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TENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
AGRICULTURE, LIVESTOCK AND COOPERATIVES

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

PARLIAMENT BUILDINGS
NAIROBI

DECEMBER 2011

TABLE OF CONTENTS

PAGE

PREFACE

Mr. Speaker, Sir,

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

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

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

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

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

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

In presenting this report, the Committee would like to record its appreciation and gratitude to the Minister for Agriculture and the Millers for the open discussions that helped the Committee to understand the dynamics in the sugar production and availability in the markets. The explanations given helped to shed light on the current shortage and high sugar prices reached in the local and international markets.

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

I thank all Members of the Committee for their sacrifice and commitment in the work of the Committee, and special thanks to the secretariat staff of the National Assembly for their dedication in making the work of the Committee easily accomplished.

Mr. Speaker, Sir,

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

Thank You

Signed ....

CHAIRPERSON

(HON. JOHN M. MUTUTHO, MP)

Date...... 13th. Dec 2011. ......

1.0 INTRODUCTION

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

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

    ii) to study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;

    iii) to study and review all legislation referred to it;

    iv) to study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives;

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

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

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

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

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

04. The Committee comprises:-

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

05. The recent sugar shortage and its consequent escalated consumer prices have raised concern among the publics. Subsequently, the Committee in its own motion pursuant to Standing Order 198 (3)(e) which explains the function of the Departmental Committees is **'to investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister'**, resolved to inquire into the matter.

06. The Committee therefore invited and held several meetings with the Ministry of Agriculture to deliberate on the causes of the recent sugar shortage and the high consumer prices which have continued to prevail in the Markets. The representatives of the management of all sugar millers (both private and Government-owned) participated in the deliberations.

07. This Report contains the findings of the Departmental Committee regarding the deliberations on subject matter of the investigation. In compiling the Report, the Committee relied on the evidence received at Parliament Buildings and no field visit was undertaken. The Committee had earlier in 2009 visited sugar growing areas and sugar factories when it conducted public hearings and compiled its Report on **'Committee's Hearings on the Challenges Facing the Sugar Sector in Kenya'** which was debated and adopted by the House early this year, 2011.

08. Subsequently, the challenges faced in the sugar sector were still fresh with the Committee and only focused on the inquiry into the high cost consumer prices of

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

2.0 THE SUGAR PRODUCTION IN THE COUNTRY

09. According to the Ministry of Agriculture, Kenya's sugar production capacity is estimated at 530,000 metric tonnes against consumption demand estimated at 780,000 tonnes. There are currently nine (9) sugar factories involved in sugar production, namely **Chemelil, Muhoroni, Mumias, Nzoia, South Nyanza, West Kenya, Soin, Kibos, and Butali.** New investments are being developed at Kwale International Sugar Company, proposed Tana Integrated Sugar Project, Trans-Mara Sugar Company and Sukari industries to upscale production.

10. According to the Kenya Sugar Board (KSB), sugar production has increased over the years. It stood at 377,438 tonnes in 2001 and rose to 523,652 tonnes in 2010, which reflects a growth capacity of 39 per cent. At the same time, sugar consumption rose from 630,065 tonnes (2001 figures) to 772,731 tonnes (2010 figures).

11. This has meant that Kenya has to import sugar to bridge deficit. However the world faces sugar deficits which have contributed to price volatility. Most sugar produced (70%) is consumed in the producing countries while the residual (30%) is traded at the international market which is also being threatened with increasing demand in markets in Asia, especially in India and China.

12. According to the Ministry of Agriculture (MOA), sugar production, sales and closing stocks have tended to take cyclical swings every year based on weather conditions, availability of sugar imports, political situations, policies and interventions, and world sugar prices. These factors were stated to be volatile and unpredictable.

13. According to the Report of the Departmental Committee on Agriculture, Livestock and Cooperatives (2010), it explained that the globalization now taking place around the world and emergence of trade blocs through integration initiatives, non sugar factors among them multilateral trade regimes and preferential arrangements have emerged as strong determinants of world market sugar prices. The determinants are however region specific and not necessarily a reflection of global supply and demand for the commodity.

14. Currently sugar production in the country is rain-fed and extreme weather patterns have worked to affect production. The introduction of sugar production under irrigated farming in the coastal regions and areas where insufficient rainfall has impeded crop growth means that expected gains are foreseen in Kenya.

15. With reference to the sugar production in 2011 which has laid ground to the present sugar crisis in terms of availability and high prices, the trend in production figures presented **at Table 1** help to illustrate the drastic decline in production from between months of January to September, 2011.

Table 1 showing sugar production (in tonnes) by sugar companies in the period, January-September, 2011

Factory	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Chemelil	3,539	3,583	2,478	3,304	2,293	1,495	1,181	290	326
Muhoroni	4,053	4,050	3,700	2,597	1,609	1,017	946	600	768
Mumias	23,615	20,695	24,855	22,757	18,752	13,946	3,937	7,092	9,932
Nzoia	6,886	6,618	6,736	6,688	6,061	4,358	4,939	6,676	254
South Nyanza	6,593	6,397	6,308	6,240	6,659	6,691	6,322	6,727	5,722
West Kenya	6,848	6,783	5,657	7,572	7,286	6,132	4,295	1,873	3,045
Soin	165	167	135	183	107	55	59	50	57
Kibos	4,275	3,776	3,973	2,720	1,810	1,234	1,473	1,050	1,683
Butali	N/A	N/A	N/A	N/A	4,553	3,888	2,732	1,702	489
TOTAL	55,974	52,069	53,842	52,061	49,130	38,816	25,884	26,060	22,276

Source: Ministry of Agriculture (2011)

16. A comparative figures for total production for the 2010 and 2011 years during for the months of January to September in all the factories reveal of the decreased production in 2011 compared to 2010 except for the Nzoia and South Nyanza factories **(see Table 2 below)**. The decline in sugar production has especially been felt in the Nyando and Western sugar belts.

17. Statistics further indicate that total sugar production in the Country has registered a mere 0.6% increase in the two years, with 373,746 tonnes and 376,112 tonnes being achieved in 2010 and 2011, respectively.

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

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

Source: Ministry of Agriculture (2011)

3.0 SUGAR SALES

18. The total sugar sales in the period between January and September 2011 were 379,210 metric tonnes compared to 370,582 metric tonnes achieved during the same period in 2010 (see table 3 below). This reflected an increase of 2.3% in sugar sales in 2011. The increase in the recorded production and sales could be mainly attributed to the commissioning of the Butali Sugar Company towards the end of January 2011.

19. Statistics by the Ministry of Agriculture on the data on closing sugar stocks indicate that the sugar held by the factories at the end of September 2011 amounted to 868 tonnes compared to 15,161 tonnes during the same period in 2010. This represented a 94% decrease in the stocks held and which has been attributed to low sugar importation in 2011.

Table 3 showing sugar sales (in tonnes) in the period, Jan-Sept, 2010 and 2011

Factory	Jan-Sept 2011	Jan-Sept 2010
Chemelil	18,764	25,749
Muhoroni	19,960	22,300
Mumias	138,732	158,096
Nzoia	52,634	46,520
South Nyanza	59,711	35,275
West Kenya	51,186	56,249
Soin	990	1,127
Kibos	24,588	25,266
Butali	12,645	N/A
TOTAL	379,210	370,582

Source: Ministry of Agriculture (2011)

20. Statistics also indicate that the Kenya imported brown sugar amounting to 8,680 tonnes in the period between January and October 2011, compared with 102,033 tonnes during the same period in 2010, which reflects a 90% reduction. A slight reduction was however observed with regards to importation of refined white sugar used for manufacturing where a drop of 13% was registered when, between January and October, 2011, a total of 89,295 tonnes was imported compared to 96,400 tonnes in 2010 (see annex 1).

21. The sugar importation is meant to bridge deficits while it is also directed at supplementing local production. It should be noted however that only residual sugar at international market is available for importation since most of the sugar is consumed in the producing countries even if those countries grow the crop for commercial purposes.

4.0 THE SUGAR SHORTAGE AND HIGH SUGAR PRICES: *Meeting with the Ministry of Agriculture and the Sugar Millers*

22. To gain an insight into the sugar shortage which recently characterized the market and which has contributed to the current high sugar prices, the Committee held two meetings with the Ministry of Agriculture and the Chief Executives of all the

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

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

1) That, the effects of burning of seed cane during the post election violence in 2007/8 had a destabilizing action on cane development programmes in the sugar growing areas.

2) That, the rainfall patterns have not worked in favour of cane development. The effects of severe drought in the 2009/10 period adversely affected the seed cane development meant to replace the ones destroyed in the post-election violence period. The weather patterns have also become erratic due to global climatic changes.

3) That. there existed inability by new sugar millers to develop their cane, particularly in Nyando Sugar Belt, leading to serious competition for existing cane resulting in haphazard harvesting regimes and supply crunch

4) That, the poor operational performance of the Parastatal Sugar Mills, such as Chemelil and Muhoroni Sugar Mills, leading to over mature cane due to delayed harvesting, and delayed payments which have forced farmers to supply canes to other millers and Kibos (private miller) in particular.

5) That, unavailability of mature cane for crushing in most sugar belts has contributed immensely to the reduced production, as a result of explanations given in (i) and (ii) above.

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

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

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

51,413.398 hectares under cane against the ideal surface area of 60,000 hectares, with majority of its crop age ranging between 2months and 16 months and a harvesting age of between 14-16months.

7) That, there was shortage of sugar for import from the regional and international market due lucrative prices offered in Asia (especially China and India) and EU countries.

8) That, adverse weather conditions in some of the major world sugar producing countries, such drought experienced in the south of Brazil and frost experienced in China worked to reduce the supply and increase demand at the international market.

9) That, the reforms in the sugar regime being implemented in the EU countries has resulted in the region becoming a net sugar importer and consequently its attractive offers made to the net exporters within the Africa and Caribbean-Pacific (ACP) countries. For example Swaziland who previously formed the bulk of Kenya's sugar importers seized the opportunity to gain from price boom at the international markets.

10) That, the procedures for vetting and clearance of sugar importers are unnecessarily lengthy and this caused delay in the process of registration of sugar importers.

11) That, the delays in registration process have made the manufacturers to incur high costs in clearing their imported sugar and especially in respect of refined sugar used for production processes. They are therefore slow to undertake the importation activity but to purchase from local sources.

12) That, due to the gap between sugar production and importation which experienced dramatic drop in 2010/11 and compounded the supply crunch of the commodity, the sugar prices consequently and naturally skyrocketed in a demand-supply phenomenon.

13) That, as 1st July, 2011, out of a total of 26 applicants who applied for table sugar importation, 23 was still pending while 13 had been declined; and 38 applicants had been approved for registration to import refined sugar, while 1 declined and 3 were still pending.

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

(i) lengthy procedures in the engagement with other relevant arms of the Government;

(ii) inadequate feedback mechanism on reasons behind decline of delay in registration from the parent Ministry of Agriculture;

(iii) high costs incurred by importers and manufacturers at the Port of Mombasa due to delays in the clearance of goods, coupled with the slow registration processes.

14) That, the prices of both cane and sugar have continued to increase with no signs of a reverse trend in future. For example the cane prices increased from Kshs 2,600 per tonne to Kshs 4,500 per tonne between November 2010 and November 2011 across in all milling companies (see annex 2). The prices increases move with the cost of production which is higher in Kenya compared to other producing countries, and so the consumer prices must also move in tandem.

15) That, the escalating cost of electricity, fuel, fertilizers, packaging materials and other consumables has increased the cost of production by 40% which has worked to impact on the consumer price of sugar.

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

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

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

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

17) That, sugar cane production suffers a bleak future in the face of contractibility due to competition from food production and other cash crops. The out-grower farmers are shifting to food crops due to high production cost of cane and this is expected to impact negatively on future cane availability and its consequent sugar prices if intervention measures are not implemented to counter the trend.

18) That, even when imported sugar fetched low prices at the countries of origin due to efficient processes, they are priced similar to the local sugar levels by the importers and retailers in pursuit of profiteering.

19) That, cane production in the Nyando Sugar Belt is under threat owing to encroachment into nuclear sugar estates by the Provincial Administration determined to construct the Muhoroni District headquarters which it had requested land acreage of 30 acres belonging to Chemelil Sugar company Ltd **(see annex 4)**, and that a further buffer zone of 50 metres be set between the Chemelil Sugar farms and the District Headquarters **(see annex 5)**. The dispute continues to remain unresolved and was stated in the process of being filed in Court by Chemelil Sugar Company.

20) That, the declining trends in cane production and availability by Chemelil and Muhoroni had been occasioned by poaching of their cane by the Kibos Sugar whose construction of weighbridge at Awasi and the on-going one at Chemase have become strategic incentives for Kibos to attract farmers' cane destined to Chemelil and Muhoroni due to reduction in transportation cost.

21) That, although Kibos had been licensed to crush cane capacity of 500-800 tonnes, it operations had increased its crushing capacity in excess of 1000 tonnes. This was explained indicated apparent impunity by the Kibos management to harvest cane it had not even invested in its growth and development in the area.

22) That, the general dramatic rise in costs of consumer price of sugar had been attributed to increased operational costs of running old mills at parastatal factories; escalated cost of electricity, fuel, cane and other consumables; and harvesting of immature cane which has drastically reduced recoveries drop from 10 tonnes of cane to 1 tonne of sugar to 25 tonnes of cane to 1

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

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

5.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

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

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

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

ii) The closure by all factories for routine maintenance at the same time worsened the supply of sugar into the market. This was noted to be illadvised on the part of the millers to create sudden drop in the release of sugar into the supply chain.

iii) The inability to import from traditional sugar producing countries due to growing demand for sugar at regional and international markets was the other contributing factor. Additionally, sugar fetched high prices in EU and Asian countries which became attractive for countries within the COMESA to sell their sugar exports.

iv) The sugar yields had been on the decline due to rising cost of production occasioned by rising oil prices and other farm inputs, thereby making farmers unable to engage in meaningful farm production practices.

v) The high cost of consumer prices of sugar was not warranted, since the millers explained their factory prices had remained constant. After application of costing formula under the current prevailing circumstances, the 'true price' was found to be Kshs. 115 per Kg. The exorbitant high prices reached at the markets at over Kshs. 200 per Kg were due to price distortion by retailers whose objectives was to unduly gain from the shortage of sugar commodity.

vi) The high production costs incurred by factories have generally led to the general increase in sugar prices, but not to the levels currently reached in the market. Although it was explained that Kenya is liberalized economy where supply and demand forces dictate prices and that is the reason the supply factor became the issue under discussion, the Committee therefore still concluded that the sugar traders are to blame for the escalated prices of sugar.

vii) The 30-acre encroachment of the nuclear estate belonging to the Chemelil Sugar Company used for cane development by the Provincial Administration was a characteristic impunity which should stop without delay until due process was followed.

26. The Committee therefore recommended that:-

1) The Ministries of Finance and Agriculture fast tracked the implementation of the privatization process of government-owned sugar factories to

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

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

2) There is urgent need to invest in irrigated sugar farming in ASALs to increase land acreage under cane production and to move away from rain-fed farming which is susceptible to changing weather patterns.

3) Review of the cost of production of sugar to make it affordable by the farmers and factories through subsidy by the Government e.g., through the use of utilization of portion of Sugar Development Levy (SDF) by the Kenya sugar Board to subsidize farm inputs and offer credit schemes at proposed rate at 2% interest using the sugar crop as collateral. The miller to which the farmer delivers cane must provide proof of contractual agreements and which would be enforced to ensure the farmer pay back the loans.

4) There is need for adequate investments in sugar research to develop varieties of sugar which are early maturing and high yielding in sucrose content in order to compete with countries like Mauritius and South Africa by empowering research and as earlier recommended in the Committee's report on the sugar sector.

5) The Ministry of Lands fast track its reforms in the land policies regarding land tenure system to minimize land division by families and which is impacting on available land size for cane production. Prudent land use management practices should be worked out, implemented and enforced to control uneconomical land units under the crop and other farming enterprises.

6) All the Sugar Millers be provided with licences to import duty-free sugar (non-COMESA) amounting to a maximum of 275,000 tonnes proportionate to their production capacities with immediate effect. The quantities were arrived at after taking into account monthly consumption

estimated at 65,000 tonnes. In implementing this recommendation, the Committee would undertake monthly reviews based on reports from the Ministry of Agriculture, the Kenya Sugar Board and the Millers on the status of availability of mature cane in the sugar belts with a view to advising on withdrawal of importation permits at an appropriate time

7) In implementing the recommendation in paragraph 24 (6) above, the sugar factories to label the recommended consumer prices of both the imported sugar and locally produced sugar in the packaging material to deter traders from arbitrarily escalating prices.

8) The recommended price per Kg for the retail markets be placed to a maximum of Kshs. 130 per Kg, after the millers estimated this price was indicative price level locally and in the COMESA region.

9) The duty free waiver importation extended to sugar factories to last for four (4) months between December 2011 and April 2012 during which all the factories completely shut down operations to allow immature cane to reach its harvesting age at between 18-24 months. However factories with mature cane would be allowed to continue operating but with assurances that the cane is aged 18-24 months. The period of 4 months was arrived at after assessment reports by the factories which stated the time required for the cane to mature.

10) The Kenya Sugar Board be mandated to oversee the importation of sugar by the factories and to undertake audit of sugar production to ensure the country become self-sufficient in its sugar requirements.

11) The sugar retailers be held responsible and reprimanded for the escalating cost of sugar prices due to their arbitrary increases and being part of the schemes to exploit consumers.

12) The Ministry of Agriculture to build its capacity and intensify farm extension services to increase the production yields per acre in the agriculture sector.

13) The Government supports the development and the expansion of drip irrigation facilities in sugar production, among other agricultural crop production developments.

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

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

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

6.0 CONCLUSION

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

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

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

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

of the indicative prices, and that sugar millers, the Kenya Sugar Board and the Ministry of Agriculture inform the country on imminent shortages in future to allow for quick interventions to be implemented to prevent recurrence of frequent crises which allow traders to exploit consumers.

MINUTES

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

PRESENT

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

ABSENT WITH APOLOGY

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

IN ATTENDANCE:
KENYA NATIONAL ASSEMBLY

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

MIN.NO.266 /2011: PRELIMINARY

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

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

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

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

As part of the recommendations, the Committee further recommended that the Government clear and issue permits to imported sugar already landed at the port of Mombasa to allow the sugar to be release into the market so as to stabilize the prices.

While adopting the report, the Committee was in consensus that strict measures need to be put in place by the relevant Ministry and regulatory body to discourage immature harvesting of cane at whatever cost. That indeed, too many players exist in the supply chain and this has contributed to the actual costed price of sugar at the time of production to go up unjustifiably.

However, the Hon. Benjamin Washiali, MP, a Member of the Committee and Member of Parliament for Mumias rose on Standing Order number 81 which states that *"A Member who wishes to speak on any matter in which the Member has interest shall first declare that interest"*. He expressed his reservations on the recommendation relating to the closure of all milling companies for four (4) months to allow for cane to mature to the acceptable 18months.

Hon. Benjamin Washiali was of the opinion that closure of sugar mills particularly within his Constituency will have huge implications both economically and socially. According to the Member, experience has shown that in the 3-4 weeks that the Mumias Sugar Company closes for maintenance, the period is characterized by increased insecurity in the sugar belt given that up 10,000 cane cutters among others wholly depend on such services to the company.

He therefore proposed that-

(i) Milling companies and sugar belts with some percentage of mature cane are allowed to crush this mature cane. Such milling companies will only be allowed to import the difference of their allocated quota. This is while mechanisms are put in place to ensure none of the immature cane is harvested.

(ii) The Ministry of Agriculture to pursue the issue of pricing of cane vis avis the price of sugar as sold by millers (find a formulae to address the exaggerated sugar prices) to eliminate farmers from being exploited; a case that has resulted in apathy among the farmers.

MIN.NO.268 /2011: ADJOURNMENT

The meeting was adjourned at 12.01 pm to reconvene on Wednesday, 14th December 2011 at 11.00 am.

Signed -- Date 13th. Dec. 2011

Chairperson

(Hon. John Mututho, MP)

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

PRESENT

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

ABSENT WITH APOLOGY

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

IN ATTENDANCE:

Hon. Justus Kizito, MP – Shinyalu Constituency

MINISTRY OF AGRICULTURE

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

KENYA NATIONAL ASSEMBLY

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

John Nganga - Hansard Officer

MIN.NO.263 /2011: PRELIMINARY

The meeting was reconvened and commenced with a word of prayer at 3.05pm to discuss the measures by the Ministry and way forward on how to manage the sky rocketing sugar prices and persistent cane shortages across the sugar belts.

MIN.NO.264 /2011: MEETING WITH THE MINISTER FOR AGRICULTURE

Setting the basis for the recommendation, the Committee was informed that annual production of sugar in the country stand at 530,000MT against the annual consumption of 780,000MT and hence a deficit of 250,000MT annually. It also came to the attention of the Committee that the Country therefore requires 65,000MT monthly translating to 260,000MT in the next 4 months.

It became clear that the proposed recommendations were geared towards addressing two issues;

i. The harvesting of immature cane by all milling companies which the Committee felt if not urgently addressed is likely to cause collapse to the sugar sub-sector.
ii. the unbearable skyrocketing sugar prices in the Country

The Committee therefore recommended and was agreed as follows;

a) The Country to import **duty free sugar** from the **non-COMESA** region for the next 4 Months (totaling to the Country's monthly consumption for the next 4 months)to cover for the monthly consumption in the Country.
b) Sugar mills to close for at least 4 months. To empower the milling companies in the short term, and bearing in mind that mills will shut down to allow for the maturity of the current immature cane, **100% priority be given to millers** to import the sugar in proportionate to their milling capacities. This will also ensure unscrupulous dealers are deterred from taking advantage of the situation.
c) The indicative prices once imported sugar free **should range between Kshs 130-135 per kilo**
d) The **retail price is displayed on the sugar packages** to avoid exploitation by the retailers.

The Committee having raised concern about the likelihood of future sugar prices particularly 4 months after the lapse of the above short-term emergency measures, recommended that:-

a) The Country should strive to become self sufficient by privatizing the state owned sugar mills

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

Documents to be tabled
Ministry recommendations with respect to prices and importation quotas for millers by Tuesday 13th December, 2011 at 10am
Mumias sugar report to be sent electronically to the secretariat and a copy to the Ministry by Friday 9th December, 2011 at 5.00pm

MIN.NO.265 /2011: ADJOURNMENT

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

Signed---
Chairperson
(Hon. John Mututho, MP)

Date------- 13th. Dec. 2011 ---

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

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

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

IN ATTENDANCE:

MINISTRY OF AGRICULTURE

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

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

MIN.NO.260 /2011: PRELIMINARY

The meeting started with a word of prayer at 11.07am with tabling of the following documents

Documents tabled
Kenya Sugar Board document
Report by Chemelil Sugar Company
Report by Muhoroni Sugar Company

MIN.NO.261 /2011: SUBMISSIONS FROM THE MINISTER FOR AGRICULTURE

The meeting commenced with the Committee interested to know the comparison in cane prices and sugar prices across different mills. The Minister affirmed that even though the prices of both cane and sugar varied from one company to the other, cane prices between January and November were on the increase and so were the sugar prices. The Concern for the Committee however was the disproportionate increment between the two prices with the price of cane increasing just marginally to the disadvantage of farmers.

Concerning the challenges facing the millers, the Committee was informed that cane poaching to unlicensed jaggeries or other millers and underdevelopment of cane continue to hamper production of sugar across all mills. Additionally, the construction of illegal weighbridges had further perpetuated illegal cane harvesting. The Committee was therefore concerned about a lack of a clear harvesting policy framework.

The Ministry also informed the Committee that the cost of production has increased two fold with Mumias Sugar expressing an increment from Kshs 56 per metric tonnes to Kshs 103 per metric tonne between July and November 2011. It was also revealed that cane sugar industry in Kenya is high cost because by its nature is rain-fed thereby compounding the problem.

The Committee was informed that the scarcity in cane supply was being compounded by reduced area under cane from 67,000ha to 58,000ha in the case of Mumias Sugar. Land was said to be lost through subdivision to build homesteads and the migration to subsistence crops.

The Ministry was explained that despite millers recommending certain prices for sugar, retailers have failed to implement these prices owing to the forces of supply and demand. The Committee, concerned about the escalating prices of sugar and the utilization of immature cane by millers, proposed as follows; That the Minister;

(i) Consider the closure of all milling companies to allow for cane to mature since the Committee was informed that cane aged up to 13 months is being utilized against the ideal age of 18 months.

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

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

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

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

MIN.NO.262 /2011: ADJOURNMENT

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

Chairperson.. ...Date 13th. Dec. 2011

(Hon. John Mututho, MP)

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

PRESENT

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

ABSENT WITH APOLOGY

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

IN ATTENDANCE:

MINISTRY OF AGRICULTURE

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

KENYA NATIONAL ASSEMBLY

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

MIN.NO.250 /2011: PRELIMINARY

The meeting started with a word of prayer at 10.19am

MIN.NO.251 /2011: PRESENTATION BY THE MINISTER FOR AGRICULTURE

The meeting started with a brief introduction by the Chair. In his remarks, he decried the sky rocketing prices of sugar and sought to understand the underpinning factors ailing the Kenyan sugar industry. He further brought to the attention of the Members, that the current demand of sugar outstrips supply and the increasing prices of sugar in the international market has hugely contributed to plummeting supplies in the local market.

While responding to the reasons for drop in sugar production, the Minister was keen to make the committee understand that, cane shortage was major reason contributing to the slump in sugar production and hence supply.

The Committee heard that currently, millers have been forced to crush twice the capacity to produce the same tonnage of sugar owing to use of immature cane with all the sugar belts experiencing this crisis except for Sony Sugar Company. The Minister however clarified that the Government was investing in Cane Development in all sugar belts by disbursing initially Kshs 500Million through Agricultural Finance Development (AFC).

While showing the magnitude of the problem, the Minister shared figures showing sugar production in respective companies in past 11 months. Figures indicated that SONY Sugar Company experienced a slight reduction in production in November 2011 to produce 3810 MT even though its production patterns across the months showed steady increase.

The decline in November was attributed to poor infrastructure and unpredictable weather. Other figures given by the Minister showed a slumping production by the Muhoroni sugar company from 4051MT in January 2011 to 578MT in August and slight increment in September and October at 1152MT and 1846MT respectively.

The Committee heard that the Nyando sugar belt where the said company is located has in the past year experienced shortage in sugar cane owing to an additional miller, Kibos who early in the year was licensed to crush 800 MT/per day despite cane unavailability. Allegations were raised further that the said mill had installed a weighbridge at Awasi without due process thereby encroaching on cane destined for other millers.

The Minister further informed the Committee that Nzoia Company was the only Company implementing the Cane Protection Programme, a programme supported by the Ministry and geared towards protecting sugar from illegal poaching. The decline from 7232MT in January 2011 to 5390 MT in August experienced by the Company was solemnly attributed to reduced efficiency in mills which has been rectified.

It also became clear to the Committee that Chemilil sugar experienced a similar slump in production from 3539MT in January of the year in question to 290MT in August and 400MT in October.

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

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

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

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

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

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

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

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

<u>Document to table</u>
Value chain analysis for sugar production in the different zones

MIN.NO.252 /2011: ANY OTHER BUSINESS

The Committee was informed of the upcoming workshop on the 15th and 16th December 2011 organized by the Ministry of Agriculture to revise CAP 386.

MIN.NO.253 /2011: ADJOURNMENT

There being no Any Other Business, the meeting was adjourned at 1.40 pm.

Chairperson.. ...Date 13th. Dec. 2011 ....

(Hon. John Mututho, MP)

ANNEXES

ANNEX1

APPENDIX II

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

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

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

ii) Mill/Brown Sugar (Tonnes)

Country	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	TOTAL JAN-OCTOBER 2011	TOTAL JAN-OCT 2010
Swaziland	-	-	-	-	-	-	-	-	-	-	-	504.00
Zimbabwe	-	-	-	-	-	-	-	-	-	-	-	-
Botswana	-	-	-	-	-	-	-	-	10.00	-	10.00	-
Sudan	-	-	-	-	-	-	-	-	0.002	-	0.00	-
Egypt	5,996.00	-	-	-	-	-	-	-	-	-	5,996.00	85,336.13
France	-	-	0.07	-	-	-	-	-	-	-	0.07	-
Italy	-	-	-	-	-	-	-	7.87	-	-	7.87	0.02
United Arab Emirate	-	-	-	-	0.45	-	0.80	-	-	-	1.25	-
Mauritius	66.00	316.00	176.45	-	485.45	66.20	-	-	-	-	1,110.10	6,586.79
Netherland	-	0.02	-	-	-	-	-	-	-	-	0.02	0.03
Uganda	30.00	-	-	-	-	-	28.00	15.00	-	-	73.00	800.00
Tazania	-	-	-	-	-	-	-	-	-	-	-	4,956.85
India	-	-	-	-	-	-	0.00	-	-	-	0.00	0.03
Malawi	-	-	-	-	-	-	-	-	1,412.00	70.15	1,482.15	3,850.00
Sub-total	**6,092.00**	**316.02**	**176.52**	**0.00**	**485.90**	**66.20**	**28.80**	**22.87**	**1,422.00**	**70.15**	**8,680.46**	**102,033.85**

iii) White Refined Sugar (Tonnes)

Country	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	TOTAL JAN-OCTOBER 2011	TOTAL JAN-OCT 2010
Egypt	3,516.50	2,300.00	4,975.00	1,225.00	600.00	1,725.00	925.000	1,425.000	1,350.000	525.000	18,566.50	5,067.00
Brazil	-			-	-	-	-	-	-	1,400.000	1,400.00	1,040.00
South Africa	6,868.50	432.00	1,496.00	824.00	344.00	1,116.00	986.000	1,473.700	5,364.000	4,166.500	23,070.70	44,147.55
Mauritius	0.03	-	-	-	-	-	-	-	-	-	0.03	0.01
Saudi Arabia	3,330.00	2,366.00	4,867.00	4,796.00	2,765.00	2,075.00	5,561.500	2,425.000	4,568.920	5,776.000	38,530.42	40,670.15
Malaysia	-	-	-	-	-	-	-	-	-	250.000	250.00	
Netherland	-	23.00	0.03	0.07	-	0.07	0.011	-	-	0.048	23.23	23.15
United Arab Emirate	0.06	-	0.07	0.05	0.02	1,290.08	0.132	2,010.582	0.060	4.800	3,305.85	32.66
Germany	-	-	-	-	-	-	-	-	1.560	-	1.56	-
Pakistan	-	-	-	-	-	-	-	-	-	0.025	0.03	
Algeria	-	-	-	-	-	-	-	-	1.000	-	1.00	-
Canada	-	-	-	-	-	-	-	-	-	0.635	0.64	391.00
Belgium	-	0.02	0.00	-	-	-	-	-	-	-	0.02	1,127.00
Turkey	-	-	-	-	-	-	-	-	-	-	-	0.35
Swaziland	-	-	-	-	-	-	-	-	-	-	-	1,176.00
United kingdom	-	-	-	-	-	150.00	200.000	-	0.100	0.054	350.15	0.22
Thailand	-	-	-	-	500.00	500.00	-	-	-	-	1,000.00	1,850.00
U.S.A	-	-	-	-	-	-	-	-	-	-	-	0.76
France	-	230.00	-	-	-	-	-	-	-	-	230.00	253.00
Australia	-	-	-	-	-	-	-	-	-	-	-	621.00
India	208.00	725.00	364.00	286.00	333.00	350.00	275.000	24.000	-	-	2,565.00	0.16
Sub-total	**13,923.09**	**6,076.02**	**11,702.10**	**7,131.12**	**4,542.02**	**7,206.15**	**7,947.64**	**7,358.28**	**11,285.64**	**12,123.06**	**89,295.13**	**96,400.01**
TOTAL SUGAR IMPORTS (II+III)	**20,015.09**	**6,392.04**	**11,878.62**	**7,131.12**	**5,027.92**	**7,272.35**	**7,976.445**	**7,381.150**	**12,707.642**	**12,193.212**	**97,975.59**	**198,433.86**

Annex 2

CANE PAYMENT DURING THE MONTHS OF NOVEMBER 2010 - NOVEMBER 2011

1. Mumias

MONTHS IN 2010-2011	1. CANE PRICES PAID IN THE MONTH (KSHS/T)
Nov-10	3,148
Dec-10	3,148
Jan-11	3,148
Feb-11	3,148
Mar-11	3,148
Apr-11	3,148
May-11	3,200
Jun-11	3,200
Jul-11	3,200
Aug-11	3,475
Sep-11	3,475
Oct-11	4,186
Nov-11	4,186

2. Nzioa

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

3. Chemelil

MONTHS IN 2010-2011	1. CANE PRICES PAID IN THE MONTH (KSHS/T)
Nov-10	2,978
Dec-10	2,978
Jan-11	2,960
Feb-11	2,880
Mar-11	2,905
Apr-11	2,930
May-11	3,100
Jun-11	3,100
Jul-11	3,474
Aug-11	4,100
Sep-11	4,300
Oct-11	4,300
Nov-11	4,300

4. Muhoroni

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

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

5. South Nyanza

Nov-10	3,128
Dec-10	3,128
Jan-11	3,128
Feb-11	3,128
Mar-11	3,128
Apr-11	3,128
May-11	3,128
Jun-11	3,128
Jul-11	3,168
Aug-11	3,168
Sep-11	3,168
Oct-11	3,500
Nov-11	4,500

6. Kibos

Nov-10	3,150
Dec-10	3,175
Jan-11	3,000
Feb-11	3,000
Mar-11	3,150
Apr-11	3,520
May-11	3,150
Jun-11	3,150
Jul-11	4,200
Aug-11	4,350
Sep-11	4,350
Oct-11	4,350
Nov-11	4,350

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

7. Soin

Nov-10	2,600
Dec-10	2,600
Jan-11	2,600
Feb-11	2,600
Mar-11	2,600
Apr-11	2,725
May-11	2,850
Jun-11	2,850
Jul-11	3,592
Aug-11	3,937
Sep-11	4,000
Oct-11	4,300
Nov-11	4,300

8. West Kenya

Nov-10	3,360
Dec-10	3,360
Jan-11	3,128
Feb-11	3,128
Mar-11	3,128
Apr-11	3,128
May-11	3,213
Jun-11	3,213
Jul-11	3,352
Aug-11	3,352
Sep-11	3,352
Oct-11	3,700
Nov-11	4,300

9. Butali

Feb-11	
Mar-11	3,200
Apr-11	3,200
May-11	3,200
Jun-11	3,200
Jul-11	3,400
Aug-11	3,400
Sep-11	3,400
Oct-11	3,950
Nov-11	3,950

ANNEX 3

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

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

*Weighted average

RETAIL SUGAR PRICE (KSHS/KG)			
RANGE		MEAN	
2010	2011	2010	2011
90-115	78-120	101.97	96.13
80-110	78-120	96.00	93.52
80-115	78-120	96.00	90.28
80-115	86-120	92.48	92.42
87-100	85-120	97.00	93.81
85-120	86-120	93.68	100.41
88-110	120-150	97.43	134.00
95-110	128-180	103.87	158.53
84-115	120-230	100.29	183.98
81-110	180-240	100.34	205.25
80-120	150-250	95.05	196.61
80-120	**78-250**	**97.65**	**131.36**

ANNEX 4

OFFICE OF THE PRESIDENT

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

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

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

10th March, 2011

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

CHEMELIL SUGAR COMPANY LIMITED
RECEIVED
11 MAR 2011
MANAGING DIRECTOR
CHEMELIL

RE: REQUEST FOR LAND FOR CONSTRUCTION OF MUHORONI DISTRICT HEADQUARTERS AT CHEMEIL – (50 ACRES)

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

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

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

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

Anne, Done on 14/3/2011
Respond, the request will be forwarded to the full board for discussion and concurrence from Parent Ministry
CC DH M Mare

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

CONFIDENTIAL

ANNEX 5

OFFICE OF THE PRESIDENT

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

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

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

Date: 18TH JULY, 2011.

SUGAR COMPANY LIMITED
RECEIVED
20 JUL 2011
MANAGING DIRECTOR
CHEMELIL

CONFIDENTIAL

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

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

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

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

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

Thanks in anticipation.

FRED .O.OUMA
DISTRICT COMMISSIONER
MUHORONI DISTRICT

CONFIDENTIAL

Noted