

The Kenyan Sugar Industry

OUT GROWER INSTITUTIONS

SELF- EVALUATION

With a view of

RESTRUCTURING

To Deliver Efficiently to the Farmer

(27th October – 18th November 2003)

*By: Tom Shikfutuli
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ABBREVIATIONS

AGM	Annual General Meeting
BOCO	Busia Out grower Company
BOSACCO	Busia Out grower Savings And Credit Company
BSC	Busia Sugar Company
CSC	Chemelil Sugar Company
DDC	District Development Committee
HA	Hectare
HR	Human Resource
KESGA	Kenya Sugarcane Growers Association
KESGEU	Kenya Sugarcane Growers and Employees Union
KESMA	Kenya Sugar Manufacturers Association
KESREF	Kenya Sugar Research Foundation
KNFU	Kenya National Farmers Union
KRA	Kenya Revenue Authority
KSB	Kenya Sugar Board
KSBCU	Kisumu Sugar Belt Cooperative Union
KSSCT	Kenya Society of Sugar Cane Technologists
MMCU	Muhoroni Multipurpose Cooperative Union
MoA	Ministry of Agriculture
MOCO	Mumias Out growers Company
MOSACCO	Mumias Out growers Savings And Credit Company
MOU	Memorandum of Understanding
MSC	Mumias Sugar Company
MUSCO	Muhoroni Sugar Company
MUSOCO	Muhoroni Out growers Company
NEOC	Nandi Escarpment Out growers Company
NGO	Non Governmental Organization
NOCO	Nzoia Out growers Company
NSC	Nzoia Sugar Company
OGI	Out Grower Institution
SACCO	Savings And Credit Company
SDF	Sugar Development Fund
SDL	Sugar Development Levy
SOC	South Nyanza Out growers Company
SONY	South Nyanza Sugar Company
SOSOCO	Soin Out growers Company
SUCAM	Sugar Campaign For Change
TCD	Tonnes Crushed Daily
TCH	Tonnes of Cane per Hectare
TOR	Terms of Reference
WEKO	West Kenya Out growers Company
WEKSCOL	West Kenya Sugar Company Limited

RESTRUCTURING OUT GROWER INSTITUTIONS

Background

The Amayo led task force recommended that;

- a) Out grower institutions capacity needs be identified
- b) A restructuring process be instituted
- c) Audit accounts of all out grower institutions

It was on this basis that various stakeholders in the sugar industry came together on the 16th and 17th September 2003 to discuss how to start implementing the same. A standing committee of 14 people was then formed to conduct the activity. The committee consists of;

1. Joseph Tado	SUCAM	Chairman
2. Tom Shikhutuli	WECO	Secretary
3. Moses Goga	KSB	
4. Noah Wawire	KESREF	
5. David Wafula	SUCAM	
6. Barrack Onguko	KSSCT	
7. Fredrick K'Otiende	MOCO	
8. Jonathan Mutonyi	NSC	
9. Mohammed Kulubi	MOCO	
10. Laban Mulehi	KSB	
11. Caleb Omer	KSBCU	
12. Charles Owelle	CSC	
13. Mr. Chepkwony	KESREF	
14. Salome Munyendo	SUCAM	

TERMS OF REFERENCE

1. Create room for the OGIs to re examine themselves with a view to restructuring so as to offer effective services to the farmer as outlined in the task force recommendations. OGI's to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations
2. Enable the OGIs to discuss the roles of the institutions in the sugar industry sub sector, so as to determine the best possible ways of relating to them with the view of delivering effectively to the farmer
3. To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGIs

4. To enable the OGI's to explore possibilities of providing direct extension services to their members to avoid exploitation of OGI's by the millers. These services can be co-ordinated together with KESREF, MoA, and KSB

5. To create opportunity for the OGI's and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

The committee developed a programme for visiting milling zones as follows;

Milling zone	Date	Participants
Nzoia	27/10/2003	Stakeholders meeting (Farmers, Miller, Opinion leaders, NOCO: Management, directors)
	28/10/2003	OGI meeting
West Kenya	29/10/2003	Stakeholders meeting (Farmers, Miller, Opinion leaders, SACCO, Cooperative societies, WECO: Management, directors)
	30/10/2003	OGI meeting
Busia	03/11/2003	Stakeholders meeting (Farmers, Miller, Opinion leaders, BOCO: Management, directors)
	04/11/2003	OGI meeting
Mumias	05/11/2003	Stakeholders meeting (Farmers, Miller, Opinion leaders, MOSACCO, MOCO: Management, directors)
	06/11/2003	OGI meeting
Muhoroni	10/11/2003	MUSOCO, SOSOCO, SACCO, MMCU, KSBCU and private farmers. Each to present a paper on their institution
	11/11/2003	OGI meeting
Chemelil	12/11/2003	COC, NEOC, MMCU, KSBCU, Nyando Kisumu Rural and private farmers. Each to present a paper on their institution
	13/11/2003	All OGI's meeting
SONY	17/11/2003	Stakeholders meeting (Farmers, Miller, Opinion leaders, Awendo cooperative union, SOC: Management, directors)
	18/11/2003	OGI meeting

Day one was to get presentations from OGI and reactions to them

Day two discuss issues contained in the TORs and capture relevant issues

Projection – Identify what is being done and what can be done.

Meeting the miller

Meeting the industry stakeholders on or about 6th December 2003

Questions that OGIs need to ask themselves

1. Are we going to play our role as OGIs and provide the leadership that farmers want?
2. Are we going to delegate our responsibility of providing leadership and leave the busy bodies in society to take over?
3. What would be our response to issues that are not certain to us?
4. Are we going to comment on issues that we do not understand thereby fuel rumors?

NZOIA MILLING ZONE

Presentations from:

- 1. Nzoia Out growers Company**
- 2. Nzoia Sugar Company**
- 3. Opinion Leader**
- 4. Farmer**

Date: 27th & 28th October 2003

Venue: Mabanga Farmers Training College.

NZOIA OUT GROWERS COMPANY PRESENTATION

Please refer to annex _1_

Reactions

Debts owed to farmers is a major issue which needs immediate attention

NOCO is unable to borrow

There is over dependence on the miller

PRESENTATION FROM NZOIA SUGAR COMPANY

A farmer who gets loan for cane development needs 38 tonnes to break even. A farmer who develops cane without a loan needs only 18 tonnes

Diminishing plot sizes. In 1990 average plot size was 1 ha and the government directive was that only 1/3 of the land would be under cane. 2003 average plot size is 0.4 ha.

Farmers need to be educated on land tenure systems

Unionized cane cutters draw their wages on CBA

PRESENTATION BY A SUGAR CANE FARMER

It is not the farmers' wish that NOCO be the way it is

Sugar cane farmers do not know their rights

Farmers do not own the Article of Association. They are not mentioned in the Article of Association, which makes them feel excluded

Lack of clear information on the retention fund – Farmers are switched from NSC to NOCO and back to NSC without being told the truth where their money is

Mismanagement

Will privatization be a reality in Nzoia?

The problem in Nzoia is mismanagement with weak HR Policies

Delayed payments – farmers need money to develop and maintain their cane

The will to farm sugar cane exists among farmers and it needs support from government

Stakeholder roles not clear

NB: It was proposed that Article of Association amendment proposals be discussed during the AGM

Farmers to elect able people

Farmer's cane proceeds to be disbursed to an institution, which can advance loans like NOCO

The sugar industry to engage Dock Workers Union in monitoring illegal sugar imports and blocking off loading

Information dissemination – periodicals

Reason for mistrust – contracting information from OGI and miller about 15% retention fund

Directors influence personal payments as opposed to representing all farmers

Farmers are overcharged on fertilizer

No proper monitoring of machinery secured

Harvesting to be done by locals within any given area

Reactions

Some of these problems are management and they can be sorted out

15% retention should be used specifically for cane development

NOCO to take up food projects

To empower farmers to own machinery

Millers to disburse funds to OGI at the right time when desired

There is a conflict of interest in OGI between advocacy and business

OGI to concentrate on business because they borrow money with interest and need to repay it

PRESENTATION BY AN OPINION LEADER

Stakeholders need one another to exist

Poor public relations in NSC

The existing contracts do not satisfy farmer needs and farmers do not keep copies of the same

Need for an apex body with elections at sub location level. Farmers to be registered and issued with cards

Who will organize the elections?

NOCO to be restructured. To diversify and not only to rely on capital levy (1%)

Employment has to be on merit, emphasize professionalism, with limited number of employees.

RE-CAP OF PREVIOUS DAY

Purpose of meeting

Problems in the sugar industry led to the Minister of Agriculture appointing a task force, which presented its recommendations on 7th July 2003. Recommendation on OGI was;

- Viability and capacity needs of OGIs be determined
- Process of restructuring OGIs be instituted
- Investigative audits must be carried out

NOCO Presentation

Nzoia has a potential of 38,000 ha of land for cane development yet only 14,324 ha is currently under cane.

Nzoia Sugar Scheme covers 46 sub locations with 29,815 contracted farmers. There is a high dependency ratio with one farmer supporting 8 people. The yield is 70 TCH.

NOCO Responsibilities

1. Promote and represent interest of growers
2. Provide financial credit or arrange the same for members in relation to cane development

Achievements

1. NOCO has represented farmers' interests and farm inputs whenever funds are available
1. Has assets like land and building

Loans

NOCO's outstanding SDF loan to date is 281 million

NOCO's 152 million interest accrued on loan was written off by KSB

NOCO workforce:- 61 permanent staff and 21 casual employees

Handicaps

1. NSC failure to recover money from farmers to SDF
2. Loss of fertilizer loans through fire, poaching, abandonment
3. Systematic reduction in number of tractors owned
4. Bloated staff
5. Role of policy makers (directors) not clear
6. Over dependence on miller for financial needs
7. Inability to borrow from financial institutions

Proposals

- a) Capacity building to enable NOCO take over cane development
- b) Restructure the finances
- c) Separate advocacy from business
- d) Diversify income generation
- e) Harmonize OGI roles nationally
- f) Finance management policy

NSC

Has 31,759 farmers owning 32,072 farms with an average cane holding of 1.43 ha

Produce 80 TCH

NSC wishes to strengthen farmers

Land preparation and input distribution activities

Extension programme (field days) in collaboration with KSB, KESREF OGI

Transport cane

There are contracts between farmers and miller

NSC has a field emphasizing diversification for food security

Water programmes and tree nurseries

NSC is now crashing 2800 – 2900 tonnes daily which is good performance

NSC owes its farmers 615, 810,000.00 which accumulated between Jan 99 – 31st March 2002

NSC is paying farmers weekly and the following were total monthly payments (Kshs);

July	11,465,501.00
August	9,686,559.00
September	44,876,127.00
October (24 th)	53,336,701.00

Average plot size is declining

Cane development has become very expensive and the cane ends up in illegal sales and cane farming abandonment

To purchase fertilizer annually NSC spends Kshs.84- 90 million

Managing the out growers section is expensive

NSC has two contracts; with the farmer and with NOCO. Farmers have expressed the desire to work directly with the miler because they have no contracts with NOCO
NSC has 1084 permanent staff and between 3,000 – 4,000 casuals including cane cutters

NB: There was a proposal that OGI take on cane cutting activity

FARMER

Do not know their rights
Have been excluded from Articles of Association
Lack of information
Mismanagement
Weak HR Policies
Delayed payments
The will to farm sugar cane among farmers
Stakeholder roles not clear

NB: It was proposed that Article of Association be amended

Farmers to elect able people
The sugar industry to engage Dock Workers Union in monitoring illegal sugar imports and blocking off loading

OPINION LEADER

Stakeholders to appreciate the fact that they need one another to exist
Poor public relations in NSC
Contracts do not satisfy farmer needs and farmers do not keep copies of the same
Need for an apex body with elections at sub location level

Who will organize the elections?

NOCO needs to be reorganized
Employment has to be on merit and emphasize professionalism

Day two discussion centered around the terms of reference each being discussed and key issues captured.

TOR 1.

Create room for the OGIs to re examine themselves with a view of restructuring so as to offer effective services to the farmer as outlined in the task force recommendations.
OGI's to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations

Guiding questions

1. What are effective services?
2. Which services are provided by our OGIs?
3. Are they all or do they need to provide more?
4. What is the hindrance?
5. What do OGIs need to provide the extra services efficiently?

Emerging issues

In order to ensure that the OGI offers effective services to the farmer the meeting resolved that;

- a) NOCO restructures itself to make directors responsible for the formulation of policies for the company while exclusively leaving the day to day operations to the management team
- b) NOCO as a matter of urgency amends its Memorandum and Articles of Association so as to provide for the purchase of shares by members
- c) NOCO immediately enters into arrangement with NSC so as to take up responsibility of cane harvesting with a view of making members at the grassroots participate in the exercise to;
 - i. Curb the flight of capital from areas involved
 - ii. Ensure that harvesting is done to benefit the members
- d) NOCO explores all positive and possible avenues of effective co-operation with NSC to ensure effective service provision to the farmer
- e) The members of the company be encouraged to participate in the activities of the company freely by first ensuring the maintenance of their accounts is up to date by NOCO
- f) That NOCO opens up its transport management to the farmers so as to make farmers feel and understand fleet management. Adequate arrangements be made with NSC to allocate a percentage of the amount to be delivered to the factory per day by NOCO and that it be run as a subsidiary of the company
- g) In view that you can not combine commercial business and advocacy to farmers, it is found necessary that NOCO or OGIs confine themselves to business through service provision to the farmers and leave the area of advocacy to the body and further that OGI look beyond KSB for financial support

TOR 2.

Enable the OGIs to discuss the roles of the institutions in the sugar industry sub sector, so as to determine the best possible ways of relating to them with the view of delivering effectively to the farmer

Guiding questions

1. What are the other institutions that we work with in the sugar industry?
2. What are their roles?
3. Are OGIs comfortable with these roles?
4. Which ones are conflicting and how do we correct that?
5. How can we restructure so that we perform our roles efficiently?

Stakeholders:

- ❖ KSB
- ❖ KESREF
- ❖ NSC
- ❖ NOCO

- ❖ KSGEU
- ❖ Nzoia SACCO
- ❖ NOCO SACCO
- ❖ SACRED AFRICA (NGO)
- ❖ Bungoma Sugar Cane Cooperative Union
- ❖ Banks
- ❖ Farmer
- ❖ KSSCT
- ❖ KESMA
- ❖ KESGA
- ❖ Government:
 - Ministry of Agriculture
 - Office of the President
 - Treasury
- ❖ Jaggaries

Stakeholder roles

KSB:

- To regulate the industry for efficiency
- Finance the industry

Discussion

KSB to de link from SDF – A review on the same is continuing

The legal fee charged on OGIs is not reasonable

Lack of information flow

Cane development money is available to OGIs and farmers with 20 acres and above

From the 7% collected from all sugar sales, 1% is allocated to KESREF for research and 1% for road maintenance

KSB needs to monitor the industry to arrest situations

KESREF:

Develop and transfer technology within the industry

KESREF has a Board of Directors chaired by Norman Brooks, a Director, Heads of Departments and other members of staff.

KESREF undertakes research on cane varieties, sugar milling, agronomy, industry technology transfer, socio-economic surveys, identifies constraints in the mills and this can be intervened through research and policy. KESREF undertakes a soil testing and an affluent analysis.

Discussion

Do we need agronomy departments in our mills with KESREF around?

There are two types of agronomists – Research and commercial agronomists

What is the role of Agronomy department at the factory?

The zonal extension team consists of NSC, NOCO and KESREF transfers technology to farmers through demonstrations on field days.

Farmers are urged to attend field days

KESREF to release information on seed cane varieties developed

NSC

- Miller

Services provided

- Land development
- Survey
- Land preparation
- Fertilizers
- Supervision
- Out reach (Public relations) to farmers
- Agronomy – sampling of soil ph
- Provision of pesticides
- Harvesting
- Transport supervision
- Drawing of annual harvesting programmes
- Computer network services (instant) – for statement farmer development

Who should undertake the risks of cane fires?

Why can't we transfer the NSC agriculture department to NOCO?

There is need for capacity building for OGI to undertake gradual transfer of these services. The existing service providers within the zone to coordinate and synchronize activities.

NOCO

Accounting fee of Kshs. 20,000.00 per month is charged by NSC for out grower services.

This is to be reviewed

Restructuring plans: Staff reduction by 50%

KSB loan for tractors made

Subsidiary company formed – NOCO Investment Company

1. Safeguard the farmers interests to the miller
2. Delegation to the minister about outstanding debts on farmers debts
3. Queries the miller about rates levied on farmer pay slips

Services provided

- Ploughing
- Transportation (cheaper than any other transporter)
- Retention – Was returned with interest at current market rates
- Real estate Investment. NOCO has a building in town with an average return of Kshs. 70,000.00 per month
- Had invested in treasury bonds worth 10 million but stopped this investment
- 196 million worth of fertilizers is already with the farmers

Extension services

- Provide Farmers with information on best farming methods
- Soya bean project as an intercrop
- Provision for loans as dairy, poultry e.t.c

- Projection – By January 2004, fertilizers, jembes
- To become chief suppliers of sugar
- Provision of seed cane, cultural practices
- Utilization of the running fleet or any other productive venture eg contracting with NSC to generate income
- Creating employment (61 permanent staff and 21 casual employees)
- NOCO owns property (a plot in town, 7 acres in Sikata and a plot in Bukembe)

SACCO

Encourage Saving

Pay points for farmers without bank accounts

Offer employment services

Loan facilities

Front office services

SACRED AFRICA

Sustainable agriculture and participatory commitments

Training farmers

Diversification

Extension services

Employment opportunities

UNION

Has not taken off but has membership

BANKS

Links institutions

Penalize accounts that do not get credited in time

Why can't sugar be listed among the AGOA target group?

KSSCT

Is the technical wing within the sugar industry

Have 350 members

Role: Train within milling zones to create awareness

KESMA

Negotiates for millers

Deals with matters related to factories

FARMER

The industry employer

Needs to be taken seriously

SUCAM

A campaign

Steps up capacity building of out grower institutions through training, media (radio)

Emerging issues

KSB

1. To delink the financing function from KSB and source for a financier but maintain the regulatory function especially in maintaining low interest rates
2. KSB to ensure information flow to and from stakeholders to monitor operations and arrest situations in the industry before going out of hand
3. KSB to undertake a capacity building exercise to ensure competent people in the industry

KESREF

1. Resolved that in future all agronomists will be under the Research Foundation
2. KESREF funding be increased so as to intensify research and catch up with the fast changing technologies
3. Civic Education – Farmers to attend meetings (field days). Farmers to be enlightened on their soils and variety characteristics. It was resolved that farmers make use of KESREF

NSC

1. NSC to meet the farmer at the Weigh Bridge and activities of cane development, harvesting, and transport to be undertaken by NOCO. NOCO to expand and build capacity to undertake cane development activities and later to take over the out grower department from the miller.
2. It was resolved that OGI to prioritize activities when taking over from the miller so as to start with the easier ones and move to the most difficult. There be coordination for handing over services provided to the farmer be of high quality and this to be ensured by the farmer representing institutions
3. The taking over process start by OGI recruiting competent staff

NOCO

1. It was resolved that NOCO goes on with the restructuring plans;
 - Review the keeping of records where currently NOCO pays NSC Kshs. 20,000.00 per month
 - Retrench 50% of the staff
 - NOCO investment Company

SACCO

1. Encourage savings
2. Pay farmers who do not have accounts with other commercial banks
3. Offer employment

SACRED AFRICA

It was resolved that SACRED's activities of sustainable agriculture and training farmers to continue and be extended to other areas

COOPERATIVE SOCIETY & UNION

Have not yet taken up but are currently registering farmers. It was resolved that NOCO be prepared to co-exist and share experiences with other institutions

BANKS

OGI to explore possibilities of securing funds from other financial institutions other than SDF

KSSCT

To continue disseminating technical information to the farmer

SUCAM

To assist in capacity building

To push for government to release funds to clear farmers debts

To air radio messages

FARMER

It was resolved that sugar cane farming be taken as a business

Sugar cane farmers should be respected and taken seriously

TOR 3.

To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGI's

Guiding questions

1. Do we need a farmer's apex body (Purpose, source of funding, membership, structure)?
2. What checks and balances do we put in place to ensure it is representing the interests of the farmer?

Key issues:

- a) There is need for a farmers apex body
- b) Funding of the apex body should come from levies deducted by OGI's
- c) KSB should fund to sustain the apex body that will be in place
- d) Farmers should fund the initiation of the apex body at sub location level
- e) Apex body should speak policy and propagate advocacy
- f) Apex body should be able to direct and guide policy among farmers
- g) With the ongoing conflicts within KESGA, a fresh body better be formed
- h) Farmers wish not to have many institutions to reduce deductions from their returns
- i) Farmers to fund the apex body to have a sense of ownership
- j) Farmers to borrow representation style from the tea industry. OGI's should choose one among them doing politics at the highest order

- k) The apex body should be a member of KNFU
- l) Directors of the apex body should be elected directly and independently from other farmer organs

TOR 4.

To create opportunity for the OGIs and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

Guiding questions

1. Why are costs of production high?
1. Why should we reduce them?
2. How do we reduce them (steps)?
3. What do we need to reduce them?

Key Issues

- a) Direct and bulk purchase to avoid middle men
- b) Farmers to undertake self operations like use of oxen
- c) Use of railway as a mode of transport
- d) Farmers to develop seed cane nurseries
- e) Management problems to be sorted out
- f) Efficiency of the system
- g) Millers to invest heavily in modern technologies
- h) Lobby government to reduce tax like VAT
- i) Corruption – Transparent tendering systems
- j) Maximum utilization of inputs like fertilizer
- k) Bloated staff
- l) Government to regulate trade regimes

TOR 5.

To create opportunity for the OGIs and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

Guiding Questions

1. Why are costs of production high?
2. Why should we reduce them?
3. How do we reduce them (steps)?
4. What do we need to reduce them?

Emerging issues

- a) OGI directors are responsible for policy formulation while management implement those policies
- b) To amend Article of Association
- c) NOCO to take up cane harvesting
- d) NOCO to cooperate with NSC to offer services
- e) Members to participate freely like accessing accounts
- f) Open up transport management to farmers
- g) Can not combine advocacy and business therefore NOCO to offer services

h) OGI to look beyond KSB for funding

SUMMARY

Psychometric Analysis

Strengths <ul style="list-style-type: none">• Availability of land (38,000 ha)• Willing farmers• Nzoia Sugar Factory is crushing and currently paying farmers• Quality service provision• Already established institutions (KSB, KESREF, OGI etc)• Competent staff• Assets (land and building)	Weaknesses <ul style="list-style-type: none">• Land under utilization (use 14,324 ha out of the available 38,000 ha)• Bloated staff and weak human resource policy• Over dependence on miller• Low yields (70 - 80 TCH)• Weak financial base & debts• Failure to recover loans from farmers• Poor customer relations• Role conflict between policy formulation and implementation
Opportunities <ul style="list-style-type: none">• To expand• Improve yields• Build capacity• Diversify• Reduce costs	Threats <ul style="list-style-type: none">• Population explosion leading to land subdivision• High dependency ratio (1:8)• Competition from other up coming OGIs• Farmer elections

Closing remarks

The sugar industry has been previously known for fighting which has been destructive. There is need to fight maturely and the fight geared towards development. Stakeholders need to recognize, appreciate one another other and encourage dialogue. The question of knowing it all should not arise to enable exchange of ideas and views freely. There is always room for improvement. In Kenya there are very few cash crops; tea coffee and sugar cane but apart from sugar cane, all the other farmers own the factories. There is need to be ready to own the government owned factories which are soon being privatized. Every body needs to take responsibility.

WEST KENYA MILLING ZONE

Presentations from:

- 1. West Kenya Out growers Company**
- 2. West Kenya Sugar Company Ltd**
- 3. Opinion Leader**
- 4. Farmer**

Date: 28th & 29th October 2003

Venue: West Kenya Sugar Company Hall.

PRESENTATION BY WEKO

Please refer to Annex 2

Reactions

Jaggaries pose a major threat to WEKO

The Sugar Act recognizes jaggaries

Need a proper working system

Need to educate farmers to look for better markets for their cane

The Ugandan sugar industry lobbied to have a nominated MP who articulates sugar issues in parliament

WEKO SACCO

Had a problem of funds misuse

PRESENTATION FROM WEKSCOL

WESTCOL is the miller. Mills and sell sugar

The OGI represents farmers' interests

OGI to have a demarcated zone with solid membership

OGI needs a strong financial base. Capital levy alone cannot sustain OGI operations

For one to be director of OGI he/she must have public administration, general management and financial knowledge. Must be aged between 30-60 years old. Directors' offices to be in the zones.

AGM is the day to scrutinize and analyze performance of OGI therefore relevant documents must be availed to members before hand

KSB to have an inspection wing to audit financial transactions

Stakeholder roles to be clear to avoid duplication

Activities have to be planned

PRESENTATION FROM OPINION LEADER

- The jaggaries are under paying farmers. A 15 tonne trailer is sold for Kshs. 7000
- No fertilizers

PRESENTATION FROM A FARMER

Very few seed cane varieties (CO421)

Need machinery for soil breaking – mechanized farming

Extension services

Availability of funds for cane development and crop maintenance

Timely operations

Poor utilization of Cess levy

Need for sugar industry agreements

Poor supervision of activities

Jaggaries to pay tax

TOR 1.

Create room for the OGIs to re examine themselves with a view to restructuring so as to offer effective services to the farmer as outlined in the task force recommendations. OGI's to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations

Guiding questions

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5. What do OGIs need to provide the extra services efficiently?

ROLE OF OGIs**Services**

Cane development from 1999:

- (a) Land Preparation
- (b) Seed cane
- (c) Extension services
- (d) Crop management
- (e) Regular cane census
- (f) Program harvesting
- (g) Weigh bridge monitoring
- (h) Monitoring corrupt practices at factory level
- (i) In charge of transport
- (j) Negotiate for sugarcane price
- (k) Sourcing for funding for diversification
- (l) Exposure visits for farmers
- (m) Lobbying for better policies for farmers
- (n) Responsibility to harmonize activities affecting farmers
- (o) Farmer representation at various fora
- (p) Sign agreements with miller on farmers' behalf
- (q) Stand in for farmers on school matters
- (r) Manpower provision for road maintenance

Other services that should be provided

- (a) Establish education scheme
- (b) Health cover for farmers
- (c) Expand extension staff

WEKO should take lead in service provision

OGIs lack funds to provide services therefore delegate responsibility to the miller at a charge

SUCAM to link OGI to donors for funding

Any activity in the West Kenya milling zone to be coordinated by WEKO

Observations:

- Extension services – lack of mobility
- Miller should liaise with OGI to enhance services
- Complaints about seed cane varieties by farmers
- Authoritative information to farmers from OGI is lacking
- OGI has financial handicaps
- Transparency and accountability is lacking
- Leaders of OGIs lack credibility
- Should not duplicate services offered by millers
- Division of labour is essential
- Capacity to handle cash
- Technical and qualified staff (professionalism)
- Awareness wing on the AIDS scourge
- Revive the retention scheme to revive front office services
- OGI to be at the forefront in cane supply to the miller
- OGI to front for share holding of the mill by farmers
- Farmers need to reciprocate the OGI services

Qn: Why do we have two types of weighbridge tickets; hand written and computerized?

Ans: Because the mill is undergoing a metamorphosis. Initially it was manual now it is computerized

TOR 2.

Enable the OGIs to discuss the roles of the institutions in the sugar industry sub sector, so as to determine the best possible ways of relating to them with the view of delivering effectively to the farmer

Guiding questions

1. What are the other institutions that we work with in the sugar industry?
2. What are their roles?
3. Are OGIs comfortable with these roles?
4. Which ones are conflicting and how do we correct that?
5. How can we restructure so that we perform our roles efficiently?

Institutions in West Kenya

- KSB
- WEKSCOL
- WEKO
- KESREF
- Government (MoA, KRA)
- Jaggeries
- SACCO
- KESGA
- KESMA

- Farmer
- Financial Institutions
- SUCAM
- Transporters
- KSSCT
- NGOs

KSB

Is not giving the expected services
 Has not been releasing SDF funds for the past 2 years
 Elected directors are inaccessible
 Needs restructuring
 Should work closely with OGIs
 Should be involved in cane development
 Factories that remit SDL should have funds ploughed back to the respective milling zone
 Decentralize services to regions (semi autonomous)
 Merit of elections is wanting
 Each factory zones to have a director to the board
 KSB is supposed to be a guarantor to OGIs for financial support
 KSB composition favours the miller
 KSB has failed to regulate the sugar industry
 To coordinate farmer registration at factory levels

WEKSCOL

Lack of capacity to crush available cane
 Poor permitting system for harvesting mature cane
 In case of a sour relation with WEKO then farmers will loose
 Limits farmers to cane delivery encouraging jaggery survival
 Corrupt staff
 Lacks planning capacity
 Has not registered farmers
 Has no legalized contracts
 Zone charges are exorbitantly high
 Introduce a lending institution for farmers
 Uphold their paying standards

KESREF

Quite active with demonstrations going on in the area
 Smut disease is rampant in the area. Smut has its home in West Kenya
 Intensify technology to reduce infectious cane disease
 Should introduce other early maturing cane varieties
 KEN varieties were introduced in West Kenya in 2001
 Farmers to adopt new varieties that are disease resistant
 Recommended varieties: KEN 82/808, KEN 83/737
 Farmers should use fertilizers for improved yields
 KESREF does research work like;

- Sampling soils
- Testing water source contamination
- Extension services
- Counseling (HIV/AIDS)
- Draft policy on seed cane (on-going)
- Conduct maturity tests of cane species

GOVERNMENT

Should intensify extension services

Key issues

- a) KSB to concentrate on promoting, developing and regulating the industry and leave the financial function to another institution which should resume giving loans to out grower institutions immediately
- b) Funds remitted to SDF to be ploughed back to that particular institution to develop the area
- c) Call for restructuring of KSB and work closely with OGI to identify with farmers. To decentralize services to the regions for effective flow of information and efficient service provision
- d) The role of grower directors to be well defined. Boundaries to be clearly demarcated with each milling zone having a representative. Farmers to articulate their issues through the elected grower directors. Need for civic education and well conducted elections in a free and fair environment
- e) KSB to undertake an aggressive capacity building exercise to create awareness, impart knowledge, skills and facilitate exchange of views and ideas among stakeholders
- f) It was resolved that a reasonable number of jaggaries be registered by KSB with loyal contracted farmers. These jaggaries to pay levies. Millers who do not abide by the laid down regulations to be de-registered
- g) Permits for harvesting cane be issued in a transparent manner and harvesting be done at the right time to avoid sucrose loss
- h) WEKO to start capacity building and sourcing for funds immediately
- i) OGI together with KSB to undertake a farmer registration process which will be useful for both planning and electoral processes
- j) WEKSCOL develop an expansion programme to be able to cope with the increasing cane production and achieve the country's mission of self sufficiency
- k) To introduce a lending institution for farmers
- l) Resolved that WEKSCOL continues with the regular weekly payment which makes the milling zone unique and very proud
- m) KESREF's presence is felt in the area with demonstrations on field days. Need to intensify research to eradicate the smut disease and introduce other seed cane varieties, which are early maturing and disease resistant. Ministry of Agriculture to intensify extension services
- n) Farmers to take advantage of the new seed cane varieties – KEN 82/808, KEN 83/737, N14 and to observe best farming practices like use of fertilizers and irrigation. To keep records and monitor the expenditure in terms of inputs, expenditure and income

Qn: Are jaggeries representative and dependable?

Ans: Yes!

Qn: By who?

Ans: The miller apex body

Observation: With liberalization a free for all situation could kill institutional initiatives

TOR 3.

To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGIs

Guiding questions

1. Do we need a farmer's apex body (Purpose, source of funding, membership, structure)?
2. What checks and balances do we put in place to ensure it is representing the interests of the farmer?

From 1982 KESGA was being funded by a collection of Kshs. 20.00 from all out grower members annually. Collection has been poor because OGIs have not been collecting the same from millers.

Activity of institutions be pegged to participation in terms of levy collection

KESGA lacked grass root base

Restructure membership

Should have individual grower members

Observation

Out Grower Companies resist the formation of an apex body with grass root base

Maintain the status –quo

Funding:

Membership of Out Grower Institutions

Qn: Should OGIs pay for KESGA sustenance?

Ans: A fixed amount from OGIs but administration costs to be funded by KSB

Farmers to get membership certificates

Emerging issues

- a) Resolved that a farmer apex body is needed
- b) Parallel farmer representation at grassroots level other than KESGA is not necessary as it may cause undue confusion to the farmers. However KESGA must be restructured in line with current farmers proposals. Grass roots elections to be done at sub location level with the milling zone as the branch
- c) Advocacy to be undertaken by KESGA

- d) KESGA may be named as appropriate
- e) Funding of the apex body (KESGA) will be realized through membership fees or levy collection
- f) Representation will be pegged on financial contribution received from respective zones or branches
- g) Representation be equitably distributed in all milling zones

TOR 4.

To create opportunity for the OGI's and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

Guiding Questions

1. Why are costs of production high?
2. Why should we reduce them?
3. How do we reduce them (steps)?
4. What do we need to reduce them?

Emerging issues

- a) Living standards are high
- b) Procurement costs are high
- c) High labour costs
- d) Dependability on others for services
- e) Profit margins of millers
- f) Participatory engagement as a remedy
- g) Embrace cost sharing principle
- h) Avoid participation of OGIs or millers to salvage incomes
- i) Source for cheap machinery, lower taxation on machinery and sugar
- j) Inefficiencies
- k) Share in co-products; molasses, bagasse, filter mud
- l) Borrow a leaf from other countries
- m) Finances and its security
- n) Attitude change
- o) Check on procurement procedures
- p) Farmers expressed the wish to be shareholders in WEKSCOL
- q) Educate the farmer
- r) Time management is lacking
- s) Economies of scale – maximum utility is required
- t) Proper application of inputs
- u) Food security – Diversification is lacking (hungry farmers)
- v) Land selection
- w) Infrastructure – cause of high transport costs
- x) Discriminatory government policies
- y) Corruption
- z) More ratoons
- aa) Access technologies

SWOT ANALYSIS

Strengths <ul style="list-style-type: none">• Availability of sugar cane farmers• A crashing and paying (weekly) factory• Established institutions• A good working relationship with the miller• Committed board members and competent staff	Weaknesses <ul style="list-style-type: none">• No committed members• Over dependence on miller for services• High cost of producing cane
Opportunities <ul style="list-style-type: none">• Improve extension services• Build capacity• To raise funds• Diversify• To reduce costs	Threats <ul style="list-style-type: none">• Availability of numerous jaggaries (112)• Smut disease

BUSIA MILLING ZONE

Presentations from:

- 1. Busia Out growers Company**
- 2. Opinion Leader**
- 3. Busia Sugar Company**
- 4. Busia Out grower Company SACCO**
- 5. Farmer**

Date: 3rd & 4th November 2003

Venue: Donisi Hotel, Nambale.

PRESENTATION FROM BOCO

Refer to Annex __3__

Reactions

BSC scheme had the following seed cane varieties; CO 945, N14, CB 38-22 and EAK 2095. Trials on the last three are undertaken on the nucleus site at Nasewa.

The issue of duplication of duties does not arise in Busia because BSC, BOCO and BOSACCO co – exist in anticipation that a factory will be built.

It was clear that although jaggaries were handy they are exploitative. Farmers were challenged to pull resources and come up with one factory as the government is pulling out of investments

PRESENTATION FROM OPINION LEADER

BOCO help formulate cane farming and supply contracts between farmers and millers

Put in place and develop programmes from land preparation to harvesting

BOCO should do something about cane spillage and delayed payments

Regulate deductions

Be accountable and transparent (with reference to transport fleet)

To meet farmers regularly for improved PR

Help push for actualization of BSC

Articulate farmer needs seriously and enhance farmer participation

Roads are bad. Local Government Act on Cess (LATF/LASDAP) to be reviewed to allow OGIs and miller to utilize the funds directly

Institutions in the sugar industry to have good governance

Free flow of information

Apex body is welcome but only those of integrity to be elected democratically

Decentralize governance but put checks and balances to regulate

There is need to sensitize Busia farmers who do not take cane farming as business

BOCO to oversee contracts of farmers with miller

Retention funds to be put to business

PRESENTATION FROM BSC

BSC has grown cane on a 200 ha field in Nasewa

The biggest challenge is delayed payments, which is running to more than 12 months.

This debt has come about due to the fact that BSC is subsidizing transport costs by Kshs. 330/- per tonne.

The cane farming contracts were favoring millers because farmers did not participate in their development

The sugar sub sector is too politicized

Farmers to cost share cane development

BSC will be a private company owned by Government, Booker Tate and other shareholders. Booker Tate was mandated to source for a financier but has not identified any so far.

PRESENTATION FROM BOSACCO

Initiated in 1999 by BOCO and began serious business in 2000.

Objectives

1. Investment
2. Credit provision

Membership

Over 1400 members

BSC has delayed to remit members dues to BOSACCO by 13 months

Problems

1. Liquidity problems
2. Loaned out Kshs.4 million

Assets

- Building at Nambale offering FOSA

BOSACCO to put its balance sheets and related documents in order

PRESENTATION FROM A FARMER

BSC to make efforts to pay in time

Farmers requested for weeding support

BSC management to relate to farmers well

BSC and BOCO to take advantage of the fallow land and develop cane

TOR 1.

Create room for the OGIs to re examine themselves with a view of restructuring so as to offer effective services to the farmer as outlined in the task force recommendations. To enable OGIs to explore possibility of providing direct extension services to their members. These services can be coordinated together with KESREF, MoA, and KSB. OGIs to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations

Guiding questions

1. What are effective services?
2. Which services are provided by our OGIs?
3. Are they all or do they need to provide more?
4. What is the hindrance?
5. What do OGIs need to provide the extra services efficiently?

Key issues

- a) Efficient information dissemination to individual farmers. BOCO to provide civic education in collaboration with other stakeholders
- b) Farmer representatives to be accessible and always to report to farmers
- c) AGM agenda to be circulated to farmers before hand and chance given for additional agenda. AGMs to be organized in a way that enough time is allocated for discussion
- d) BOCO to continue existing and serving the farmer. Contracts to be responsive to farmer needs
- e) The recommended quality and quantity of fertilizer to be supplied to farmers and the same applied to sugarcane for improved yields
- f) Farmers to be registered and issued with identification
- g) Need for a farmers movement to advocate for a change in the milling zone. BOCO to mobilize farmers to demand for the construction of a factory
- h) The question of delayed payments to be taken up seriously as it impacts negatively on the farmers' socio-economic well-being. Farmers to engage in income generating activities to supplement cane dues
- i) BOSACCO to advance small loans to farmers to assist in cane development and maintenance
- j) Road maintenance to be undertaken using Cess funds
- k) Supervision of activities
- l) Better employment terms for cane cutters. This will reduce their frustration which they pour on innocent farmers
- m) Development of budgets and sticking to them. Transparency and Accountability in tendering and purchasing

TOR 2.

Enable the OGIs to discuss the roles of the institutions in the sugar industry sub sector, so as to determine the best possible ways of relating to them with the view of delivering effectively to the farmer

Guiding questions

1. What are the other institutions that we work with in the sugar industry?
2. What are their roles?
3. Are OGIs comfortable with these roles?
4. Which ones are conflicting and how do we correct that?
5. How can we restructure so that we perform our roles efficiently?

Key issues

- a) KSB grower directors to be readily accessible. To intensify farmer meetings
- b) KSB to hasten the process of developing the industry blue print.
- c) To resume trainings, meetings and exposure visits (capacity building)
- d) KSB to identify an independent financial institution to handle SDF funds
- e) KSB to lobby for BSC construction

- f) KSB to regulate sugar imports and improve the monitoring and surveillance system
- g) KSB to be at the fore front in cane pricing and facilitate reduction of costs at all levels
- h) Restructure KSB to function effectively. KSB to have legal authority.
- i) BOCO and BSC to jointly undertake activities and avoid duplication of duties
- j) OGI's and farmers to look for alternative funding and not to solely rely on SDF
- k) Farmers to undertake commercial contract farming. To diversify for food security
- l) Busia farmers will readily accept any miller so long as they are selling cane at a profit. However, will wait for Booker Tate's response
- m) Irrigation to be under taken for quick maturing of cane
- n) Farmers to take advantage of the early maturing varieties released by KESREF and OGI's to harvest them on time

TOR 3.

To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGI's

Guiding questions

1. Do we need a farmer's apex body (Purpose, source of funding, membership, structure)?
2. What checks and balances do we put in place to ensure it is representing the interests of the farmer?

Emerging issues

- a) There should be an apex body with clearly defined roles and a strong secretariat
- b) To elect leaders who are persons of integrity. Massive civic education to be conducted to sensitize farmers. Elections to be held regularly
- c) Apex body to lobby for the development of the entire industry
- d) To agitate farmers interests and supervise all stakeholders
- e) Farmers to fund the body so as to develop a sense of ownership. Modalities of payment from farmers dues to be discussed and organized later
- f) There is need for time to think about membership and structure of the farmer apex body
- g) For one to be elected to the apex body, he/she must be dedicated, a person of integrity, with education qualifications and a given age limit

TOR 4.

To create opportunity for the OGI's and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

Guiding questions

1. Why are costs of production high?
2. Why should we reduce them?

3. How do we reduce them (steps)?
4. What do we need to reduce them?

Resolutions

- a) Cane plots with optimum plant preparation and well maintained
- b) Undertake minimum tillage and encourage farmers to self develop their cane
- c) Source for cheaper fertilizers. BOCO to undertake bulk purchase of inputs
- d) Farmers to go for loans when it is absolutely necessary
- e) Ministry to subsidize on farm inputs
- f) Timely operations, (planting, weeding, harvesting, transportation, milling).
Incorporate chemical, manual and mechanical weeding
- g) Apply fertilizers
- h) Avoid cane chewing
- i) Control cane fires
- j) Farmers to receive adequate education
- k) Involvement of women in the business. Women groups to undertake activities like weeding.
- l) Lobby for political good will

Quote for the day: “Will loans reduce the cost of production at the farm level?” By a former banker.

EVALUATION

Pest Analysis

Politics – How does the political atmosphere impact on us? How do we elect our leaders? Do we follow them up? Do we organize delegations to address issues affecting us?

Economics- How does the economy of our country affect us? VAT, other levies. The world sugar prices, fluctuation of the shilling? What are we doing to woo investors? Is BOCO a member of the DDC- do we participate in the budget process? How do we spend our money from sugar cane at a household level?

Social – Do we have the information we need to actively participate in the sugar business? How about our health HIV?AIDS – How is it impacting on the industry, land fragmentation and gender – Are youths and women actively involved in the industry

Technology – Is the industry moving at the required pace in terms of modernization, technology. Are computerizing our operations?

SWOT Analysis

Strengths – Availability of arable land, committed farmers, competent members of staff (knowledgeable GM), New board members, Subsidized transport.

Weaknesses – Delayed payments, few seed cane varieties, inefficient information dissemination and disagreements in the sugar industry

Opportunities – Funding; SDF loan with a reduced interest rate of 5 %, investment.

Threats – Bad weather, cane fires, absence of factory may lead to cane farming abandonment

MUMIAS MILLING ZONE

Presentations from:

- 1. Mumias Out growers Company**
- 2. Opinion Leader**
- 3. Farmer**
- 4. Mumias Sugar Company**

Date: 5th & 6th November 2003

Venue: ACK Hall, Mumias.

Presentations

MOCO

Transformed from government to private company in 1998

46,000 ha cane

65,000 members

Average land holding is 0.8 ha with plot size ranging between 0.4 – 2 ha

Cane is grown on contract basis. Contracted farmers receive credit for land preparation, seed cane and fertilizer supply. Cane planting and maintenance done by farmers themselves

Weeding is still manual. Chemical approach has not picked up well

Currently cane is harvested at 22 months for ratoon crop and 24 months for plant crop

MOCO provides cane harvesting and transportation but all these services except land preparation are carried out by MSC

Income generation

1. Manage 15 % retention programme to fund cane development to fund cane development. This generates Kshs. 658m annually for cane development. The short fall is borrowed from KSB or miller (MSC). MOCO and MSC run a joint cane development account. Loan repayment is at 23%. 20% for land development and 3% for MOCO. Able farmers are encouraged to develop cane independently
2. Diversification programme in place
 - Food security – certified maize seed and fertilizer
 - Dairy programme
 - A.I service at Kshs. 500.00Interest generated from this service is MOCO income
3. Plans are underway to:
 - Bee keeping
 - Cash credit scheme

Challenges

- Available funds do not meet demand
- Loan recoveries not fully reached due to unforeseen circumstances like cane fires
- Farmers divert inputs like fertilizer for quick cash
- MOCO paying MSC millions for accounting services

Future

MOCO intends to serve farmers directly without relying on the miller. This will include;

1. Extension
2. Acquire more fleet than the current 14 for transport
3. Source and supply fertilizer
4. Identify service providers to leave room for MSC to concentrate on core business – milling cane

MOCO needs funds to realize the above and boost the financial base

MOCO is currently restructuring towards commercial activities

Is pushing for reduction in taxation
Would like to see farmers benefiting from bi-products
Is sensitizing the farming community on HIV/AIDS scourge

MOCO has a staff of over 200 with 8 zones each with a director. Have 20 area leaders and numerous block leaders

The CEO is head of management team supported by departmental heads and general staff – field and clerical officers

ROLES OF INSTITUTIONS

KESREF

Inaugurated in 2001 with the h/q in Kibos, Kisumu and a sub station in Mumias.
Develop and transfer appropriate technology on sugar and its derivatives on the farmer

Develop cane varieties

Develop relevant agronomy packages

Laboratory services, socio-economic studies and extension

KSSCT

Started in 1978

Has a membership of more than 300 consisting of professionals and any other persons interested in sugar cane production and milling

Promotes studies on technological studies in the industry

Organizes seminars and workshops

Stimulate issues of concern in the sugar industry

Conducts technical courses

Affiliated to International Society of Sugar Cane Technologists, South African SSCT, East African SSCT

Members pay Kshs. 500.00 annually

KSB

Structure of the Board

7 Grower directors

3 Miller directors

3 Government officials

KSB CEO

Role

- Is basically regulatory with the goal of having a self sustainable industry
- Financing – KESREF, millers, OGIs. Has mandated Kenya Revenue Authority to collect 7 % SDL
- Restructuring so as to give farmers loans directly
- Interest on loan now stands at 5 %

Governance and Decentralization (NGO)

Emphasizes active participation (involvement) of partner groups in decision making

Effective delegation so that people continue within their roles to avoid duplication and contradiction

Good management where transparency and accountability are practiced

Free flow of information to avoid suspicion

Effective horizontal partnership

Clear definition of roles

SUCAM

Advocates for change by providing information, undertaking capacity building. Lobby government for favorable policies, address gender issues. Ultimately aims at having sugar cane farmers enjoy a life that is just, fair and free from poverty.

The sub location unit

If organized recruit cane harvesters and weeders locally to keep cash proceeds from cane circulating within the area

Arrange for NHIF for community members. Initiate village pharmacies

Sensitize farmers who are parents for early preparation of secondary education fees

Use bagasse for charcoal to save on trees

NB: Stress the need to put Sugar Industry Agreements in place. Complains to be addressed by Sugar Arbitration Tribunal with reference to the relevant contracts

PRESENTATION BY OPINION LEADER

Need to synchronize establishment of early maturing varieties for timely harvesting

Insurance cover against cane fire

MOCO to monitor utility of inputs to avoid diversion

Corruption

KESREF does a soil analysis at a fee

FARMER

Farmers felt let down on advocacy and requested leadership to be aggressive in lobbying for action

Cane spillage is the transporters responsibility

MOCO to mobilize staff to reach farmers at the farm level. This will make farmers to identify with MOCO

MOCO to educate members on loan management

MOCO to supervise land preparation and farmers to participate in ensuring good services are rendered and raise complains early enough

Politicking was doing MOCO in

It is the farmers obligation to demand for education

Change should begin with the farmer. Need to change our attitude and elect leaders of integrity

PRESENTATION BY MSC

Enterprise diversification

Tissue culture

Palm oil and Cassava projects
54,000 farmers contracted
5300 Blocks

MSC sales sugar in 5 kgs, 10 kgs, 5kgs, 2kgs. Research is underway for future sale of 1kg, ½ kg, 100 g and 50gm.
Transport has reduced by 6% to cater for the reduced sugar cane price. Seed cane from Kshs. 2,012 to Kshs. 1,695 per ha
MSC has proposed to MOCO to reduce land preparation cost
Encourage farmers to develop more ratoons for reduced production cost

Factors affecting yield and income

Yield has dropped from 150 TCH in early 80's to 70 TCH currently
Plot sizes have dropped to 0.4 ha encouraging joint contracts
Distance from factory affects transport cost
Age of harvesting – some varieties deteriorate very fast
Proposal to reduce interest rates (23% to 19%)
Input cost and price of cane determines how much a farmer takes home

Economic importance of MSC

MSC on average pumps 8 billion to the economy annually
2.5 B to the farmers
1.4 B to transporters
1.2 B to VAT
0.9 B to suppliers
0.54 B to SDL
0.42 B to Salaries
0.36 B to Cane cutters

Challenges

718 ha burned in October
Poor roads leading to cane spillage
Poor land preparation affects overall yield

Contracts

Sugarcane farming contract is done on behalf of MOCO witnessed by provincial administration. Is designed by MSC, MOCO and Government.
It is important that farmers sign a cane supply contract with miller
All services given to farmers are charged including staff salary of supervisors downwards

Services provided by MOCO

At MOCO'S inception there was an agreement that all services be provided by MOCO. The transfer was to be gradual in a time frame of 20 years. This period expired 2 years ago yet MOCO is not yet ready to take up the services. All expenditure MSC incurs on behalf on MOCO are borne by MOCO
Joint Account

Provides for room for MOCO to access credit from miller when funds are not available. Miller lends at 18% and recovers at 21 %

The biggest challenge for MOCO to actualize service provision take over is inadequate capacity

Can MOCO inherit extension and related staff from MSC

Mega field being propose but political interference leaving no room. 0.4 ha is minimal holding

MSC is concerned about adequate cane supply and there fore persistently extends services to the farmers

MOCO provides cheap Artificial Insemination services, and a dairy scheme

Farmers' complaints addressed by MOCO

- Poor seed

- Poor land preparation

- Wrong deductions

MOSACCO is independent of MOCO. Registered under Companies Act

MOCO is a reluctant player

Initially (before 1998) MOCO deducted Kshs.6 per tonne as levy. This stopped after 1998 and was converted to shares

Contracted farmers are automatic members of MOCO. Farmers also buy shares to be members.

Buying of seed cane to be de localized at sub location/location level to cut down on costs and to be monitored by OGI. Farmer participation to be involved fully

There is a silent 'policy' discouraging farmers from independent cane development. Farmers should be contracted to supply cane directly

Reducing costs at farm level

Soils are to be tested to know what else has to be added

Farmers to be allowed to develop cane independently

Minimum tillage (second harrow is optional)

DAP and Urea are now in use

Intercropping. Is challenged by marketing however, projected planning solves the problem. Intercropping should be done the right way

Extend ratoons. MSC regulates the numbers of ratoons. They maintain 40% ratoon and 60% plant crop. Ratoon must produce high yields per ha

Fertilizers are packaged at the Coast, stored in warehouses, transported by road, stored then supplied to the farmer

Proposal: To transport by rail and package in Western

OGIs to come together and organize acquisition of fertilizer at source points so that it is cheaper

To increase yields: high yielding varieties
 Weed control
 Awareness and boost farming morale
 Modern farming methods

Advocacy should not be mixed with service provision

Overview to restructuring MOCO

To take over service provision from MSC

MOCO already privatized

MOCO to take priority on projects

Create clear distinction between implementation and policy making

Farmer apex body

Need to divorce advocacy from service provision

Apex body main purpose is advocacy and overseeing activities in the sugar industry

Farmer Apex body should not conflict with institutional apex body (KSB)

Membership

Sugar cane farmers registered at the sub location then select one delegate

Resolutions

- a) MOCO to get funding from SDF whose interest rate is 5 % and allows institutions to loan to farmers at an additional 2%
- b) To build the capacity of MOCO to be able to take on activities being undertaken by MSC
- c) More discussions on financial arrangements between MOCO and MSC
- d) KESREF to be developing the breeder seed then distribute it to be developed in respective locations to reduce costs
- e) Intercropping is encouraged and civic education provided to farmers on how to intercrop and maintain both crops
- f) Reasonable ratoons are encouraged to reduce costs at farm level but ensure high TCH. Very long ratoons may encourage nematodes
- g) Corruption in the industry has to be fought at all costs
- h) OGIs to explore ways of importing inputs directly and in bulk
- i) Need to increase yields by
 - a. Breeding high yielding varieties
 - b. Creating awareness on crop husbandry (weed and pest control)
 - c. Liming as most soils are now exhausted

d. Use of filter mud

j) Farmers apex body to be formed to represent farmer's interests at all levels.

Grass root representation with funding by levy from cane proceeds

Evaluation

The following were raised for members to think about as a way of evaluating institutions' performance:

1. Institution management
 - From your point of view do you think your institution is well run
 - How else would you like to see it managed to perform even better
 - What are the loopholes that you can identify to be the hindrance to optimal performance in terms of management
2. Membership
 - What is the area covered
 - Do you effectively reach this area
 - How many members do you have
 - Do you have each of your members details
 - How accessible are you to members
 - Do you have a feed back system to and fro members (How often do you meet)
 - What problems do we encounter from our members that need rectifying for efficient service delivery
3. Activities being carried out
 - What activities do you carry out
 - How efficient are they
 - What are your shortcomings in delivering these particular services
 - What else would you like to do
4. Human resource
 - How big is your work force
 - Is it adequate
 - What development needs do you identify in your staff
5. Finance (Credit provision for cane development)
 - Source of funds
 - Auditing
 - Loans (SDF, Financial institutions etc)
 - Debts
 - How best do you think you can secure funds and use them sustainably
6. Procure services, advice/assistance
 - How transparent are we when procuring services (tendering process)
 - Are we cost effective and quality conscious
7. Promoting and representing grower interests
 - Does this function come out strongly
8. Lobby for favorable government policy
 - As an out grower institution do we see the need to focus on service delivery and leave advocacy to a farmer apex body

- If so how should this body be like

APPROACH:

WHAT IS PUBLIC PERCEPTION OF US AS AN OGI

WHAT ARE WE SUPPOSED TO BE (THEORETICALLY)

WHO ARE WE (IN REAL SENSE)

WHO DO WE WANT TO BE (IDEAL OGI)

HOW DO WE BECOME WHAT WE WANT TO BE (MEANS)

WHERE DO WE START

Closing remarks

Mr. Onguko (KSSCT)

It has been a good thing to find ways of delivering to the farmer. In Western there are very many problems, which call upon farmers to fight for their rights. It remains for the farmer to play his part. Farmers to be encouraged to ensure high production of sugar cane.

Mr. Chepkwony (KESREF)

Pleased to have interacted with the farmers in the zone. Issues captured right from Nzoia, West Kenya, Busia and Mumias will help develop recommendations which will be useful in advancing our course – delivering to the farmer and ensuring an enhanced livelihood. The government's objective is to ensure every sugar cane farmer lives a good life.

Mr. Wafula (SUCAM)

The ball is right in our court. The key player in the sugar industry is the farmer who should take center stage. All along farmers have never had a chance to place themselves where other industry stakeholders are. This is the time to realize that a sugar cane farmer is important. It is SUCAM's wish that farmers get thirsty for information and request for it. Farmers to participate fully in sugar cane development activities and ultimately they will be happy. Happy that farmers are doing what they are but they need to improve further so that the industry can be brought back to track. SUCAM is very happy and God Bless.

Mr. Shikhutuli (WECO)

This arrangement has put WECO on the map. Before WECO was considering itself young but a lot has been learnt and wished could learn more.

Mr. Mutonyi (NSC)

Pleasure to have an overview of Western region sugar industry. Noted with concern that sugar cane is the only economically viable crop that western people can undertake to improve the economy. Team expectation was and still is, very high. Noted that grass root representation is low. There is capacity and ability to undertake what it takes. Noted that Busia milling zone could on their own form a lobby group to push for the construction of a factory.

Mr. Madara (NGO)

In whatever you do what matters is sacrifice and commitment. A farmer who is not committed cannot do anything. OGI need to talk together and to farmers so as to succeed in their endeavors.

If over 75% of businesses that are started are as ideas and we stick to those ideas then we succeed. Businesses done by entrepreneurs as a result of feasibility studies fail.

Weaknesses realised in the industry to be turned to strengths to make the industry vibrant

FARMER

Impressed by the teams presence. Appealed for more meetings to enlighten farmers on what is happening in the industry, as they are not aware of whatever is going on. Team to come to the rescue of farmers. The state of affairs is questionable. Farmers are asking for an audit operation. Farmers are impressed by the task force recommendations and appealed for the implementation of the same.

MOCO

Thanked members for the active participation and expressed the wish to have attended the meeting as an observer. Apologized on behalf of the company for the absence of the people intended to attend the meeting. However, the deliberation will be taken to them and they will take it positively. Many OGIs think MOCO is doing so well but MOCO has its problems. Farmers' complaints to be taken positively and not defensively as a way of restructuring.

Mr. Makhandia (MSC)

Millers mill and sell sugar. They need raw materials and a very conducive environment to work. Farmers to develop and maintain their cane in the recommended way. MSC and farmers need each other.

Mr. Goga (KSB)

This is the last league of western visit; Nzoia, West Kenya, Busia and then Mumias. Very much impressed with Mumias because Mumias has set high standards and every other institution wants to be like Mumias. Expected participants from the giant zone but it is unfortunate the team is going away without knowing what the giant is doing. The sugar industry has a chain and the strength of that chain is at the weakest point. We expected to sit together as a family and strengthen that chain. If any one collapses then we all collapse. No component of the industry is more important than the other. As an industry we are undergoing change and we have no choice. The world has become a small village and we have opened our borders to others. We need to change to survive if not it will be disastrous.

As an industry all these components must prosper and they have a right. But for you to have a right you must have a responsibility. Currently the central person is the farmer who tends cane for two years from planting to harvesting. Processing takes one day therefore planting needs a lot of improvement and perfection. This will lead to the industry being cheap and competitive.

It is evident that there is lack of dialogue therefore a lot of mistrust between OGIs, farmers and millers. Most problems affecting industries like Sugar are because of misunderstanding and not letting partners know your position. It reaches a point you cannot control the system. If there was anything to improve dialogue between farmers and MOCO it could have been done yesterday. Let farmers know and understand what you are doing. Let them propose what they want to be done as some of them have very good ideas

MUHORONI MILLING ZONE

Presentations from:

- 1. Muhoroni Out growers Company**
- 2. Muhoroni SACCO**
- 3. Muhoroni Multipurpose Union**
- 4. Soin Out growers Company**
- 5. Opinion Leader/ Farmer**
- 6. Muhoroni Sugar Company**

Date: 10th & 11th November 2003

Venue: Muhoroni Sugar Company Hall.

PRESENTATIONS

GENERAL MANAGER MUSOCO (Mr. Manase Adika)

MUSOCO started 1993 by guarantee of Ministry of Agriculture, Kenya Sugar Authority and Muhoroni Sugar Company

Has 5,000 registered members

Individual farm holdings measure 5 acres (2 ha)

Of the 16,500 ha under cane, in Muhoroni 10,000 is registered under MUSOCO

Structure

6 grower directors

3 founder directors (MoA, KSB, MUSCO)

Funding

a) SDF from KSB

b) Levy from cane farmers

Roles of MUSOCO

- Cane farming as core business and promote the industry through members
- Represent and protect farmers' interests
- Provision of credit facilities
- Sugarcane marketing and payments
- Procurement of services like technical services
- Extension services
- Provide Accounting systems and keep individual records
- Provision of education through seminars and workshops

Services offered by MUSOCO

1. cane transport
2. Land development. MUSOCO 3 tractors; 2 heavy and 1 light duty tractor

Achievements

1. Received Kshs. 55m for machinery (transport fleet) and land development
The fleet is not doing very well but it contributes to 15.9% of Muhoroni sugar factory delivered cane
2. Received Kshs. 75 million from SDF for cane development

Loan repayment

In the past farmers evaded loan repayment by delivering cane through societies and also directly to the miller but this is now under control

KSB has been paid Kshs. 25 million of the total loan of Kshs. 130 million

MUSOCO Vision

Ready to team up with other players in the zone to improve cane farming

Core business remains sugarcane farming but will venture into diversification for supplementary income

Sugar Gross Margin

MUSOCO cane farmers have an average yield of 59 TCH giving low income to farmers. This can be improved if farmers practice good crop husbandry

Problems and Challenges

1. Sugarcane maintenance is below average
2. Factory not fully rehabilitated
3. Government has not implemented Sugar Act 2001 fully
4. Delayed Payments (151 Million)
5. KESGA not functioning due to politics
6. Cess money not well utilized

KESREF has a responsibility to develop high yielding cane varieties suited to varied ecological zones and resistant to pests and diseases.

PRESENTATION BY MUSACCO

Started in 2001 by MUSOCO

Has a membership of 700

Objective

1. Enable members access loans
2. Loaning not started yet
3. Looking for a building for banking and provision of front office savings account
4. Is accumulating funds to do cane development

PRESENTATION BY MMCU

Umbrella body for all societies in the belt

Started as a pool of labour for cane weeding, harvesting and loading

Has more than 15 affiliated societies within Muhoroni Sugar Zone

Roles and functions overshadowed by out grower institution

Needs of MMCU

1. Funds do undertake cane development, maintenance and transportation
2. Education and training for staff and members
3. Capacity building
4. Payment of outstanding debt owed to farmers by miller
5. Immediate revival of KESGA
6. Farmers with small land holding asked to do arable farming for food security

Reactions

It was noted that there are too many societies and groups in the scheme who were advised to join forces and form big blocks for survival

It was pointed out that KSB funds cane development through OGIs from the SDF

Muhoroni farmers were challenged to invest and own mills, which should be managed well

PRESENTATION BY SOIN SUGAR OUT GROWERS COMPANY

Initiated in 1998

Has a staff of five (General Manager, Accountant and three field clerks)

Services offered

- Marketing farmers cane
- Putting up a mill with funds initially meant for cane development
- Milling to begin in 2004 at a capacity of 300 TCD

Ownership of Soin Sugar Factory

2/3 - Government owned

1/3 – Farmers share

Funding

1 % levy

Needs

SOSOCO immediately needs funds to sustain cane development

PRESENTATION BY OPINION LEADER/FARMER

Food security not guaranteed in the scheme

Statutory and local taxation too harsh for the farmers

Research to be intensified and expand the network

KESREF to provide quality seed cane

PRESENTATION BY MUHORONI SUGAR COMPANY

Muhoroni Sugar Factory has been under receivership since 2001. Milling resumed in December 2001. Debtors are being paid

10,000 ha are under cane. Plant crop (65 %) has picked up faster than ratoon crop (35 %)

No definite finances for cane development. Farmers are ready to do self-cane development

Muhoroni ensures cane is milled

Produces cane in the nucleus estate

MUSCO get cane, mill to produce sugar and sell

80 – 95 % of the sugar cane crushed is from out growers

Sugarcane production and milling has never been taken as a business and is marred by politics. There is need to ensure the business is sustainable.

Stakeholders must know their roles and perform them as expected. Defaulters to be penalized. There is need to change to make the Kenyan Sugar industry like other industries.

In the past Muhoroni farmers tried their best but the factory let them down. This is now changing.

Reactions

Poor accounting and book keeping practices were noted

OGIs not performing well due to lack of funds

The society and company should not rival each other, but work together. What is important is the quality of services provided

Society to take up some cane development activities like cane harvesting, weeding, from MUSOCO while awaiting funds

Farmers to have clear membership and resign before leaving one OGI for the other

Transport charges do not include loading and unloading and this leads to overcharging

Dialogue between institutions is highly encouraged

OGIs must be qualified commercial institutions to run their business without burdening the farmer. Profit oriented service delivery institutions

TOR 1.

Create room for the OGIs to re examine themselves with a view of restructuring so as to offer effective services to the farmer as outlined in the task force recommendations. To enable OGIs to explore possibility of providing direct extension services to their members. These services can be coordinated together with KESREF, MoA, and KSB. OGIs to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations

Guiding questions

1. Which services are provided by our OGIs?
MUSOCO
MMCU
SOSOCO
MUSACCO
2. Are they all or do they need to provide more?
3. What is the cost and quality of these services?
4. How do private farmers obtain their services?
5. Which services are being provided by the miller, which OGIs would like to take up?

Key issues

- a) Farmers to take responsibility of supervising cane development, harvesting and transportation. Supervision ensure provision of services efficiently
- b) Growers to collectively source for bulk fertilizer. If possible purchase directly from manufacturers and explore use of rail for transportation
- c) Planning and carrying out timely activities
- d) Diversification to be undertaken by factories to make use of molasses, bagase, and filter mud. Shared with farmers
- e) Improve efficiency in all operations
- f) To jointly lobby for government to reduce taxes
- g) Improve the state of roads to reduce spillage

- h) Extension services to be extended to farmers to ensure best farming practices. Farmers to attend meetings to gain knowledge and skills. To keep records to ensure they track activities and costs incurred. Need proactive farmers
- i) A national apex body to be formed to advocate for farmers interests
- j) Farmers to be committed to sugar cane farming as a business and develop a sense of ownership of the farms
- k) Need for early maturing seed cane varieties. Seed cane to be charged per ha planted
- l) Explore possibilities of irrigation to reduce cane maturity period. Conduct a feasibility study for irrigation to maximize utility of available natural resources. Explore possibility of transporting cane by water canals
- m) Government to provide incentives to farmers
- n) Corruption to be discouraged and corrupt individuals to be prosecuted
- o) Use of locally available resources
- p) Increase yields by carrying out timely operations
- q) Encourage more ratoons to cut down on costs but KESREF, miller and OGI to plan on crop rotation to avoid nematode infection
- r) Minimum tillage
- s) Use of dual machinery like disc bedder, ridger and fertilizer applicator
- t) Localize seed cane development to reduce transport charges

TOR 2.

Enable the OGIs to discuss the roles of the institutions in the sugar industry sub sector, so as to determine the best possible ways of relating to them with the view of delivering effectively to the farmer

Guiding questions

1. What are the other institutions that we work with in the sugar industry?
2. What are their roles?
3. Are OGIs comfortable with these roles?
4. Which ones are conflicting and how do we correct that?
5. How can we restructure so that we perform our roles efficiently?

Emerging issues

- a) Need clearly defined roles for each institution to avoid duplication of services whose cost is transferred to the farmer
- b) To intensify civic education to farmers and collaborate with KESREF, MoA, miller and OGIs
- c) The society to take up some cane development activities like weeding and harvesting
- d) Institutions to be impartial and serve all members equally
- e) Politics to be left out of the cane business. Professionalism to prevail
- f) Encourage dialogue between OGIs, millers, farmers. OGIs to unite so as to have a strong voice. OGIs to cross check on membership and loaning procedures
- g) OGI to be profit oriented with high quality and cost effective service provision to farmers

- h) Need a committee with possibly 1 or 2 members from the district to suggest which roads will be developed and maintained by the 1 % Cess money

TOR 3.

To create opportunity for the OGIs and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

Guiding Questions

1. Why are costs of production high?
2. Why should we reduce them?
3. How do we reduce them (steps)?
4. What do we need to reduce them?

Why are costs high?

- ❖ Monopoly by transporters
- ❖ Expensive fertilizers. Farmers lack bargaining power
- ❖ Lack of supervision on the farm leading to poor service provision
- ❖ High taxes
- ❖ Dilapidated infrastructure
- ❖ Corruption – farmers are forced to bribe for services to be rendered
- ❖ Poor timing of cane development activities. Poorly timed planting leads to poor germination
- ❖ Late fertilizer application
- ❖ Long duration between harvesting and weighing of cane
- ❖ Cane spillage
- ❖ Poor weeding
- ❖ Overcharging on seed cane
- ❖ High costs of services
- ❖ Factories to diversify
- ❖ Long duration of cane maturity
- ❖ Low price of sugar cane
- ❖ Importation
- ❖ Land fragmentation
- ❖ Division of labour
- ❖ Irrigation

TOR 4.

To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGIs

Guiding questions

1. Do we need a farmer's apex body (Purpose, source of funding, membership, structure)?
2. What checks and balances do we put in place to ensure it is representing the interests of the farmer?

Discussion

Kenya needs an apex body. Look at the apex bodies in other countries like Mauritius, Fiji and Australia then develop one that suits our needs.

Structure

Has to be a true representative of farmers from the sub location to the national level.

Body to be free from wrangles and politics

Funding

By farmers, KSB

Closing remarks

Chairman MMCU

Since we started discussing this yesterday a lot has been said. Members have given a lot of opinion on cane development matters. What is left is cooperation on delivering services to farmers. God will lead the industry

Chairman MUSOCO

Thanks to all in the industry. Need to change after such discussions

MUSCO

Thanked all those present for having remembered Muhoroni Sugar Company, which is under receivership. The Kenya sugar industry is a difficult one and can only work if we are united. We need a consistent industry. Leaders representing farmers have to take a fore front.

KSB

Very happy for coming and happy with the healthy deliberations. There is hope in the industry. There is need for dialogue in the industry. Areas that need improvement have been identified and for us to benefit we need to have a common goal.

CHEMELIL MILLING ZONE

Presentations from:

- 1. COC**
- 2. NEOC**
- 3. SACCO**
- 4. KSBCU**
- 5. Opinion Leader/ Farmer**

Date: 12th & 13th November 2003

Venue: Kisumu Sugar Belt Cooperative Union Board
Room.

PRESENTATION FROM COC

Refer to Annex __4__

Reactions

COC to take advantage of the existing SACCO.

The direct funding of farmers from SDF is not a challenge to OGI, as the farmers will still need services like inputs and technical advice. This will enhance cane development.

Contractors do not want to sign binding agreements with COC

Miller and OGI to plan together to ensure cane do not dry in the field

Telephone farmers do not observe good cane husbandry

Sale of inputs at a throw away price – Need to educate farmers

Small scale farmers tend to shy off from institutions

PRESENTATION FROM NANDI ESCARPMENT OUT GROWERS COMPANY

Started in 1999 after the giant Sugarcane Cooperative Unit (Nandi, Kisumu and Nyando) split. The Nandi societies fragmented so much that NEOC is trying to bring them together for easy management. NEOC has a desire to serve the farmer through land preparation, cane development and provision of transport services. Had a target of registering 5000 members according to the Article of Association. Registration is Kshs. 300/- and a deposit of Kshs. 1000/- for preparation to purchase shares. NEOC operates in 8 zones each represented by a director. The zones include;

Chemase A

Chemase B

Chemelil zone

Songo

Kabuchei

Mitetei

Soba zone

Problems

1. Lack of smooth financial flow. Services rendered are to be paid for and ploughed back to the company. This payments are not received on time from millers
2. Competition from other OGIs. NEOC has not registered as many members as had planned. Experience problems associated with dual membership
3. Problem of repaying the SDF loan.
4. Short staffed
5. Loans for weeding are diverted by farmers and this leads to poor performance of cane
6. “Helicopter harvesting” results to loan defaulting as monitoring harvests is not easy

Reactions

The cane development and harvesting programmes in Chemelil to be prepared jointly with OGIs to make it easy for planning and finally recovering the loan

The Sugar Act is to guide stakeholders' interaction. If aggrieved, should seek redress. It is the stake holder's responsibility to implement the Act

COC and NEOC, out grower companies, are duplicating activities to the farmer

Farmers tend to neglect their cane by not weeding, grazing in because it is a loan field

Strategies

1. Improve capital base
2. Maintain ratoons
3. Sensitize farmers on the proper management and utilization of credit facilities
4. Develop a policy for recovering credit facilities advanced to farmers. Make farmers responsible for the loans they receive
5. Training on diversification for food security
6. Harmonize activities and working relationships between OGIs

PRESENTATION FROM NYANDO- KISUMU DISTRICTS FARMERS CO-OPERATIVE SAVINGS AND CREDIT SOCIETY LTD

Refer to Annex _5_

Reactions

SACCOS play a major role in the economy of this country. A lot of money is paid to farmers but the same is not reflected in the development of the area due to lack of or poor savings

Chemelil Sugar Company has always paid SACCO last

NB: There was a proposal that an MOU between stakeholders (SACCO, OGIs, miller) be developed.

Current SACCO management is very strict and will take loan defaulters to court.

OGIs to bank with SACCO

SACCO to build customer confidence. Management has to be honest and of integrity

PRESENTATION FROM KISUMU SUGAR BELT COOPERATIVE UNION LTD

Refer to Annex _6_

Reactions

The cooperative union consists of primary societies but the union carries out all accounting, bookkeeping and payment services

Societies are breaking up due to struggle for leadership. Individuals who loose elections break away and form other societies

The union has so far achieved very little because of inadequate funds. Before 1997, the Cooperative Act stipulated that all purchases be authorized by the ministry of Cooperatives.

DISTRICT COOPERATIVE OFFICER

The Societies Act Section 29 clearly states how people can amalgamate and section 30 how they can part. All registered societies have to be economically viable. They should support their members and meet the running costs. The multi – purpose societies must state one activity, which is viable. All un viable societies are supposed to be deregistered. An amendment Bill 2000 gives the registrar of societies mandate to deregister any society he/she feels is not viable.

The Ministry of Cooperatives appreciates the fact that the Sugar Act 2001 recognizes societies as OGIs. Cooperative societies to take advantage of this.

NB: It was proposed that the cooperative union help identify the non performing societies.

PRESENTATION FROM FARMERS AND OPINION LEADERS

1. Factories discriminate against some farmers when paying cane proceeds. Farmers are forced to lie about out standing school fees, hospital bills or deaths in order to be paid their dues
2. OGIs do not collaborate especially in transporting cane which leaves cane on the fields
3. Farmers need loans
4. Poor institution performance. Farmers carry the burden of running the institutions. OGIs need to be transparent
5. There is a problem in jurisdiction area
6. Need leaders of integrity
7. Duplication of work and area of representation
8. Milling boundary has hindered service provision to some members
9. One SACCO to serve Muhoroni, Miwani and Chemelil – personnel and capacity
10. Need to separate service provision and advocacy performed by OGIs
11. A harvesting committee to be constituted by miller, OGI, farmer to come up with harvesting programmes
12. Self discipline – non compliance to be dealt with accordingly
13. Politics has brought the farmers down. Need good leaders who can lead and not fragment societies

Reactions

Dialogue to be encouraged and farmers to adapt the culture of lobbying

Farmers are faced by three major challenges;

Politics

Late payments

Lack of education

Farmers must have self-development. Need to work on farmers' attitude as most of them are still being pushed.

OGIs have developed a dependency syndrome

Closing Remarks from Director KSB

There is need for improvement in the quality of services provided. We need contracts to bind us. KSB will reach a farmer who has more than 20 acres. The SDF loan will be used directly for the benefit of the farmer

TOR 1.

Create room for the OGIs to re examine themselves with a view of restructuring so as to offer effective services to the farmer as outlined in the task force recommendations. To enable OGIs to explore possibility of providing direct extension services to their members. These services can be coordinated together with KESREF, MoA, and KSB. OGIs to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations

Guiding questions

1. Which services are provided by our OGIs?
COC
NEOC
Kisumu Rural SACCO
KSBCU
2. Are they all or do they need to provide more?
3. What is the cost and quality of these services?
4. What do OGIs need to provide the extra services efficiently?
5. Which services are being provided by the miller, that OGIs would like to take up?

Emerging issues

- a) Need to synchronize activities. Millers and OGI to plan and develop together programmes and supply the same to farmers
- b) There should be contracts which will facilitate clear membership
- c) OGIs to charge levy fairly. Levy charged on self developed cane to be different from the institution developed cane
- d) Need for commitment and close supervision of all field activities by millers, farmers and OGIs
- e) Loans to be availed to OGIs at the right time
- f) Exposure visits
- g) Develop a sense of ownership and take responsibility from the farm to the mill
- h) The right seed cane variety to be planted according to the soil suitability
- i) SACCO to expand its membership by opening up to business persons
- j) OGIs to be innovative and think of other ways of raising funds besides loans. To take advantage of the government guarantee and seek for funds from other institutions like world bank
- k) Of the Cess funds, 80 % to be retained for road development
- l) Basket trailers to be tied at the top to avoid cane spillage

- m) Improve efficiency at the factory
- n) Improvement in the industry calls for collective responsibility by all stakeholders
- o) Advocacy should be separated from service provision.

TOR 2.

To create opportunity for the OGIs and other stakeholders to explore practical steps that could be implemented to reduce the costs of production at farm level

Guiding Questions

1. Why are costs of production high?
2. Why should we reduce them?
3. How do we reduce them (steps)?
4. What do we need to reduce them?

Emerging issues

- a) Timely operations with improved supervision
- b) Improved infrastructure
- c) Seed cane transport and charges
- d) Farmers to be proactive
- e) Efficiency to start from the farm up to the factory
- f) SDF loan to be charged simple interest
- g) Government to reduce taxes
- h) Ploughing to depend on soil texture
- i) Diminishing plot sizes
- j) Pests – human pests
- k) Bulk purchase of fertilizers by OGIs
- l) Seed cane nurseries to be developed in areas easily accessible to farmers preferably sub location
- m) Use of locally available resources and undertaking operations locally like harvesting, weeding etc
- n) Attitude change
- o) Clear stakeholder roles
- p) Responsible cane loading
- q) Carry out necessary operations only
- r) If possible farmers to develop cane privately to avoid loan
- s) Need a loan exit programme to assist farmers avoid depending on loan forever.
The current loaning system discourages savings
- t) Encourage more ratoons by developing a good plant crop
- u) Use of dual purpose machinery
- v) Extension services. Regular visits to the research station
- w) Irrigation will increase yields and shorten maturity period
- x) Diversification – intercropping, border cropping for food security
- y) Appropriate technology

TOR 3.

To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGI

Guiding questions

1. Do we need a farmer's apex body (Purpose, source of funding, membership, structure)?
2. What checks and balances do we put in place to ensure it is representing the interests of the farmer?

Discussion

There is need for an independent farmer apex body

Purpose

Represent farmers' interests and advocate for their rights
Watch dog in the industry – ensure policy implementation
Provide checks and balances
To arbitrate and iron out differences
To unite all farmers

Funding

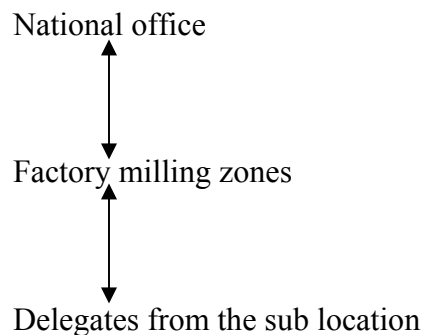
Members who are farmers
From the 1 % levy deducted by OGIs
KSB
Apex body to fundraise from donor agencies

Membership

Farmers
Need democratic elections
A clear understanding of the articles of Association
Farmer apex body to be led by farmers and not politicians
Elected persons should be above average farmers, people of integrity and not holding any OGI office

Structure

To create electoral boundaries



Challenge

The world is changing very fast. Sugar cane has to compete with sugar beet and sweet corn. Sweeteners are in the market and consumers go for price, then quantity. The question of quality and origin of product comes last. The Kenya sugar industry needs to change to cope with the changing world.

Closing remarks

KSBCU

Requested for help as the union has financial constraints and is split by politics.

Meting addressed the question of in fights among OGIs. Brought to the light that OGIs who are farmer representatives are not carrying out their duties well. Called for unity to develop the industry.

COC

There should be unity among stakeholders and avoid people who want to plant bad seed. Farmers to fight as a team. Leaders must be committed and lead farmers honestly and transparently. When farmer representatives wrangle, farmers suffer.

KSB

There are very many changes in the industry coming and we have to be prepared.

There is need for dialogue. We always have to remember that we are in a competitive market

SONY MILLING ZONE

Presentations from:

- 1. Awendo Multipurpose Cooperative Union**
- 2. SONY Out growers Company**
- 3. SOC SACCO**
- 4. Opinion Leader/ Farmer**
- 5. SONY Sugar Company**

Date: 17th & 18th November 2003

Venue: Gilly Hotel, Migori.

Presentation by Awendo Cooperative Union

Also called Awendo Sugar Belt Multipurpose Cooperative Union

Has 7000 members with only 400 sugar cane farmers. Draws members from individuals and societies. Currently there are 6 societies

Services

Been funding cane harvesting and transport for non contracted cane but SONY sugar has taken over this making the union redundant

Income

A levy of 6% from members

Rent from buildings

Cooperative union is currently sourcing for funds to under take land and cane development

There are no binding contracts between union and sugar cane members since cane is developed independently

Problems

Delayed payments for delivered cane

SONY Out Growers Company

Refer to Annex _7_

Reactions

Soc owes KSB Kshs. 355 million. KSB is asked to restructure loan repayment as the earlier payments only cleared interest

Future

Though SOC has funding problems it intends to;

Cut down on levy to less than 1 %

Lower land and cane development rates

Writing proposals to source for funds

Membership

SOC draws its membership from farmers assisted to develop land and cane. Others become automatic members of SOC once they enter an agreement with miller – was a resolution of an AGM.

Farmers to be given the right information about cane farming and supply contracts
SONY and SOC to encourage farmers to undertake private development of cane so as to realize higher profit margins

Presentation by Opinion leaders and Farmers

- Make payments on time and regularly

- Stressed for quality harvesting
- Put in place mechanisms to minimize cane spillage
- Give credit and advances to farmers
- Reduction on the charges of seed cane and operations like harvesting
- Cost of inputs can be reduced if fertilizers are purchased in bulk
- Factory to avoid erroneous deductions, cases of lost or incomplete files
- Cess money to be used appropriately for roads improvement
- Co-ordinate cane development loans from AFC
- Some cane varieties do not do well
- Poverty is on the rise
- Government asked to regulate imports to guarantee sales of local sugar. However, farmers to cut down on costs of production.
- There is no way politics can be divorced from the sugar industry. Positive politics can improve the industry but negative will ruin the sector
- Millers choose cane varieties for farmers without giving them a choice for instance; CB 3832 is forced to farmers. KESREF to be incorporated.
- Cane lifting from the farm delays to over 3 weeks
- Current low yields are as a result of delayed payments. Suggested that loans be given.

PRESENTATION BY SONY SUGAR COMPANY

Core activity is milling and selling white sugar

Has three departments: Sales, Plant (mill) and Agriculture

Agriculture ensures cane supply to the factory

Relationship with farmers

Farmers are categorized into three;

- Company funded cane (land development, fertilizer, seed, herbicide)
- Self developed cane (SONY only provides seed cane)
- Independent non contracted

Contractors handle cane harvesting and transport

Miller is encouraging self and independent cane development

Extension services

Is done in collaboration with KESREF and OGI through organized field days and field demonstrations

Research and Development Division

Conducts seed cane trials and production

Soil sampling and testing

Challenges

Owes farmers Kshs.510 million

Payment being done in split (for willing farmers)

More than 7 million paid out directly

Relation with SOC

Extension work done together

SOC has a transport fleet which delivers cane to the factory

SONY recognizes SOC block leaders

ROLES OF INSTITUTIONS

KESREF

Established in 2000 with h/q based at Kibos (Kisumu) and sub station at Opapo, Mtwapa, Mumias and Alupe

KESREF is mandated to;

1. Do research in Sugar cane farming and sugar production
2. Do extension work in the industry

Objectives

1. Core role is to develop technologies and extend to farmers and millers
2. Develop high quality sugarcane seed varieties and has realised a number of seed varieties
3. Does research in agronomy – land preparation, seed type, crop management, pests and disease control
4. Irrigation technology and farm machinery
5. Lab services – soil and milled sugar analysis
6. Socio-economic – cost benefit analysis

Extension

1. Staff are scattered in all sugar growing zones
2. Collaborate with millers and OGIs

Funding

1. Grants from KSB
2. sales from experiment plots
3. Collaborative work with chemical companies to generate income

Future

To get closer to farmers through OGIs

Plan to undertake adoption studies in order to monitor performance

KSSCT

Was established in 1979

Comprises of voluntary professionals and persons interested in sugar cane production

KSSCT has 350 individual members and 13 institutional members

Is affiliated to International SSCT, south Africa SSCT and East Africa SSCT with the head quarter in Kisumu

Functions

1. Promote studies of technical problems in the industry through workshops, seminars, and courses
2. Stimulate study findings
3. Disseminate information in the sugar industry

PEARL STONE ASSOCIATES

A consultancy firm on governance and decentralization
Address good governance through transparency and accountability
Stresses free flow of information between partners to avoid suspicion
Players must know how to resolve dispute in the industry

KSB

Addresses all players in the industry
Relies on 7% SDL (money taxed on consumers)
 1 % - KESREF
 1 % KSB Administration
 2% Factory rehabilitation
 2 % Cane development
 1 % Infrastructure development
Restructuring is going on
KRA is now assigned to collect the SDL from millers
Commercial banks are being involved for direct funding
Future loans will be given to farmers who have 20 acres of cane and above
KSB interest rate stands at 5 % since September 2003

KSB Mission – To provide leadership to enable players in the industry to reap meaningful profit

SUCAM

Was established in 2001. Is a non-political, non-partisan lobby group whose mission is to ensure farmers in Kenya enjoy a life that is just, fair and free from poverty
SUCAM has developed partnerships with players in the industry

TOR 1

Create room for the OGIs to re examine themselves with a view to restructuring so as to offer effective services to the farmer. OGI's to be adequately prepared to implement the sugar industry strategic and feasible industry reform blue print based on the task force recommendations. To enable the OGIs to explore possibilities of providing direct extension services to their members to avoid exploitation of OGIs by the millers. These services can be co-coordinated together with KESREF, MoA, and KSB

Guiding questions

1. Which services are currently being provided by ;
 - a. SOC
 - b. SOC SACCO
 - c. Awendo Cooperative Society
2. Which other services have they not mentioned yet they provide?
3. In your opinion do they need to provide more?
4. What is the cost and quality of these services
5. Which services would the miller like to surrender to OGIs

6. Of the services being provided by the miller, which ones would OGI like to take up?
7. What structures have you put in place for the take over

Key issues

- a) OGIs need additional qualified staff to man technical and professional areas
- b) There is need to define OGIs geographic area of operation and maintenance of members register
- c) OGIs to educate their members on their responsibilities and roles especially as far as funding is concerned and allow them to participate in decision making
- d) OGIs should be viable and have bankable projects to attract funding
- e) De politicizing management of OGIs
- f) Creation of independent checks and balances
- g) Commercialization of services
- h) Staff rationalization
- i) Need for prudent financial management
- j) Establish working partnerships

TOR 2

Enable the OGIs to discuss the roles of the institutions in the sugar industry sub sector, so as to determine the best possible ways of relating to them with the view of delivering effectively to the farmer

Guiding questions

- a) Which other Institutions do we work with in SONY milling zone?
- b) What are their roles?
- c) How best would you like to see these institutions working
- d) How can we restructure to enable us perform our roles efficiently?

KSB

- a) To avail funds to OGIs to boost their activities. Should benefit both large and small scale farmers
- b) KSB to assist millers to pay delayed payments
- c) To lobby for total implementation of the Sugar Act
- d) To push for the quick constitution of the Sugar Arbitration Tribunal
- e) Decentralize KSB activities (financial) to regional offices
- f) KSB to change and help farmers
- g) KSB to resume capacity building programmes to empower stakeholders. Encourage meetings and exposure visits. Individuals to take initiative of touring this areas.
- h) Institutions to take responsibility of repaying loans

KESREF

- a) Commended for the good work
- b) KESREF to conduct more field demonstrations
- c) To work in collaboration with millers and OGIs

OGIs

- a) To provide information to farmers in terms of where to obtain funds and farm inputs

KSSCT

- a) Offers training at a minimal cost and stakeholders to take advantage of this

FARMERS

- a) To be encouraged to develop cane independently as it saves on costs

TOR 3

To create opportunity for the OGIs and other stakeholders to explore practical steps that could be implemented to reduce the costs and enhance production at farm level

Guiding questions

1. Why are costs of producing sugar cane in Kenya among the highest in the world?
2. What steps do we take to reduce them?
3. How can we increase production on our farms without necessarily increasing their size?

Key issues

Reducing costs come in two forms;

- (i) Reducing inputs cost
- (ii) Increasing yields

Costs are of two types; Producing and processing cost, which may either, be fixed or variable.

Cane development activities include; bush clearance, land preparation, seed cane, fertilizer, labour, interest rates, levies, harvesting and transportation

Statistics have it that

Cane transportation constitutes the highest cost – 31 %

Crop maintenance – 19 %

Seed cane – 18 %

Land Preparation – 13 %

Harvesting – 11 %

Fertilizer – 8 %

Practical steps to reduce costs

- a) Encourage use of locally available resources like compost manure, oxen plough, donkey carts. Discourage burning of cane
- b) Transportation of sucrose by pipeline instead of tractors where drivers siphon oil
- c) Farmers to be encouraged to develop cane independently
- d) Proper input supply systems
- e) Direct bulk importation of machinery and farm inputs too reduce costs. This to be fronted by the farmers apex body
- f) KESREF to develop seed cane nurseries in areas closer to farmers

- g) Use of carts, bicycles to transport cane to collection centers
- h) To increase production the following have to be put into consideration; Soil type, topography, Seed cane variety, Land preparation, Planting, Fertilizer application, Timeliness of operations, weed removal.
- i) Encourage longer ratoons to make profit
- j) Minimize land preparation activities like instead of ploughing each time a ratoon is uprooted, a farmer may spray the stumps and harrow
- k) Corruption to be condemned
- l) More research on machinery suitability
- m) Open tender system when procuring
- n) Elect good leaders who can articulate sugar issues
- o) All stakeholders to collectively lobby for favorable policies
- p) Farmers to actively participate in cane growing. To supervise the farms
- q) Intercropping for food security

TOR 4

To exhaustively discuss the best possible ways of getting a democratically elected farmers apex body with grassroots representation, preferably at sub location level to devote itself to advocacy and leave the burden of facilitating provision of services to OGIs

Guiding questions

1. Did you know that there is a Manufacturers Apex body?
2. Do we need a farmers' apex body?
3. Why?
4. What will its structure be like?
5. How about membership? (Considering the nature of farming systems in the sugar belt – large scale and small scale farmers)
6. How will this body be funded? (Sense of ownership, Independence, Sustainability)
7. How should the elections be conducted - Timing (separately or concurrently with KSB and OGI)
8. If there was a problem today affecting the sugar industry and only two farmer representatives were required, how would the farmers choose the representatives without an apex body?

Yes, there is need for a farmer's apex body whose role will be separate from OGIs. The Sugar Act provides for it.

Purpose

- a) Speak for all farmers. To articulate farmers interests at the highest level

Membership

- a) Have grass root representation with checks and balances to ensure it performs
- b) Free and fair elections to be conducted

Structure

- a) SUB LOCATION → ZONAL (LOCATION) → NATIONAL

Funding

- a) By members

MIWANI MILLING ZONE

Presentations from:

- 1. Miwani Sugar Out Growers Company**
- 2. Kisumu Sugar Belt Cooperative Union**

Date: 23rd December 2003

Venue: SUCAM Boardroom.

PRESENTATION FROM MISOCO

Started in 1996 but became un operational in Oct 1999 due to numerous problems faced by farmers. MISOCO's activities included:

- Cane marketing and payment
- Credit facilities
- Farmer Education
- Representing farmers in meetings especially KESGA
- Maintenance of accounts

Problems

1. Most small scale farmers are Africans while most large scale farmers are Asians who happen to be transporters
2. The closure of the factory in 2001 reduced MISOCO's capital base. MISOCO depended on income from levy
3. High transport costs - Cane being taken to Chemelil and Muhoroni
4. Evasion of loan repayment through cane diversion
5. Cheap purchase of farmers cane by transporters
6. Delayed payments for delivered cane
7. Poor infrastructure
8. Corruption manifesting in the harvesting and transport programme
9. High cost of cane development (fertilizers)
10. Cane fires
11. No contracts
12. Conflicting role of KESGA and OGI

What MISOCO needs

- Funds for transport fleet to increase capital base without necessarily relying on levy
- KESREF to be actively involved in Miwani – Establish demonstration plots, develop new varieties
- Funds for cane development
- Capacity building

KISUMU SUGAR BELT COOPERATIVE UNION

Activities include; marketing and bookkeeping

Problems

- ❖ Lack of funds
- ❖ High transport costs
- ❖ Lack of credit facilities
- ❖ Harvesting problems
- ❖ Emergent of numerous societies due to leadership wrangles, provision by the Act and harvesting problems

Role of the institutions in the sugar industry

- Service providers
 - Tender transport services
 - Regular and consultative planning
 - Services to be performed locally with discipline and good management
 - Cane contracts be established and adhered to
 - Prompt payment for delivered cane
 - Representation at a standardized and universal weighbridge
- Miller
 - Develop programmes together with other stakeholders
 - Pay in time
- Financial institutions
 - Reduce interest rates
 - Loan recovery period to cover entire crop
 - Need a grace period
 - Establish a sugar cane farmers bank as is the case in Philippines, Mauritius and South Africa
- KSB
 - To hold consultative meetings - AGM
 - Ensure values of the industry are upheld
 - Adopt the single desk marketing
 - To ensure the industry is running efficiently
 - Ensure farmers are paid
 - To build capacity of all stakeholders
- KESREF
 - Intensify research on production of beet root and sorghum for sugar production
 - Extension services to farmers in Miwani
- Farmers
 - To be business oriented
 - To get civic education on SDF loan and be constantly informed on happenings in the industry
 - Ensure food security- intercropping, boarder cropping
 - Consider the future effects of land subdivision
- Government
 - Control the weighbridge under Ministry of Trade. To regularly check and align weighbridges
 - Implementation of the Act
 - Good will
 - Develop a sensible sugar policy
 - Reduce taxes
 - Revive Miwani

Cost Reduction strategies

- Reduce cost of machinery

- High service charge – KSB to critically look at the service rates to establish whether they are genuine.
- Need for uniform charge rates
- OGI to have consultative meetings
- A central procurement unit to source for inputs (fertilizer)

Farmer Apex body

OGI to provide services and leave advocacy for Farmer apex body

Needs a strong secretariat

Elections to be supervised by an independent body

Representatives to start from a sub location

Apex body to handle key issues like VAT, income tax, importation, policies etc

Conclusion

It is important that there exist cooperation between miller and out grower institutions and farmers. OGIs have to unite and speak with one voice. Miwani OGIs resolved to unite and strengthen their working relationship

