, MP

Hon. Akula Bulimo Evans, MP

ABSENT WITH APOLOGY

Hon. Chepchumba, Peris Simam, MP

Hon. Ruteere, Muriuki Silas, MP

Hon. Kazungu, Kambi Samuel, MP

Hon. Washiali, Jomo Benjamin, MP

Hon. Mureithi, Kihara Erastus, MP

Hon. Munyaka, Kioko Victor, MP

Dr. the Hon. Monda, Onsāre Robert, MP

IN ATTENDANCE

NATIONAL ASSEMBLY

Rana Tiampati- clerk assistant II

Elijah Aming'a- parliamentary intern

MIN. 201/2009: INTRODUCTION

The Chairman called the meeting to order at 3.10 p.m and the meeting started with a prayer from the secretariat.

Thereafter, the Chairman welcomed the Members to the meeting and made a brief introduction about the agenda on adoption of the report on Food Security and alleged Maize Shortage in the country. He therefore requested the Members to adopt the agenda.

MIN. 202/2009: CONFIRMATION OF THE PREVIOUS MINUTES

Minutes of previous sittings were confirmed by Members present as true record of the Committee deliberations as 31st, 32nd, 33rd, 34th and 35th and were signed by the Chairman.

MIN. 203/2009: CONSIDERATION ADOPTION OF THE DRAFT REPORT ON MAIZE SHORTAGE

The committee considered the report, and the proposed amendments made in the last sitting.

The Committee agreed that the amendments proposed have been captured well and it reflect the Committee proposals and true deliberations.

Therefore, resolved, THAT

- to adopt the report as is, with no further amendments proposed; and
- the minutes of the deliberations on the report be part of the report as provided by the Standing Orders.

MIN. 204/2009: ADJOURNMENT

There being no any other business, the chairman adjourned the meeting at forty-five minutes past noon until the new committee is formed.

Signed.....Hon. J. Mututho, MP.....

Date...April 27, 2009...

CHAIRMAN

ANNEXE A

FOOD OUTLOOK – GLOBAL MARKET ANALYSIS

MARKET SUMMARIES

CEREALS

Soaring prices and volatile conditions characterized world cereal markets for much of the 2007/08 season. Some relief may be in sight for the new season (2008/09) but given the seriousness of global supply and demand imbalances, cereal markets are unlikely to regain their stability any time soon. Among the major cereals, the tight wheat supply condition is likely to improve most, given the prospects for more bountiful harvests in 2008. This should pave the way for a gradual easing of export restrictions; not only on wheat but also on other cereals. However, rice markets are undergoing an exceptionally difficult period, despite relatively abundant global supplies. Additionally, the outlook for coarse grains is not as favourable as that for wheat. The maize situation is of particular concern as this year's output is unlikely to exceed last year's record, and demand for the production of ethanol does not show any signs of abating.

World cereal market at a glance

	2006/07	2007/08	2008/09	Change: 2008/09 over
		<i>estim.</i>	<i>f'cast</i>	2007/08
	<i>million tonnes</i>			<i>%</i>
WORLD BALANCE				
Production	2 013.3	2 111.9	2 191.9	3.8
Trade	255.5	261.9	251.8	-3.9
Total utilization	2 064.8	2 127.2	2 176.0	2.3
Food	994.0	1 006.6	1 002.1	1.5
Feed	741.4	756.8	760.3	0.5
Other uses	329.3	363.8	393.5	8.2
Ending stocks	427.2	408.8	421.3	3.1
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (<i>kg/year</i>)	152.3	152.4	152.2	-0.1
LIFDC (<i>kg/year</i>)	157.0	157.1	157.1	0.0
World stock-to-use ratio %	20.1	18.8	19.5	
Major exporters' stock-to-disappearance ratio %	14.5	12.6	14.0	
	2006	2007	2008	Change: Jan-Apr 2008 over Jan-Apr 2007
FAO Cereal Price Index				%
(1998-2000=100)	123	170	271*	83

* Jan-Apr 2008

WHEAT

Huge increases in plantings driven by high prices are expected to lead to record wheat production in 2008. Most of the increase reflects a significant rebound in major exporting countries, which is expected to boost world export supplies in the new season, a prospect that has already resulted in a sharp fall in wheat prices in recent weeks. Improved wheat supplies may foster a substitution of wheat for less abundant coarse grains, which by raising wheat utilization, may prevent wheat stocks, now at critically low levels, from recovering to adequate levels. Therefore, while present indications suggest that wheat markets are likely to return closer into balance in the new season, any unexpected decline in production may quickly bring the market back to a precarious situation.

World wheat market at a glance

	2006/07	2007/08	2008/09	Change: 2008/09 over
		<i>estim.</i>	<i>f'cast</i>	2007/08
	<i>million tonnes</i>			%
WORLD BALANCE				
Production	596.7	605.1	658.0	8.7
Trade	113.1	110.0	110.5	0.4
Total utilization	620.6	618.1	634.8	2.7
Food	442.3	445.5	452.8	1.7
Feed	113.0	109.2	117.8	7.8
Other uses	65.3	63.4	64.1	1.1
Ending stocks	159.5	144.5	167.6	16.0
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	67.8	67.5	67.4	0.0
LIFDC (kg/year)	58.6	58.3	58.1	-0.3
World stock-to-use ratio %	25.8	22.8	26.4	
Major exporters' stock-to-disappearance ratio %	14.8	10.0	16.4	
	2006	2007	2008	Change:
				Jan-Apr 2008
				over
				Jan-Apr 2007
Wheat Price Index				%
(1998-2000=100)	145	216	371*	126

* Jan-Apr 2008

Derived from IGC Wheat Index

COARSE GRAINS

World production is forecast to increase slightly in 2008 compared with the record in 2007. However, total utilization is anticipated to outstrip production in 2008/09 mainly on higher biofuel usage. As a result, stocks next season are likely to fall and this prospect is supportive to prices which are already at very high levels. World trade is forecast to contract sharply in 2008/09 after peaking to a record volume in 2007/08. This decline would be mostly driven by lower imports of maize

and sorghum because of much larger domestic supplies of substitute feed wheat in major markets.

World coarse grain market at a glance

	2006/07	2007/08	2008/09	Change: 2008/09 over
		<i>estim.</i>	<i>fcast</i>	2007/08
	<i>million tonnes</i>			%
WORLD BALANCE				
Production	987.5	1 071.6	1 088.6	1.6
Trade	111.3	123.0	111.5	-9.4
Total utilization	1 017.5	1 072.0	1 096.3	2.3
Food	179.8	182.6	185.1	1.4
Feed	616.3	635.9	630.4	-0.9
Other uses	221.3	253.5	280.9	10.8
Ending stocks	162.2	159.4	148.0	-7.1
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	27.6	27.6	27.6	-0.3
LIFDC (kg/year)	28.6	28.7	28.8	0.2
World stock-to-use ratio %	15.1	14.5	13.6	
Major exporters' stock-to-disappearance ratio %	12.6	11.7	9.6	
	2006	2007	2008	Change: Jan-Apr 2008
				over Jan-Apr 2007
FAO Coarse Grains Price Index				%
(1998-2000=100)	120	162	225*	37

* Jan-Apr 2008

RICE

Amid excellent production prospects, international rice prices may soon start weakening, especially if bumper crops encourage governments to lift trade restrictions. Since the beginning of 2008, prices have reached unprecedentedly high levels, in sharp contrast with the relative ample world supply conditions arising from record production in 2007 and with an even more buoyant outlook for crops in 2008. The apparent tightness of the world rice market stems largely from the imposition of export curbs in some major rice exporting countries, as part of packages launched to tame domestic food inflation. Besides propelling world prices to exceptionally high levels, export restraints are also behind an expected sharp contraction of rice trade in 2008. However, global production would be sufficient to sustain a small increase in per caput rice food consumption in 2008, without requiring more than a marginal release of global stocks.

World rice market at a glance

	2006/07	2007/08 <i>estim</i>	2008/09 <i>fcast</i>	Change: 2008/09 over 2007/08
	<i>million tonnes</i>			%
WORLD BALANCE (milled basis)				
Production	429.1	435.2	445.3	2.3
Trade ¹	31.0	28.9	29.8	3.2
Total utilization	426.7	437.1	444.9	1.8
Food	371.9	378.6	384.2	1.5
Ending stocks	105.5	105.0	105.8	0.8
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World	<i>kg/year</i> 56.9	57.2	57.4	0.3
LIFDC	<i>kg/year</i> 69.6	70.0	70.0	0.0
World stock-to-use ratio	% 24.1	23.6	23.5	-0.4
Major exporters' stock-to-disappearance ratio ²	% 16.0	16.2	15.9	-1.9
	2006	2007	2008	Change: Jan-May 2008 over Jan-May 2007
FAO Rice Price Index				%
(1998-2000=100)	117	137	234*	81

¹ Calendar year exports (second year shown)

² Major exporters include India, Pakistan, Thailand, the United States of America and Viet Nam

More detailed information on the rice market is available in the FAO Rice Market Monitor which can be accessed at:
http://www.fao.org/es/esc/en/15/70/highlight_71.html

* Jan-May 2008

OILSEEDS

The rise in international prices of oilseeds and oilseeds products has accelerated in 2007/08, with values climbing to new record levels in March 2008. The ongoing harvests in the southern hemisphere confirm that, in 2007/08, world markets for oilseed products are tightening considerably. Reduced supply growth for oils and a drop in meal supplies are coinciding with further expansion in demand. With production falling short of demand, strong cutbacks in seed, meal and oil inventories are unavoidable, and global stock-to-use ratios for oils, and in particular meals, are seen falling to critically low levels in 2007/08. First forecasts for the 2008/09 season point towards a strong recovery in global oilseed production, as high prices should stimulate plantings. The resulting oil and meal output should be sufficient to meet global demand, and therefore prices for oilseeds and derived products could stabilize and possibly weaken in the coming months. However, considering that there would be only a partial recovery in stock levels and in stock-to-use ratios, in particular regarding oilmeals, prices should remain well above the values recorded one year ago.

World oilseeds and products markets at a glance

	2005/06	2006/07 estim.	2007/08 fcast	Change: 2007/08 over 2006/07
	million tonnes			%
Total oilseeds				
Production	403.3	416.0	402.7	-3.2
Oils and fats ¹				
Production	148.7	151.6	154.2	1.7
Supply ²	167.6	172.4	176.1	2.1
Utilization ³	145.4	150.6	155.2	3.1
Trade ⁴	72.2	76.3	80.4	5.3
Stock-to-utilization ratio (%)	14	15	13	
Oilmeals and cakes ⁵				
Production	101.0	105.9	101.8	-3.9
Supply ²	113.5	121.1	120.3	-0.7
Utilization ³	98.5	100.8	106.1	5.3
Trade ⁴	55.7	59.0	64.2	8.8
Stock-to-utilization ratio (%)	15	18	12	
	2006	2007	2008	Change: Jan-Apr 2008 over Jan-Apr 2007
FAO Price Indices				%
(1998-2000=100)				
Oilseeds	125	180	276*	89
Oilmeals	172	207	255*	30
Oils	117	174	271*	94

Source: FAO

Note: Refer to footnote 3 in the text for further explanations regarding definitions and coverage.

¹ Includes oils and fats of vegetable and animal origin.

² Production plus opening stocks.

³ Residual of the balance.

⁴ Trade data refer to exports based on a common October/September marketing season.

⁵ All meal figures are expressed in protein equivalent; meals include all meals and cakes derived from oilcrops as well as fish meal.

* Jan-April 2008

FOOD IMPORT BILL

Global expenditures on food imports could surpass USD1 trillion in 2008

The global cost of imported foodstuffs in 2008 is forecast to reach USD 1 035 billion, 26 percent higher than last year's peak. This figure is still provisional as FAO's food import bill forecasts are conditional on developments in international prices and freight rates, which remain highly uncertain over the remainder of the year.

Among economic groups, the most economically vulnerable countries are set to bear the highest burden in the cost of importing food, with total expenditures by LDCs and LIFDCs anticipated to climb by 37-40 percent from 2007, after rising 30 and 37 percent, respectively, already last year. The sustained rise in imported food expenditures for both vulnerable country groups constitutes a worrying development, as on current expectations by the end of 2008, their annual food import basket could cost four times as much as it did in 2000. This is in stark contrast to the trend prevailing for developed countries, where year-to-year import costs have risen far less.

Forecast import bills of total food and major foodstuffs (USD million)

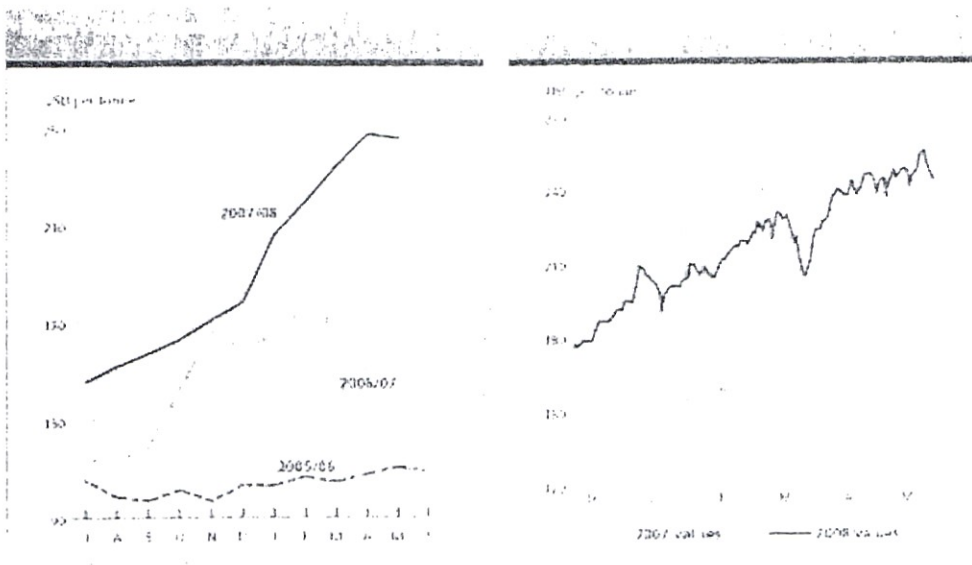
	World		Developed		Developing		LDC		LIFDC		NFIDC	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
TOTAL FOOD	820 466	1 035 382	535 471	679 341	284 995	356 040	17 909	24 583	121 026	168 922	32 816	45 536
Cereals	274 463	382 086	148 398	228 449	126 065	153 637	8 001	11 782	42 261	62 988	16 020	24 181
Vegetable Oils	116 873	186 167	52 411	86 630	64 462	99 538	3 266	5 206	38 836	61 293	6 758	10 618
Dairy	83 805	85 041	59 110	60 381	24 695	24 660	1 504	1 572	9 322	9 392	2 962	2 689
Meat	90 466	99 544	73 044	80 793	17 422	18 751	1 001	1 125	8 227	9 731	1 632	1 846
Sugar	23 591	29 303	11 052	14 198	12 539	15 106	1 571	1 986	5 820	7 078	1 794	2 09

PRICES

Prices remain high

Strong demand coupled with uncertainties surrounding this year's crops has continued to push prices higher so far this year. The increase in energy prices and a continuing slide in the US Dollar have also provided support. Depending on the type and origin, most coarse grains registered substantial price gains in recent months, rising by as much as 45 to 65 percent above the corresponding period last year. International **maize** prices started to increase from February, breaking all-time high levels on several occasions since. The price of United States' maize (No. 2 Yellow, Gulf) averaged USD 247 per tonne in April, up 20 percent since the beginning of the year. By mid-May, the United States' maize prices were at around USD 240 per tonne, down from April but still 50 percent, or USD 80 per tonne, more than the corresponding period last year. The main factor for the continuing strength in maize prices is tight supplies. In the United States, the world's largest maize producer and exporter, the reported decline in this year's planted area coupled with cold and wet weather which slowed seedings continued to lend support to maize as well as to prices of other feed grains in April and early May. In other markets, feed **Barley** prices have increased by around 45 percent compared with last year's level. Good prospects for this year's crops have put some pressure on barley prices but the general tight market situation is seen to continue until production estimates become firmer. **Sorghum** prices have risen by around 60 percent compared with last year boosted by strong import demand and record purchases by the European Union.

Price developments in the **futures market** also echoed the prevailing situation in the cash markets with expectations of tighter maize supplies and strong demand pushing up prices. By mid-May, the December 2008 contract at the Chicago Board of Trade (CBOT) stood at around USD 244 a tonne, some 60 percent, or some USD 90, above the corresponding period in 2007. Based on the current supply and demand forecasts for the new season, prices could be expected to remain high. While, to some extent, the greater abundance of wheat could dampen the demand for coarse grains and put some downward pressure on prices as the season progresses, the general fundamentals remain supportive with further gains still possible especially if production in 2008 falls below the current expectation. On the demand side, the most important factor is likely to be the eventual size of maize intake by the United States ethanol sector.



World coarse grain market at a glance

	2006/07	2007/08	2008/09	Change: 2008/07 over
		<i>estim.</i>	<i>f'cast.</i>	2007/08
	<i>million tonnes</i>			<i>%</i>
WORLD BALANCE				
Production	987.5	1 071.6	1 088.6	1.6
Trade	111.3	123.0	111.5	-9.4
Total utilization	1 017.5	1 072.0	1 096.3	2.3
Food	179.8	182.6	185.1	1.4
Feed	616.3	635.9	630.4	-0.9
Other uses	221.3	253.5	280.9	10.8
Ending stocks	162.2	159.4	148.0	-7.1
SUPPLY AND DEMAND INDICATORS				
Per caput food consumption:				
World (kg/year)	27.6	27.6	27.6	-0.3
LIFDC (kg/year)	28.6	28.7	28.8	0.2
World stock-to-use ratio %	15.1	14.5	13.6	
Major exporters' stock-to-disappearance ratio %	12.6	11.7	9.6	
	2006	2007	2008	Change: Jan-Apr 2008
				over Jan-Apr 2007
FAO Coarse Grains Price Index				<i>%</i>
(1998-2000=100)	120	162	225*	37

* Jan-Apr 2008

PRODUCTION

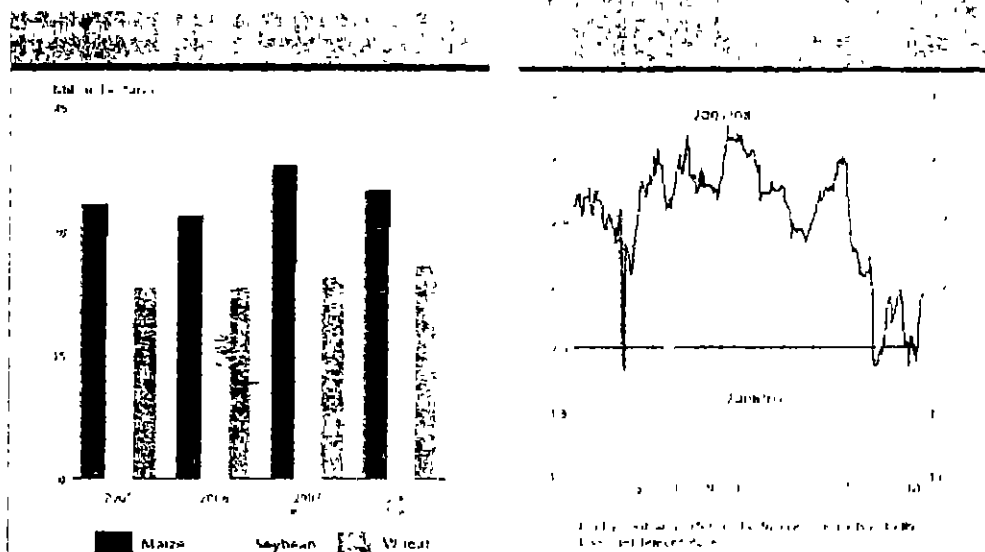
Coarse grains production in 2008 to rise above last year's peak

With the first of the major 2008 coarse grain crops already being harvested in several countries around the world, FAO forecasts world output of coarse grains at a record 1 088.6 million tonnes, slightly (1.6 percent) up from the global high of last year. After an exceptionally sharp increase in 2007, **maize** production is expected to remain virtually unchanged in 2008, at 779.6 million tonnes. Larger crops already being gathered in the southern hemisphere and a recovery in Europe's output are expected to offset a production decline in the United States. In South America, harvesting of the main season crops is underway and output is expected to increase to a new record of nearly 89 million tonnes, following area increases in **Argentina** and **Brazil**, the region's largest producers, in response to high international prices. In southern Africa, despite far from ideal weather conditions throughout the season, with late planting rains, followed by floods and a subsequent return to excessive dryness in parts, the overall outlook for the main coarse grain crops is judged to be favourable, particularly in **South Africa** which was affected by drought last year.

In the northern hemisphere, the bulk of the major 2008 coarse grain crops will be sown in the coming weeks. In the **United States**, area under maize is forecast to decline by about 8 percent after last year's exceptional plantings but, nonetheless, the expected area would still be at a very high level relative to recent history, reflecting strong demand and high prices. However, with significant planting delays experienced in late April and early May because of wet weather, achieving the planned area will depend crucially on drier weather during the remainder of the planting season. Assuming producers can complete their intended plantings within the normal planting window, a crop of around 308 million tonnes is expected in 2008, some 7 percent down from last year.

According to the Prospective Plantings Report (USDA, 9 May 2008), farmers in the United States are expected to reduce the area of maize to about 35 million hectares, after last year's exceptionally high level of almost 38 million hectares, which was the largest area since 1944. However, although down significantly from last year, this remains a very high level, reflecting the continuing strong price outlook for maize. The area coming out of maize is expected to be shifted back to other crops because of rotational requirements and the prospect of equally good, if not better, returns from some alternative crops. The main alternative in most cases will be soybeans, production of which was sharply reduced last year in favour of maize, but for which returns are expected to be more attractive this year, given higher prices and less input costs compared with maize. This is expected to be particularly the case in eastern parts of the Corn Belt where soils are less suited to maize and

obtaining high maize yields needs perfect weather as well as high inputs. In these parts soybeans are a surer option as shown in the trend in **nearby soybean/maize price ratio** since January 2008. From a historical perspective, whenever the ratio exceeds two, the general bias favours soybean over maize, resulting in a shift of planting area from maize to soybeans.



In Europe, maize output is forecast to recover sharply from last year's reduced level when drought affected crops in some of the main producing countries in eastern parts of the region such as **Hungary, Romania** and **Ukraine**. This year's maize crop in Asia is forecast to remain virtually unchanged from last year's good level at 207 million tonnes. Production in **China**, by far the biggest producer in the region, is expected to remain well above the average of the past five years at 149 million tonnes.

Regarding **barley**, the second most important coarse grain, output is forecast to increase significantly in 2008 by some 10 percent to nearly 148 million tonnes. In Europe, output is seen to rise sharply by 12 percent, reflecting increased plantings in several countries, but also a recovery of yields after adverse weather in parts last year. In the **European Union**, as for wheat, the removal of the compulsory set-aside requirement for the current cropping year facilitated an area expansion, concurrent with the significant increase in wheat plantings. In North America, however, the barley area in **Canada** is expected to decrease at the expense of larger areas dedicated to wheat, but output may increase in the **United States**. Among the other significant barley producing countries around the world, larger crops are expected also in North Africa, where weather conditions improved after

drought last year, and also in **Australia**, where large plantings are planned if sufficient timely rains arrive.

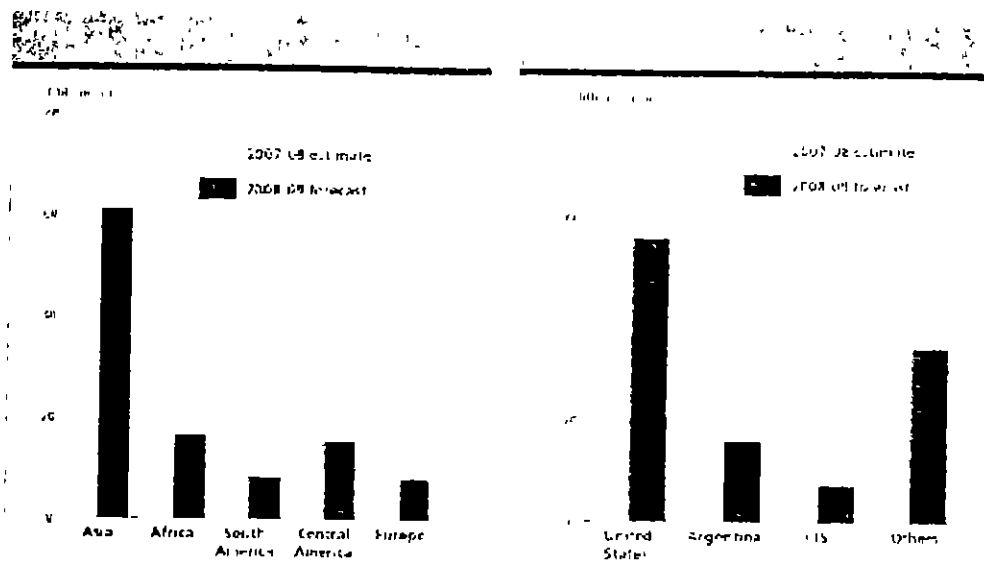
World **sorghum** output in 2008 is forecast at some 64 million tonnes, up by 2.4 percent from the previous year's crop. The increase comes from larger crops in most of the significant sorghum producing countries with the exception of the **United States**, where plantings are expected to decline.

TRADE

Trade in 2008/09 to contract on smaller world demand for maize and sorghum

World trade (exports) in coarse grains in 2008/09 (July/June) is forecast to contract sharply, falling to 111.5 million tonnes, down 13 million tonnes, or 9 percent from the estimated exports of 2007/08. This prospect represents a near complete reversal of the situation observed in 2007/08 when higher maize and sorghum exports boosted trade in coarse grains to a record volume. International trade in maize and sorghum is expected to retreat to more normal levels in the new season. The main reason is the **European Union**: whereas in 2007/08, the European Union resorted to importing a record volume of coarse grains, primarily from **Brazil** and the **United States**, to cover the feed grain shortfall caused by the reduction in domestic wheat supplies, the expected recovery in its wheat production this season reduces the need for such large imports in the new season.

World **maize** trade in 2008/09 is forecast to reach 85 million tonnes, down almost 12.5 million tonnes from the peak in 2007/08. Global trade in **sorghum** is forecast to drop to roughly 7 million tonnes, down 2 million tonnes from estimated exports in 2007/08. However, trade in **barley** is seen to increase by almost 3 million tonnes to 16.5 million tonnes. The increase reflects larger export availabilities from **Australia**, the **European Union**, the **Russian Federation** and **Ukraine** which together are likely to more than offset declines in **Canada** and **Kazakhstan**. Trade in **oats** and **rye** is expected to change little from last year, remaining at 2 million tonnes and 500 000 tonnes, respectively.



On a regional basis, in Europe, as was already mentioned, imports are forecast to fall sharply, owing to lower purchases by the **European Union**, to below 8 million tonnes, down from the 12 million tonnes peak in 2007/08. Asia is by far the largest market for coarse grains and total imports by countries of the continent are forecast to increase by a further 2 million tonnes to a record volume of over 60 million tonnes in 2008/09, representing nearly 55 percent of global trade. Most of the anticipated increase is expected in the **Islamic Republic of Iran, Saudi Arabia** and the **Syrian Arab Republic**, mainly in response to anticipated reductions in domestic production levels in 2008. Larger imports are also forecast for the **Republic of Korea** due to strong feed demand.

In Africa, total imports are likely to decline by 1 million tonnes, to 16 million tonnes in 2008/09. In **Morocco**, a recovery in output from last year's drought-reduced barley crop is expected to result in lower imports. In addition, an expectation of bumper maize crops in **South Africa** is expected to help the country to cut imports and resume its regional position as a major maize exporter. However, in **Kenya**, a likely decline in this year's maize production could result in a doubling of imports. Little variation is expected in imports by most other countries in Africa.

In Latin America and the Caribbean, aggregate imports are forecast to decline by nearly 2 million tonnes to roughly 23 million tonnes in 2008/09. Maize imports by **Mexico** are forecast to decline by 1 million tonnes due to the expected increase in domestic production. Imports by **Brazil** could be halved given the expectation of a record maize crop this year. Imports by most other countries in the region are forecast to remain unchanged from 2007/08.

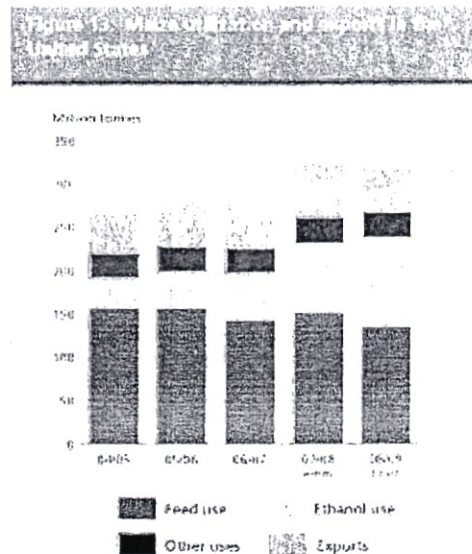
The anticipated reduction in world import demand is expected to ease the impact of somewhat tighter **export supplies**. Among the major exporters, the cut in

maize production in the **United States** combined with the expected expansion in domestic utilization would result roughly in a 13 million tonnes drop in exports. Exports from **Argentina** are also forecast to decline mostly as a result of the decline in production. But shipments from **Australia** and **Ukraine** are forecast to double due to bigger crops while larger export supplies are also expected in **South Africa**. **Brazil** will again be among the world's largest maize exporters in the new season. Maize exports from **China** (Mainland) are forecast to remain unchanged from the estimated level in 2007/08.

UTILIZATION

Total utilization to increase in 2008/09 primarily on higher industrial use

World utilization of coarse grains in 2008/09 is forecast to reach 1 096 million tonnes, up 2.3 percent, or roughly 24 million tonnes, from the previous season and above the ten-year trend for the second consecutive season. This expansion will be driven primarily by strong growth in **industrial use**. As in previous seasons, the expanding use of maize for ethanol production is behind the surge in industrial usage of all grains and most of that expansion is taking place in the United States. Total utilization of grains for production of ethanol in 2007/08 is estimated at roughly 98 million tonnes, up 27 million tonnes, or 40 percent, from the previous season. Maize accounts for most of this use, at nearly 92 million tonnes, of which some 79 million tonnes are used in the United States alone. Based on the latest forecast (9 May 2008) from the United States Department of Agriculture (USDA), the maize use for production of ethanol in the United States will increase to 101.6 million tonnes in 2008/09, nearly 25 million tonnes more than in 2007/08 and almost twice as much as in 2006/07.

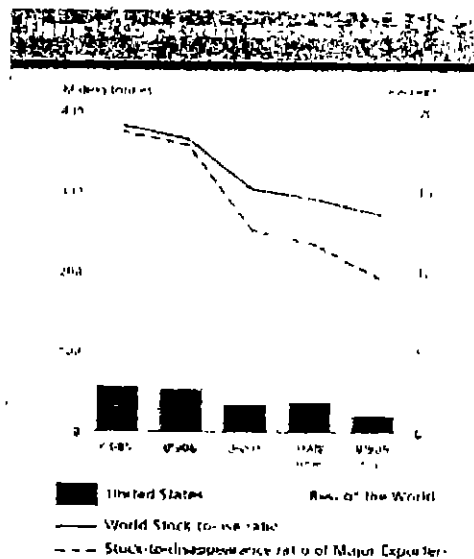


Total **feed** use of coarse grains is forecast to decrease slightly from the estimated record in 2007/08, to around 630 million tonnes. Larger volumes of wheat, especially in the European Union, and growing supplies of distillers' dried grains (DDG) in the United States are likely to compensate for the lower availability of coarse grains such as maize in feed rations. Global **food** consumption of coarse grains is forecast to reach 185 million tonnes, up 1.4 percent, or 2.5 million tonnes, from 2007/08 and close to trend. The bulk of the increase is anticipated in Africa, most notably in Malawi and Nigeria, but food consumption of coarse grains is also expected to increase in a few countries in Asia and South America.

STOCKS

Stocks to decline sharply on utilization exceeding production

Based on the preliminary forecasts for production in 2008 and utilization in 2008/09, world coarse grain stocks by the close of seasons in 2009 could fall by as much as 7 percent, or 11 million tonnes, from their reduced opening level, to 148 million tonnes. At this level, the **world stocks-to-use ratio** for coarse grains is expected to fall to a new low of just 13.6 percent, roughly one percentage point below its previous low in 2007/08. The reduction in total world inventory in 2008/09 and the drop in stocks-to-use ratio both stem mainly from the supply and demand of maize in the **United States**. While maize production in the United States is expected to decline by 24 million tonnes in 2008, total domestic utilization is increasing. Although exports from the United States are expected to decline in 2008/09, stocks would still have to be drawn down considerably to meet the anticipated demand. Total coarse grains stocks in the United States are forecast to fall to around 23 million tonnes, down 16 million tonnes from their opening level and the smallest level since the mid-1990s when they were at just over 14 million tonnes.



The anticipated decline in reserves held in the United States is likely to be only partially offset by increases in stocks held in other major exporting countries. Slightly higher inventories are currently forecast for **Argentina, Australia** and the **European Union** while a forecast reduction in maize production in **Canada** is expected to result in lower stocks in that country. Further, **major exporter's stocks-to-disappearance ratio** (i.e. domestic consumption plus exports) is expected to decline in the new season, to 9.6 percent, down 2 percentage points from 2007/08 and well below the 15 percent during the early years of this decade. Elsewhere, favourable crop prospects in **Brazil, South Africa** and **Ukraine** are expected to boost stock levels in those countries. Stocks in **China** are also forecast to increase should the anticipated production be realized.

OCEAN FREIGHT RATES

Ocean freight market (November 2007 – May 2008)

The steep rises in dry bulk freight rates recorded in the second half of 2007, supported by heavy demand for minerals and grains and led by the Capesize sector, came to an abrupt end in December when rates for larger vessels plummeted. This was attributed to a slowdown in chartering activity, concerns about China's reduced demand for iron ore and excess tonnage capacity in the Panamax sector, especially in the Pacific. However, the market rebounded in February, as renewed demand for raw materials again lifted Capesize rates, coinciding with strong activity in grains and soyabeans. Bad weather and port delays, especially in Australia were also supportive. In March, farmers in Argentina blocked shipments of soyabeans, forcing some companies to declare force majeure or switch vessels to the United States. When, in April, the blockade was suspended, chartering activity picked up, absorbing most of excess tonnage in the area, but uncertainty remained about future action by farmers. The Baltic Dry Index (BDI), having set a new record of 11 033 on 29 October 2007, dived by as much as 49 percent to 5 615 at the end of January, largely due to the collapse in Capesize rates, bouncing back to 10 354 by mid-May. During the same period, the IGC Grain Freight Index (GFI), which does not include Capesize vessels, fell less steeply, almost recovering to its end-2007 peaks.

In the **Panamax** sector, timecharter rates eased in January and February from their previous highs due to a build-up of surplus tonnage and declining freight futures. The volume of grain shipped from South America was below expectations due to export restrictions for wheat in Argentina. At one stage, timecharter contracts for four to six months dropped to around USD 63 200 daily, bouncing back by mid-May to around USD 85 000. Recent three-year deals ranged between USD 46 000 and USD 54 750 daily. The Atlantic sector strengthened thereafter on solid demand for grain and soyabeans out of South America and the United States' Gulf. Over the six months to May, the grain rate from the United States' Gulf to Japan showed a net rise of USD 24.00, to USD 125.00/tonne. Transatlantic

round trips in May were quoted at about USD 100 000 (USD 75 500) daily. Pacific voyage rates were further boosted by large shipments of iron ore from India to China.

After plunging in early 2008 due to China's reduced demand for minerals and port disruptions, **Capesize** rates not only reclaimed losses but surpassed previous highs in response to renewed strong demand, particularly in the period market. Since October, the Baltic Exchange's average of four Capesize timecharter rates, having touched the bottom in January at USD 107 000 daily, registered an overall rise of 10 percent to USD 189 024. The benchmark iron ore rate from Brazil to China recently traded at about USD 96.75/tonne (USD 82.50/tonne).

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The SGR Trustees have since reviewed this to 4 million in 2007/2008 and proposed another review to 6 million in 2008/2009 and 8 million in the financial year 2009/2010. None of the above proposals has been gazetted.

The first Agency agreement was agreed on and signed in 1998. It expired in the year 2001. However, the 2001/2004 and 2004/2007 has never been signed by the SGR Trustees despite the two parties agreeing on the contract. The contract for 2007/2010 has also not been signed by the trustees.

The implication is that the two parties have been operating/carrying out business transactions without a legal instrument. This may result to audit quarries and failure to adjust rates where necessary.

Fund Management Unit

The fund management unit is responsible for the day today administration and operation of the SGR fund on behalf of the trustees. The membership of the unit is composed of technical officers appointed from the Ministries where the Trustees belong.

FINDINGS

The Strategic Grain Reserve Fund is to maintain in this financial year 2008/9 6 million 90 kg bags in physical stock and cash equivalent as proposed and recommended by the trustees.

However, the balances have been neither growing nor maintained. For instance, as at 30/06/08, the balance was 1,656,852 90kg bags while at 30/09/2008, the balance was a mere 84,579 90kg bags. In the Commercial Component, there was only 1 bag while in the famine relief component there was 422,221 bags making the total maize held by the Board 506,801 bags.

CHRONOLOGY OF EVENTS.

January 2008-April 2008

Following the political events that took place between January and February 2008, which led to the destruction of maize plantations and a simultaneous declining supply in the Market and an increase in demand from displaced persons, overall demand for maize from the Board began to increase.

During this period, the Board was only selling the one million 90kg bags SGR stocks, which the SGR trustees had authorized the Board to sell through the authority letter dated 2 December 2007. The authority guided on pricing only and did not give any restrictions on whom to sell.

MEMBERSHIP OF THE BOARD

The current Board has the following members

Gen.(Rtd) Mohamoud Mohamed	Chairman
Prof.Gedion Misoi	Managing Director
Arch.Kamau J jedu	Member
Mr. Francis Wanyonyi	Member
Mrs. Grace	Member
Brig (Rtd) B.M.Kiilu	Member
Mr M.Duale Ahmed	Member
Mr.W.K.Maina	Member
Mrs Beatrice King'ori	Rep.K.F.A
Mr.Ibrahim Maalim	Rep. Ministry of Agriculture
Mr.Samuel Macharia	Rep.Office of the President
	Rep.Ministry of Finance

The National Cereals and Produce Board has three components to deal with
Famine Relief
Commercial and
Strategic Grain Reserve

STRATEGIC GRAIN RESERVE TRUST FUND

Strategic Grain Reserve Trust Fund was established through a gazette notice under the Exchequer and Audit Act Cap 412 of the Laws of Kenya.

The objective and purpose of the fund is to provide a strategic grain reserve in physical and cash equivalent.

A board of Trustees as set out in the regulations governing the fund manages the fund. The trustee members are

1. The Permanent Secretary Ministry of Agriculture
2. Permanent Secretary Ministry of Finance
3. Permanent Secretary Ministry of Special Programmes.

AGENCY

The NCPB was appointed as a Government agent in procurement and maintenance of SGR stocks in the years 1996/1997. The trustees are expected to negotiate and agree with NCPB the commission for the services rendered.

The initial target of the fund was to maintain three million 90kg bags of grains in physical stock and cash equivalent.

2. To buy, store, sell, import, or otherwise acquire and dispose of maize, wheat, and scheduled agricultural produce in such manner, such quantities and on such terms as it may, from time to time, deem necessary to fulfill the requirements of producers and consumers in Kenya
3. To advise the Minister on the proper production of maize, wheat and scheduled agricultural produce in relation to the needs of Kenya and the extent to which control over exportation of maize, wheat or scheduled agricultural produce is necessary.
4. To do any other act which is connected or incidental to the foregoing.

Powers of the board

The Board has the powers

1. To enter into contracts and arrangements, which may, in the opinion of the Board, be necessary or expedient for the better carrying out of the objectives of the Act
2. To establish and operate in the name of the Board any bank accounts it may deem necessary or convenient
3. To invest and deal with any moneys of the Board not immediately required by the Board in and upon such investments and securities as are allowed by law for the investment of trust funds or such other securities or investments as may be approved by the Treasury for the purpose of this paragraph.
4. To draw, make, accept, endorse, discount, execute and issue bills of exchange, promissory notes, bills of lading and other negotiable or transferable instruments or securities.
5. To set up reserve or equalization funds in respect of maize, wheat or scheduled agricultural produce as may, for any year, have generated excess profits, which in the opinion of the Board may be used to support subsequent falls in market price.
6. To raise or borrow with the approval of the Minister, such sums of money as it may require for the provision of working capital, the establishment or acquisition of property or undertakings required by the Board, or any other expenditure properly incurred by the Board for the purposes of this Act.

REPUBLIC OF KENYA



MINISTRY OF FINANCE
Internal Audit Department

**SPECIAL AUDIT FOR STRATEGIC GRAIN RESERVE
(SGR) SALES BY THE NATIONAL CEREALS AND
PRODUCE BOARD (NCPB) –JULY 1st 2007 TO
NOVEMBER 30th 2008.**

MANDATE

1. To scrutinize SGR sales by NCPB for the period 1st Feb. to 30th Nov. 2008 and establish the adequacy of control framework behind the sales.
2. To establish and examine the authority behind the sales, identify the officers involved and obtain copies of documentary evidence of such authority.
3. To consider any emerging issues of corporate governance and best practices of NCPB
4. Consider any other matters related thereto.

Scope

Covered the period the 1st July 2007 to 30th November 2008.

Methods employed

1. Interviewed some of the officers concerned
2. Perused the relevant documents.

INTRODUCTION


The National Cereals and Produce Board was established by an Act of Parliament Cap 338 of the Laws of Kenya.

Functions of the Board

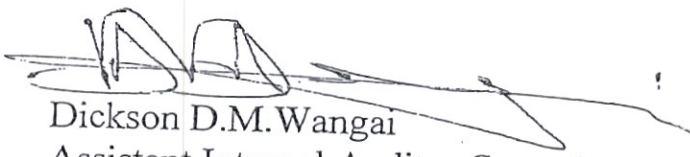
The Functions of the Board are

1. To regulate and control the collection, movement, storage, sale, purchase, transportation, marketing, processing, distribution, importation, exportation, disposal and supply of maize, wheat and scheduled agricultural produce.

4. The NCPB board should ensure maintenance of the ceilings as proposed and recommended by the Trustees.
5. The ceilings should not exist as book figures only as is currently the case but there should be always both the physical stock and cash equivalent.
6. The ceilings should never be allowed to go below the minimum required levels.



Stephen Nyachiro
Assistant Internal Auditor General



Dickson D.M. Wangai
Assistant Internal Auditor General



M/s Scolastica Maiteka
Senior Internal Auditor

REPUBLIC OF KENYA



MINISTRY OF FINANCE
Internal Audit Department

SPECIAL AUDIT OF STRATEGIC GRAIN RESERVE (SGR) SALES
BY NCPB FEBRUARY 2008-NOVEMBER 2008

EXECUTIVE SUMMARY

Introduction

We were appointed to carry out a special Audit of the Strategic Grain Reserve at NCPB. The period to be covered was February 2008 to November 2008 but we went back to July 2007 with the advice and concurrence of the Managing Director.

The terms of reference were as follows.

- To scrutinize SGR sales by NCPB for the period 1st Feb. to 30th Nov. 2008 and establish the adequacy of control framework behind the sales.
- To establish and examine the authority behind the sales, identify the officers involved and obtain copies of documentary evidence of such authority.
- To consider any emerging issues of corporate governance and best practices of NCPB
- Consider any other matters related thereto.

The following are the key highlights of the Report

1. NCPB is supposed to maintain 6 million 90kg bags of maize in both physical stock and cash equivalent in the year 2008/2009 as proposed and recommended by the SGR trustees. However, we found that as at 30th September 2008, the balance had gone as far below as 84,579 90kg bags.
2. The Board did not engage in its commercial activity. They neither bought nor sold maize for the better part of this financial year.
3. The Board failed in its duty to maintain enough stock levels to ensure there is no food shortage in the country.

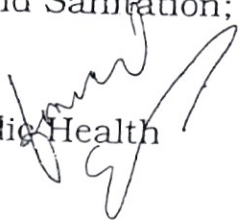
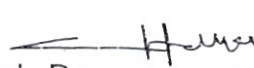
Received
DPHS 27/2/09

URGENT

FOOD SAFETY & QUALITY CONTROL



Memo


From: Division of Food Safety and Quality Control	To: The Permanent Secretary, Ministry of Public Health and Sanitation; Thro: Ag. Director of Public Health 
Date: 27 th February 2009	Thro:  Head, Department of Environmental Health and sanitation

REPORT ON DRY SHELLLED MAIZE ABOARD MV FONARUN NAREE

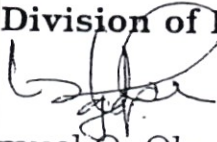
Arising from the controversy on the safety of the dry shelled maize, which was imported by the Government of Kenya, the Ministry of Public Health and Sanitation, being the lead agent on safety of food meant for human consumption needed to verify the status of the maize in Mombasa, Kilindini Port.

Two officers, namely Robert M. Kilonzo and Samuel O. Okuche, of the Divisions of Food Safety and Quality Control and Division of Pollution Control and Housing respectively, left to Kilindini Port on a fact finding mission on the status of the dry shelled maize aboard MV FONARUN NAREEE Vessel.

The officers left on 25.02.2009. Attached is the report on their findings.



Mr. Robert M. Kilonzo,
Head, Division of Food Safety and Quality Control, and



Mr. Samuel O. Okuche,
Head, Division of Pollution Control and Housing.

114



REPUBLIC OF KENYA

GOVERNMENT CHEMIST'S DEPARTMENT
P. O. BOX 81119 - 80100
G.P.O. - MOMBASA
TEL: 254-11-473951/2

CERTIFICATE OF ANALYSIS

Report Reference No: FQ.I/VOL.XII/172/2008/48

Lab. Sample No: 172/2008

Sender's Reference No: 143
MSA/KLD/PH/30/VOL.2/207

Sender:
PHO - Kilindini
Box 90274, MOMBASA

Date Received: 26.11.2008

Description of Sample:

White Maize

Examination Required:

Aflatoxins and chemical contamination

Analytical Report:

Odour	Objectionable characteristic of phosphide
Physical Appearance	A mixture of white and dark grayish grains
Infestation	Not detected
Moisture @ 105° C for 3 hrs	10.6% m/m
Aflatoxin B ₁ , B ₂ , G ₁ , and G ₂	Not detected
Pesticide (Residues)	Alluminium phosphide detected
Extraneous foreign matter	Grayish powder embedded on the grains

The fumigant alluminium phosphide (phostoxin) residue is very high and is embedded on the grains making them look dark-gray thus making it unfit for human consumption

Date: 2/12/2008

Ngetha D. K.
Government Analyst.

11



REPUBLIC OF KENYA

GOVERNMENT CHEMIST'S DEPARTMENT

P. O. BOX 31119 - 80100

G.P.O. - MOMBASA

TEL: 254-11-473951/2

CERTIFICATE OF ANALYSIS

Report Reference No: FQ.I/VOL.XII/173/2008/49

Lab. Sample No: 173/2008

Sender's Reference No: 42
MSA/KLD/PH/30/VOL.2/208

Sender:
PHO - Kilindini
Box 90274, MOMBASA

Date Received: 26/11/2008

Description of Sample:

White Maize

Examination Required:

Aflatoxins and chemical contamination

Analytical Report:

Odour	Normal
Physical Appearance	Clear and Dry
Infestation	Not detected
Moisture @ 105° C for 3 hrs	10.4% m/m
Aflatoxin B ₁ , B ₂ , G ₁ , and G ₂	Not detected
Pesticide (Residues)	Not detected
Other chemical contaminants	Not detected
Extraneous foreign matter	Less than 01% m/m

The maize sample is wholesome and is deemed fit for human consumption and complies with KBS Standard Specification for shelled maize. (KS 01-42-1977).

Date: 2/12/2008

Ngetha D. K.
Government Analyst

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REPUBLIC OF KENYA

GOVERNMENT CHEMIST'S DEPARTMENT
P. O. BOX 81119 - 80100
G.P.O. - MOMBASA
TEL: 254-11-473951/2

CERTIFICATE OF ANALYSIS

Report Reference No: FQ.L/VOL.XIV/171/2008/47

Lab. Sample No: 172/2008

Sender's Reference No: **H1**
MSA/KLD/PH/30/VOL.2/206

Sender:
PHO - Kilindini
Box 90274, MOMBASA

Date Received: 25/11/2008

Description of Sample:

White Maize

Examination Required:

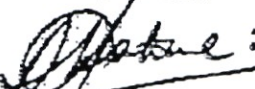
Aflatoxins and chemical contamination

Analytical Report:

Odour	Normal
Physical Appearance	Clear and Dry
Infestation	Not detected
Moisture @ 105° C for 3 hrs	10.5% m/m
Aflatoxin B ₁ , B ₂ , G ₁ , and G ₂	Not detected
Pesticide (Residues)	Not detected
Extraneous foreign matter	Not detected

The maize sample is whole some and is deemed fit for human consumption with respect to the above parameters and complies with KBS standard specifications for dry shelled maize (KS 01-42-1977).

Date: 2/12/2008

Ngetha D. K. 
Government Analyst

ALUMINIUM PHOSPHIDE (AIP)

1.0 Introduction

Aluminium phosphide is a colourless solid chemical compound which is generally sold as a grey-green-yellow powder. It is used as a fumigant.

Aluminium phosphide reacts with water or acids to release phosphine.

1.2 As a Fumigant

Aluminium phosphide is classified as a hazardous substance and as a dangerous good. Aluminium phosphide is widely used for fumigating grain. Aluminium phosphide is available in solid form (usually as tablets or pellets) and on exposure to air or moisture reacts to generate phosphine gas (PH₃). It is the phosphine gas that acts as the fumigant and can be extremely dangerous to you when inhaled.

AIP is used as a rodenticide, insecticide and fumigant for stored cereal grains. It is used to kill small verminous mammals such as moles, rabbits, and rodents. The tablets or pellets typically also contain other chemicals which evolve ammonia which helps to reduce the potential for spontaneous ignition or explosion of the phosphine gas. Pure phosphine is odorless, but technical grade phosphine has a highly unpleasant odor like garlic or rotting fish, due to the presence of substituted phosphine and diphosphine (P₂H₄).

As a rodenticide, aluminium phosphide pellets are provided as a mixture of food for the consumption by the rodents. The acid in the digestive system of the rodent reacts with the phosphide to generate the toxic phosphine gas. Other pesticides similar to aluminium phosphide are zinc phosphide and calcium phosphide.

Common product names and trade/registered names include: *Gastion Phosphine Fumigation Products (Rentokil)*, *Quickphos*

Fumigation Tablets (Bayer, United Phosphorus Ltd), *CM ALPHOS Tablets* (Graig Mostyn & Co), *Genfume AP Fumigation Pellets* (Primaxa Australia), *x-phos* (Webcot), *Pestex®* (Farmoz), *Fumitoxin®* (Nufarm), *Phostoxin®* (DEGESCH).

1.3 Health and Safety Issues

You must take extreme care when handling and using aluminium phosphide because when it is in contact with air or moisture it generates phosphine gas that is very toxic.

Low exposure to phosphine gas can impact on your health and well-being and it is also possible to be severely poisoned or die from exposure to the gas in enclosed spaces such as silos or vehicle cabins. Phosphine gas is also flammable and explosive at high concentrations. When aluminium phosphide products are used according to label directions, the products remain below the level at which they catch fire.

1.4 Symptoms of Poisoning with Phosphine Compounds

- Burning of the skin and eyes.
- Headache, cough, tightness and pain in the chest, shortness of breath, dizziness, lethargy, and stupor.
- Fatigue, muscle pain, chills, tremors, incoordination, seizures, and coma may be seen.
- Pulmonary edema and cardiac arrhythmias are common.
- Gastrointestinal symptoms include nausea, vomiting, abdominal pain, and diarrhea.
- Renal (kidney) damage, hepatic (liver) damage, and jaundice may also occur.
- Effects may be delayed for several hours.





From the Desk of
MINISTER FOR PUBLIC HEALTH AND SANITATION
P.O. Box 30016- 00100 NAIROBI Tel: 254 20 2717077
Fax. 254 20 248552 E-mail: minph@health.go.ke

10th March, 2009.

Hon. John Mututho,
Chairman,
Parliamentary Committee on Agriculture,
Continental House,
NAIROBI.

Dear Hon. Mututho,

RE: MAIZE CONSIGNMENT OF MV FONARUN NAREE

I write in regard to the controversy arising from the safety of maize imported from South Africa aboard the MV fonarun Naree in November, 2008.

There has been conflicting reports from various quarters over whether the maize is fit for human and animal consumption.

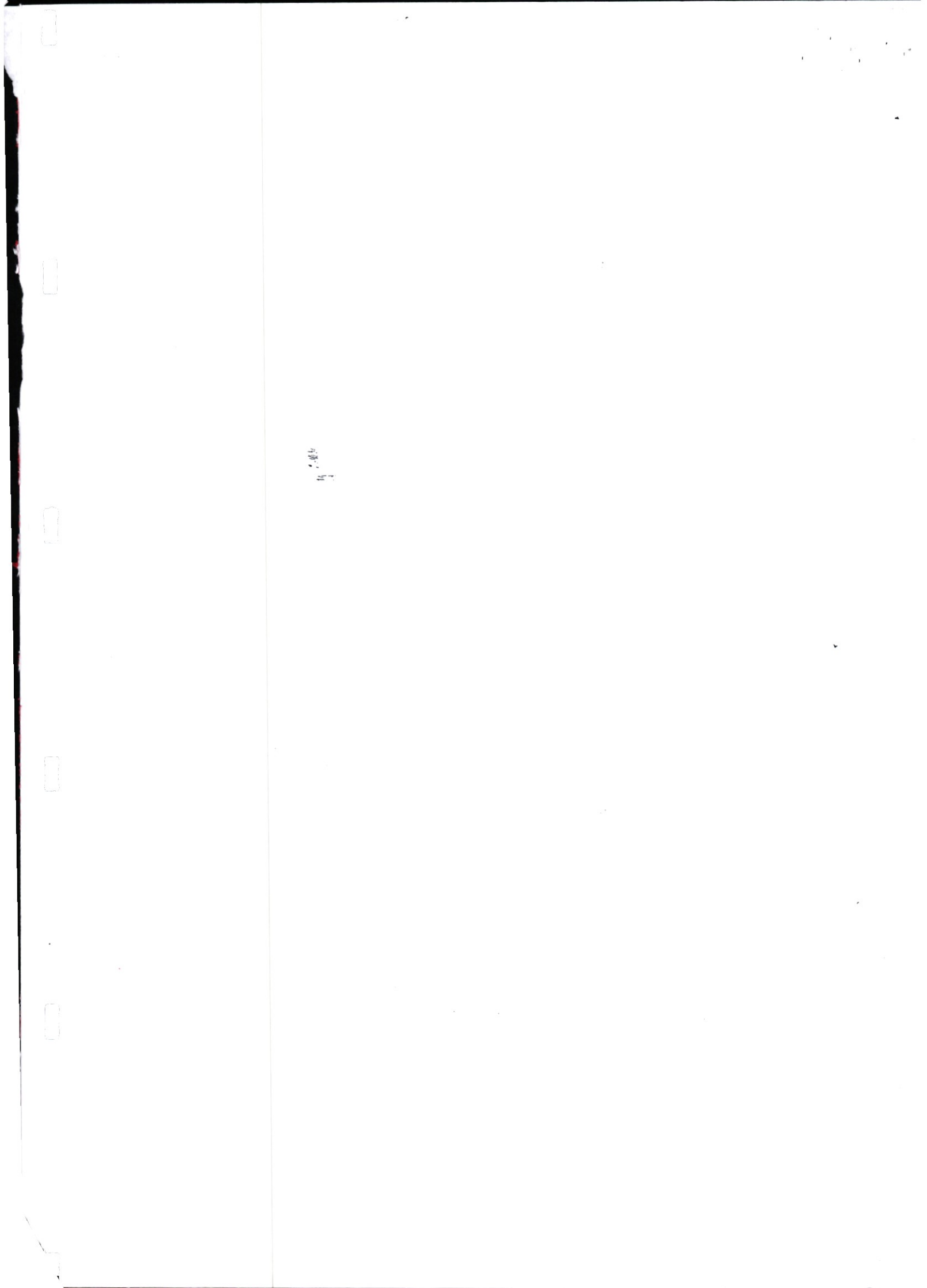
The ministry of Public Health and Sanitation holds the policy framework for food safety and control and for this reason, I directed the Chief Government Chemist and Public Health Specialists to conduct a test on the maize. This action was guided by the Public Health Act (Cap242) laws of Kenya and the food, drug and chemicals act (cap 254) laws of Kenya.

I have herein attached reports on the tests conducted by my ministry and the Kenya, Bureau of Standards for your information and to facilitate your work at the Parliamentary Committee on Agriculture.

Yours sincerely,

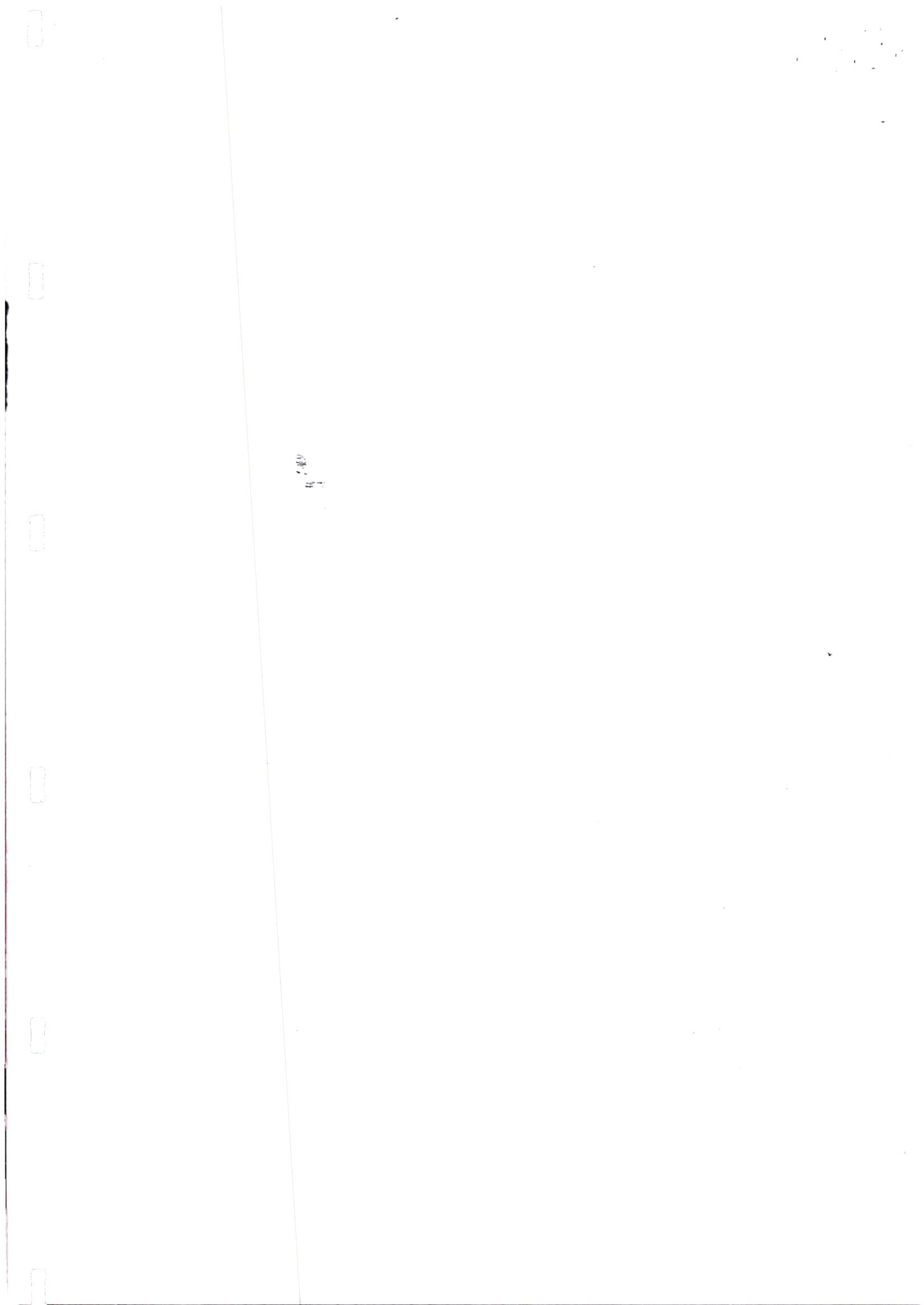
PP: **Hon. Beth Mugo, E.G.H. MP,**
Minister.

(Encls)



4

ANNEXE C



FACTOR/DESCRIPTION	LIMIT	METHOD OF ANALYSIS
· flint and dent maize	by weight of flint maize	
DEFECTS · blemished grains: grains which are insect or vermin damaged, stained, diseased, discoloured, germinated, frost damaged, or otherwise materially damaged · broken kernels · other grains	MAX: 7.0% of which diseased grains must not exceed 0.5% MAX: 6.0% MAX: 2.0%	Visual Examination ISO 5223-1983 (4.50 mm metal sieve) Visual Examination

ANNEX

In those instances where more than one factor limit and/or method of analysis is given we strongly recommend that users specify the appropriate limit and method of analysis.

FACTOR/DESCRIPTION	LIMIT	METHOD OF ANALYSIS
<p>KERNELS OF OTHER COLOURS</p> <ul style="list-style-type: none"> · in yellow maize. Maize grains which are yellow and/or light red in colour are considered to be yellow maize. Maize grains which are yellow and dark red in colour, provided the dark red colour covers less than 50% of the surface of the grain, are also considered to be yellow maize · in white maize. Maize grains which are white and/or light pink in colour are considered to be white maize. White maize also means maize grains which are white and pink in colour, provided the pink colour covers less than 50% of the surface of the grain · in red maize. Maize grains which are pink and white or dark red and yellow in colour are considered to be red maize, provided the pink or dark red colour covers 50% or more of the surface of the grain · mixed maize 	<p>MAX: 5.0% by weight of maize of other colours</p> <p>MAX: 2.0% by weight of maize of other colours</p> <p>MAX: 5.0% by weight of maize of other colours</p>	<p>Visual Examination</p>
<p>KERNELS OF OTHER SHAPE</p> <ul style="list-style-type: none"> · in flint maize · in dent maize 	<p>MAX: 5.0% by weight of maize of other shapes</p> <p>MAX: 5.0% by weight of maize of other shapes</p> <p>RANGE: 5.0% to 95%</p>	<p>Visual Examination</p>

documents, except that the name of the product, lot identification and the name and address of the manufacturer or packer shall appear on the container. However, lot identification and the name and address of the manufacturer or packer may be replaced by an identification mark, provided that such a mark is clearly identifiable with the accompanying documents.

8 **METHODS OF ANALYSIS AND SAMPLING**

See Codex Alimentarius Volume 13.

handled in accordance with the appropriate sections of the Recommended International Code of Practice - General Principles of Food Hygiene (CAC/RCP 1-1969, Rev. 2-1985, Codex Alimentarius Volume 1B) and other Codes of Practice recommended by the Codex Alimentarius Commission which are relevant to this product.

5.2 To the extent possible in good manufacturing practice, the product shall be free from objectionable mater.

5.3 When tested by appropriate methods of sampling and examination, the product:

- shall be free from microorganisms in amounts which may represent a hazard to health;
- shall be free from parasites which may represent a hazard to health; and
- shall not contain any substance originating from microorganisms in amounts which may represent a hazard to health.

6. PACKAGING

6.1 Maize (corn) shall be packaged in containers which will safeguard the hygienic, nutritional, technological, and organoleptic qualities of the product.

6.2 The containers, including packaging material, shall be made of substances which are safe and suitable for their intended use. They should not impart any toxic substance or undesirable odour or flavour to the product.

6.3 When the product is packaged in sacks, these must be clean, sturdy and strongly sewn or sealed.

7. LABELLING

In addition to the requirements of the Codex General Standard for the Labelling of Prepackaged Foods (CODEX STAN 1-1985, Rev. 1-1991, Codex Alimentarius Volume 1A), the following specific provisions apply:

7.1 Name of the Product

7.1.1 The name of the product to be shown on the label shall be "maize (corn)."

7.2 Labelling of Non-Retail Containers

Information for non-retail containers shall either be given on the container or in accompanying

EGYPTA DE BUREAU DE SANTE
P. O. BOX 5497 N. GO.
NAIROBI

3.2.2 **Extraneous matter** are all organic and inorganic materials other than maize, broken kernels, other grains and filth

3.2.2.1 **Filth** are impurities of animal origin (including dead insects). 0.1% m/m max

3.2.2.2 **Toxic or Noxious Seeds**

The products covered by the provisions of this standard shall be free from the following toxic or noxious seeds in amounts which may represent a hazard to human health

Crotalaria (*Crotalaria* spp.), Corn cockle (*Agrostemma githago* L.), Castor bean (*Ricinus communis* L.), Jimson weed (*Datura* spp.), and other seeds are commonly recognized as harmful to health.

3.2.2.3 **Other organic extraneous matter** which is defined as organic components other than edible grains of cereals (foreign seeds, stems, etc.) (1.5% m/m max).

3.2.2.4 **Inorganic extraneous matter** which is defined as any inorganic component (stones, dust, etc.) (0.5% m/m max)

4 CONTAMINANTS

4.1 Heavy Metals

Maize (corn) shall be free from heavy metals in amounts which may represent a hazard to human health

4.2 Pesticide Residues

Maize (corn) shall comply with those maximum residue limits established by the Codex Alimentarius Commission for this commodity

4.3 Mycotoxins

Maize (corn) shall comply with those maximum mycotoxin limits established by the Codex Alimentarius Commission for this commodity.

5. HYGIENE

5.1 It is recommended that the product covered by the provisions of this standard be prepared and

CODEX STANDARD FOR MAIZE (CORN)

CODEX STAN 153-1985 (Rev. 1 - 1995)

The Annex to this standard contains provisions which are not intended to be applied within the meaning of the acceptance provisions of Section 4.A (I)(b) of the General Principles of the Codex Alimentarius.

1. SCOPE

This standard applies to maize (corn) for human consumption, i.e., ready for its intended use as human food, presented in packaged form or sold loose from the package directly to the consumer. This standard specifies requirements for whole grain shelled dent maize, *Zea mays indentata* L., and/or shelled flint maize, *Zea mays indurata* L., or their hybrids. It does not apply to processed maize.

2. DESCRIPTION

2.1 Product Definition

Maize (corn) is the shelled grains of the species defined in the scope.

3. ESSENTIAL COMPOSITION AND QUALITY FACTORS

3.1 Quality Factors - General

3.1.1 Maize shall be safe and suitable for human consumption.

3.1.2 Maize shall be free from abnormal flavours, odours and living insects.

3.1.3 Maize shall be free from filth in amounts which may represent a hazard to human health.

3.2 Quality Factors - Specific

3.2.1 Moisture Content

15.5% m/m max

Lower moisture limits should be required for certain destinations in relation to the climate, duration of transport and storage. Governments accepting the Standard are requested to indicate and justify the requirements in force in their country.

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 containing 52 pages
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 P. O. Box 52000 - NAIROBI
 NAIROBI

Louis Dreyfus
Commodities

Louis Dreyfus Commodities
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Mombasa
Kenya

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ldk@ldcommodities.co.ke
www.ldcommodities.com

Association of Kenya Feed Manufacturers
PO Box 64983 - 00620
Nairobi

6th January 2009

Dear Sirs,

Ref: Yellow Corn

I would like to thank Mr Kinoti, Mr Karuri and Mr Gathogo for the most interesting and detailed introduction of AKEFEMA, and hope that Louis Dreyfus Commodities Kenya Limited may become an important partner to your association.

As discussed, LDCK has been awarded the right to import about 25,000 mts of yellow corn and is most eager to work with AKEFEMA to ensure adequate supply to the important feed industry in Kenya. This decision is taken in light of the currently limited availability of maize grain within the country and the obvious intention to take pressure off white maize availability.

We are in the process of arranging our importation, however a major issue is the specifications for corn as a feed grain are quite different to the specifications for maize imports into Kenya which are predicated as being for human consumption.

The typical standard for yellow corn we trade globally are as follows:

Specifications:

Moisture	14.5% Max
Foreign matter	2.5% Max
Damaged	6% Max
Broken	5% Max

We would respectfully request your assistance in working with the relevant authorities in order to obtain the necessary approvals to allow importation of yellow corn under the above specifications.

We are also seeking authority directly, however all assistance by all involved in the feed industry would be of benefit given the current shortage of domestic feed grain stocks.

We thank you in advance, and if there is any further assistance we can provide, please do not hesitate to be in contact with the undersigned

Yours faithfully

James A Wild

Managing Director

LOUIS DREYFUS COMMODITIES
KENYA LIMITED
P. O. Box 34256
MOMBASA - 80118, KENYA

KENYA BUREAU OF STANDARDS
P. O. Box 54974 - 00200
NAIROBI

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original JB 27/3/09



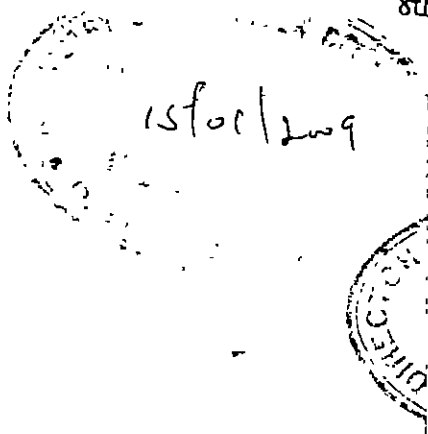
ASSOCIATION OF KENYA FEED MANUFACTURERS

P. O. BOX 64983-00620, Nairobi, Kenya.
Tel: 0722 813835, 0722 759454, 0722 731276

Our Ref.....

Ir Ref.....

8th January 2008



The Permanent Secretary,
Ministry Of Livestock Development,
P.O Box 34188
Nairobi.

Dear Sir,

RE: Standards for Yellow Maize

As you may be aware, our country is currently experiencing a severe shortage of grain, and more particularly, maize for both human consumption and use in the feed milling industry.

To address the situation, the Government has allowed the importation of 100,000 mts of yellow maize into the country, to be used in the feed milling industry. However, we have reliably learnt from one of the companies that have been allowed to import the yellow maize that there is need to review the specifications currently used for the purposes of quality verification by the Kenya Bureau of Standards, since it is meant for maize to be used for human consumption. Attached is a self explanatory letter from Louis Dreyfus, one of the prospective importers of the Yellow Maize for the industry, for your reference and action.

We would be most grateful if you could please intervene on this matter on our behalf, so that Kenya Bureau of Standards reviews the said specification as soon as possible to avoid any delays in clearing the imported yellow maize on arrival at the port of entry, since the industry is already facing severe difficulties sourcing maize locally, most of which is being used for human consumption.

Yours Sincerely,

Martin F. Kinoti
Secretary General.

J.M Karuri
Chairman

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the original
27/1/09

KENYA BUREAU OF STANDARDS
P. O. Box 54974-00200
NAIROBI

Broken kernels

6.0% Max

The above specifications are acceptable for yellow maize intended for feeds manufacture and are not different from Codex Standards for Maize (Corn) intended for human consumption as per the CODEX STAN 153-1985 (Rev. 1-1995).

Attached find copies of correspondence from the Association of Kenya Feeds Manufacturers to my office concerning the subject.



Patrick S. Khaemba, CBS
PERMANENT SECRETARY

MINISTRY OF LIVESTOCK DEVELOPMENT

OFFICE OF THE PERMANENT SECRETARY

Telegraphic address MIFUGO NAIROBI
Fax: 316731
Telephone: 2718870/2719013/2716665

KILIMO HOUSE
CATHEDRAL Road
P.O. Box 34188
NAIROBI

When replying please quote:

Ref: MLD/FEED/1/VOL.IX/46



Date: 20 January, 2009

Managing Director
Kenya Bureau of Standards
P.O. Box 54974-00200
NAIROBI

RE: SPECIFICATIONS FOR FEED-GRADE YELLOW MAIZE

The Government has approved importation of 1 million bags of yellow maize to be used in the manufacture of animal feeds. The feeds industry has raised concerns over specifications for quality verification by the Kenya Bureau of Standards that are currently applicable which are for white maize intended for human consumption; and that the yellow maize available in the global market has lower specifications especially for moisture that ranges between 14.0-15.5%.

Considering that the feeds industry is currently experiencing feed grain shortage due to inadequate local production, high global prices of white maize and the need to release all white maize available locally for food, I recommend that you facilitate the approved firms to bring in yellow maize with the following quality specifications;

- Moisture 14.5% Max
- Foreign matter 2.0% Max
- Blemished grains 7.0% Max (Diseased grains must not exceed 0.5%)

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*replied to mecom
the 27/3/09
JB 27/3/09*

6/1F

Our Ref: BS/CONF./IMP/00/1/4/(6)

Date: 2009-02-03

Romano M. Kiome, (PhD, CBS)
Permananet Secretary
Ministry of Agriculture
P.O. Box 30028
NAIROBI

Dear

RE: SPECIFICATION OF YELLOW CORN AS A FEED GRAIN

Please refer to your letter ref: MOA/LCD/9/12/1 VOL. II (103) dated 22nd January 2009.

Maize with moisture contents above 13.5 % is susceptible to mould growth which can lead to the production of aflatoxins in both human and animal feeds.

Consumption of animal products from animals fed with feeds contaminated with aflatoxins have resulted in aflatoxins transferred to human beings through the food chain.

Considering the above and taking into account the mode of transport is by sea which can lead to addition of moisture from the sea the levels of the moisture could be higher by the time its arriving at the port of entry.

We therefore recommend for compliance of the maize with the Kenya Standard KS EAS 2: 2005 that specifies the requirements for both yellow and white for human and animal consumption.

Yours

Dr. Kioko Mang'eli

Dr. Kioko Mang'eli
MANAGING DIRECTOR

CGG/lmn

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of the original 27/3/09
JS*

[Signature]
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Kenya Bureau of Standards

A world of quality products

File

Our Ref: BS/CONF./IMP/00/1/4/(4)

Date: 2009-02-03

Prof. Gideon Misoi, OGW
Managing Director
National Cereals & Produce Board
NAIROBI

Dear

RE: QUALITY OF MAIZE IMPORT FROM UNITED STATES OF AMERICA

Reference is made to numerous consultations with concerned agencies (foreign and national) and presentations of the availability of the product in USA and the US Government's willingness to put together a program to enable National Cereals and Produce Board import and distribute maize to ameliorate the current famine crisis.

From past experiences, maize with moisture contents of more than 13.5 % have resulted in development of moulds that produce aflatoxins that have adverse effects on both animals and human beings.

In order to safeguard on this phenomenon, the Kenya Standard KS EAS 2: 2005 specifies a moisture content of 13.5 % and all maize imported into the country has to meet this requirement among others before being released to the millers.

We are therefore requesting the concerned parties to put the mechanism in place and start off the process.

Yours

Dr. Kioko Mang'eli

Dr. Kioko Mang'eli
MANAGING DIRECTOR

CGG/lmn

cc: **Romano M. Kiome, (PhD, CBS)**
Permanent Secretary
Ministry of Agriculture
P.O. Box 30028
NAIROBI

[Signature]
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REPUBLIC OF KENYA



MINISTRY OF AGRICULTURE

Office of the Permanent Secretary

Telegraphic Address: "KILIMAG" NAIROBI
Telephone: 254 20 2710817
Fax: 254 20 2711149
Email: psagriculture@kilimo.go.ke
When replying please quote;

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 30028
NAIROBI

Ref. No: MOA/CORP/11/10/(30)

Date: 23rd January, 2009

Prof. Gideon Misoi, OGW
Managing Director
National Cereals and Produce Board (NCPB)
NAIROBI



Dear *John*

RE: SPECIFICATIONS OF IMPORTATION OF MAIZE FOR THE CURRENT EMERGENCES

This is further to our discussion this afternoon regarding the subject under reference. Please be advised that currently there is no law in Kenya covering Genetically Modified Organisms (GMO) standards. Furthermore a moisture content of 14.5% is acceptable for the importation of maize and the current emergency.

You are therefore advised to use this information for the specifications of your maize importation.

Yours *Sincerely*

OH

*attached to me
copy of the original*

Romano M. Kiome (PhD, CBS),
PERMANENT SECRETARY

KENYA BUREAU OF STANDARDS
P. O. Box 54974-00200
NAIROBI

*RB
27/2/09*

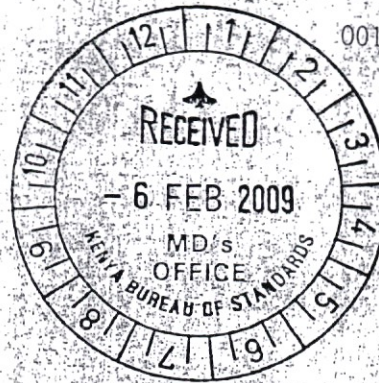


MINISTRY OF INDUSTRIALIZATION

Telegrams "TRADE" Nairobi
Fax No. +254(0) 20-215815
Telephone +254(0) 20-315001/2-4
When replying please quote

TELPOSTA TOWERS
P. O. Box 30418
00100 NAIROBI GPO
KENYA

Ref: MOI/ADM/1/13/2



2nd February, 2008

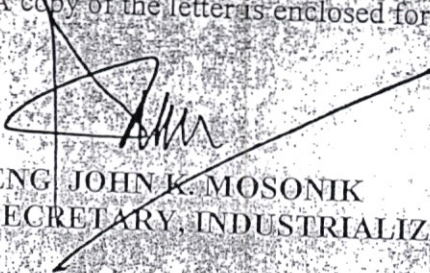
The Managing Director,
Kenya Bureau of Standards,
NAIROBI.

SPECIFICATIONS OF IMPORTATION OF MAIZE FOR THE CURRENT EMERGENCIES

Reference is made to a letter No MOA/CORP/11/10/(30) dated 23rd January, 2009 addressed to Prof. Gideon Misoi, OGW, Managing Director, National Cereals and Produce Board (NCPB) by the Permanent Secretary, Ministry of Agriculture and copied to this Ministry on the above subject.


This is therefore to request you to take appropriate steps to facilitate importation of the above mentioned commodity.

A copy of the letter is enclosed for your ease of reference.


ENG. JOHN K. MOSONIK
SECRETARY, INDUSTRIALIZATION

Encl.

*a typed true
copy of the original
JB 23/3/09*


KENYA BUREAU OF STANDARDS
P. O. Box 54974-00100
NAIROBI

REPUBLIC OF KENYA



MINISTRY OF AGRICULTURE
Office of the Permanent Secretary



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When replying please quote:

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 30028
NAIROBI

Ref. No: MOA/CORP/11/10/(30)

Date: 23rd January, 2009

Prof. Gideon Misoi, OGW
Managing Director
National Cereals and Produce Board (NCPB)
NAIROBI



Dear *John*

RE: SPECIFICATIONS OF IMPORTATION OF MAIZE FOR THE CURRENT EMERGENCES

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You are therefore advised to use this information for the specifications of your maize importation.

Yours *Sincerely* *Seen - IS/MD KE*

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SB
17/3/09*

Romano M. Kiome (PhD, CBS)
PERMANENT SECRETARY

To note and take appropriate steps to facilitate this

KENYA BUREAU OF STANDARDS
P.O. Box 54
NAIROBI

KENYA BUREAU OF STANDARDS
P.O. Box 74974-002
NAIROBI

Prof. John K. Lonyangapuo, (CBS, HSC)

Permanent Secretary
Ministry of Industrialization

P.O. Box 30430-00100

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Dr. (Eng) Cyrus Njiru

Permanent Secretary

Ministry of Trade

P.O. Box 30430-00100

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Mr. Joseph Kinyua, (CBS)

Ministry of Finance

P.O. Box 30007

NAIROBI

Counselor

Agriculture

US Embassy

NAIROBI

Jeff



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Web: http://www.kebs.org

Our Ref: BS/CONF./IMP/00/1/4/(4)

Date: 2009-02-03

Prof. Gideon Misoi, OGW
Managing Director
National Cereals & Produce Board
NAIROBI

Dear *Eng. Dr. Njiru*

RE: QUALITY OF MAIZE IMPORT FROM UNITED STATES OF AMERICA

Reference is made to numerous consultations with concerned agencies (foreign and national) and presentations of the availability of the product in USA and the US Government's willingness to put together a program to enable National Cereals and Produce Board import and distribute maize to ameliorate the current famine crisis.

From past experiences, maize with moisture contents of more than 13.5 % have resulted in development of moulds that produce aflatoxins that have adverse effects on both animals and human beings.

In order to safeguard on this phenomenon, the Kenya Standard KS EAS 2: 2005 specifies a moisture content of 13.5 % and all maize imported into the country has to meet this requirement among others before being released to the millers.

We are therefore requesting the concerned parties to put the mechanism in place and start off the process.

Yours *Gincerely*
[Signature]

Dr. Kioko Mang'eli
MANAGING DIRECTOR

CGG/lmn

cc: **Romano M. Kiome, (PhD, CBS)**
Permanent Secretary
Ministry of Agriculture
P.O. Box 30028
NAIROBI

[Signature]
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E-Mail: kebs-garissa@kebs.org

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8/27/09



**MINISTRY OF AGRICULTURE
OFFICE OF THE PERMANENT SECRETARY**

Telephone: 2718870/9
Fax: 2718318
When replying please quote,

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 30028
NAIROBI

Ref No: MOA/LCD/9/12/1 VOL. II (103)

Date: 22nd January 2009

Eng. Dr. Kioko Mang'eli
Managing Director
Kenya Bureau of Standards
P.O. Box 54974 - 00200
NAIROBI



Dear *Dr. Kioko*

RE: SPECIFICATION OF YELLOW CORN AS A FEED GRAIN

The Government has awarded Corn Products Kenya Limited the rights to import yellow maize for industrial use and non-direct food consumption. This is in light of the current limited availability of maize grain and the obvious intention to take pressure off white maize availability.

Since the yellow maize being imported is not for human consumption, the purpose of this letter is to request your office to allow specifications to be different from that of white maize.

The typical standards for yellow corn traded globally are;

Moisture content	14.5%
Foreign matter	2.5%
Damaged	6%
Broken	5%

Due to the urgency of the matter, your quick approval of these specifications will facilitate the importation process to begin.

Yours *Sincerely*

**ROMANO M. KIOME, PhD, CBS
PERMANENT SECRETARY**

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of the original*

SB 27/1/09



[Signature]
**KENYA BUREAU OF STANDARDS
P.O. Box 54974-00200
NAIROBI**



Kenya Bureau of Standards
Quality products for quality life

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E-Mail: info@kebs.org
Web: http://www.kebs.org

REF: KEBS/CONF/NSC/1A/(107)

DATE: 2009-03-30

Hon. John Mututho, MP
Honourable Chairman
Parliamentary Committee on Agriculture,
Lands and Natural Resources
Kenya National Assembly
NAIROBI

KEBS Coast Region
P. O. Box 99376, Mombasa 80100
Tel: +254 (0) 41 229 563, 230 939/40
Fax: +254 (0) 41 229 448
E-mail: kebs-msa@kebs.org

Dear *Honorable Chairman Mututho, mp*

RE: APPEARANCE BEFORE YOUR COMMITTEE

Kindly accept our humble request to allow us to meet your committee on the matters of imported white shelled maize once more.

Sir, our last appearance before you may not have been very cordial and information and explanations may not have been fully given by reason of the state I was in then. I had just lost my cousin Alex Mang'eli in the Nakumatt downtown fire tragedy and this left me very traumatized. Further on the same day my mother-in-law was hospitalised for surgery in the intensive care unit at Nairobi Hospital. I was therefore under extreme pressure psychologically and was restive in body and mind.

Kindly grant us another chance to appear before you and your committee to give further information on the matter.

We enclose copies of documents relating to the matter duly stamped and certified to assist your committee make a sound decision on the matter.

Yours

Sincerely

J.K.K.

Dr. Kipko Mang'eli
MANAGING DIRECTOR

JBK/jbk

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KEBS North Eastern Region
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Fax: +254 (0) 46 3455
E-Mail: kebs-garissa@kebs.org

4.1 Estimated Stocks for Consumption

The current stocks of about 9 million bags will be sufficient for 3 months (April – June 2009) with a short fall of 6 million bags for the months of July and August.

4.2 Price of commodities

- There is a drop in maize prices in Mombasa from KES 2,700 to current price of KES 2,350 per 90 kg bag and Nairobi from KES 2,600 to KES 2,480 per 90 kg bag compared to the last two months. This is attributed to the imported maize which has entered the market.
- Prices in Eldoret and Kitale remained stable at Kshs 2,200 - Kshs 2,400, an indication that farmers could still be holding maize in their stores.

- In Eastern Province stocks with farmers went up slightly as harvesting came to conclusion.

4. MAIZE STOCKS

- ♦ The estimated maize stocks at 27th March 2009 is about 9 million bags x 90 kg consisting of 1.3 million bags with NCPB, 1.8 million bags held by millers and traders and 5.8 million bags by farmers.

TABLE 3: MAIZE BALANCE SHEET FOR 1ST APRIL TO 31ST AUGUST 2009

Stocks as at 27th March 2009 (bags 90kg)	8,990,885
Imports	
Total East Africa Imports (cross border trade) expected between April & August 2009	1,000,000
Post - harvest losses, Industrial use, seeds	-1,000,000
NATIONAL AVAILABILITY (bags 90kg)	8,990,885
Exports to:	-
Uganda	-
Tanzania	-
Rwanda	-
Total exports to East Africa	-
Exports outside the region	-
Total Exports	-
NATIONAL CONSUMPTION (26th March to 30th August 2009) (3 Million Bags/Month)	15,000,000
Maize Deficit as at 30th August 2009 (bags 90kg)	6,009,115

- A lot more maize is expected in June/July/August during the main harvest in Uganda and Tanzania.
- A total of 6.4 million bags inflows of beans from Uganda were recorded in the period January – March 2009.

TABLE 2: MAIZE STOCKS AS AT 27th MARCH 2009

Province	Farmer's stocks (Bags)	Traders and Millers (Bags)	NCPB	Totals
			(Bags)	(Bags)
Western	450,320	184,385	-	634,705
Nyanza R /Valley	599,700	375,900	-	975,600
Central	4,598,637	746,346	-	5,344,983
Eastern	51,365	56,147	-	107,512
Coast	142,179	295,937	-	438,116
Nairobi	10,515	155,450	-	165,965
N/Eastern	-	18,645	-	18,645
NCPB	Nil	770	-	770
Total			1,312,784	1,312,784
	5,852,716	1,825,385	1,312,784	8,990,885

- Farmers' stocks reduced significantly in Rift Valley and Western Provinces as sales increased to finance this year's planting operations and purchase farm inputs.

3. LAND PREPARATION FOR LONG RAINS 2009

Land preparation for the long rains season is as follows:

Western –	95%
Nyanza –	85%
Rift Valley -	North Rift 85%, South Rift 95%, Central Rift 70%
Central –	95%
Eastern –	85%
Coast –	75%
N/Eastern –	75%

TABLE 1: MAIZE AND BEANS INFLOWS FROM UGANDA AND TANZANIA BETWEEN JANUARY & MARCH 26TH 2009

BORDER POINT	MAIZE	BEANS	Remarks
	TOTAL	TOTAL	
Busia	1,058,142	5,919,788	Covers up to 24 th March
Malaba	18,060	494,476	Covers up to 20/03/009
Suam	19,340	6,299	Covers up to 25 th March
Isebania	60,372	500	
Taveta	9,445	444	
Lungalunga*	0	0	
Moyale	0	22,790	
Tarekia	7,150	0	
Namanga	1,958	1,360	Covers up to 25 th March
TOTAL	1,174,367	6,445,658	

Remarks

- The inflows recorded covers the period January to March 2009.

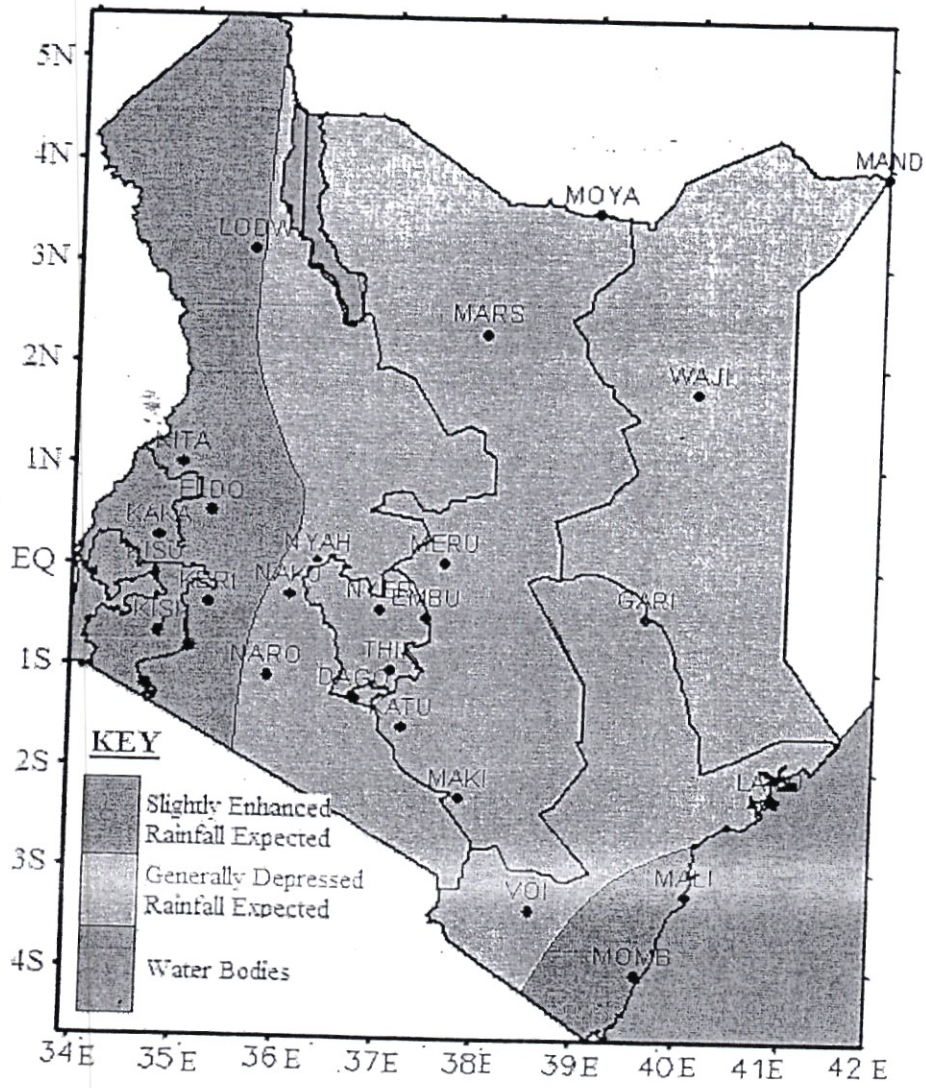


Figure 2: MARCH-MAY 2009 RAINFALL FORECAST

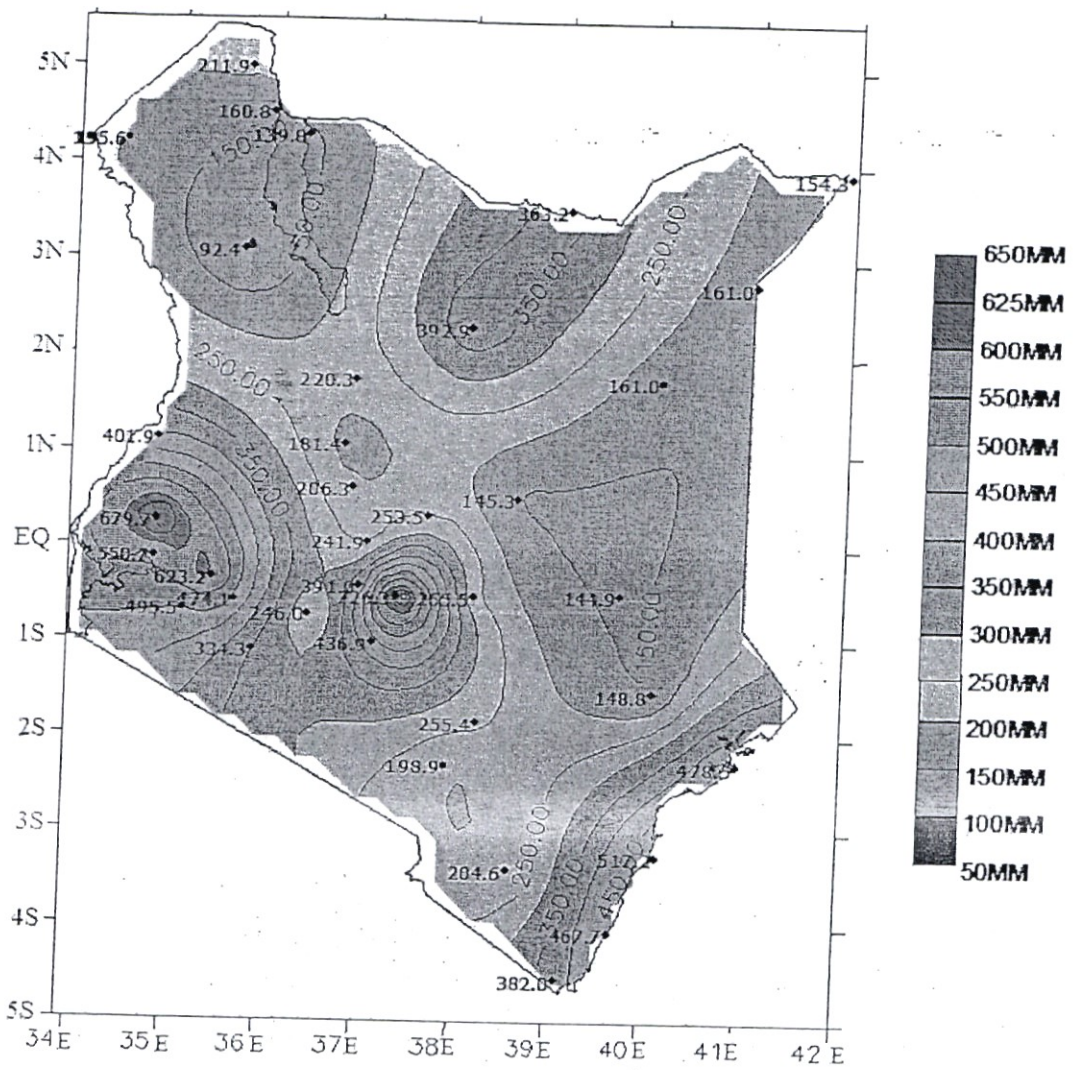


Figure 1: MARCH-MAY MEAN RAINFALL DISTRIBUTION

- ◆ Little rain showers received in the first week of March triggered plantings in parts of Eastern and Central Provinces. However the rains did not last long but some farmers have continued with dry planting.
- ◆ The planted crop in parts of Central and Eastern Provinces has shown moisture stress due to little rains recorded in the area.
- ◆ In a normal year, first weeding of maize should be going on in South Rift but due to delayed rains some farms have not been planted yet. The young crop is already showing signs of moisture stress.

2. Weather Forecast for March – April – May ('Long Rains Season')

- ◆ Onset of the long rains was expected from the second week of March and to continue into June in Nyanza, Western, North Rift and Southern parts of Eastern Province. However, there have been sporadic showers in most of these areas, causing anxiety and hesitation in plantings.
- ◆ The rest of the country is expected to receive depressed rainfall in March and April. These rains will however be enhanced for April and May in the case of Nyanza Western, Coast and Rift Valley.
- ◆ Whereas most parts of the country are expected to receive enhanced rains in May, depressed rainfall will continue in North Eastern Province and Northern parts of Eastern Province. receive



MINISTRY OF AGRICULTURE
Office of the Permanent Secretary

Telephone: 2718870/9

Fax: 2718318

When replying please quote

Ref: MOA /LCD/9/12/32

KILIMO HOUSE
CATHEDRAL ROAD
P.O. Box 30028
NAIROBI

Date: 31st March 2009

FOOD SECURITY SITUATION – AS OF MARCH 27th 2009

1. HIGHLIGHTS

- ◆ National maize stocks as at 27th March 2009 is 9 million bags against national requirement of 15 million bags to reach 30th August 2009 when the earliest harvest will start.
- ◆ The national Maize deficit therefore is 6 million bags.
- ◆ Current Maize stocks held by NCPB stand at 1.3 million bags of 90 kg which includes 862,724 bags of locally purchased maize.
- ◆ Land preparation is picking up in many districts with 95 % done in the South Rift, 70% in Central Rift and 85% done in the North Rift, in Central Province land ready for planting stands at 95%.
- ◆ About 65% long rains planting has been achieved in West Province and Nyanza while Eastern and Central have just started.
- ◆ The crop in South Rift is at weeding stage though 60% of the acreage experienced moisture stress.

187

ANNEX E

Contract of Sale

This contract is made upon the terms, conditions and rules, including the arbitration clause and rules, in contract form known as GAFTA in force at the date of this contract, of which the parties admit that they have knowledge and notice, and the details below given shall be taken as having been written into such contract form in the appropriate place. Any special terms and conditions contained herein and/or attached hereto shall be treated as if written on such contract form and shall prevail in so far as they may be inconsistent with the printed clauses of such contract form. Trade terms shall be interpreted in accordance with INCOTERMS 2000, published by the International Chamber of Commerce, Paris

Date 25 July 2008

Buyer National Cereals & Produce Board, Republic of Kenya

Seller Afim Trading (Pty) Ltd, formerly Clark Cotton (Pty) Ltd Company Registration Number 1963/007473/07

Commodity RSA White Maize, Grade 1, in bulk

Quality, condition, and specs:

Final at port of loading
Maximum Moisture 14%
Maximum Aflatoxin 10ppb

	W.MH
1. Defective Kernels	7% max
2. Other colours	3% max
3. Foreign Matter	0.3% max
4. 1,2&3 collectively	8% max
5. Finked Kernels	12% max


Quantity. 15,000 MT to 18,000 MT +/- 10% more or less, at Sellers Option, tolerance at contract Price, to be shipped in 5,000 to 6,000 MT +/- 10% more or less lots
Tolerance on each shipment period, at Sellers Option, tolerance at contract Price Per shipment

Weights/Quality Final at point of loading, as per First Class Independent Supervision Company as per Sellers nomination

Parity CIF FO (Cost, Insurance and Freight, Free Out), One safe berth Mombasa, Kenya

Packing Bulk

Shipping Period a) 1 August 2008 - 31 August 2008, with Gafia extension Max 8 Days
b) 1 September 2008 - 30 September 2008, with Gafia Extension Max 8 Days
c) 1 October 2008 - 31 October 2008, with Gafia Extension Max 8 Days


FM-1





OFFICE OF THE PRESIDENT
MINISTRY OF STATE FOR SPECIAL PROGRAMS

Telegraphic Address: "Pais"
Telephone: 250643
Fax: 2227622
When replying quote Ref
Ref.No. OP/R&R/15/053

OFFICE OF THE PERMANENT SECRETARY
P.O. BOX 30586 - 00100
NAIROBI

3rd December 2007

Prof. Gideon K. Misoi
Managing Director
National Cereals and Produce Board
P.O. Box 30586 - 00100
NAIROBI

4 DEC 2007

Dear Prof. Misoi,

RE: AUTHORITY TO SELL ONE MILLION BAGS OF SGR MAIZE AND PURCHASE ONE MILLION BAGS OF RELIEF MAIZE FROM SGR STOCKS

Following a meeting of Strategic Grain Reserve (SGR) trustees held on 27th Nov 2007, several issues relating to SGR and relief stocks were discussed. Some of the resolutions reached included the following:

1. That, NCPB buys 1 Million x 90kg maize for famine relief from SGR stocks at a price of Ksh. 1,300 per 90kg bag
2. That, NCPB sells commercially 1 million x 90kg of SGR stocks at the prevailing market price but in any case not less than Ksh. 1000 per 90kg bag

The purpose of this letter is therefore to request you to implement the above decisions as agreed upon by the trustees. Keep this office updated on progress made on the sale of the maize.

Yours Sincerely,

Rachel A. Arungah, CBS
PERMANENT SECRETARY

C.C.

Amb. Francis K. Muthaura, EGH
Permanent Secretary/Secretary to the
Cabinet & Head of the Public Service
Harambee House
NAIROBI

Mr. Joseph K. Kinyua, CBS
Permanent Secretary
Ministry of Finance
TREASURY

Dr. Romano Kiome, CBS
Permanent Secretary
Ministry of Agriculture
Kilimo House
NAIROBI



OFFICE OF THE PRESIDENT
MINISTRY OF STATE FOR SPECIAL PROGRAMMES

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OFFICE OF THE PERMANENT SECRETARY
P O BOX 40213 -00100
NAIROBI

Ref: OP/R&R/15/013/VOL.XI

Date: 26th May, 2008

Prof. Gideon Misoi, OGW
Managing Director
National Cereals & Produce Board
P O Box 30586
NAIROBI

25 MAY 2008

Dear *Prof. Misoi,*

RE: RELEASE OF 1 MILLION BAGS OF SGR MAIZE

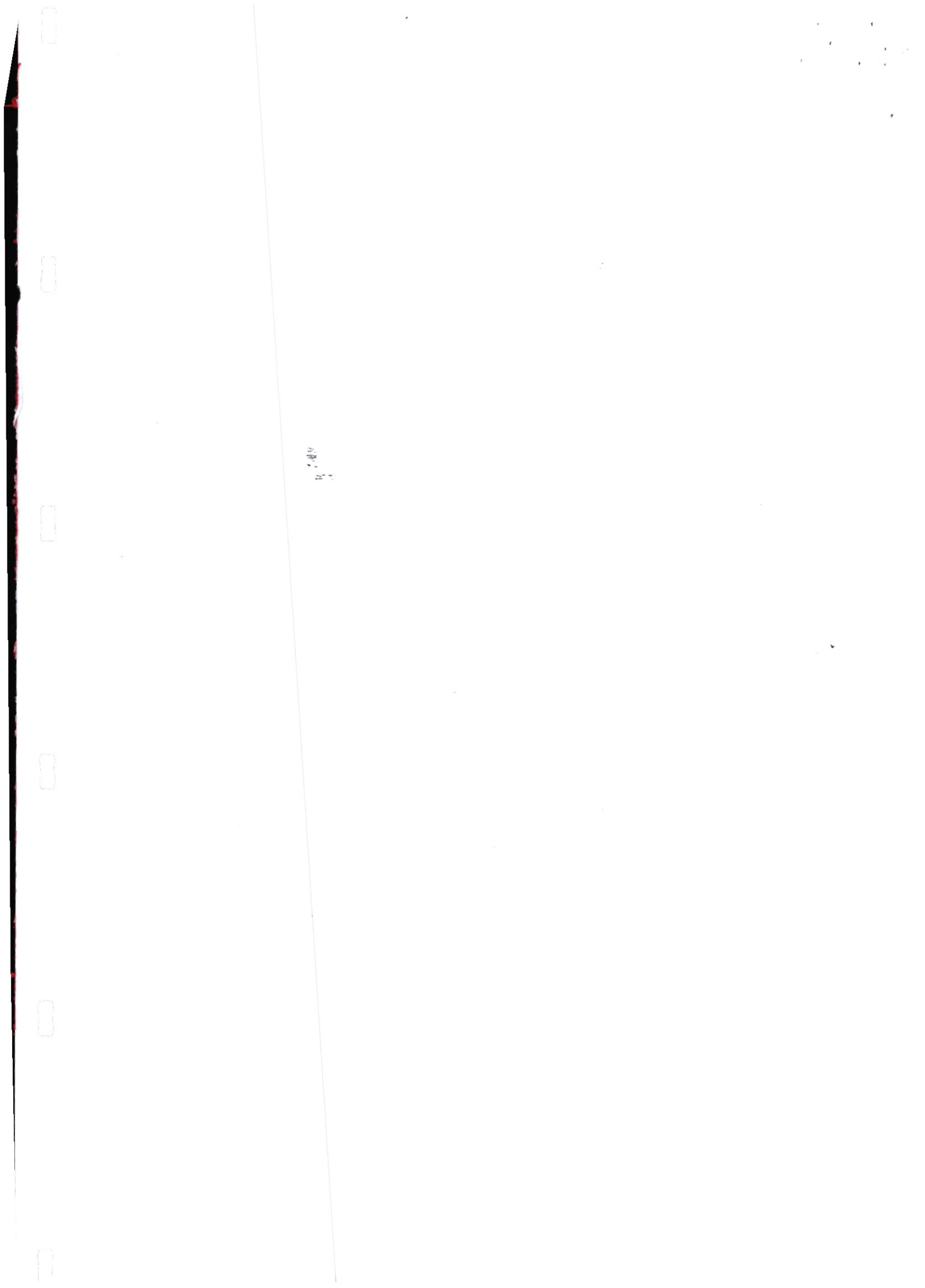
The Government has decided to release 1 million bags of SGR maize for stabilization of the maize market in the country with immediate effect

Given the general shortage of the commodity in the country and even in the neighboring countries, strict control measures should be put in place to avert any loss out of the country.

You are now authorized to carefully sell the maize at KShs.1700/= per bag to millers and other needy public institutions. The proceeds from the sell of the maize should be remitted to this Ministry on weekly basis for deposit into the Trustees Account at the Central Bank of Kenya.

Yours *Sincerely*
Ali D. Mohamed

ALI D. MOHAMED
PERMANENT SECRETARY



4

ANNEXE D

194 Famine Relief and Food Production Board

MAIZE STOCK HOLDING AS AT 30TH JUNE 2008

Description	SGR Stock Qty: 90 Kgs (Bags)	Famine Relief Qty: 90 Kgs (Bags)	Total Own Maize Qty: 90 Kgs (Bags)	NOPE Maize Qty: 90 Kgs (Bags)	Total Maize Qty: 90 Kgs (Bags)
1 Balance B/F - July 1 2007	3,936,068	0	3,936,068	1,506,346	5,442,414
2 Add - Direct Purchases					
Direct Local Purchases 2007/2008 F.Y.	257,278	12,249	269,527	81,147	350,674
Purchases from NOPE	0	80,094	80,094	0	160,188
5 Add - Internal Transfers					
6 Refund of SGR by Famine Relief	48,311		48,311	0	48,311
7 Transfer from SGR to Famine Relief	0	1,000,000	1,000,000	0	1,000,000
8 Total Purchases	315,587	1,092,643	1,408,230	81,147	1,490,177
9 Total Stocks available	4,251,655	1,092,643	5,344,298	1,587,492	6,932,590
10 Less - Sales/Relief Requisitions/Refunds					
11 Local Sales	1,575,160	0	1,575,160	1,587,492	3,162,652
12 B/F Requisitions from 2006/2007 F.Y.	0	9,376	9,376	0	9,376
Requisitions for 2007/2008 F.Y.	0	409,904	409,904	0	409,904
14 Transfer from SGR to Famine Relief	1,000,000	0	1,000,000	0	1,000,000
15 Storage Losses	19,643		19,643	0	19,643
16 Refund by Famine Relief to SGR		48,311	48,311		48,311
17 Total Sales/Relief Distribution	2,594,803	467,591	3,062,394	1,587,492	4,649,886
18 Closing/Uncommitted Stocks	1,656,852	625,052	2,282,704	0	2,282,704

N/E

SUMMARY OF FAMINE RELIEF ACCOUNT

Requisitions

1 requisitions/sales Orders 2006/2007	9,376
2 Requisitions/Sales Orders 2006/2007	409,904
3 Total Requisitions/Sales Orders 2006/2007	419,280
Less - Releases to DCs for 2007/2008	372,134
Total Releases to DCs	372,134
5 Outstanding Sales Orders - Famine Relief	47,146

Stocks

Opening Balance July 1 2007	
Add - Purchases	93,443
Add - Transfer from SGR	1,000,000
Stocks Available	1,093,443
Less - Releases to DCs of 2007/2008 S/orders	372,134
Closing Stock	721,309
Less - Refund of SGR stocks drawn in 06/06 F.Y.	48,311
Closing Stocks	672,998

STATE OF TEXAS
 DEPARTMENT OF AGRICULTURE
 FARMER STOCK HOLDING AS AT 30th JUNE 2008

FARMER STOCK HOLDING AS AT 30th JUNE 2008

Description	SGR Stock	Famine Relief	Total SGR Stocks	NOG Stocks	Total Stocks
	On 30/6/07 Negd	On 30/6/07 Longer	On 30/6/08 Negd	On 30/6/08 Longer	On 30/6/08 Longer
Balance B/F - July 1 2007	3,936,068	0	3,936,068	1,506,316	5,442,384
Add - Direct Purchase					
Direct Local Purchases (Famine Relief)	27,278	10,343	37,621	5,172	42,793
Purchases from NOGE	0	30,124	30,124	0	30,124
Add - Internal Transfers					
Transfer of SGR by Famine Relief	48,311		48,311	0	48,311
Transfer from SGR to Famine Relief	0	1,000,000	1,000,000	0	1,000,000
Total Purchases	315,587	1,093,443	1,409,030	5,172	1,414,202
Total Stocks available	4,251,655	1,093,443	5,345,098	1,506,316	6,851,414
Less - Sales/Relief Requisitions/Refunds					
Local Sales	1,575,180	0	1,575,180	1,507,422	3,082,602
EIF Requisitions from 2006/2007 FY	0	9,376	9,376	0	9,376
Requisitions for 2007/2008 FY	0	409,304	409,304	0	409,304
Transfer from SGR to Famine Relief	1,000,000	0	1,000,000	0	1,000,000
Storage Losses	19,643	48,311	67,954	0	67,954
Total Sales/Relief Distribution	2,594,823	467,591	3,062,394	1,507,422	4,569,816
Closing/Uncommitted Stocks	1,656,832	625,852	2,282,704	0	2,282,704

N/E

SUMMARY OF FAMINE RELIEF ACCOUNT

Requisitions

1 Requisitions/Sales Orders 2006/2007	9,376
2 Requisitions/Sales Orders 2007/2008	409,304
3 Total Requisitions/Sales Orders 2006/2007	418,680
Less - Releases to DCs for 2007/2008	372,134
Total Releases to DCs	372,134
5 Outstanding Sales Orders - Famine Relief	47,146

Stocks

1 Opening Balance July 1 2007	-
2 Add - Purchases	93,443
3 Add - Transfer from SGR	1,000,000
4 Stocks Available	1,093,443
4 Less - Releases to DCs of 2007/2008 S/orders	372,134
Closing Stock	721,309
5 Less - Refund of SGR stocks drawn in 06/07 F Y	48,311
7 Closing Stocks	672,998



OFFICE OF THE PRESIDENT
MINISTRY OF STATE FOR SPECIAL PROGRAMMES

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Ref: OP/SP/57/6/1A Vol. II

OFFICE OF THE PERMANENT SECRETARY
P.O. BOX 40213 -00100
NAIROBI



Date: 9th October, 2008

Prof. Gideon Misoi, OGW
Managing Director
National Cereals & Produce Board
P O Box 30586
NAIROBI

Dear Prof. Misoi,

RE: SALE OF STRATEGIC GRAIN RESERVE (SGR) MAIZE

Your letter Ref. No. NCPB/CONF/12/10/VOL. XXXI/132 of 6th October, 2008 on the above subject refers.

As per your request, and after due consultation with the Trustees, the Board is hereby authorized to sell 500,000 x 90Kg bags of maize to millers and people in areas facing severe food shortage. The selling price remains Kshs. 1,700/- per bag as approved by the Cabinet.

Proceeds from the sale should be remitted on weekly basis for deposit into the Trustees Account at the Central Bank of Kenya.

The Trustees meeting called for on 15th October, 2008 will formalize this and previous releases that have been authorized since the last meeting. As always during the meeting, the Trustees will except from the Board, a comprehensive report on the status of the SGR stocks and general food security situation.

I thank you for your continued support.

Yours Sincerely
Ali D. Mohamed

ALI D. MOHAMED
PERMANENT SECRETARY

G.M (Mfo) / S.M.M.

Note + implement
(Only millers to buy maize)



**OFFICE OF THE PRESIDENT
MINISTRY OF STATE FOR SPECIAL PROGRAMMES**

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OFFICE OF THE PERMANENT SECRETARY
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NAIROBI

Ref: OP/SP/57/6/1A Vol.II

Prof. Gideon K. Misoi, OGW
Managing Director
National Cereals and Produce Board
P O BOX 30586
NAIROBI

16th September 2008



Dear *Prof Misoi,*

SALE OF STRATEGIC GRAIN RESERVE (SGR) MAIZE

Your letter Ref. No. NCPB/CONF/12/11/V dated 15th September 2008 on the above subject refers.

As per your request, this is to authorize the Board to sell a further 150,000 x 90Kg bags of maize to the millers and people in areas facing severe food shortage. The proceeds from the sell should be remitted on weekly basis for deposit into the Trustees Account.

The letter from the Millers attached to your above referenced letter raises concerns with most millers apparently operating at less than 50% capacity. This situation must be addressed urgently and the millers and the general public reassured through regular releases to avert any panic.

The Trustees will be guided by your requests, but I emphasize that we should forestall any indication of panic by adequate and timely releases.

Yours *Sincerely*
AMW

**ALI D. MOHAMED
PERMANENT SECRETARY**

c.c. Dr. Mohamed Isahakia,
Permanent Secretary
Office of the Prime Minister
Treasury Building
NAIROBI

Mr. Joseph K. Kinyua, CBS
Permanent Secretary
Ministry of Finance
Treasury Building
NAIROBI

Dr. Romano M. Kieme, CBS
Permanent Secretary
Ministry of Agriculture
Kilimo House
NAIROBI



**OFFICE OF THE PRESIDENT
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Ref: OP/SP/57/6/1A Vol.II

22nd August 2008

Prof. Gideon K. Misoi, OGW
Managing Director
National Cereals and Produce Board
P O BOX 30586
NAIROBI



Dear *Prof.*

SALE OF SGR MAIZE

Your letter Ref. No. NCPB/CONF/12/11/V dated 21st August 2008 refers.

This is to authorize the Board to sell a further 250,000 x 90Kg bags of maize to the millers, public institutions and other deserving cases as requested.

This release will leave the SGR stocks at just about 500,000 bags which is dangerously low. We advise the Board to manage the sale carefully to avoid any undue exploitation of the current maize shortage in the country.

Proceeds from the sales and the previous balances should be remitted to this office for deposit in the Trustee Account and subsequent utilization for the importation process.

Thank you for your continued cooperation.

Yours

Sincerely

A. M. M.

SAM

1000

9th, December 2008

MAIZE STOCK FLOW REPORT: 2005/2006 FY 2008/2009 FY**2005/2006 FY- AS AT 30.06.2006**

FUNCTION	OPENING BALANCE (QTY X 90 KG) 01.07.2005	PURCHASES QTY X 90 KG	TRANSFERS QTY X 90 KG	TOTAL STOCK AVAILABLE QTY X 90 KG	SALES/ RELEASES QTY X 90 KG	TRANSFERS QTY X 90 KG	ADJUSTMENTS QTY X 90 KG	TOTAL DISPOSALS QTY X 90 KG	CLOSING BALANCES (QTY X 90 KG) 30.06.2006
COMMERCIAL	75,675	124,952	0	200,627	197,285	0	113	197,398	3,229
SGR	2,600,452	0	0	2,600,452	125,308	577,281	5,406	707,995	1,892,457
FAMINE RELIEF	576,960	1,363,219	577,281	2,517,460	2,517,460	0	0	2,517,460	0
TOTAL	3,253,087	1,488,171	577,281	5,318,539	2,840,053	577,281	5,519	3,422,853	1,895,686

2006/2007 FY- AS AT 30.06.2007

FUNCTION	OPENING BALANCE (QTY X 90 KG) 01.07.2006	PURCHASES QTY X 90 KG	TRANSFERS QTY X 90 KG	TOTAL STOCK AVAILABLE QTY X 90 KG	SALES/ RELEASES QTY X 90 KG	TRANSFERS QTY X 90 KG	ADJUSTMENTS QTY X 90 KG	TOTAL DISPOSALS QTY X 90 KG	CLOSING BALANCES (QTY X 90 KG) 30.06.2007
COMMERCIAL	3,229	1,902,616	0	1,905,845	401,005	0	(1,624)	399,381	1,506,464
SGR	1,892,457	2,459,691	77,281	4,429,429	429,429	48,311	15,621	493,361	3,936,068
FAMINE RELIEF	0	374,532	48,311	422,843	345,562	77,281	0	422,843	0
TOTAL	1,895,686	4,736,839	125,592	6,758,117	1,175,996	125,592	13,997	1,315,585	5,442,532

2007/2008 FY- AS AT 30.06.2008

FUNCTION	OPENING BALANCE (QTY X 90 KG) 01.07.2007	PURCHASES QTY X 90 KG	TRANSFERS QTY X 90 KG	TOTAL STOCK AVAILABLE QTY X 90 KG	SALES/ RELEASES QTY X 90 KG	TRANSFERS QTY X 90 KG	ADJUSTMENTS QTY X 90 KG	TOTAL DISPOSALS QTY X 90 KG	CLOSING BALANCES (QTY X 90 KG) 30.06.2008
COMMERCIAL	1,506,464	81,417	0	1,587,881	1,587,414	0	123	1,587,537	344
SGR	3,936,068	267,276	48,311	4,251,655	1,575,160	1,000,000	19,643	2,594,803	1,656,852
FAMINE RELIEF	0	13,349	1,080,094	1,093,443	372,134	48,311	0	420,445	672,998
TOTAL	5,442,532	362,042	1,128,405	6,932,979	3,534,708	1,048,311	19,766	4,602,785	2,330,194

2008/2009 FY- AS AT 30.09.2008- 1st Quarter

FUNCTION	OPENING BALANCE (QTY X 90 KG) 01.07.2008	PURCHASES QTY X 90 KG	TRANSFERS QTY X 90 KG	TOTAL STOCK AVAILABLE QTY X 90 KG	SALES/ RELEASES QTY X 90 KG	TRANSFERS QTY X 90 KG	ADJUSTMENTS QTY X 90 KG	TOTAL DISPOSALS QTY X 90 KG	CLOSING BALANCES (QTY X 90 KG) 30.09.2008
COMMERCIAL	344	0	0	344	344	0	(490)	343	1
SGR	1,656,852	98,104	0	1,754,956	1,670,377	0	0	1,670,377	84,579
FAMINE RELIEF	672,998	0	0	672,998	250,777	0	0	250,777	422,221
TOTAL	2,330,194	98,104	0	2,428,298	1,921,987	0	(490)	1,921,497	506,801

No.	CUSTOMER NAME	DATE	ORDER NUMBER	QTY (90 KGS)	AMOUNT (KSHS)
219	MOMBASA MAIZE MILLERS	28/03/2008	845726	20,000	34,200,000.00
220	UNGA FARM CARE	15/04/2008	845804	20,000	33,000,000.00
221	UNGA LIMITED	15/04/2008	845805	20,000	33,000,000.00
222	UNGA FARM CARE	24/04/2008	845815	20,000	35,000,000.00
223	BUZEKI ENTERPRISES	30/05/2008	845915	20,000	35,000,000.00
224	MOMBASA MAIZE MILLERS	03/06/2008	845917	20,000	38,200,000.00
225	UNGA LIMITED	09/06/2008	845927	20,000	38,200,000.00
226	MAFUTA FARM LTD	11/06/2008	845935	20,000	35,000,000.00
227	SUMMIT COVE	12/06/2008	846003	20,000	35,000,000.00
228	MOMBASA MAIZE MILLERS MOMBASA	24/06/2008	846045	20,000	38,200,000.00
229	EXPORT TRADING COMPANY	7/1/2008	883018	20,000	38,200,000.00
230	PEMBE FLOUR MILLS	7/16/2008	886156	20,000	38,200,000.00
231	UNITED MILLERS	7/25/2008	886198	20,000	35,000,000.00
232	ELYS COM (K) LTD	7/30/2008	893253	20,000	35,000,000.00
233	MOMBASA MAIZE MILLERS	28/01/2008	827625	25,000	32,175,000.00
234	UNGA LIMITED	05/02/2008	827754	25,000	32,175,000.00
235	PEMBE FLOUR MILLS	29/02/2008	827787	25,000	32,375,000.00
236	PISU & CO.	12/03/2008	845704	25,000	35,087,500.00
237	PEMBE FLOUR MILLS	07/04/2008	845742	25,000	41,250,000.00
238	MOMBASA MAIZE MILLERS	24/04/2008	845813	25,000	47,750,000.00
239	PEMBE FLOUR MILLS	24/04/2008	845816	25,000	43,750,000.00
240	UNGA LIMITED	20/03/2008	845720	29,500	41,300,000.00
241	CORN PRODUCTS KENYA	20/03/2008	845717	30,000	42,000,000.00
242	MADADLI LIMITED	17/04/2008	845807	30,000	49,500,000.00
243	MAFUTA FARM LTD	28/04/2008	845820	30,000	52,500,000.00
244	PEMBE FLOUR MILLS	28/04/2008	845826	30,000	52,500,000.00
245	MAFUTA FARM LTD	09/05/2008	845835	30,000	52,500,000.00
246	UNGA LIMITED	24/06/2008	846049	30,000	57,300,000.00
247	BUZEKI ENTERPRISES	7/23/2008	886175	35,812	68,400,920.00
248	MOMBASA MAIZE MILLERS	10/16/2008	921814	38,222	70,000,000.00
249	UNGA LIMITED	29/02/2008	827785	40,000	51,480,000.00
250	UNGA LIMITED	06/03/2008	827794	40,000	51,480,000.00
251	UNITED MILLERS	31/03/2008	845728	50,000	80,000,000.00
252	UNGA LIMITED	16/04/2008	845806	60,000	99,000,000.00
253	UNITED MILLERS	31/03/2008	845729	150,000	240,000,000.00
	TOTAL			#####	#####

No.	CUSTOMER NAME	DATE	ORDER NUMBER	QTY (90 KGS)	AMOUNT (I
164	UNGA FARM CARE	8/8/2008	886375	10,000	17,500,00
165	BUZEKI ENTERPRISES	8/14/2008	886402	10,000	19,100,00
166	KITALE INDUSTRIES	8/14/2008	886404	10,000	19,100,00
167	MOMBASA MAIZE MILLERS NAIROBI	8/14/2008	886405	10,000	19,100,00
168	MOMBASA MAIZE MILLERS MOMBASA	8/14/2008	886406	10,000	19,100,00
169	UNITED MILLERS	8/15/2008	886414	10,000	17,500,00
170	FRIKA ENTERPRISES LTD	8/21/2008	886441	10,000	19,100,00
171	PEMBE FLOUR MILLS	8/27/2008	886545	10,000	19,100,00
172	UNGA FARM CARE	8/28/2008	886568	10,000	17,500,00
173	BUZEKI ENTERPRISES / TRUCKSTARS	9/8/2008	886604	10,000	19,100,00
174	SHABAB MILLERS	8/11/2008	893362	10,000	17,500,00
175	NASAADA	10/9/2008	921803	10,000	19,100,00
176	KABANSORA	10/17/2008	921833	10,000	19,100,00
177	MAYFEEDS	10/16/2008	921824	10,133	19,405,320
178	UNGA LIMITED	05/02/2008	827755	11,000	14,157,000
179	EASTERN FLOUR MILLS/DIATOM	8/6/2008	886364	11,000	19,250,00
180	WORLD FOOD PROGRAMME - KENYA	28/02/2008	827878	11,111	14,778,000
181	WORLD FOOD PROGRAMME - KENYA	02/03/2008	827881	11,445	18,884,250
182	WORLD FOOD PROGRAMME - KENYA	02/03/2008	827880	13,333	21,999,450
183	BUZEKI ENTERPRISES	04/06/2008	845918	13,503	26,250,480
184	WORLD FOOD PROGRAMME - KENYA	06/02/2008	827642	13,800	18,354,276
185	UNGA LIMITED	29/01/2008	827591	15,000	19,402,500
186	NAIROBI FLOUR MILLS	26/02/2008	827781	15,000	19,500,000
187	UZURI FOODS	10/03/2008	827885	15,000	19,890,000
188	MAFUTA FARM LTD	7/8/2008	827907	15,000	28,650,000
189	EXPORT TRADING COMPANY	15/04/2008	845769	15,000	19,110,000
190	MOMBASA MAIZE MILLERS	28/04/2008	845828	15,000	26,250,000
191	BUZEKI ENTERPRISES	14/05/2008	845838	15,000	26,250,000
192	MOMBASA MAIZE MILLERS NAIROBI	14/05/2008	845846	15,000	28,650,000
193	KITALE INDUSTRIES	14/05/2008	845847	15,000	28,650,000
194	MOMBASA MAIZE MILLERS MILLY	17/06/2008	846013	15,000	28,650,000
195	MOMBASA MAIZE MILLERS NAIROBI	17/06/2008	846017	15,000	28,650,000
196	KITALE INDUSTRIES	24/06/2008	846042	15,000	28,650,000
197	MOMBASA MAIZE MILLERS KISUMU	24/06/2008	846043	15,000	28,650,000
198	MOMBASA MAIZE MILLERS MILLY	24/06/2008	846044	15,000	28,650,000
199	MOMBASA MAIZE MILLERS EMBAKASI	24/06/2008	846047	15,000	28,650,000
200	MOMBASA MAIZE MILLERS NAIROBI	24/06/2008	846048	15,000	26,250,000
201	NAIROBI FLOUR MILLS	7/1/2008	883014	15,000	28,650,000
202	MOMBASA MAIZE MILLERS MOMBASA	8/26/2008	886507	15,000	29,025,000
203	WORLD FOOD PROGRAMME - KENYA	31/01/2008	827631	16,667	22,167,000
204	UNGA LIMITED	21/01/2008	827575	16,667	21,667,100
205	UNGA LIMITED	05/02/2008	827756	16,700	21,492,900
206	BUZEKI ENTERPRISES	23/06/2008	846040	18,400	35,144,000
207	KITUI FLOUR MILLS/ ELDORET	10/30/2008	918285	19,111	35,000,000
208	MOMBASA MAIZE MILLERS	11/1/2008	918294	19,111	35,000,000
209	MOMBASA MAIZE MILLERS	10/16/2008	921815	19,111	36,600,000
210	ELDORET GRAIN LIMETD	10/16/2008	921819	19,111	36,600,000
211	PEMBE FLOUR MILLS	10/16/2008	921816	19,947	38,201,250
212	MOMBASA MAIZE MILLERS	28/01/2008	827624	20,000	25,740,000
213	MOMBASA MAIZE MILLERS	25/01/2008	827699	20,000	26,000,000
214	EXPORT TRADING COMPANY	14/03/2008	845708	20,000	26,000,000
215	ISHA TRADING	14/03/2008	845709	20,000	26,000,000
216	KABANSORA MILLERS	14/03/2008	845710	20,000	26,000,000
217	MOMBASA MAIZE MILLERS	28/03/2008	845724	20,000	34,200,000
218	MOMBASA MAIZE MILLERS	28/03/2008	845725	20,000	34,200,000

No.	CUSTOMER NAME	DATE	ORDER NUMBER	QTY (90 KGS)	AMOUNT (KSHS)
109	MOMBASA MAIZE MILLERS				
110	UNGA LIMITED	03/03/2008	827792	10,000	13,000,000.00
111	EXPORT TRADING COMPANY	06/03/2008	827795	10,000	12,870,000.00
112	PROCTOR & ALLAN	15/02/2008	827855	10,000	12,740,000.00
113	EXPORT TRADING COMPANY	22/02/2008	827868	10,000	13,000,000.00
114	EXPORT TRADING COMPANY	04/03/2008	827882	10,000	12,740,000.00
115	CAPWELL INDUSTRIES	10/03/2008	827886	10,000	12,740,000.00
116	KABANSORA MILLERS	7/8/2008	827911	10,000	18,350,000.00
117	NTUGI MILING CO.	7/11/2008	827934	10,000	18,450,000.00
118	UNGA LIMITED	7/11/2008	827935	10,000	18,450,000.00
119	UNGA LIMITED	20/03/2008	845718	10,000	14,000,000.00
120	MOMBASA MAIZE MILLERS	20/03/2008	845719	10,000	14,000,000.00
121	KITALE INDUSTRIES	20/03/2008	845721	10,000	14,350,000.00
122	UNGA FARM CARE	04/04/2008	845733	10,000	16,000,000.00
123	UNGA LIMITED	07/04/2008	845736	10,000	16,000,000.00
124	MOMBASA MAIZE MILLERS	07/04/2008	845737	10,000	16,000,000.00
125	MOMBASA MAIZE MILLERS	07/04/2008	845741	10,000	18,100,000.00
126	TSS GRAINS MILLERS	25/03/2008	845756	10,000	14,000,000.00
127	KITALE INDUSTRIES	27/03/2008	845757	10,000	14,350,000.00
128	KITALE INDUSTRIES	14/04/2008	845802	10,000	16,500,000.00
129	MOMBASA MAIZE MILLERS NAIROBI	18/04/2008	845808	10,000	16,500,000.00
130	CORN PRODUCTS KENYA	18/04/2008	845809	10,000	16,500,000.00
131	MOMBASA MAIZE MILLERS NAIROBI	28/04/2008	845823	10,000	17,500,000.00
132	UNGA FARM CARE	28/04/2008	845827	10,000	17,500,000.00
133	MOMBASA MAIZE MILLERS MOMBASA	08/05/2008	845832	10,000	17,500,000.00
134	MOMBASA MAIZE MILLERS NAIROBI	09/05/2008	845833	10,000	17,500,000.00
135	BUZEKI ENTERPRISES	09/05/2008	845834	10,000	17,500,000.00
136	CORN PRODUCTS KENYA	09/05/2008	845836	10,000	17,500,000.00
137	MOMBASA MAIZE MILLERS MOMBASA	14/05/2008	845839	10,000	17,500,000.00
138	MOMBASA MAIZE MILLERS MOMBASA	11/06/2008	845942	10,000	19,100,000.00
139	MOMBASA MAIZE MILLERS EMBAKASI	17/06/2008	846014	10,000	19,100,000.00
140	MOMBASA MAIZE MILLERS NAIROBI	17/06/2008	846015	10,000	19,100,000.00
141	MOMBASA MAIZE MILLERS KISUMU	17/06/2008	846016	10,000	17,500,000.00
142	KITALE INDUSTRIES	17/06/2008	846018	10,000	17,500,000.00
143	STRATEGIC ENTERPRISES	17/06/2008	846019	10,000	19,100,000.00
144	MOMBASA MAIZE MILLERS MILLY	7/28/2008	863648	10,000	17,500,000.00
145	MOMBASA MAIZE MILLERS MOMBASA	7/2/2008	883025	10,000	19,100,000.00
146	MOMBASA MAIZE MILLERS NAIROBI	7/2/2008	883026	10,000	19,100,000.00
147	MOMBASA MAIZE MILLERS EMBAKASI	7/2/2008	883027	10,000	17,500,000.00
148	KITALE INDUSTRIES	7/2/2008	883029	10,000	19,100,000.00
149	MOMBASA MAIZE MILLERS KISUMU	7/2/2008	883030	10,000	19,100,000.00
150	UNGA FARM CARE	7/2/2008	883031	10,000	19,100,000.00
151	UNGA FARM CARE	7/4/2008	883041	10,000	17,500,000.00
152	YASHAR ENTERPRISES	7/4/2008	883042	10,000	17,500,000.00
153	INTERFARM ENTERPRISES	7/30/2008	884218	10,000	19,100,000.00
154	MAIZE MILLING	7/30/2008	884219	10,000	17,500,000.00
155	INTERFARM ENTERPRISES	7/30/2008	884223	10,000	17,500,000.00
156	NAIROBI FLOUR MILLS	8/2/2008	884239	10,000	19,100,000.00
157	BUZEKI ENTERPRISES	7/16/2008	886155	10,000	19,100,000.00
158	UNGA FARM CARE	7/23/2008	886176	10,000	19,100,000.00
159	UNGA FARM CARE	7/24/2008	886191	10,000	17,500,000.00
160	KITUI FLOUR MILLS	7/24/2008	886193	10,000	17,500,000.00
161	PEMBE FLOUR MILLS	7/18/2008	886201	10,000	19,100,000.00
162	NAIROBI FLOUR MILLS	8/6/2008	886359	10,000	17,500,000.00
163	KITALE INDUSTRIES	8/6/2008	886362	10,000	18,350,000.00
		8/6/2008	886367	10,000	19,440,000.00

No.	CUSTOMER NAME	DATE	ORDER NUMBER	QTY (90 KGS)	AMOUNT
54	MOI'S BRIDGE MILLERS(BERNARD.W.MWAN	7/17/2008	849836	5,020	9,211,
55	SUMMIT COVE	31/03/2008	827898	5,081	6,6
56	PEMBE FLOUR MILLS	8/26/2008	886523	5,205	9,5
57	MONA BAN	04/02/2008	827753	5,277	6,860,
58	WASO INVESTMENT	9/22/2008	886807	5,288	10,100,0
59	KUNOUZ K. LTD	8/6/2008	886358	5,556	10,800,0
60	ELYS COM (K) LTD	8/3/2008	884678	5,556	9,723,0
61	MAIZE MILLING COMPANY	8/25/2008	886447	5,556	10,801,0
62	ELYS COM (K) LTD	8/2/2008	884299	5,714	9,999,5
63	RAJA \$ IAN' POSHO MILL	10/17/2008	921830	5,733	10,980,0
64	KITUI FLOUR MILLS	31/01/2008	827595	6,000	7,800,0
65	M A BAYUSUF	31/01/2008	827597	6,000	7,800,0
66	MERU MULT PURPOSE CO-OPERATIVE	8/20/2008	844443	6,000	11,010,0
67	EASTERN FLOUR MILLERS	7/21/2008	880588	6,000	10,500,0
68	CAPWELL INDUSTRIES	8/6/2008	886360	6,000	11,46
69	MOMBASA MAIZE MILLERS NAIROBI	8/26/2008	886510	6,000	11,46
70	KITUI FLOUR MILLS	04/02/2008	827596	6,535	8,495,50
71	M A BAYUSUF	04/02/2008	827598	6,587	8,563,10
72	NAIROBI FLOUR MILLS	10/17/2008	921832	6,689	12,810,00
73	DIATOM INTERNATIONAL	10/23/2008	921924	6,707	12,810,37
74	NAIROBI FLOUR MILLS	18/06/2008	846023	7,000	13,370,00
75	MAY FEEDS KENYA LTD	7/18/2008	849838	7,000	13,370,00
76	MOMBASA MAIZE MILLERS MOMBASA	8/6/2008	886365	7,000	13,370,00
77	MOMBASA MAIZE MILLERS KISUMU	8/14/2008	886408	7,000	13,370,00
78	BUZEKI ENTERPRISES	8/27/2008	886525	7,000	13,370,00
79	JELLY TRADERS	9/5/2008	886599	7,000	13,370,00
80	KABANSORA MILLERS	9/9/2008	886616	7,000	13,370,00
81	CAPWELL INDUSTRIES	10/21/2008	921915	7,000	13,370,00
82	ELYS COM (K) LTD	8/2/2008	884296	7,428	12,999,
83	BUZEKI ENTERPRISES	9/16/2008	886639	7,500	14,325,000.
84	MOMBASA MAIZE MILLERS NAIROBI	8/6/2008	886366	8,000	15,280,000.
85	THE BARN / PEMBE FLOUR MILLS	9/8/2008	886607	8,000	15,280,000.
86	ISHA TRADING	7/21/2008	886168	8,044	14,760,740.
87	MOMBASA MAIZE MILLERS NAIROBI	9/17/2008	886643	9,000	17,496,000.
88	UNGA LIMITED	24/04/2008	845814	9,429	16,500,750.
89	EASTERN FLOUR MILLS	8/12/2008	886389	9,440	16,520,000.
90	BAJABAR LTD	10/29/2008	918282	9,556	17,500,000.
91	KITUI MILLERS	11/1/2008	918296	9,556	17,500,000.
92	GARISSA MAIZE MILLERS	10/16/2008	921813	9,556	18,300,000.
93	KITUI FLOUR MILLS	10/16/2008	921818	9,556	17,500,000.
94	UNGA FARM CARE	09/04/2008	845744	9,697	16,000,05
95	UNGA LIMITED	09/04/2008	845745	9,697	16,000,05
96	MOMBASA MAIZE MILLERS	14/01/2008	827562	10,000	13,000,000.
97	UNGA LIMITED	29/01/2008	827590	10,000	12,935,000.
98	KITUI FLOUR MILLS	23/01/2008	827616	10,000	13,000,000
99	EXPORT TRADING COMPANY	24/01/2008	827618	10,000	12,740,000
100	EXPORT TRADING COMPANY	28/01/2008	827619	10,000	12,740,000
101	MOMBASA MAIZE MILLERS	28/01/2008	827622	10,000	12,870,000
102	MOMBASA MAIZE MILLERS	28/01/2008	827623	10,000	12,870,000
103	EXPORT TRADING COMPANY	01/02/2008	827632	10,000	12,740,000
104	EXPORT TRADING COMPANY	06/02/2008	827640	10,000	12,740,000
105	EXPORT TRADING COMPANY	06/02/2008	827641	10,000	12,740,000
106	EXPORT TRADING COMPANY	11/02/2008	827649	10,000	12,740,000
107	UNGA LIMITED	29/02/2008	827786	10,000	12,870,000
108	NAIROBI FLOUR MILLS	29/02/2008	827791	10,000	13,000,000

NATIONAL CEREALS AND PRODUCE BOARD
SALES ABOVE 5,000 BAGS FROM 1ST JANUARY 2008 TO 21ST NOVEMBER 2008

No	CUSTOMER NAME	DATE	ORDER NUMBER	QTY (90 KGS)	AMOUNT (KSHS)
1	ELDORET GRAINS				
2	BERNARD W MWANGI	8/4/2008	816886	5,000	9,550,000.00
3	MOMBASA MAIZE MILLERS	7/4/2008	818275	5,000	9,175,000.00
4	UNGA LIMITED	10/01/2008	827556	5,000	6,500,000.00
5	MOMBASA MAIZE MILLERS	16/01/2008	827566	5,000	6,500,000.00
6	PHILEMON MORREL	18/01/2008	827571	5,000	6,675,000.00
7	JELLY TRADERS	21/01/2008	827574	5,000	6,500,000.00
8	TSS GRAINS MILLERS	29/01/2008	827592	5,000	6,500,000.00
9	TSS GRAINS MILLERS	16/01/2008	827604	5,000	6,675,000.00
10	KITUI FLOUR MILLS	10/01/2008	827694	5,000	6,500,000.00
11	EXPORT TRADING COMPANY	10/01/2008	827695	5,000	6,500,000.00
12	EXPORT TRADING COMPANY	18/02/2008	827856	5,000	6,370,000.00
13	TSS GRAINS MILLERS	07/03/2008	827884	5,000	6,370,000.00
14	EXPORT TRADING COMPANY	10/03/2008	827887	5,000	6,675,000.00
15	MAFUTA FARM LTD	18/03/2008	827900	5,000	6,370,000.00
16	ABERDARE MAIZE MILLING	7/8/2008	827908	5,000	9,550,000.00
17	NAIROBI FLOUR MILLS	17/04/2008	845771	5,000	8,250,000.00
18	MOMBASA MAIZE MILLERS MOMBASA	22/05/2008	845909	5,000	8,750,000.00
19	KITALE INDUSTRIES	10/06/2008	845932	5,000	9,675,000.00
20	MOMBASA MAIZE MILLERS KISUMU	10/06/2008	845933	5,000	8,750,000.00
21	KITALE INDUSTRIES	11/06/2008	845937	5,000	9,720,000.00
22	MOMBASA MAIZE MILLERS EMBAKASI	11/06/2008	845938	5,000	9,550,000.00
23	MOMBASA MAIZE MILLERS NAIROBI	11/06/2008	845939	5,000	9,550,000.00
24	MOMBASA MAIZE MILLERS MILLY	11/06/2008	845940	5,000	9,550,000.00
25	MOMBASA MAIZE MILLERS NAIROBI	11/06/2008	845941	5,000	9,550,000.00
26	ELDORET GRAINS	24/06/2008	846046	5,000	9,175,000.00
27	MAY FEEDS KENYA LTD	8/5/2008	849768	5,000	9,550,000.00
28	KABANSORA MILLERS	8/7/2008	849771	5,000	9,550,000.00
29	KABANSORA MILLERS	8/15/2008	880611	5,000	9,550,000.00
30	ELDORET GRAINS	8/28/2008	880651	5,000	9,175,000.00
31	ELDORET GRAINS	8/4/2008	882049	5,000	9,550,000.00
32	MOMBASA MAIZE MILLERS KISUMU	8/4/2008	885845	5,000	9,550,000.00
33	PEMBE FLOUR MILLS	8/6/2008	886368	5,000	9,550,000.00
34	CORN PRODUCTS KENYA	8/8/2008	886371	5,000	9,550,000.00
35	BULTO SUPPLIERS	8/8/2008	886376	5,000	8,750,000.00
36	PEMBE FLOUR MILLS	8/8/2008	886377	5,000	8,750,000.00
37	ELDORET GRAINS	8/15/2008	886410	5,000	9,550,000.00
38	CHRONICLE INVESTMENTS	8/20/2008	886435	5,000	9,550,000.00
39	INTERGLOBE LOGISTICS	8/25/2008	886502	5,000	9,800,000.00
40	INTERGLOBE LOGISTICS	8/25/2008	886503	5,000	9,550,000.00
41	KITALE INDUSTRIES	8/25/2008	886504	5,000	9,550,000.00
42	KITALE INDUSTRIES	8/26/2008	886508	5,000	9,720,000.00
43	ELDORET GRAINS - ELDORET	8/26/2008	886509	5,000	9,550,000.00
44	ELDORET GRAINS - MWINGI	8/26/2008	886515	5,000	9,550,000.00
45	MAYCORN (K) LTD	8/26/2008	886516	5,000	9,550,000.00
46	PEMBE FLOUR MILLS	8/26/2008	886519	5,000	9,550,000.00
47	SHABAB MILLERS	8/26/2008	886522	5,000	8,750,000.00
48	SHABAB MILLERS	8/27/2008	886526	5,000	9,175,000.00
49	MOI'S BRIDGE MILLERS	8/27/2008	886527	5,000	9,550,000.00
50	TOCHAMA/MAYFEEDS	8/28/2008	886562	5,000	9,550,000.00
51	KITALE INDUSTRIES	9/9/2008	886615	5,000	9,550,000.00
52	UNGA FARM CARE	9/17/2008	886641	5,000	9,550,000.00
53	CEREALS AND ANIMAL FEEDS / AFRITRACK	9/18/2008	886649	5,000	9,175,000.00
		9/23/2008	886819	5,000	9,550,000.00

Dr. Romano M. Kiome, CBS

Permanent Secretary
Ministry of Agriculture

NAIROBI

Mr. Joseph K. Kinyua, CBS

Permanent Secretary
Ministry of Finance

NAIROBI



OFFICE OF THE PRESIDENT
MINISTRY OF STATE FOR SPECIAL PROGRAMMES

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Ref: OP/SP/15/013/VOL.VX

OFFICE OF THE PERMANENT SECRETARY
P O BOX 40213 - 00100
NAIROBI

4th August 2008

Prof. Gideon K. Misoi, OGW
Managing Director
National Cereals and Produce Board
P O BOX 30586
NAIROBI



RE: SALE OF STRATEGIC GRAIN RESERVE (SGR) MAIZE

Your letter ref. no. NCPB/CONF/12/10/VOL.XXXI/116 dated 28th July 2008 refers.

On behalf of the SGR trustees, I wish to inform you that the Government has approved your request for authority to sell an additional 500,000 x 90Kg bags of maize to stabilize the prices of maize in the Country.

Once again you are requested to make sure that the sale process is properly supervised in order to avoid a situation where the maize end up in the wrong hands. Such diversion could easily cause artificial shortage of maize and escalate the prices thus defeating the very purpose of stabilizing prices.

The sale proceeds should be remitted to this office for onward deposit into the SGR Account in the Central Bank.

Thank you for your continued co-operation.

Ali D. Mohamed
PERMANENT SECRETARY

GM (H.F.) / SSM -
Implement.
Tel: 7/8/08.

C.C. Dr. Mohamed Isahakia
Permanent secretary
Office of the Prime Minister
NAIROBI

Maiteka
M/s Scolastica Maiteka
Senior Internal Auditor

Attachments


1. Sales of maize above 5000 bags
2. Authority to sell the SGR maize


- Maize commodity traders-suppliers of maize (mainly at wholesale level) to various market outlets
- Non Governmental Organizations (NGOs)
- Schools
- Other institutions e.g. Prisons,
- Individual household-one bag sales at depots for household consumption.

RECOMMENDATIONS

From the above findings and conclusions it is recommended as follows

1. The SGR Trustees proposed ceilings of 6 million 90 kg bag ceiling for 2008/09 and the 8 million 90 kg bags for 2009/2010 should be gazetted with immediate effect.
2. The ceilings should not exist as book figures but there should be always both physical and cash equivalent of maize in the required ceilings.
3. The ceilings should never be allowed to go below the minimum required levels.
4. The NCPB should stock enough maize for commercial purposes in its commercial component for sale to both millers and members of the public instead of relying on SGR reserves.
5. Farmers should be given subsidies by the Government in form of Fertilizers, Seeds etc
6. The Board should mop up the maize in the local markets to fill its stocks as a way of promoting the local farmers and alleviating maize shortage.
7. The reliance on maize as basic food should be discouraged and Kenyans encouraged considering other foods like wheat, rice, millet cassava etc.


 Stephen Nyachiro
 Assistant Internal Auditor General


 Dickson D.M. Wangai
 Assistant Internal Auditor General

CONCLUSIONS

1. The Board is the one charged with the responsibility of maintaining enough maize in its stock to ensure that there is no hunger in the country.
2. The Board has the powers to raise its own working capital even from borrowing.
3. The Board has the power to import maize to replenish its stock levels when there is not enough in the local Markets.
4. The board has the power to purchase maize locally to maintain its required stock levels without reference to any other authority.
5. Authority to sell SGR maize is given by the Permanent Secretary, Ministry of Special programmes, who is the officer administering the fund on behalf of the SGR Trustees.
6. The Board sold the SGR stocks without making any replenishment efforts.
7. The Board did not engage in its Commercial activity for a long time. They neither bought nor sold maize for the better part of the year. This activity has both the effect of earning profit for its own sustenance and also making sure that there are enough maize stocks in the country to alleviate food shortage.
8. The Board failed in its duty to maintain enough stock levels to ensure there is no food shortage in the country.
9. The demand for maize comprises three main categories, namely, maize for human consumption, (whole grain, flour), animal feed and industrial processing. Analyses show that SGR maize was the only source since NCPB had nil balances in its commercial undertaking for the better part of the year since 30th June 2007.
10. The dependence of SGR Maize as the only source of maize in the country led to depletion of SGR stocks to below the authorized levels.
11. The cost of importing maize is higher than the cost of purchasing maize in the local market. Importing of maize when there is maize in the local market is therefore promoting the foreign farmers at the expense of our own local farmers.
11. The SGR maize was sold to the following groups of customers (See Appendix for particulars)
 - Major maize millers in major urban centers of Nairobi, Mombasa, Kisumu, Nakuru etc.
 - Posho Millers in urban and rural shopping centers all over the country

CONTROLS

We found that before the Board makes any SGR maize sales it seeks authority from the SGR trustees.

The authority to sell is sought from the Permanent Secretary, Ministry of Special Programmes, who is the officer administering the fund on behalf of the trustees.

Authority to sell maize since 1st July 2007 to 30th November 2008 was given as follows (Copies attached).

Date	Authority Ref.No	No of Bags
04/12/07	OP/R&R/15/053	1,000,000
26/05/08	OP/R&R/15/013/VOL.X1	1,000,000
04/08/08	OP/SP/15/013/VOL.VX	500,000
22/08/08	OP/SP/57/6/IA/Vol.II	250,000
16/09/08	OP/SP/57/6/IA/Vol.II	150,000
09/10/08	OP/SP/57/6/IA Vol. II	<u>500,000</u>
		<u>3,400,000</u>

We found that after the authority is given, the Management convenes a meeting of Departmental Heads to give direction on how to go about selling the maize to the various depots in the country.

The officers involved in this exercise are

1. Professor. Gedion Misoi Managing Director, NCPB
2. Mr. R.K.Lang'at General Manager, Marketing and operations.
3. Mr.C.S Khaemba General Manager, Finance and Administration
4. Mr J.C.Boit Sales and Marketing Manager
5. Mr.D.Mundia Ag.Supplies Manager
6. Mr P.O Umba Quality and Pest Control Manager
7. Mr. E Ongwara Operations Manager
8. Mr C.K Ngelechy Chief Accountant
9. Mr.A.G.Kamau Board Secretary
10. Mr. J.K.Ngetich Senior Legal Officer.

The depots managers are required to strictly follow the guidelines set out by Management and make returns on Disposal of the said SGR Maize. Proceeds on disposal are sent to the Officer Administering the Fund for crediting to the SGR Trustee Account in Central Bank of Kenya. These requirements are constantly met.

May 2008-September 2008

The demand for maize began to significantly increase by the end of April 2008 which led to the exhaustion of the 1 million bags authorized for sale. The trustees therefore authorized the sale of an additional 1 million bags to be sold to maize millers and other needy Kenyans at a price of Shs 1,700/= per bag.

As opposed to the earlier sales which were based on customer needs, the Board began to ration Maize from May 2008 with priority being given to well known millers as indicated in the appendix I. The Board also started to sell maize directly to schools and other institutions and prisons throughout the country. In addition individual households recorded significant purchases through the one bag sale at the depots.

In August 2008, the Board received the first consignment of 45,296 of 90kg bags of imported maize from Tanzania. In September 2008, the Board received a consignment of 1,559,356 of 90kg bags of imported maize from South Africa. The Board also purchased 1,610,091 of 90kg bags locally.

The Trustees authorized an additional sale of 500,000 bags on 4th August 2008 and an additional 250,000 bags on 22nd August 2008. Throughout the above period, maize was sold in accordance with the quantities available.

October –December 2008

Due to unprecedented demand caused by shortage in supply of maize, the Trustees authorized the sale of a further 500,000 90 kg bags of maize on 16th October 2008 for sale to millers. This quantity did not last long because by now the NCPB maize had become the single source of maize in the country. Because of the dwindling SGR maize stock levels, the Trustees instructed the NCPB to suspend any further sales SGR maize until further notice as from 7th November 2008.

As result of this action, maize flour prices began to increase significantly until the Government announced its intervention on 1st December 2008.

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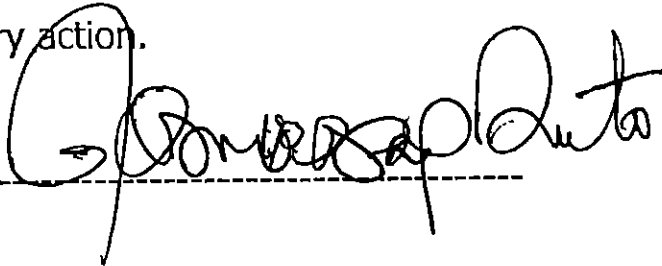
RECOMMENDATIONS TO THE CABINET

The Cabinet is being requested to note the content of this Cabinet memorandum and:-

- a) Authorize importation of 200,000 MT by the millers duty free.
- b) Authorize the purchase price for maize to be revised from Ksh. 1,700 to Ksh. 2,000 for the procurement of SGR stocks.
- c) Authorize the NCPB to release 400,000 x 90 Kg bags of SGR maize at the rate of 100,000 bags per week to millers only at market price.

The Ministers of Agriculture, Finance and State for Special Programmes be directed to take the necessary action.

Hon. William Ruto, EBS, MP
Minister for Agriculture

A handwritten signature in black ink, appearing to read 'William Ruto', is written over a horizontal dashed line. The signature is fluid and cursive.

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11. **Release of limited quantity of SGR maize to the market:** The price increase of flour may also be caused by the perception that since NCPB is not releasing maize to millers, there will be severe shortage of flour. The maize millers also argue that without maize from NCPB, they are operating at under capacity, hence the low supply of maize flour in the super markets. Furthermore, in areas where deficit is endemic, there is no maize from dealers for consumers to buy. **It is therefore proposed that NCPB release some 400,000 x 90 Kg bags at the rate of 100,000 bags per week to millers only.** This will take about 4 weeks by which time the supply from farmers will have increased to meet the demand by millers. The sale price of this maize should be at market price to avoid brokers.

FINANCIAL IMPLICATIONS

12. With the increase in purchase price from Ksh 1,700 to Ksh 2,000 per 90 kg bag, the financial requirement to replenish the SGR will increase by the same proportion. However, since the availability of maize can not be ascertained at the moment, the exact financial implication can not be established. This will be done latter to be included in the revised estimates. While it may be expected that there will be loss of revenue due to waiver of duty on imported maize by millers, this is not the case because with duty, no miller will import.

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the north rift, which is the main source of maize in the country. The increase can therefore not be attributed to maize availability in the country. The increase in operational cost of transport, milling, and packaging due to fuel prices can not justify the price increases. It is therefore assumed that the increases are caused by holding of maize by farmers and dealers in anticipation of higher prices and panic buying and storing by millers.

WAY FORWARD

9. **Importation of maize by millers:** Arising from the envisaged shortfall in maize production in the country during this season, the millers have requested to be allowed to import a limited quantity of maize to bridge the gap and stabilize the prices. **Based on the above maize stocks analysis, a quantity of 200,000 MT can be considered for importation by the millers duty free.** This will not only increase the supply of maize in the country but also remove the perception that there will be a shortage in the near future and prices will increase. As a result, those holding the maize for speculation may release it to the market.

10. **Increase of purchase price:** Up to now, there has not been any deliveries of maize by farmers to the NCPB stores. The main reason is that the price the NCPB is offering is too low compared to the market price. To enable the NCPB to build the SGR stocks, it is imperative that purchase price is increased to close to the market rate. **It is therefore proposed that the purchasing price of NCPB is increased from Ksh 1700 to Ksh 2000 per 90 Kg bag**

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6. **Maize Purchase:** As at 14th November 2008, only 5,439 bags x 90 kg bags of maize had been purchased in the maize producing areas of Nyanza, South Rift and Western. Maize in North Rift has started coming in to the market. However, NCPB has not been able to receive any maize at the current price of Ksh. 1,700 per 90 kg bag due to high market prices ranging between Ksh. 1,900.00 and Ksh. 2,300.00 per 90 kg bag being offered by other players.

Heavy rains also slowed down the harvesting in the months of October and November 2008. Although the harvesting has started picking up due to the current dry spell, the Government may not be able to buy significant quantities of maize for the SGR replenishment in the absence of an upward price adjustment to match the prevailing market prices.

7. **Holding of Maize:** It has been established that farmers and dealers are currently holding up to 8.1 million bags in anticipation of higher prices when the harvest is completed in February. Millers have also resulted to panic buying to store for use during the anticipated period of deficit. The result of this, is increasing farm-gate market prices of maize which is now at Ksh 1,900 to Ksh 2,300. However as more maize is harvested, the supply in the market will increase and prices are anticipated to come down.

8. **Price of maize flour:** Despite a relatively constant price of maize in the market over the last five months, at between Ksh 1,900 to Ksh 2,300, and the intervention by Government of releasing 3.7 million 90 kg bags of SGR maize to the market the price of maize flour has continued to increase from Ksh 65 in July to Ksh 92 to 98 per 2 kg packet currently in Nairobi. This increase is happening even at a period when harvesting is at the peak in

to farmers and thus sustaining production in subsequent seasons as a strategy for food security.

ANALYSIS OF THE PROBLEM

- 5. Maize Stocks:** The stock holding as at 24th November 2008 was 10.5 million bags x 90 kg consisting of SGR of 1.4 million bags, 0.2 million bags of Famine Relief Stocks, 0.8 million bags held by millers, 2.6 million bags held by traders and 5.5 million bags by farmers. It should be noted that millers do not disclose the amount that they are holding and hence the figure given here is a rough estimate.

With the projected remaining harvest in North Rift of 8 million bags and target 5 million bags from the short rains, a total of 23.5 million bags will be available in the country between now and August 2009. Out of this total of 23.5 million bags, 2 million bags will be used for animal feeds and industrial use while another 2 million bags will be lost through post harvest losses. 1.4 million bags is SGR stocks leaving a balance of 18 million bags available for consumption. This will take the country up to June 2009 at a monthly consumption rate of 2.7 million bags.

The country may therefore experience a deficit of 5.4 million bags of maize between July and August 2009 when the next early maize harvest from South Rift, Nyanza, parts of Western, Eastern and Central provinces will be expected in the market. There will also be need to build SGR stocks to the statutory level of 6 million bags x 90 kg by 30th June 2009 giving a further deficit of 4.6 million bags.



PERMANENT SECRETARY
MINISTRY OF AGRICULTURE
P. O. Box 30028, NAIROBI

(-----) 2008

CABINET MEMORANDUM ON THE MAIZE SITUATION IN THE COUNTRY

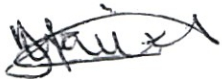
THE PURPOSE OF THE MEMORANDUM

1. The purpose of this cabinet memorandum is to appraise the Cabinet on the maize situation in the country, the reasons for increasing maize and maize flour prices and seek approval to address the anticipated shortage and contain the maize and maize flour prices in the country.

BACKGROUND

2. The Government has responsibility of ensuring food security to the people and the strategy has been mainly two pronged. Firstly, the government supports increased production and secondly, procures and stores grain as reserve for use during the periods of shortage. Maize deficit is usually experienced during drought and when there are long periods of dry spell.
3. National Cereals and Produce Board plays a strategic role in national food security. This role involves procurement, handling, storage and maintenance of Strategic Grain Reserve (SGR) and famine relief stocks on behalf of the government on an agency basis. The Board also procures and sells maize and other grains and agricultural inputs on commercial basis.
4. In the process of procuring and selling of SGR stocks, the Government through NCPB intervenes in the maize market to ensure favourable prices

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for

PERMANENT SECRETARY
MINISTRY OF AGRICULTURE
P. O. Box 30028, NAIROBI

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under dispute was very casual as there was no trace of any Government authority present in the warehouse during our visit, casting doubts whether what was being presented to us was the seized maize.

In view of the above high lights, and in consideration of the manner in which the sub-committee's visit to the maize ware house was handled, we stand by the Government agencies recommendations that the imported maize is NOT fit for both human and animal consumption.

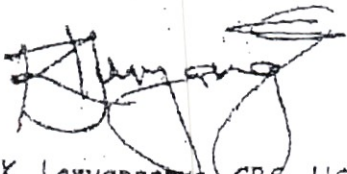
As committee members, we were all shocked to learn from the Friday Standard Newspaper of 6th March, 2009 (cutting attached), detailing information purported to be from the Prime Minister's office, declaring that the imported maize was tested and certified by Intertek firm as fit for consumption and that it will be released into the market for consumption. This information was meant to pre-empt the sub-committee report before it was presented to appear as the committee's findings. We are therefore not in agreement with and are not party to the report regardless of the source from which it was collected.

The committee's take on the matter therefore is that the issue of the disputed imported maize ought to be critically analyzed and handled with a lot of care before the maize is released into the market when all tests carried out by the experts confirm 100% surety that it is free from harmful substances.

Sir, the matter is herewith presented to you for consideration and further direction as may be deemed necessary.

Yours

Sincerely,



Prof. John K. Lanyangapao, CBS, HSC
PERMANENT SECRETARY

C.C: Minister for Industrialization

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After the lunch, the team was taken to see the maize silos. It is while at the silos that the team noticed something strange. The Prime Minister's office had made prior arrangements with a firm known as Intertek to undertake tests on the maize in the presence of the team. This was not part of the team's business as we had not been informed about the company, and in which case we had already gone through the reports prepared by the Government agencies with the relevant expertise in testing of such commodities.

Intertek's presence at the port seems to have been deliberately pre-arranged to appear like they were part of the sub-committee. The Permanent Secretary Ministry of Public Health, and all the Government agencies present raised objection to Intertek's intended activities and decided to travel back to Nairobi. However, the Permanent Secretary, Special Programmes and the Managing Director, National Cereals Board, requested the team to see how the computerized system transfers maize from the ship to the silos for storage.

The team therefore visited the silos and in the course had the privilege to see the silo purportedly said to be holding the rejected maize. The physical appearance of the maize sample from this particular silo was very clean compared to the earlier discoloured sample provided by the Government agencies when we met the Prime Minister on 26th February, 2009.

The team was very surprised at the variance and was therefore not in a position to tell whether the maize they were seeing was the same as what they saw when they were with the Prime Minister. They were also not sure whether all the maize they had seen during the two different visits was off-loaded from the ship.

CONCLUSION

Given the above scenario, our conclusion as a sub-committee is that:-

- 1) It was a big mistake to off-load and to remove the maize from the ship in the absence of all Government agencies responsible for inspecting the goods, including government security forces, before off-loading the maize from the ship.
- 2) If it was found necessary to move the disputed maize from the ship, then it should have been taken to the government warehouse under heavy security surveillance but NOT to a private warehouse as the position is currently.
- 3) At the time of removal of the maize from the ship, all government agencies should have been involved to bear witness on the condition of maize at the time, to rule out any doubts. Handling of the maize

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The Government agencies that were in the company of the sub-committee were:

1. Kenya Bureau of Standards
2. Kenya Plant Health Inspection Service
3. Chief Government Chemist

OBJECTIVE OF VISIT

The objective of the team's visit to the Port of Mombasa was two-fold:-

1. To interrogate all the Government agencies on the ground and talk to the Kenya Ports Authority (KPA) management regarding the maize scam; and
2. Visit the warehouse storing the maize under investigation with the Government agencies to see the maize and confirm the status.

MEETING WITH GOVERNMENT AGENCIES & VISIT TO THE MAIZE SILOS

I wish to report that all members of the sub-committee reported at the port of Mombasa on 2nd March, 2009 as directed save for the Permanent Secretary, Office of the Prime Minister, who opted to send a junior officer to represent him without any apologies to the sub-committee. We were received by a representative of the Managing Director, Kenya Ports Authority.

The meeting was held in the KPA Boardroom and in the absence of the PS from the Office of the Prime Minister, the team discussed and agreed that the meeting be chaired by the acting MD, KPA deputized by the Permanent Secretary, Ministry of Industrialization.

The committee was taken through all the reports from the relevant Government agencies who had tested the imported maize and by end of business were convinced that the maize was not fit for consumption. However, the team proceeded to the Grain Bulk Handlers depot where the maize was stored to have a physical look at the maize. Surprisingly, when the team reached at gate, they were received by people who appeared to be familiar with the owners of Grain Bulk Handlers and the officer from the Office of the Prime Minister. They quickly took us for a pre-arranged lunch which we were not privy to. We found the US Ambassador at the luncheon and we did not understand what his presence meant.



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Ref No: MOD/CONF.PS/01

Date: 9th March, 2009

Amb. Francis K. Muthaura, EGH
 Permanent Secretary, Secretary to the
 Cabinet and Head of the Public Service
 P.O Box 62345
 NAIROBI

Dear Hon H. Koskey,

**RE: SUB-COMMITTEE APPOINTED BY THE PRIME MINISTER TO
 LOOK AT THE MAIZE SAGA AT MOMBASA PORT - 2ND MARCH, 2009**

This is to inform you that a Sub-Committee constituting of the following membership, was appointed by the Prime Minister and tasked to travel to Mombasa on 2nd February, 2009 to look into the scam involving maize that was imported into the country recently as a relief measure towards the looming famine in the country:

NO	NAME	DESIGNATION	POSITION
1.	Mohammed Isahakiah, HSC	Permanent Secretary, Office of the Prime Minister	Team Leader
2.	Mr. Ali Daudi Mohamed	Permanent Secretary, Special Programmes	Member
3.	Mr. Mark Bor, EBS	Permanent Secretary, Ministry of Public Health and Sanitation	Member
4.	Prof. John K. Lonyangapuo	Permanent Secretary, Ministry of Industrialization	Member
5.	Prof. Gideon K. Misoi	Managing Director, National Cereals and Produce Board	Member

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The total amount available to the fund is therefore Kshs.755,870,950.30.

The Minister requested that Treasury avails funds urgently for purchase of the 2 million bags of maize required to top up the SGR stock.

The Committee, after deliberating on the matter **directed** as follows:

- (i) That 4 million bags of maize be imported into the country by the National Cereals and Produce Board, beginning July 2008. Out of this amount, 1 million bags would go to famine relief while the remainder (3 million bags) would top up the Strategic Grain Reserve;
- (ii) That since the matter was very urgent, the procurement would be done through a Restricted tender; *Direct procurement*
- (iii) That a committee comprising representatives of the Office of the Prime Minister, Ministry of Finance and Ministry of State for Special Programmes works out the modalities and logistics of this importation. Their report on how the exercise should be undertaken be presented to the Prime Minister on Tuesday, 27th May 2008.

ACTION: The Rt. Hon. Prime Minister.
Minister for Agriculture.
Minister for Finance.
Minister of State for Special Programmes.

MIN. 3/08 – ANY OTHER BUSINESS

There being no other business the meeting ended at 10.45 a.m

Confirmed

PRIME MINISTER

OFFICE OF THE PRIME MINISTER
NAIROBI

Date: 13th June, 2008

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MIN.1/08: OPENING REMARKS

The Meeting was called to order at 8.30 a.m.

The Rt. Hon. Prime Minister informed the meeting that during the Cabinet Meeting held on 15th May, 2008, the Cabinet under MIN.2/08 directed that the National Cereals and Produce Board immediately imports 3 million bags of white maize for consumption and another 2 million bags for the Strategic Grain Reserve. It directed further that the Prime Minister immediately constitutes an Ad Hoc Committee comprising; his Office, the Ministry of Finance, the Ministry of Agriculture and the Ministry of State for Special Programmes, to make the necessary budgetary and logistical provisions for the importation of the 5 million bags, with effect from July 2008.

MIN.2/08: MANAGEMENT OF STRATEGIC GRAIN RESERVE (SGR) AND FUND

The Hon. Minister of State for Special Programmes presented Brief NO. CAB.COM/AH/2 which sought to apprise the committee on the current status of the Country's Strategic Grain Reserve (SGR) and what needs to be done to avert the looming grain shortage.

She informed the meeting that the SGR which was established in 2002 vide Legal Notice No. 55 of 15th April, 2002, was mandated to hold a statutory stock level of 4 million bags of maize and a cash equivalent. This figure was however raised to 8 million bags in May 2008. This is expected to be achieved in two financial years i.e 2 million bags in 2008/09 and another 2 million in 2009/10 financial year.

The objective of the fund is to maintain stability in the local grain market and also act as a source of famine relief in the event of acute shortages of food supply.

The SGR trustees had in 2007 authorized the release of maize stocks for famine relief and for sale leaving a balance of 2,251,665 90 kg bags.

Following the sale, the fund was only left with a balance of Ksh. 784,990,865.15 in its account. It had received an additional Ksh. 526,000,000.00 from the Government during the Revised Budget exercise of this financial year. The National Cereals and Produce Board was yet to remit to it (the fund) Ksh. 180,119,543.00 realized from the sale of maize. The fund at the same time owed NCPB Ksh. 735,239,457.85.

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for [Signature]

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PERMANENT SECRETARY
MINISTRY OF AGRICULTURE
P. O. Box 30028, NAIROBI

[Handwritten Signature]

Copy No.

Minute 1- 3

FIRST MEETING OF THE AD HOC FOOD SECURITY SUB-COMMITTEE HELD IN THE OFFICE OF THE PRIME MINISTER, TREASURY BUILDING, HARAMBEE AVENUE NAIROBI, ON FRIDAY 23RD MAY, 2008, AT 8.00 A.M.

Present

Rt. Hon. Raila Amolo Odinga E.G.H.,M.P	Prime Minister	Chairman
Hon. Amos Kimunya, E.G.H, MP	Minister for Finance	
Hon. William Ruto, M.P	Minister for Agriculture	
Hon. (Dr) Naomi Shabani, E.G.H, MP	Minister of State for Special Programme	

Secretariat

Dr. Mohammed Isahakia , H.S.C.	PS, Office of the Prime Minister (Secretary)
Mr. Caroli Omondi	Office of the Prime Minister (Assistant Secretary)

Joint Secretary

Mr. O. F. Kibuna	Cabinet Office, Office of the President
Mr. M. O. Oguya	Cabinet Office, Office of the President

In Attendance

Mr. Ali Dawood	PS, Ministry of State for Special Programmes
Mr. Kamau Thugge	Economic Secretary, Ministry of Finance
Mr. Paul B. M. Ngugi	Ministry of Finance
Ms. Babiana M Walela	Ministry of Agriculture
Mr. Titus Murithi	ISC
Mr Gideon Misoi	NCPB

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MIN.11/08: WAY FORWARD

- (a) The NCPB should request the Public Procurement Oversight Authority to approve Direct Procurement method as per MIN.6/08 (1. e) of the meeting held on 1st July, 2008.
- (b) The Panel to negotiate with 11 potential Suppliers and shortlist five (5) on the basis of price per 90 kg bag within the range 350-450 US Dollars per Metric Ton and delivery schedules.

After doing **a** and **b** above, the members of the AD Hoc Food Security Sub-Committee will work together with the members of the Negotiating Panel to finalize the maize importation process.

In conclusion, the meeting underscored the need for concerned agencies to ensure that local maize is not supplied under the guise of importation.

DATE OF NEXT MEETING

The next meeting will be held once the tender evaluations and logistics are completed.

There being no other Business, the meeting was adjourned at 7.25 p.m.

CONFIRMED

Chairman, Ad Hoc Food Security
Sub-Committee

PRIME MINISTER

Date:

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MIN.9/08: CONFIRMATION OF MINUTES

Correction

Ex.MIN/6/08 (1) Kshs 2,000 was amended to read Kshs.1,700.

The Minutes were then confirmed and signed by the Chairman.

MIN.10/08: REPORT ON MAIZE IMPORTATION

The Managing Director National Cereals and Produce Board (NCPB) presented the Report by the Maize Suppliers negotiating Panel offer No. NCPB/WM/01 2008-2009.

It was noted that:

- (a) The offer for Invitation No.NCPB/WM/01/2008-2009 was closed on 7th July, 2008 at 12.00 noon.
- (b) The Negotiating Panel received ten (10) documents from the Tender Opening Committee.
- (c) AFGRI Ltd of South Africa had requested that they be allowed to submit full quotation by Wednesday 9th July, 2008.
(This request was granted by the Ad Hoc Committee.)
- (d) During the evaluation and comparison of offers, five (5) firms had been found responsive. These were:
 - Noble Resources SA PTY Ltd. - South Africa
 - Euro world Commodities - England
 - B.N. Kotecha & Sons - Kenya
 - Pabari Distributors - Kenya
 - Hola General Trading Company Ltd - Dubai UAE
- (e) The quoted prices by potential Suppliers were ranging from Kshs. 3,078 to Kshs.3,258 per 90 kg bag.

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to [Signature]
PERMANENT SECRETARY
MINISTRY OF AGRICULTURE
P. O. Box 30023, NAIROBI

Copy No. 6.....

Minute

**MINUTES OF THE THIRD MEETING OF THE AD HOC FOOD SECURITY
SUB-COMMITTEE HELD IN THE PRIME MINISTER'S OFFICE, ON
TUESDAY, 8TH JULY, 2008 AT 05.55 P.M.**

Present

Rt. Hon. Raila Amolo Odinga E.G.H., M.P	Prime Minister	Chairman
Hon. William Ruto, M.P	Minister for Agriculture	
Hon. (Dr) Naomi N. Shaban, MP	Minister of State for Special Programmes	

Secretariat

Dr. Mohammed Isahakia , H.S.C.	PS, Office of the Prime Minister (Secretary)
Mr. Caroli Omondi	(Assistant Secretary)

Joint Secretary

Mr. O. F. Kibuna	Cabinet Office, Office of the President
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In Attendance

Mr. Joseph K. Kinyua, CBS	PS, Ministry of Finance
Mr. Ali Dawood	PS, Ministry of State for Special Programmes
Dr. Romano M. Kiome, CBS	PS, Ministry of Agriculture
Prof. Gideon Misoi	MD, NCPB
Mr. Mr. D. C. Mundia	Procurement Manager, NCPB
Mr. Coronel K. Ngetechy	Chief Accountant, NCPB

The Chairman called the Meeting to order at 05.55 p.m.

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(e) **Maize Stock Holding**

The Committee was informed that the national maize stock holding as at 18th August, 2008 was as follows:

• SGR	-	751,655	90 kg bags
• Famine Relief	-	328,977	90 kg bags
• NCPB Commercial	-	0	kg bags
Total	-	1,080,632	kg bags

(f) In view of the precariously low maize stock holding, the Ministry of Agriculture was requested to carry out an assessment of the Food Security situation in the Country for deliberation by the Ad Hoc Food Security Sub-Committee during the next meeting.

MIN. 22/08: ANY OTHER BUSINESS

The Secretariat was directed to prepare a Cabinet Memorandum on the progress made so far by the Ad Hoc Food Security Sub-Committee on importation of maize for presentation by the Prime Minister to the next Full Cabinet meeting.

There being no other Business, the meeting ended at 6.05 p.m.

CONFIRMED

Chairman, Ad Hoc Food Security
Sub-Committee

PRIME MINISTER

Date:

(c) **Importation of maize from Canada-**

The Committee was informed that **Conexe Systems Company** had been issued with an award letter to supply 75,000 MT of maize. However, the award had later been cancelled due to:

- (i) The Company's failure to provide a Performance Bond.
- (ii) The Company's proposal to vary the maize quality specifications and moisture level were neither acceptable nor negotiable.
 - The NCPB therefore sought authority to negotiate with other reputable companies to supply 75,000 metric tons of maize. The Committee **approved** the request.
 - The Committee was further informed that the following four Companies had indicated their willingness and capacity to supply maize quantities as shown against their respective names:

	<u>Firm</u>	<u>Origin</u>	<u>Metric Tons of Maize</u>	<u>Price Per MT</u> <u>US\$</u>	<u>Delivery Period</u>
1.	Mark Daniels	Uganda	20	425	September and October 2008
2.	Senwes	S. Africa	25	435	September, 2008
3.	Riva Commodities	Ivory Coast	15	374	September, 2008
4.	Euroworld	S.Africa	50	<u>460</u>	October, 2008

(d) The Committee was informed that, modest harvesting of maize has commenced in Transmara, Kehancha, Migori and Yala and that Millers and Traders are already purchasing the maize at between Kshs.1,850 and Kshs. 2,100 per 90 kg bag.

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The Chairman called the meeting to order at 4.30 p.m.

MIN.19/08: CONFIRMATION OF MINUTES

The Minutes of the Fifth meeting held on 30th July, 2008 were confirmed and signed.

MIN.20/08: MATTERS ARISING

Ex-Min. 17/08 (ii) it was noted that the quantity of maize from Zambia would be 30,000 Metric tons and Not 30,000 bags.

MIN.21/08: REPORT ON IMPORTATION OF MAIZE

The Managing Director, National Cereals and Produce Board (NCPB) presented the Report. The highlights of the Report were as follows:

- (a) The Letter of Credit for AFGRI Company (South Africa) was opened on 7th August, 2008 and the first ship carrying 6,000 MT of Maize had departed Durban on 18th August, 2008 and was scheduled to dock at the Port of Mombasa on 25th August, 2008. A further 12,000 MT would be delivered in September and October this year.
- (b) It was noted that AFGRI had informed the NCPB that 60,000 MT of maize would be shipped from Maputo due to lack of slots at Durban and that the cost per metric ton would be US\$ 430 instead of the earlier approved prices of US\$ 422, 426 and 430. This would occasion an additional cost of US\$ 220, 946 (**Kshs.14,140,540**).

The Committee noted that there is a great demand for maize internationally and therefore **approved** the price variation in order to avoid the danger of losing the consignment to other customers.

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MINUTES OF THE SIXTH MEETING OF THE AD HOC FOOD SECURITY
SUB-COMMITTEE HELD IN THE OFFICE OF THE PRIME MINISTER ON
TUESDAY 19TH AUGUST, 2008, AT 4.00 P.M

Present

[Handwritten signature]

PERMANENT SECRETARY
MINISTRY OF AGRICULTURE
P. O. Box 30023, NAIROBI

[Handwritten signature]

Rt. Hon. Raila Amolo Odinga E.G.H., M.P Prime Minister - **Chairman**

Hon. John N. Michuki, EGH, MP Ag. Minister for Finance

Hon. (Dr) Naomi N. Shaban, MP Minister of State for Special
Programmes

Absent with Apology

Hon. William S. arap Ruto, M.P Minister for Agriculture

Secretariat

Dr. Mohammed Isahakia , H.S.C. PS, Office of the Prime
Minister (**Secretary**)
Mr. Caroli Omondi (**Assistant Secretary**)

Joint Secretary

Mr. O. F. Kibuna Cabinet Office, Office of the
President

Mr. M. O. Oguya Cabinet Secretariat, Office of
the President

In Attendance

Mr. Mutua Kilaka, CBS Financial Secretary,
Ministry of Finance

Mr. Ali Dawood PS, Ministry of State for
Special Programmes

Dr. Romano M. Kiome, CBS PS, Ministry of Agriculture

Prof. Gideon Misoi MD, NCPB

Mr. Osolo Omba Operations Manager, NCPB

A.G. Kamau NCPB

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C.C.

Rt. Hon. Raila Amolo Odinga, EGH, MP
Prime Minister
NAIROBI

Hon. William Samoei Ruto, EGH, MP
Minister for Agriculture
NAIROBI

Hon. Amos M. Kimunya, EGH, MP
Minister for Finance
NAIROBI


Hon. (Dr) Naomi Shaban, MP
Minister of State for Special Programmes
NAIROBI

- ii) **Directed** the Government to authorize the importation of 2 million bags duty free in the next financial year (2008/9) as part of the strategy to progressively increase the Strategic Grain Reserve (SGR) from the current 4 million bags to 8 million bags in the next 2 years.
- iii) **Directed** the Government to increase the National Cereals and Produce Board (NCPB) buying price for maize from the current Kenya Shillings 1,300/- to Kenya Shillings 1,700/- per 90 kg bag so as to attract sales by local farmers.
- iv) **Directed** the Government to ensure the maize imported at a price of Kenya Shillings 2,000/- per 90 kg bag is sold to millers at Kenya Shillings 1,700/- per bag, with the Government absorbing the price differential between the import price and selling price to millers so as to cushion consumers from further food price increases.
- v) **Directed** the Prime Minister's Office to immediately constitute an Ad Hoc Food Security Sub-Committee comprising the Ministry of Finance, Ministry of Agriculture, and Ministry of Special Programmes as core members with other ministries being co-opted as necessary.
- vi) **Directed** the Food Security Sub-Committee to make the necessary budgetary and other logistical provisions for the importation of 5 million bags of maize from July this year.

The Prime Minister, the Minister for Finance, Minister for Agriculture, and the Minister of State for Special Programmes to take necessary action.

Please proceed and initiate action with immediate effect along the lines of the Cabinet decision.

Yours


AMB. FRANCIS K. MUTHAURA, EGH
PERMANENT SECRETARY, SECRETARY TO THE
CABINET AND HEAD OF THE PUBLIC SERVICE

for *Shauri*
**PERMANENT SECRETARY
MINISTRY OF AGRICULTURE
P. O. Box 30028, NAIROBI**



OFFICE OF THE PRESIDENT

**PERMANENT SECRETARY, SECRETARY TO THE CABINET
AND HEAD OF THE PUBLIC SERVICE**

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001 2 2008

P.O. Box 62345-01
NAIROBI

OP.CAB.58/4A
and date

16th May, 2008

..20

Dr. Muhammad Isahakia, HSC
Permanent Secretary
Office of the Prime Minister
NAIROBI

Mr. Romano M. Kiome, CDS
Permanent Secretary
Ministry of Agriculture
NAIROBI

Mr. Joseph K. Kinyua, CBS
Permanent Secretary
Ministry of Finance
NAIROBI

Mr. Ali D. Mohamed
Permanent Secretary
Ministry of State for Special Programmes
NAIROBI

Dear

**CABINET MEMORANDUM ON THE STATUS OF THE CURRENT FOOD
SITUATION IN THE COUNTRY**

I refer to the **First Grand Coalition Cabinet** meeting held on 15th May, 2008, during which Cabinet Memorandum CAB(08)9, jointly submitted by the Minister for Agriculture and the Minister for Finance was presented and discussed.

I wish to inform you that Cabinet **considered** the contents of the Memorandum and:

- 1) Directed the Government to authorize the immediate importation of 3 million bags of maize duty free, using the National Cereals and Produce Board (NCPB) to meet the country's food requirements.

where short rains are the most important for maize production.

11. CONCLUSIONS

- The food security situation is expected to improve with increased inflows from neighboring countries and the arrival of imported maize in the country.
- Although there is a deficit of 6 million bags of maize between now and end of August, the impact may be mild due to the imports and inflows expected during this period.
- With the government's intervention in provision of fertilizers and seeds to farmers, the production is predicted to increase significantly.
- Fertilizer prices are now much lower than last year and many farmers are expected to apply correct amounts for optimum productivity.
- It has been observed that there is a steady decrease of maize prices in major markets in the country implying that there is an increased supply in the markets.
- As a result of the increased supply of maize in the markets, the price of maize flour has continued to decline, hence increasing accessibility of food to many people.

- ◆ NCPB – 660,000 MT of DAP has been imported between February and March 2009.
- ◆ Through NAAIAP:
 - 1,687 Bags of DAP to support 4 Districts- support Egyptian Government.
 - FAO has approved funding to support this prog in seven (7) districts of Nandi North, Lugari, Mt. Elgon West Pokot, Kwanza, Eldoret East and Bungoma East. This will cost USD380, 000.
 - Proposal to World Bank for support of 6 districts each with 7,000 farmers is nearly finalized.
 - The programme is supporting 700 beneficiaries with fertilizer in 6 Districts of Coast Province.
- ◆ Kilimo Biashara Packages (Commercial small packs)
 - Interest rates were negotiated between GOK, Alliance for Green Revolution in Africa (AGRA), International Fund for Agriculture & Development (IFAD) and Equity Bank. The loan package attracts interest of 10% for small scale farmers and 15% for large scale farmers and Agribusinesses in the grain production and services.
 - It is a countrywide programme with an annual outreach of 3,050,000 beneficiaries.
 - Kilimo Plus, in long rains 2009, will focus on Nyanza, Western and Rift Valley Provinces while in short rains focus will be on Eastern, Central and Coast Provinces

TABLE 10: SORGHUM - LONG AND SHORT RAINS 2009 PROJECTIONS

Province	Long rains		Short rains		Annual Total targets	
	Target (Ha)	Target prod.(Bags)	Target (Ha)	Est. Prod/ (Bags)	(Ha)	(Bags)
R/Valley	10,496	83,968	3,133	21,931	13,629	105,899
Nyanza	54,500	830,100	22,480	303,430	76,980	1,133,530
Western	11,906	107,154	4,547	36,376	16,453	143,530
Central	128	595	165	709	293	1,304
Eastern	57,698	459,892	70,770	651,640	128,468	1,111,532
Coast	1,506	14,845	1,112	10,374	2,618	25,219
N/Eastern	25	150	10	40	35	190
Nairobi	0	0	0	0	0	0
Totals	136,259	1,496,704	102,217	1,024,500	238,476	2,521,204

- Area under Sorghum is expected to increase with the distribution of free seed by the Ministry through the Orphan Crop Programme.
- World Food Programme plans to support the growing of these crops through called "P 4 P" (Purchase for Progress).
- The interest by EABL to purchase 24,000 MT of Cadam white sorghum will also promote its plantings.

6. PREPARATIONS FOR LONG RAINS PLANTINGS

- ◆ Since January 2009, private sector has imported the following amounts of fertilizers:
 - DAP – 75,000 MT
 - SSP – 18,000 MT
 - 17.17.0 – 14,000 MT
 - CAN – 30,000 MT
 - UREA – 12,000 MT

TABLE 8: BEANS - LONG AND SHORT RAINS 2009 PROJECTIONS

Province	Long rains		Short rains		Annual Total targets	
	Target (Ha)	Target prod.(Bags)	Target (Ha)	Est. Prod/ (Bags)	(Ha)	(Bags)
R/Valley	222083	1,776,664	106106	848,848	328,189	2,625,512
Nyanza	113,300	640,300	65,800	415,600	179,100	1,055,900
Western	129,364	905,548	43,330	298,747	172,694	1,204,295
Central	51,800	318,960	48,032	372,060	99,832	691,020
Eastern	263,300	1,579,800	268,629	2,149,032	531,929	3,728,832
Coast	3150	15,185	1,253	8,394	4,403	23,579
N/Eastern	75	320	30	90	105	410
Nairobi	1000	5,000	600	2400	1600	7400
Totals	784,072	5,241,777	533,780	4,095,171	1,317,852	9,336,948

TABLE 9: MILLET - LONG AND SHORT RAINS 2009 PROJECTIONS

Province	Long rains		Short rains		Annual Total targets	
	Target (Ha)	Target prod.(Bags)	Target (Ha)	Est. Prod/ (Bags)	(Ha)	(Bags)
R/Valley	12,868	102,944	1,524	10,668	14,392	113,612
Nyanza	16,650	830,100	13100	303,430	29750	1,133,530
Western	6,077	48,616	240	1,920	6,317	50,536
Central	90	360	100	402	190	762
Eastern	54,766	459,892	60,356	517,280	115,122	977,172
Coast	335	2,766	220	1444	554	4,210
N/Eastern	-	-	-	-	-	-
Nairobi	-	-	-	-	-	-
Totals	90,786	1,444,678	75,540	835,144	166,325	2,279,822

TABLE 7: MAIZE- LONG AND SHORT RAINS 2009 PROJECTIONS

Province	Long Rains		Short Rains		Annual Total targets	
	Target Ha	Target Prod(bags)	Target (Ha)	Est. Prod/ (Bags)	(ha)	Bags
R/Valley	629,490	16,366,740	100,572	1,810,296	761,062	18,177,036
Nyanza	180,350	3,607,000	110,000	650,000	290,350	5,257,000
Western	220,835	5,078,353	34,271	516,878	274,216	5,595,231
Central	74,052	1,042,380	61,755	1,101,045	135,807	2,243,425
Eastern	203,300	1,626,400	258,629	1,810,403	461,929	3,436,803
Coast	92,657	1,008,560	41,910	407,784	134,567	1,816,344
N/Eastern	5,130	41,040	2,670	18,690	10,800	59,730
Nairobi	5,500	110,000	2,500	37,500	10,000	147,500
Totals	1,411,314	28,880,473	612,307	7,352,596	2,078,731	36,733,069

- Long rains Target area for last year was 1.2 million ha compared to 1.5 million Hectares.
- It is estimated that area under maize will rise due to some farmers switching from wheat to maize production.
- Low supply of maize this year and the good prices offered will be an incentive to put more land under this crop.

TABLE 6: BEANS BALANCE SHEET FOR 1ST APRIL TO 31ST AUGUST 2009

Bean Stocks as at 27th March 2009 (bags 90kg)	626,298
Imports	
Total East Africa Imports (cross border trade) expected between April & August 2009	5,000,000
Local production - Long rains harvest (June - August 2009)	2,500,000
Post - harvest losses, seeds (at 5%)	-500,000
NATIONAL AVAILABILITY (bags 90kg)	7,000,000
Exports	
Uganda	
Tanzania	
Sudan,	2,000,000
Total exports to East Africa	
Total Exports	-2,000,000
NATIONAL CONSUMPTION (1st April to 30th August 2009) at rate of 14 kg per person	2,334,000
Bean surplus as at 30th August 2009 (bags 90kg)	+2,666,000

Surplus beans as at 30th August 2009 is enough to feed the nation for another 5 months (up to end of January 2010). At which time there will be harvest for short rains 2009 and inflows for second crop from Uganda.

- There is a drop in maize prices in Mombasa and Nairobi compared to the last two months. This is attributed to the imported maize which has entered the market.
- Prices in Eldoret and Kitale stable at Kshs 2,200 - Kshs 2,400 an indication that maize could still be holding maize.

5. BEANS

Last year bean production averaged about 3.0 million bags against a per annum consumption of 5 million bags. The country meets its consumption requirement through cross border trade and other pulses. Most of the commodity traded at the border comes from Uganda which harvests as early as May for long rains and December for short rains. In a good season some of the produce is re-exported to neighboring countries when imports and local production exceed annual requirement.

TABLE 5: BEAN STOCKS AS AT 27th MARCH 2009

Province	Farmer's stocks (Bags)	Traders (Bags)	NCPB	Totals
			(Bags)	(Bags)
Western	60,144	50,704		110,848
Nyanza	72,640	85,350		157,990
R /Valley	74,465	26,816		101,281
Central	11,912	28,691		40,603
Eastern	45,810	73,889		119,699
Coast	121	255		376
Nairobi	-	45,650		45,650
N/Eastern	3	148		151
Total	265,095	311,503	49,700	626,298

TABLE 4: PRICES (KES) OF MAIZE GRAIN (PER 90 kg Bag) IN MAJOR MARKETS IN MARCH 2009

Date	Nairobi	Eldoret	Kitale	Mombasa
2.3.2009	2,600	2,300	2,400	2,700
3.3.2009	2,600	2,300	2,450	2,600
4.3.2009	2,600	2,300	2,400	2,600
5.3.2009	2,600	2,300	2,,400	2,600
6.3.2009	2,600	2,300	2,450	2,600
7.3.2009	2,550	2,300	2,300	2,500
9.3.2009	2,530	2,300	-	2,500
10.3.2009	2,300	1,900	1,900	2,400
11.3.2009	2,530	2,300	2,340	2,500
12.3.2009	2,550	2,340	2,340	2,500
13.3.2009	2,525	2,300	-	2,500
16.3.2009	2,550	2,300	2,400	2,500
17.3.2009	2,500	2,300	2,370	2,500
18.3.2009	2,525	2,300	2,450	2,500
19.3.2009	2,520	2,300	2,450	2,500
20.3.2009	2,500	2,300	2,450	2,500
23.3.2009	2,500	2,300	-	2,500
24.1.2009	2,500	2,300	2,450	2,350
25.3.2009	2,450	2,300	2,450	2,350
26.3.2009	2,475	2,300	2,450	2,350
27.3.2009	2,480	2,300	-	2,350
30.3.2009	2,450	2,300	2,450	2,350
31.3.2009	2,450	2,300	2,450	2,350

Source: Kenya Agricultural Commodity Exchange (KACE)