

BOMET COUNTY



THE COUNTY ASSEMBLY

THE FIRST ASSEMBLY – THIRD SESSION

THE COUNTY ASSEMBLY COMMITTEE ON AGRICULTURE,
LIVESTOCK AND FISHERIES REPORT ON

THE BOMET COUNTY TEA POLICY,
SESSIONAL PAPER NO 2 OF 2015

*Forwarded
17/02/2016*

FEBRUARY, 2016



Preface

Mr. Speaker Sir,

I wish to thank the Members of Agriculture, Livestock and Fisheries Committee for their effort in coming up with this comprehensive report on the Bonnet Tea Policy Sessional Paper No. 2 of 2015.

Mr Speaker Sir,

It is therefore my pleasant duty and privilege, on behalf of the Committee to table this report and recommend it to the House for adoption.

THE HON. SAMMY KIPSIELE KIRUI

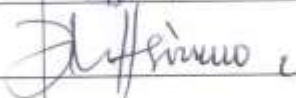
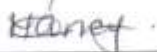
**CHAIRPERSON, COMMITTEE ON AGRICULTURE, LIVESTOCK
AND FISHERIES**

Signed.....

DATE.....16/02/2016.....

Membership and Ownership of the Report

We members of County Assembly Committee on Agriculture, Livestock and Fisheries do append our signatures confirming against our names to this report to affirm the correctness of the contents and support for the report.

NAME	DESIGNATION	SIGNATURE
1. Hon. Sammy Kirui	Chairperson	
2. Hon. John Ngetich	Vice chairperson	
3. Hon. Evaline Chepkemoi	Member	
4. Hon. Samson Towett	Member	
5. Hon. Robert Metet	Member	
6. Hon. Christopher Ngeno	Member	
7. Hon. Nancy Chepkirui	Member	

ACRONYMS AND ABBREVIATIONS

KTDA-Kenya Tea Development Agency

AFFA-Agriculture Food Fisheries Authority

PPPP-Private Public Partnership Programme

TRFK-Tea Research Foundation of Kenya

CEC-County Executive Committee

TBK-Tea Board of Kenya

CTC-Cut Tea and Curl

KALRO-Kenya Agricultural Research Organization

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CHAPTER ONE

1.0 Introduction

The committee on Agriculture, Livestock and Fisheries is one of the Sectoral committees established under the Standing Orders 193(1) and the Second Schedule to the Standing Orders.

1.1 Committee Membership

The Committee on Agriculture, Livestock and Fisheries as currently comprises of the following Honourable Members:-

1. Hon. Sammy Kirui - Chairperson
2. Hon. John Ngetich - Vice Chairperson
3. Hon. Evaline Chepkemoi - Member
4. Hon. Christopher Ngeno - Member
5. Hon. Samson Towett - Member
6. Hon. Robert Metet - Member
7. Hon. Nancy Chepkirui - Member

1.2 Mandate of the Committee

The Sectoral Committee on Agriculture, Livestock and Fisheries derives its mandate from provisions of Standing order 193(5) which defines functions of the Committee as being:

- a) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
- b) To study the programme and policy objectives of ministries and departments and the effectiveness of their implementation;
- c) To study and review all legislation referred to it;
- d) To study, assess and analyze the relative success of the ministries and departments measured by the results obtained as compared with their stated objectives;
- e) To investigate and inquire into all matters relating to the assigned ministries and departments as may be deemed necessary, and as may be referred to it by the House or a minister;
- f) To vet and report on all appointments where the Constitution or any law requires the County Assembly to approve, except those under Standing Order 187 (Committee on appointments); and
- g) To make reports and recommendations to the House as often as possible, including recommendations of proposed legislation.

As per its functions, the Committee on Agriculture, Livestock and Fisheries is thus tasked with the role of dealing with the following matters;

- (a) Crop and animal husbandry;
- (b) Livestock sale yards;
- (c) County abattoirs, plant and animal disease control; and
- (d) Fisheries and veterinary services (excluding regulation of the profession)

1.3 The Bomet County Tea Policy, Sessional Paper No. 2 of 2015

The Bomet County Tea Policy, Sessional Paper No. 2 of 2015 was tabled on **15th June, 2015** and it was committed to the committee on Agriculture, Livestock and Fisheries.

In a nut shell, the focus areas of the Bomet County Tea Policy are the clones, production related issues, manufacture, value addition and marketing. The policy has enumerated challenges facing the tea industry and proposed necessary interventions as well.

1.4 Committee meetings and public forums

The committee held a total of 5 meetings in deliberation and analysis of the policy. The committee also organized six public participation forums in which tea farmers and stakeholders were engaged to get their views as regards the proposed policy before coming up with the report.

1.5 Acknowledgment

The committee is grateful to the Office of the Speaker and the office of the Clerk of the County Assembly for facilitating and providing technical support to the Committee during the preparation of the report.

I appreciate the members of the committee on Agriculture, Livestock and Fisheries who worked tirelessly in discharging their duties in the committee by coming up with this report.

CHAPTER TWO

2.0 THE RELEVANT LEGAL FRAMEWORK GOVERNING THE AGRICULTURAL SECTOR

2.1 The Constitution, 2010

Fourth schedule of the constitution provides for distribution of functions between the National Government and the County Government. The National Government has been given the role of the developing agricultural policies while the County Government has a role of crop and animal husbandry among others in the agricultural sector.

2.2 The Agriculture, food and Fisheries Act

Section 29 provides for the respective roles of national and county governments as follows;

- (1.) Each county government shall within its area of jurisdiction be responsible, for agricultural matters in accordance with Part 2 of Fourth Schedule to the Constitution.
- (2.) The national government shall, in accordance with Part 1 of section 29 of the Fourth Schedule to the Constitution, be responsible for agricultural policy and for assisting the county governments on agricultural matters.
- (3.) Each county government shall, for purposes of ensuring uniformity and national standards in the agricultural sector, through its

legislation and administrative action, implement and act in accordance with the national policy guidelines issued by the Cabinet Secretary on the advice of the authority under this Act.

2.3 Crops Act, 2013

Section 6 of the Act explains the role of national and county governments in development of crops. It provides that pursuant to the Fourth schedule of the Constitution the County Governments will implement the National Government policies to the, extent that the policies relate to the county and in particular shall be responsible for—

- (i) development of crops grown within the county;
- (ii) plant disease control;
- (iii) markets;
- (iv) cooperative societies within the county;
- (v) Soil and water conservation.

The Act lists Tea as one of the scheduled crops. In Section 8 Agricultural Food and Fisheries Authority, in addition to the functions stipulated under any other law, the Authority shall—

- a) formulate general and specific policies for the development of scheduled crops specified in the First Schedule;
- b) facilitate marketing and distribution of scheduled crops through monitoring and dissemination of market information, including

identification of the local supply demand situation, domestic market matching and overseas market intelligence and promotion activities on scheduled crops;

2.4 Companies Act, 2015

Internal regulations of the companies cannot be altered except as per the decisions of the shareholders and therefore proposal to change the tenure of the directors.

The KTDA managed factories are currently governed by Companies Act, 2015 as limited companies with Articles of Association and Memorandum of Association stipulating how the tea factories should be governed.

CHAPTER THREE

3.0 VIEWS FROM STAKEHOLDERS IN THE TEA INDUSTRY

The committee held a total of six forums in which tea farmers, directors and chairpersons of the of the KTDA factories within the County and representative of the KTDA management. The forums were held in Tegat Market Centre, Ndaraweta Market Centre, Koiwo Market Centre, chepirbelek Centre, Kapset Market centre and Mogogosiek DC stadium.

3.1 Challenges Faced by the Committee during Public Participation Forums

The stakeholder participation was largely successful. However, the committee faced several challenges during the forums including;

1. The members of the public were hostile, abusive and misinformed during some of the forums especially in Koiwa, and Chepirbelek
2. Most of the members of the public seem not to understand the constitutional role of the Assembly
3. The members of the public were incited from different quarters against the policy and the members of the committee.
4. The members of the public were not informed about the forums

3.2 Smallholder tea farmers Stakeholder participation views

These were the view of the smallholder tea farmers across the county with regards to the proposed tea policy;

Specific objectives of the policy

- Most smallholder tea farmers as stakeholders were of the view that the third objective on improvement of infrastructure especially roads is important and that the county government should give priority those roads which leads to the tea buying centers.
- The public took cognizant of the fact that the tea collection is a problem and indeed the policy has tried to address the menace.

Reduction of cost of production

- The farmers suggested that the fertilizer prices should be reduced through government subsidy.
- That the county government should indeed do the road maintenance as the tea farmers were entitled to proper infrastructure.

Management of Tea Factories

Most of the stakeholders were opposed to the formation of cooperative societies to own and manage tea factories as KTDA was already established and serving its shareholders well.

Extension Services

There was a concern that the county government should provide farmers with extension services to help them improve their tea production.

Warehouse (Storage facility)

Most stakeholders were opposed to the idea that warehouses be established since KTDA already one of the best in the world.

Payment (Monthly payments and Bonuses)

Some smallholder tea farmers were of the view that the policy should seek to address the issues of monthly payment and bonuses and that clear guidelines to ensure that farmers are paid their dues in an efficient manner and not through Saccos or other failed institutions.

Creation of tea Cess fund

There were varied opinions on whether deduction should be introduced or not. Some smallholder tea farmers were of the view that the county government should maintain roads in tea growing areas as it is currently its mandate.

Marketing

The farmers suggested that marketing of tea especially in Mombasa should be done in clear and transparent manner. The farmers also suggested that instead of having tea auction in Mombasa the policy should seek to find

alternatives that the buyers should come near to the farmers for instance, come to the tea factory and buy tea.

Environmental sustainability

That environmental sustainability proposal was welcomed by most of the stakeholders.

3.3 Joint response from smallholder tea factory companies in respect of the tea policy

The response was made by the listed managing agents of smallholder tea factories located in Bomet County, which was written on behalf of the KTDA managed factories in the county including Kapkoros; Tirgaga, Mogogosiek, Kobel, Boito, Kapset; Rorok tea factories. The KTDA regional management submitted as follows;

i. Role of the County Government With Regard to Tea

That the role of the National Government is to develop Agriculture policy while the County Government is to implement the policies as developed by the National Government.

ii. Current situation on production

That the draft policy is partisan and targeted to only the KTDA managed factories and hence not inclusive as no data has been provided for the multinational tea companies, nor independent factories such as those run by Sacco's which would provide an objective platform for comparison.

iii. Production challenges

That there was no comparative view of the production challenges and management agency fee in all the 15 Factories within the County hence the information used in the proposed policy were not objective.

iv. Creation tea Cess fund

Development and maintenance of roads is a Government function and Tea farmers like any other Kenyan pay their taxes have a right to the same.

That imposition of Cess should only be done through legislation which should *inter alia* provide the mechanisms of management of tea Cess to be levied in order to ensure that the money levied as tea Cess is utilized for the intended purpose of maintaining infrastructure in the catchment areas.

v. Formation of tea collection centre and road committees to maintain access roads.

Management of resources by the citizens and from whom resources have been collected is a welcome recommendation, however in the years past, the Tea Factory Board of directors, who are also farmers and farmers representatives, together with their factory managements, have successfully managed Cess funds for maintenance of access roads. Consultations with collection centre committee have always been done. It is proposed that the same model be pursued.

vi. Review monthly bonus payment to meet on and off farm financial needs

Tea as a commodity in the market is subject to forces of demand and supply and it is therefore not possible to predict the price. Further, the factories being limited liability companies, the decision on the frequency of payment is vested on the shareholders of the factories.

vii. Improvement of leaf collection by allowing competitive transport providers to transport green leaf in order to enhance timely collection.

That the County Government has no mandate to interfere with activities of private companies, more specifically in this context, tea transport as this is the mandate of each individual tea factory or dealer in the county.

viii. Manufacturing

That the production is however not evenly distributed throughout the year with peaks and troughs causing capacity constraints and slacks respectively. The factories have undergone expansion and de-bottlenecking with the current maximum capacity being 136 million Kgs.

ix. Marketing channels

That it is the responsibility of the National Government to seek out market outlets for products developed by its farmers, the Kenyan tea farmer which should be done through Government to Government collaboration. Once this is done, the tea farmers, from smallholder, multinational and independent factories would have additional outlets for their products.

x. Market Access- The policy states that there is limited market access in some countries due to stringent certification standards

Certification is also a competitive barrier to entry and those certified enjoy greater market share and premiums than those who do not. Opening up of markets should be a National issue and the National Tea Policy and the Tea Task Force 2015, should develop a strategy to penetrate new world markets and maintain the existing ones.

xi. Ownership and management of tea factories

This policy proposal that farmers should be encouraged to form co-operative societies to own and manage the existing tea factories will be contrary to law as the factories as they presently exist are owned by registered legal entities with the Tea farmers shareholders being shareholders.

xii. Proposed policy interventions

That the Support by the County Government would be welcome but the framework for commercial engagement and support would need to be agreed with shareholders.

xiii. Challenges and Governance intervention-

That the Companies Act 2015 provides very stringent requirements in respect to a director of a Company and that the KTDA Managed Tea Factories operate in line with the Companies Act and their respective Articles of Association.

Institutions that however require representations of the tea stakeholder are the Tea Directorate under Agriculture Food and Fisheries Authority (AFFA) and Tea Research Institute, under KARLO.

xiv. Environmental Sustainability

That past efforts by KTDA to engage the Central Government to foster environmental sustainability have never been fruitful and if the County Government can facilitate and spearhead this, it would be welcome.

xv. Position on the policy

That the policy document has positive recommendations which are meant to improve the tea sector. However, the same should be anchored on the National Tea Policy and should not be subjective on any particular institution, or persons.

3.4 Strength and Weakness of the policy

3.4.1 Strengths of the Policy

1. The specific objectives of the policy addressed the cost-cutting measures through improvement of physical and other infrastructure like roads, tea buying centers, transport, fertilizer subsidy, and improvement of service delivery.
2. The policy gave a wider and comprehensive views as far as the challenges of tea farming is concerned.

3.4.2 Weakness of the policy

1. One of the specific objective of the policy was to facilitate increased production of quality Greenleaf by increasing average productivity from 1.0 to 2.5 kg of Green Leaf per bush for smallholder. However the policy

does not demonstrate on how this can be achieved and also there was no case study to prove that the policy could indeed improve the price of green leaf.

2. The general statistics and facts of the policy could not be established. However, most of the statistics and figures in the policy were not recent and factual. For instance, on clear scrutiny of the Executive Summary it is evident that the statistics employed were from the F/Y 2012/2013 and F/Y 2013/2014 yet there are more recent information.
3. The policy never demonstrated comparative studies to demonstrate to the farmers that the policy is indeed practicable.
4. It was evident from the views of the farmers during public participation that the policy was not subjected to public participation by the Department concerned during the preparation of the policy. However, there is some evidence of one public participation done at Bomet Town at Green Stadium which was an invite only event. This did not represent all the views from the farmers.
5. The policy in its entirety lacked the situation analysis on how to intervene on some of the challenges faced by the tea sector. This was evident when the committee subjected the policy to public participation.
6. It was also noted that the Policy did not provide extensive measures to curb the gaps between KTDA and the Farmers.

CHAPTER FOUR

4.0 FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

4.1 FINDINGS

Having deliberated on the policy and considering the views as given by the tea industry farmers and stakeholders in the county, the committee made the following findings;

- i. That while it is necessary for the government to give policy guidelines in the tea sector as well as other sectors, it is of paramount importance to take into account the complexity of the industry, the current legal and institutional framework and the need to have national standards uniformity in the agricultural sector.
- ii. That proper research was not carried out by the relevant department before formulating the county tea policy hence a lot of glaring gaps were evident. A case in point was the data used, the institutional framework and the marketing aspect in the tea industry. Current statistics with regards to income generated and production of green tea leaf were not used.
- iii. That proper consultation with the stakeholders was not done by the relevant department before the formulation of the policy. This was confirmed during public and stakeholder participation by the smallholder tea farmers who are the key stakeholders, directors and the

KTDA management yet the policy proposal and interventions could affect them substantially.

- iv. That most farmers were not opposed to collection of Tea Cess which was previously deducted to assist in maintenance of roads and address immediate needs whenever they arise but that the same should be managed by factories as opposed to Tea Cess Fund Committee proposed by the Policy.
- v. That most farmers urged the County Government to consider subsidizing fertilizers when preparing the budget so as to reduce the cost of production in the tea industry
- vi. That farmers were totally opposed to the introduction of co-operatives in the management of tea factories in the county owing to the fact that most co-operatives have failed in management of other crops and that the current management by the KTDA was efficient and serving the farmers well.
- vii. That the proposed policy mainly targeted the small scale tea farmers and the KTDA managed factories and not private tea companies. All the data given relates to factories under KTDA thus excluding multinational tea companies and other independent factories.
- viii. That there were several policy intervention measures which do not fall within the mandate or control of the County Government hence implementation will be a challenge. This include addressing the challenge

of multiple taxation which will require the parliament to legislate because matters of taxation is the exclusive function of the National Government.

- ix. That there was still a challenge of poor infrastructure which increases the cost of production and transportation in the tea growing areas yet county road development and maintenance is the role of the County Government.
- x. That all the stakeholders engaged were totally opposed to the proposal that farmers be encouraged to form co-operative societies to own and manage the existing tea factories. The factories as they presently exist are owned by registered legal entities and the Tea farmers are shareholders and direct owners of the Companies. It was felt that the model as it presently is, has worked very well for the farmers, as suppliers and as shareholders and that a change in model is not justifiable or beneficial.
- xi. That in the current institutional framework small scale tea farmers are adequately represented except in the Agricultural Food and Fisheries Authority (AFFA) and in the Tea Research Institute hence the relevant legislation can only be amended by national parliament to address the issue.

4.2 RECOMMENDATIONS

- i. That legislation enabling tea Cess collection be put in place to allow maintenance of roads in the tea growing areas

- ii. That the County Government should consider subsidizing fertilizers when preparing the budget so as to reduce the cost of production in the tea industry.
- iii. That the county government should improve transport infrastructure in tea growing areas and support energy generating projects to reduce the cost of production in the tea industry.
- iv. That the county agriculture department should conduct a thorough research in the tea industry especially in Bomet County in order to establish the real challenges bedeviling the industry, the role of the county government in the industry and how the challenges can be addressed at the policy level.
- v. That in future, the county government should undertake an all-inclusive consultation with all stakeholders including the smallholder tea farmers, the management of the KTDA factories, the multi-national tea companies, privately owned tea factories and the national government before developing any relevant policies.
- vi. In view of the above, the Committee recommends that the policy should be returned to the Department concern for further review and take into consideration the committee's recommendation and stakeholders' views.

CHAPTER FIVE

CONCLUSION

The tea industry is the key to livelihood of the residence of Bomet County because it is a leading source of income to the farmers and the County therefore the committee concludes that the Executive arm of County Government of Bomet should research and consult the relevant stakeholders when preparing a policy or any document to that effect. This will enable them to come up with an all-inclusive document with clearly define legal framework, implementation structure and factual data.

Annexures

1. Schedule of Public Participation (Advertisement)

REPUBLIC OF KENYA



THE COUNTY ASSEMBLY OF BOMET

PUBLIC PARTICIPATION FORUM FOR THE BOMET TEA POLICY SESSIONAL PAPER NO.2 ...2015

Pursuant to Article 196(1) (b) of the Constitution of Kenya 2010, the **Committee on Agriculture, Livestock and Fisheries** invite residents to forums to present their views and memoranda on the Bomet Tea Policy Sessional paper No. 2...2015 during the hearing as schedule below;

DATE	SUB-COUNTY	VENUE	TIME
26/01/2016	Bomet East	Tegat market	10.00 AM
27/01/2016	Bomet Central	Ndarawetta Market	10.00 AM
28/01/2016	Konoin	Koiwa Market	10.00 AM
2/02/2016	Sotik	Chepirbelek Market	10.00 AM
3/02/2016	Konoin	Kapset Market	10.00 AM
4/02/2016	Konoin	Mogogosiek DC stadium for stake holders forum	10.00 AM

All comments and contribution may be hand delivered to the Clerk Bomet County Assembly or by email to: info@bometassembly.or.ke on or before 4th February 2016

The policy can be accessed or downloaded from our website www.bometassembly.or.ke

ISAAC KITUR

CLERK OF THE ASSEMBLY

2. Memoranda from KTDA

KENYA TEA DEVELOPMENT AGENCY LTD.
REGIONAL OFFICE
REGION V



Managing Agents & Secretaries

P. O. Box 437

Tel: 0202185972

LITEIN

E-mail info@region5.ktdateas.com

Date: 02/02/2016

Our Ref: PR/43/RM/16

The Speaker,

Bomet County.

Copy

Att: Kipngetich

Dear Sir,

**RE: JOINT RESPONSE FROM SMALLHOLDER TEA FACTORY COMPANIES IN
RESPECT OF THE DRAFT TEA POLICY**

We are the managing agents of the below listed smallholder tea factories located in Bomet County on whose behalf we write to you;-

1. Kapkoros ; Tirgaga

2. Mogogosiek ;Kobel, Boito
3. Kapset ;Rorok

We have perused the draft County Tea Policy forwarded to us and would like on behalf of tea Factories within the county for who we are managing agents, to give our views as follows;-

1. ROLE OF THE COUNTY GOVERNMENT WITH REGARD TO TEA

Before we go into the specific provisions of the tea policy, it is important to highlight the existing legal structure and the roles and responsibilities of both the county and national government with regard to tea.

Schedule 4 of the Constitution vests the development Agriculture policy to the National Government.

This function is exercised through The Agriculture Food and Fisheries Authority (AFFA).

Section 8 of the Crops Act also further provides one function of AFFA as formulating general and specific policies for the development of scheduled crops. Indeed AFFA has already circulated the National Tea Policies to all stakeholders in the tea sector for them to give their comments.

The vesting of Agriculture Policy in the National Government is to ensure that there is uniform policy governing the industry and therefore avoid a situation of anarchy that would exist if all the 47 counties developed their own policies. The role of the county government therefore is to implement the policies as developed by the National Government.

Section 6 (b) of the Crops Act further provides that the county governments will implement the national government policies to the extent that the same relate to the county. This therefore means that the National Policy and in this respect as it relates to Tea must be first released to enable all players, including the County to function and operate within the same. The release of Bomet Tea Policy before the National Policy would be ultra vires.

2. COMMENTS ON SPECIFIC PROVISIONS

- a. **Background information**-On the number of factories, please note that Boito Tea Factory (satellite of Mogogosiek) has been commissioned and Motigo (satellite of Kapkoros) is under construction.

b. 2.2.1 on current situation on production

The Policy on Greenleaf payments captured in this section is for only the KTDA managed factories. No data has been provided for the multinational tea companies, nor independent factories such as those run by Sacco's which would provide an objective platform for comparison. As it is, the draft policy is partisan and targeted to only the KTDA managed factories and hence not inclusive.

The specific and only citation of the KTDA Managed Tea Factories is discriminatory and would be contrary to public policy and public good.

c. Clause 2.2.2 on production challenges

A comparative view of the production challenges in all the 15 Factories within the County would be the best approach in arriving at a policy position. The KTDA managed Tea Factory's are less than 50% of the Tea Factories within the County and represent one cluster. There is need to have the record or information of the multinational and independent tea factories.

Government support to the farmer in taking over their financing cost should be considered. A case in mind is the support given to Mumias Sugar by the National Government, Mumias being a Company with shareholders, like the Tea Factory Companies.

There is however no mentioned comparative management agency fee, for one to conclude whether the same is high or low. It would be necessary that the same is done before such conclusions are made and provided in a policy document. The absence of comparatives would make this citation discriminatory.

d. 2.2.3 (ii) Create tea cess fund

At the first instance, development and maintenance of roads is a Government function. Tea farmers like any other Kenyan pay their taxes and it is their fundamental right to have roads to enable them carry on their livelihood.

- e.** The above notwithstanding, Imposition of Cess should only be done through legislation which should *inter alia* provide the mechanisms of management of tea cess to be levied in order to ensure that the money levied as tea cess is utilized for the intended purpose of

maintaining infrastructure in the catchment areas **2.2.3 (iii) Form tea collection centre road committees to maintain access roads.**

- f. Management of resources by the citizens and from whom resources have been collected is a welcome recommendation, however in the years past, the Tea Factory Board of directors, who are also farmers and farmers representatives, together with their factory managements, have successfully managed cess funds for maintenance of access roads. Consultations with collection centre committee have always been done. It is proposed that the same model be pursued. **2.2.3 (vi) Review monthly bonus payment to meet on and off farm financial needs**
- Tea like any commodity in the market is subject to forces of demand and supply and it is therefore not possible to predict the price. Further, the factories being limited liability companies, the decision on the frequency of payment is vested on the shareholders of the factories payable as follows;-

1. **First/Initial Payment**;- This is paid monthly, by 21st of the following month The current rate paid to farmers is Kshs 14 per Kg/GL, the historical trend is as tabulated below, with corresponding plucking labour costs (average for all regions), which have been increasing every time there is an increase in monthly green leaf payment.

Period	Monthly Pay Per Kg/GL	Labour cost Per Kg/GL
May 1999 to June 2000	6.00	2.90
July 2000 to June 2003	7.50	3.60
July 2003 to September 2006	9.00	4.50
October 2006 to Nov. 2009	10.50	5.00
December 2009 to March 2012	12.00	6.00
April 2012 to date	14.00	Kshs 7 to 10

2. **Interim Bonus**- This is paid in April together with March green leaf for July to December green leaf deliveries, but subject to Factory Board approval.
3. **Final bonus payment**-Paid in October together with September green leaf deliveries. This is variable depending on the performance of the factories.

The initial payment has been reviewed generally after every 3 years. Initial monthly payment largely goes to meet farm level costs. The reason why it is not advisable to review this is that the increment does not necessarily end up in the farmers' pockets

as tea pluckers hike the plucking labour costs every time there is an increment as shown in the table above. To cushion the farmers against this, the factories have for the last three years not increased the initial payment. The increment over the years is instead factored in the interim and final bonus.

As stated earlier, the draft policy should not be seen as addressing or targeting the KTDA managed tea factory companies. In this respect, it would be of interest and necessary to have data and information on how much the multinational tea plantation companies and other independent factories pay their out growers and as monthly, mini and total payments. All these growers are also residents and inhabitants of the County.

g. **2.2.3 (Vii) Improvement of leaf collection by allowing competitive transport providers to transport green leaf in order to enhance timely collection.**

According to the Fourth Schedule of the Constitution, the mandate of the county government with respect to tea is crop husbandry and plant disease control. It has no mandate to interfere with activities of private companies, more specifically in this context, tea transport as this is the mandate of each individual tea factory or dealer in the county.

h. **2.2 Manufacturing**

- 2.2.1: The factories have undergone expansion and de-bottlenecking. The current maximum capacity is 136 million Kgs. With Boito commissioned, an extra 18.7 million kgs capacity has been introduced and a similar amount for Motigo under construction to take care of seasonal peaks.

The crop is however not evenly distributed throughout the year with peaks and troughs causing capacity constraints and slacks respectively.

- 2.2.2 (i) Manufacturing capacity
- 2.2.2 (ii) Product Range

Cost of production of Orthodox manufacture is higher than CTC.

There is a phased diversification program with the New factory Motigo incorporating an orthodox line.

Pricing for teas are cyclic and currently world orthodox prices are lower than KTDA CTC prices.

i. **2.3.1 Current Situation**

A clarification on the marketing channels: There are three marketing sales channels which include direct sales and not factory sales.

j. **2.3.2 (i)-Narrow market outlets for tea**

It is true that most of the tea is sold through the Mombasa Tea Auction. However, this does not hinder any factory from direct sales contracting. Auction has been the most transparent price discovery mechanism. E-auction is expected to be more transparent.

It is the responsibility of the National Government to seek out market outlets for products developed by its farmers, the Kenyan tea farmer. This should be done through Government to Government collaboration. Once this is done, the tea farmers, from smallholder, multinational and independent factories would have additional outlets for their products.

k. **2.3.2 (iv)-Tea Prices**

Each garden sells as a brand driven by product quality and availability. Direct sales by some producers are a result of compromises against price fluctuations via assured market at an agreed price. This is mostly through forward contracts. A single auction has its advantages of centralization of supply and demand resulting in economies of scale and greater logistics, financial and other supply chain efficiencies.

As stated above, more markets would create demand and more demand would improve prices. The National Government and its organs should have this as part of her National Tea Policy.

l. **2.3.2 (vi)-Market Access- The policy states that there is limited market access in some countries due to stringent certification standards**

Certification is also a competitive barrier to entry. Those certified enjoy greater market share and premiums than those who do not e.g. Fair trade status of Kapkoros. Moreover, green revolution dictates that producers and businessmen alike must conduct their activities in an eco-friendly and sustainable manner to mitigate climate change.

Opening up of markets should be a National issue and the National Tea Policy and the Tea Task Force 2015, should develop a strategy to penetrate new world markets and maintain the existing ones.

m. **2.3.3(v) -Proposed policy interventions on market access**

This section provides that farmers should be encouraged to form co-operative societies to own and manage the existing tea factories.

The factories as they presently exist are owned by registered legal entities. The Tea farmers shareholders are the direct owners of the Companies. The model as it presently is, has worked very well for the farmers, as suppliers and as shareholders. A change in model, would not be justified, nor beneficial.

Indeed, the co-operative model in the coffee sector has not helped the small scale coffee farmers. The Stegro co-operative model within the County would be a good learning point. A situational analysis needs to be done backed by factual data before recommending such.

n. **2.4.3 proposed policy interventions**

Support by the County Government would be welcome. The framework for commercial engagement and support would need to be agreed with shareholders.

o. **Clause 2.5.2 on challenges and Governance intervention-**

Adherence to Good Corporate Governance Practices is very important for any business to thrive.

The Companies Act 2015 provides very stringent requirements in respect to a director of a Company.

The KTDA Managed Tea Factories operate in line with the Companies Act and their respective Articles of Association. They also have a Code of Conduct and continuously attend Corporate Governance workshops.

Institutions that however require representations of the tea stakeholder are the Tea Directorate under Agriculture Food and Fisheries Authority (AFFA) and Tea Research Institute, under KARLO. The enactment of these Laws locked out the smallholder farmer representation in the succeeding bodies, from what it was in Tea Board of Kenya (TBK) and Tea Research Foundation of Kenya (TRFK).

p. **2.5.3-Environmental Sustainability**

Past efforts by KTDA to engage the Central Government to foster environmental sustainability have never been fruitful. If the County Government can facilitate and spearhead this, it would be welcome.

q. **Clause 2.6.1 provides that the overall responsibility of coordinating the tea industry has been devolved to the counties**

This is not accurate as not all roles regarding tea have been devolved. The role of formulating tea policies is vested in the National Government as stipulated in Schedule 4 of the Constitution and as further provided for under the Crops Act and the AFFA Act.

This issue is also being addressed by the Tea Task Force 2015.

r. **Clause 2.6.3 -Institutional arrangement**

The suggestion is very noble. Continuous engagement among the different stakeholders is a welcome move.

Investments

The three Corporate bodies of Mogogosiek Tea Factory Company, Kapset Tea Factory Company and Kapkoros Tea Factory Company each invested approximately Kshs 200,000/ in their investment Company KTDA Holdings along with their other 51 sister Tea Factory Companies. From a total investment of Kshs. 10.1 million investment, the same has grown to Kshs. 13 billion in 2015.

In the financial year 2013/2014 The Bomet KTDA Managed Tea Factory Companies of Mogogosiek, Kapset and Kapkoros, earned a total dividend of Kshs. 37.6 million and in 2014/2015 Kshs. 36.4 million and since KTDA incorporation in the year 2000, they have received a total combined dividend of Kshs. 166.6 million.

Very few companies in the world can boast in such phenomenal growth in investment. This is a true Kenyan successful story.

Conclusion

Overall, the policy document has positive recommendations which are meant to improve the tea sector. As stated above, the same should be anchored on the National Tea Policy and should not be subjective on any particular institution, or persons.

Yours Faithfully

G.K. GODANA

REGIONAL MANAGER-REGION FIVE

Cc. MD
FSD
GCS
BOARD MEMBER
GM-OP
FUMS
MLRA

3.Public participation views from the Farmers/Public Concerning the Proposed Tea Policy Sessional paper No 2/2105

Date: 26th January, 2016

Venue: Togat Shopping Centre, Kembu ward

Public/Farmer's Views

1. Specific objectives of the policy is concerned

- That there was a concern that the policy should address the 'tea buying centres' as 'tea collection centre'. However from the legal perspective, the farmers were informed that the correct term is 'Tea Buying Centre'
- The public agreed unanimously that the objective number three on improvement of infrastructure especially roads is important and indeed it is good the policy addressed it. It was however agreed that the county government should give priority those roads which leads to the tea buying centers.
- The public took cognizant of the fact that the tea collection is a problem and indeed the policy has tried to address the menace.

2. KTDA Issues

- There was a concern from the farmers and the public who were present at Togat Shopping centre that Kenya Tea Development Agency (KTDA) deducts the tea cess meant for maintenance of rural roads in tea growing region and yet the county government claims to do the construction of

the roads. However, the farmers were shown one the participant's payment slip from the KTDA showing zero deduction of the Tea Cess.

- The public also noted that KTDA are unresponsive to their challenges, for instance, the breakdown of their tea collection Lorries.
- The farmers also noted whether the policy has measures to solve the gaps between KTDA and the farmers. Most of the farmers also didn't know or understand the gaps between KTDA and themselves
- The farmers also pleaded that the policy should ensure that KTDA sells their shares to the tea farmers through their Tea KTDA factories as before.

3. Policy Issues

The farmers also noted that the policy should be provided earlier to the farmers, and also the policy should be provided in Swahili version or bridged version for ease of interpretation.

4. Tea Buying Cess fund Committee

The farmers gave their opinion concerning the Tea cess fund Committee which they suggested that the Tea Cess fund committee should not be in place instead the Tea cess fund should be consolidated with that of the county government. However, there was a general consensus that the policy should provide a clear framework of maintenance or construction of roads especially in tea growing regions in Bomet County and priority given to those roads which leads to the buying centers or even factories.

5. Issue to do with fertilizers

The farmers suggested that the fertilizer prices should be reduced through government interventions so that the farmers can benefit wholly from their proceeds. It was unanimously agreed that the county government should come in and subsidise the Tea fertilizer for about (30-50%) of the cost of a bag of fertilizer.

6. Co-operatives

The farmers agreed with statements from the policy that the co-operatives in tea growing regions should be established so as to link farmers with KTDA, Factories, and even the government. However, towards the end of the public participation the farmers after an extensive consultation with the committee noted that they are reluctant to join co-operatives because of the myriad of challenges as far as the issues of co-operatives. The farmers feared that if they form and join co-operatives, other people from other regions may also buy the shares and join the co-operatives and this might lead dilution of the ownership that eventually might lead to fall of the co-operative.

7. Extension Services

There was a concern that the county government should provide farmers with extension services to help them improve their tea farming.

8. Tea factories

The farmers and the public present gave their opinion that the policy should seek to establish a fund to help farmers in construction of Tea factories.

9. Warehouse (Storage facility)

The farmers suggested that the county government should establish a tea storage facility in Kapkwen near the aircraft center.

10. Buying Centre

The Farmers also agreed that the policy should help the farmers in installation of electricity in buying centers and also piped water.

11. Payment (Monthly payments and Bonuses)

The farmers were of the view that the policy should seek to address the issues of monthly payment and bonuses. The farmers noted that they should be paid all their monthly earnings instead of bonuses which are usually unpredictable. The farmers further suggested that the policy should give a clear guideline to ensure that farmers are paid their dues in an efficient manner and not through Saccos or other failed institutions.

Date: 26th January, 2016

Venue: Ndarawetta Shopping Centre, Ndarawetta ward

Public/Farmer's Views

1. Marketing

The farmers suggested that marketing of tea especially in Mombasa should be done in clear and transparent manner. The farmers also suggested that instead of having tea auction in Mombasa the policy should seek to find alternatives that the buyers should come near to the farmers for instance, come to the tea factory and buy tea.

2. Roads

That the county government should indeed do the road maintenance according to the policy.

3. Tea Cess

The tea cess should be scraped out in the policy. This is because the roles of the tea cess in the policy has not been clearly defined and that maintenance of roads is clearly one of the developed function of the county government.

4. Warehouse (Storage facilities)

The farmers agreed with the policy that the development of warehouse is important and it should be located strategically to address the issues of storage facilities.

5. Issues to do KTDA

The farmers suggested that the policy should clearly address the needs of the farmers and clearly come up with measures to bridge the gaps between KTDA and the farmers.

6. Implementation of the Policy

The farmers also gave their views on the implementation structure of the policy. The farmers/public requested that the implementation structure should be clearly defined and indeed policy should be implemented.

Date: 28th January, 2016

Venue: Koiwa Shopping Centre, Mogogosiek ward

Public/Farmer's Views

The Committee were received with hostility and the committee never received any views concerning the policy. The charged public/farmers rejected the policy unanimously citing poor implementation and other irrelevant issues not contained in the policy. The committee received unconfirmed reports that the public had been pre-charged to reject the policy.

The committee members and the accompanying staff were abused and were never given time to present the policy to the farmers. The farmers/public never understood that the policy never originated from the County Assembly but instead it originated from the County Executive Arm of the County, the farmers never understood the role of the Committee and that of Member of County Assembly as far as the public participation is concerned.

Date: 1st February, 2016

Venue: Chepirbelek Shopping Centre, Kapletundo Ward

Public/Farmer's Views

The public participation never took off as schedule because the committee was also welcomed with hostility. The event organizers were barred by the public from pitching their tents and they were threatened that their materials were going to be burnt down if they dared pitch the tents. The committee received unconfirmed reports that the public had been pre-charged to reject the policy and attack the committee members. The Committee never received any views from the farmers concerning the tea policy in this region.

Date: 2nd February, 2016

Venue: Kapseet Shopping Centre, Kimulot Ward

Public/Farmer's Views

1. Ownership of Tea

The farmers suggested that the policy should address the ownership of tea that it should be shared equally among men and women.

2. Packaging of tea

The farmers suggested that the processed tea should be packaged by the county at their own expense.

3. Road maintenance

The farmers agreed with the contents of the policy that the roads in tea growing regions should indeed be maintained. They also suggested that the tea cess fund should be introduced to help maintenance of road network leading to factories as we before.

4. Co-operatives

The farmers disagreed with the policy that co-operatives must be formed and supported by the County Government because it enables them access loans. They gave examples of Kobil Sacco which has failed the farmers in the recent past.

5. Tea Auction

The farmer suggested that the tea auction should not be brought back to Kapkwen but instead it should be moved to overseas for easy marketing.

6. Contents of the policy

The farmers were of the opinion that the policy was not well researched in terms of the statistics provided by the policy. The farmers also noted that the policy has been overtaken by events and that it should have come earlier in the FY 2013/2014.

7. Building of factories

The farmers gave their views that the county cannot aid in the construction of the factories because most of the factories are now complete, for instance Kapseet factory which does not need any assistance from the county government since it is already complete and running its own operation.

8. Multinationals

There was a concern that the policy did not include the issues of Tea Multinationals.

9. Other Policy for crops

10. Publication of the policy

N/B it is important to note that the farmers and the public rejected the policy in this region.

Date: 4th February, 2016

Venue: Mogogosiek Shopping Centre, Mogogosiek Ward

This forum brought together KTDA regional representative, Chairmen of the KTDA managed factories, Directors and smallholder tea farmers

Stakeholders' views

1. That management of tea factories should remain with the KTDA and other bodies including the County Government and cooperatives should not participate
2. The contents of the policy replicates what the KTDA is currently doing hence the challenges mentioned ought to be addressed internally by the KTDA
3. Introduction of competitive transport in collection of tea leaves to the factory will increase unnecessary costs as the factories already have sufficient lorries undertaking the same function. The public mentioned that the leaders will award themselves tender with higher prices which will in turn increase the cost of production.

4. That maintenance of access roads is the function of the County Government hence farmers like other tax payers are entitled proper infrastructure as they pay a lot tax the county government
5. That introduction of cooperatives in the management of the tea industry in the county is not acceptable to farmers since many cooperatives including those in the coffee and pyrethrum industry have failed in the past
6. That the policy was discriminative as multinational tea companies and private factories have not been included in the policy
7. That farmers under KTDA are one of the best paid in the world hence the county government should not interfere with a well structured agency.
8. That policy formulation in the agricultural sector is the mandate of the County Government hence the County Government should not be involved as the same will ultimately and negatively affect the tea industry
9. That tea cess should be introduced through proper legislation to allow the KTDA to collect the same for maintenance of the roads by the directors
10. The county government should consider subsidizing the fertilizers for farmers to increase production
11. Withering units cannot be separated from the factories hence developing them alone is impossible.
12. That environmental sustainability proposal was welcomed by the stakeholders

13.Value addition should be explained clearly in the policy. The public present suggested that the policy should clearly show the end product produced after the value addition.