



AGRICULTURE, FISHERIES AND FOOD AUTHORITY (AFFA)

COFFEE DIRECTORATE

PRESS STATEMENT

DATE: 15th February, 2016

Response to allegations attributed to KPCU Ltd in the Media

Introduction

A number of allegations attributed to the management of Kenya Planters Cooperative Union (KPCU) Ltd, touching on the coffee industry have been advanced in the media. However, the allegations as put across are devoid of facts and meant to mislead the general public on the on-goings in the coffee industry. As Agriculture, Fisheries and Food Authority (Coffee Directorate), we wish to correct the allegations and put the facts across as follows;

Allegation 1: The Union conceded owing about 18 million to two coffee co-operatives in Gichugu

Fact: When KPCU was put under receivership, it went under with farmers' money because as a Marketing Agent, it was the one mandated by law to receive farmers' coffee sales proceeds from the buyer for onward transmission to the farmers. As at 31st December, 2013, KPCU owed farmers **KSH 135,041,729.72** as coffee sales proceeds, a debt that remains owing to this day.

Allegation 2: There is urgent need to amend the Coffee Act

Fact: The Coffee Act No. 9 of 2001 is no longer in existence since it was repealed in 2013 and replaced with the Crops Act 2013 and the AFFA Act 2013 which were operationalised in 2014.

Legal Notice No. 110 of 2014 which commenced the Crops Act, 2013 deferred the operation of Section 42 (2) (e) among other sections. This was in line with the provisions of Section 1 of the Crops Act which provides as follows "This Act may be cited as the Crops Act, 2013 and shall come into operation on such a date as the Cabinet Secretary may, by notice in the Gazette, appoint and different dates may be appointed for different provisions." Therefore by virtue of the legal notice and the provisions of Section 1 of the Act, the existing Regulations developed under the repealed Acts still apply.

The Directorate is working on Coffee regulations through an open and consultative process with coffee stakeholders. Indeed KPCU was one of the participants and contributors to one such consultative forum held on 4th November 2015 at the KALRO headquarters, Nairobi

Allegation 3: "We have just come out of receivership and wanted to start marketing coffee for our farmers but when we made the move, we were slammed with a Sh 100 million FEE by the Coffee Directorate which issues the license"

Fact: The requirement is not a fee as alleged but a bank guarantee from a reputable bank and not money paid to the Coffee Directorate.

- ❖ Since the beginning of the 2015/2016 licensing season, KPCU Ltd has submitted applications for various license categories to the Coffee Directorate for consideration. These included Coffee miller's license, Coffee warehouseman's licence, Commercial Marketing agency licence and Coffee dealers licence.
- ❖ As at the end of October 2015, the KPCU Ltd had fulfilled all the requirements for the grant of both the Milling and warehousemen's licences and the same were duly granted on 6th and 16th October, 2015 respectively.
- ❖ Since then, KPCU Ltd has met all the conditions for a dealer's licence. This has already been submitted for publication in the Kenya Gazette as required by Law for a period of 30 days to allow for public vetting. The application for Commercial Coffee Marketing agency is still pending because KPCU Ltd has had a challenge in obtaining a bank guarantee of Sh 100 million which is a critical requirement to safeguard the grower's coffee proceeds once bought by the buyer. Once this requirement is met, the Coffee Directorate will grant the same without any undue

delay. Suffice to say, the Directorate has already licensed eight (8) Commercial Marketing Agents who have fulfilled all the requirements, including submission of a bank guarantee.

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Agriculture, Fisheries and Food Authority**