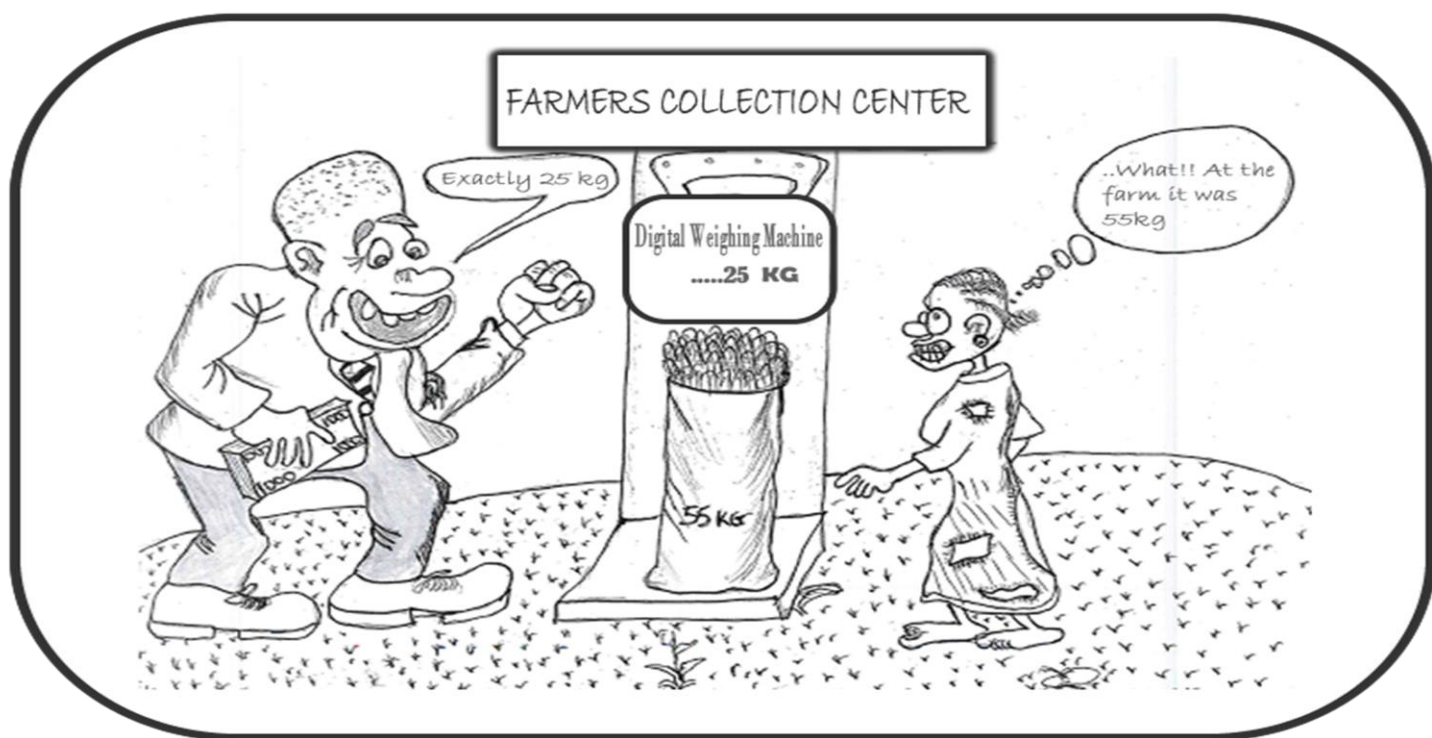




**KENYA HUMAN RIGHTS
COMMISSION**

ROBBERY WITHOUT VIOLENCE



The Sad State of Kenya's Agricultural Co-operatives and Out-Grower Societies in delivering Trade Justice for Kenyan Small-holder Farmers'

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¹ Views expressed here should not be attributed to any of KHRC's development partners.

Executive Summary

Agricultural co-operatives play a major role in countries like Kenya where the sector is hugely significant in terms of employment creation, income generation, foreign exchange earnings as well as contribution to total production as measured by GDP. To establish whether agricultural farmers' institutions are working for smallholder farmers, the Kenya Human Rights Commission (KHRC) contracted CUTS ARC-Nairobi from June to July 2014 to carry out a study in seven Counties. To this effect coffee, rice and tea co-operatives and sugarcane out-grower societies were assessed in Kakamega, Kericho, Kirinyaga, Meru, Migori, Murang'a and Nyeri.

From findings on the ground, the study concludes that co-operative and out-grower societies are ineffective in delivering economic justice. The societies are riddled with corruption and conflict of interest, some describing them as robbery without violence.

Small-scale farmers' societies are organised somewhat like table banking (*chamas*). Many of the farmers have lost confidence in their co-operatives and do not trust the officials. Almost all the societies assessed are mismanaged and have poor governance structure, mainly because officials have poor managerial and entrepreneurial skills and low education level. Society leaders are accused of conflict of interest and most of them have been serving for decades without term limits. Voter bribery and intimidation of outspoken members are also common. In most of the societies assessed, farmers appear to be the biggest losers while co-operative officials and millers to be the biggest beneficiaries. The study finds discrimination of women by de facto where women farmers are either unable to belong to a society or to assume leadership positions. Certain by-laws discriminate against 'smaller' farmers as they require a farmer to have supplied more than a certain specified amount in the last few consecutive years; or own a certain amount of share as a prerequisite to vie for leadership positions, further marginalising women as well as the youth. In terms of external support, County governments have not done much to support the movement.

Many of the study's recommendations require the commitment of County Governments. It is believed the devolved governance system presents a unique opportunity to popularise, rebrand and revive the co-operative movement in the country. Some of the radical proposals the study forwards include for all society officials to provide title deeds and/or personal assets to indemnify total loss; and for by-laws to include provisions for filing criminal charges against officials implicated in mismanagement of funds. County officers need to be vigilant

against by-laws that discriminate women from membership and leadership positions, particularly during registration of new co-operatives. The report forwards more recommendations for reviving the movement in general and for the specific crops' societies in particular.

ABBREVIATIONS AND ACRONYMS

AFFA	Agriculture, Fisheries and Food Authority
AGM	Annual General Meeting
ASDS	Agricultural Sector Development Strategy
CBK	Coffee Board of Kenya
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
CRA	Commission on Revenue Allocation
CUTS-CITEE	Consumer Unity and Trust Society- Centre for International Trade Economics and Environment
EAC	East African Community
FAO	Food and Agriculture Organisation
FGD	Focus Group Discussion
GDP	Gross Domestic Product
HH	Household
ICA	International Co-operative Alliance
ILO	International Labour Organisation
IWUA	Irrigation Water Users Association
KSB	Kenya Sugar Board
KCC	Kenya Co-operative Creameries
KENSFU	Kenya National Sugarcane Farmers Union
KHRC	Kenya Human Rights Commission
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KMC	Kenya Meat Commission
KNBS	Kenya National Bureau of Statistics
KPCU	Kenya Planters' Co-operative Union
KSh	Kenya Shilling

KNSFS	Kenya National Sugarcane Farmers Society
KSTGA	Kenya Small Tea Growers Association
KTDA	Kenya Tea Development Agency
KUSSTO	Kenya Union of Small Scale Tea Owners
MCA	Member of County Assembly
METRICS	Measurements for Tracking Indicators of Co-operative Success
NIB	National Irrigation Board
SACCO	Savings and Credit Co-operative
SAP	Structural Adjustment Programme
SFRS	SONY Farmers Rural SACCO
SID	Society for International Development
TBK	Tea Board of Kenya
VAT	Value Added Tax
WEKO	West Kenya Out growers Company Limited

DEFINITION OF KEY TERMS

Apex Society/Organisation means a co-operative organisation formed at the national level by the co-operative movement in Kenya and registered under the Co-operative Societies Act to promote co-operative development and represent the interests of co-operative societies locally and internationally;

Co-operative society or **Co-operative** refers to a society registered under section 4 of the Co-operative Societies Act of Kenya;

Co-operative Union means a co-operative society whose membership is restricted to primary societies;

Co-operative Officer refers to an officer employed by the Government, or other institutions that support co-operatives, with the responsibility of promotion, registration and regulation of co-operative societies;

Co-operative Officials include chairman, vice-chairman, secretary, treasurer, committee member, employee or any other person empowered under any rules made under the Act, or by-laws of a co-operative society, to give directions in regard to the business of the society;

Effectiveness of a Co-operative in this study is measured in terms of a co-operative's ability to abide by the principles of co-operative societies for social, economic and productivity gains as well as empowerment of women members;

Out-growers refer to contractual farmers;

Primary Society means a co-operative society whose membership is restricted to individual persons;

Trade Justice, in this study, refers to fair, sustainable, equitable, gainful and empowering trade.

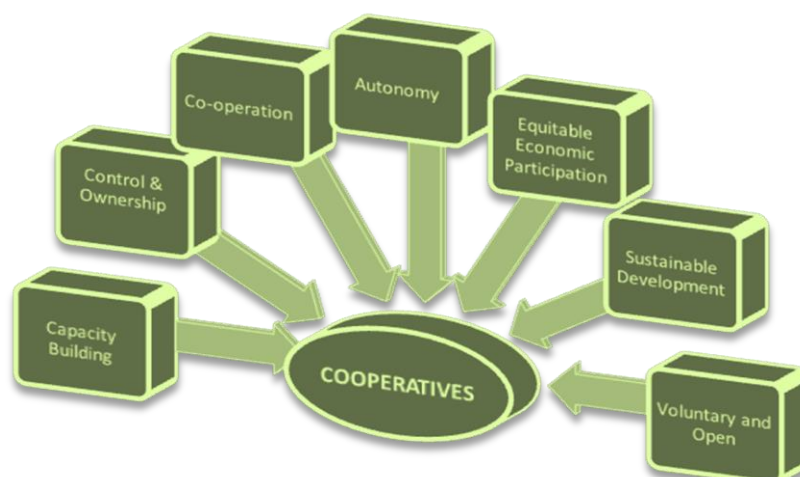
I. INTRODUCTION

Agricultural co-operatives are formed for the purpose of solidarity among smallholder farmers in order to buffer market dynamics as well as for social and economic gains. Through co-operation, smallholder farmers have better bargaining power in the market and protect themselves from exploitation by input suppliers and buyers of their produce. In other words, farmers co-operate to get fair prices, to access market, to reduce risks and generally to ensure sustainability of farming practices.

Agricultural co-operatives are regarded as a powerful development and empowerment tool for small-scale farmers by providing economic and productive gains through employment generation, access to existing and new market opportunities, timely availability of farm inputs, economies of scale, collective price bargaining power, capacity building and access to financial resources; and in general have the potential to transform the entire agricultural sector of a nation.

According to the International Co-operative Alliance (ICA), the representative world body of co-operatives, a co-operative is an *autonomous* association of persons *united voluntarily* to meet their common *economic, social, and cultural* needs and aspirations through a *jointly-owned* and *democratically-controlled* enterprise. Co-operatives are therefore based on the seven principles as contained in the 1995 ICA Statement of Co-operative Identity. These principles include *voluntary and open membership* for all without any type of discrimination; *controlled by members* as democratically elected officials of the co-operatives are held accountable and all members have equal voting power. *Equitable economic participation* is another principle of co-operatives where members equitably finance the co-operative and that surplus are used to improve the efficiency of the co-operative and benefiting members; and any external funding should ensure co-operatives continue to be *autonomous* and *independent*. Co-operatives should also *build the capacity of their members and representatives* through education, training and information; as well as *co-operate with other co-operatives* to strengthen the co-operative movement. Ultimately, co-operatives should be guided by the principle of *sustainable development*. ICA also identifies six core co-operative values, which are self-help, self-responsibility; democracy; equality; equity; and solidarity. In addition, co-operatives are also supposed to believe in the ethical values of honesty, openness, social responsibility, and caring for others.

Figure 4. The Seven Guiding principles of a Co-operative Society



The quest for food security and sustainable gains from small farm holdings then can be closely tied to the effectiveness of co-operatives based on the above principles and values. The main focus of this study, therefore, is to assess how effective Kenyan agricultural co-operative and out-grower societies are for selected crops i.e., coffee, rice, sugarcane and tea, in delivering trade justice, that is achieving fair, equitable, gainful and empowering results for members in seven counties (Kakamega, Kericho, Kirinyaga, Meru, Migori, Murang'a and Nyeri).

This report is organised in six Chapters that address the following issues- Chapter I gives a background on the importance of agriculture and selected crops; and introduces the research topic in detail and the scope of the study in terms of product and geographic coverage. Chapter II presents an overview of the history of the co-operative movement in Kenya; and the policy and institutional frameworks for Kenyan co-operatives. The chapter also presents a case from India to give an overview of how a co-operative society could work for farmers, particularly tea, sugar and coffee farmers and what Kenya could learn from such lessons. The chapter winds up by reviewing the gender dimensions of agricultural co-operatives. In Chapter III, the study presents the theoretical framework to measure co-operative effectiveness for this study, which guides the design of the various sets of questions for the study's fieldwork. Chapter IV introduces the reader to the seven selected counties and presents an overview of the state of play of co-operatives for the selected products. Chapter V presents the research's main findings. Chapter VI concludes the study by offering recommendations based on fieldwork findings and literature review.

1.1. BACKGROUND

1.1.1 IMPORTANCE OF AGRICULTURE SECTOR IN THE KENYAN ECONOMY

Agricultural development plays a pivotal role in reducing poverty, providing employment opportunities and ensuring food security. Like in many other developing and less developed countries, the role and contribution of the agriculture sector in Kenya is greatly significant. According to the Kenya Economic Report 2013, agriculture is the single largest sector of Kenya's economy accounting for about a quarter of gross domestic product (GDP); and it is an important source of growth whereby for instance, about 18 percent of GDP growth in 2012 was from the sector. In terms of specific contributions to the economy, the sector accounts for about 65 percent of the country's exports; and allows about 80 percent of the population living in rural areas to derive their livelihoods from the sector.

With regard to public expenditure, data on the average annual spending on the agriculture sector between 2007/08 and 2008/10 indicate that the amount of budget allocation to the sector on average has been 4 per cent per annum of the national budget during the last four years, which is a far cry from the Maputo Declaration target of 10 percent allocation to agriculture development. Notwithstanding the importance of improved resource allocation towards the development of the sector, particularly on irrigation and improved access to inputs such as fertilizer and seeds on productivity, the performance of the agriculture sector in the country is greatly determined by weather conditions.

Narrowing down to the study's selected cash crops, as indicated on Table 1, with the exception of clean coffee production for sale, the production of principal crops for sale has been fairly increasing consistently during the years 2006-2012, indicating that the crops are viable in sustaining livelihoods of farmers.

Table 10. Marketed Production, '000tonnes (2006-2012)

Crop	2006	2007	2008	2009	2010	2011	2012	2013*
Coffee	50.5	52.3	38.7	48.9	38.9	30.0	46.1	38.4
Rice Paddy	38.3	32.3	24.3	22.6	44.0	48.7	40.3	43.6
Sugarcane	4,932.8	5,204.2	5,112.0	5,610.7	5,695.1	5,307.3	5,824.0	6,671.2
Tea	310.6	369.6	345.8	304.2	399.0	377.9	369.4	432.5

Source: KNBS Statistical Abstract 2013 and KNBS Economic Survey 20014

*Provisional

1.1.2 IMPORTANCE OF SELECTED CROPS IN KENYA: COFFEE, RICE, SUGAR AND TEA

TEA is the leading export crop where it accounted for 22 percent of total value of exports in 2013. The country is the largest tea producer in the continent and the fourth worldwide, after Sri Lanka, China and India. Unlike giant tea producing countries, however, 90 percent of tea growers in Kenya cultivate on a land size of an acre or less². As indicated above, weather is the single most determinant of agricultural performance for the country. Tea is highly sensitive to climate change and over 500,000 smallholder tea producers are facing livelihood uncertainties as a result. A report by the Food and Agriculture Organisation (FAO, 2012), indicates that Kenyan tea producers are already affected by climate change through reduced and erratic rainfall, hail and frost as well as rising temperatures that deeply affect yields and productivity. Similarly, the Kenya Economic Report 2013 indicates at the beginning of 2012, severe frost dampened the production of tea.

COFFEE is the fourth largest foreign exchange earner, after tea and articles of apparel and clothing accessories for the year 2013. Figures for the same year indicate that unroasted coffee accounted for 3 percent of total value of exports in 2013.

Coffee production, however, has been declining in the past years mainly due to decline in world prices and rising costs of farm and processing inputs. The average yield has also been declining in both estates and co-operatives as indicated in Table 2.

Table 11. Production and average yield of Coffee by type of grower 2008/09-2012-13

Description	2008/09	2009/10	2010/11	2011/12	2012/13*
Production (tonnes) '000					
Co-operatives	29.4	22.3	19.6	27.0	21.9
Estates	24.6	19.7	16.7	22.0	17.9
Total	54.0	42.0	36.3	49.0	39.8
Average Yield (Kg/Ha)					
Co-operatives	341.9	259.3	239.3	316.9	257.0
Estates	696.9	558.1	495.5	894.3	7276

Economic Survey 2014

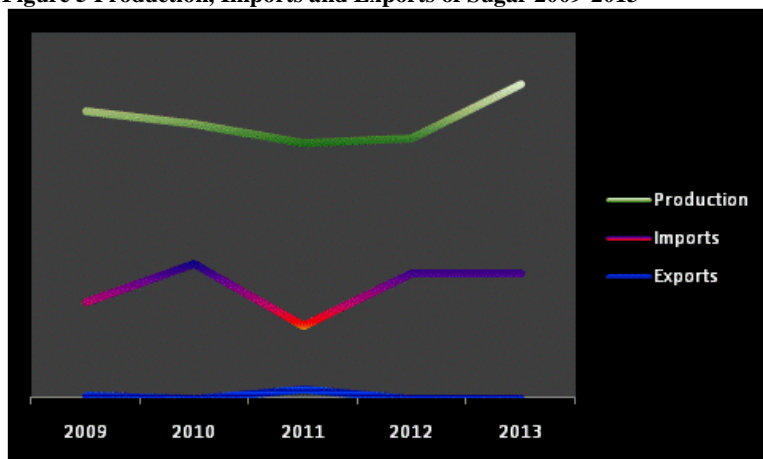
*Provisional

SUGARCANE production has been rising in the past few years mainly associated with improved cane husbandry and increased cane availability that resulted in high yields and reduced harvesting of premature cane. The country currently produces about 70 percent of its domestic sugar requirement. The sugar sub-sector is one of those sectors that the Government of Kenya has been protecting heavily through import controls. As indicated in Figure 2, imports have been stagnant mainly due to high increase in domestic sugar production; as well as high tariff lines whereby Kenya, as a party to the East African Community (EAC), levies

² Media briefing by the then Agriculture Minister in 2009 (Capital FM)

100 percent Common External Tariff (CET)³ on sugar imports from the rest of the world, completely sheltering the sugar industry from foreign competition. With regard to sugar exports, high domestic demand for sugar has led to continued decline in Kenya's sugar exports.

Figure 5 Production, Imports and Exports of Sugar 2009-2013



Data Source: Economic Survey 2014

Reports indicate that the cost of sugar production in Kenya is the highest among EAC and COMESA sugar producing countries associated mainly to low yields, underutilisation of capacity, poor infrastructure, weak corporate governance and lack of regular maintenances of factories. In spite of sustained extensions from COMESA to safeguard the industry since 2003, the country still continues to face smuggling of cheap sugar from other COMESA countries whose costs of production per tonne are extremely low compared to local production.

RICE is the third most important staple food in Kenya after maize and wheat. In spite of the fact that rice attracts as high as 75 percent CET from the region under the EAC Customs Union Protocol, import volumes have been growing more rapidly than production at an average rate of 11 percent per year since 1960s mainly due to urbanisation. Import dependency ratio is as high as 88 percent. The main import origin for nearly 74 percent of rice imports is Pakistan.

It is estimated that only 5 percent of rice grow under rain-fed conditions in Kenya. Of total national irrigation schemes where the large size of rice is produced, Mwea, in Central Kenya, is by far the largest accounting for 71 percent of total paddy production under irrigation schemes for the year 2012/13.

³ CET is an agreement among the five EAC Member States to adopt identical tariffs for goods imported from the rest of the world

Table 12. Rice Production at Irrigation Schemes, percent, 2008/09-2012/13

Rice Production	2008/09	2009/10	2010/11	2011/12	2012/13*
Mwea Paddy	87	71	67	60	71
Ahero Paddy	7	8	9	11	9
W.Kano Paddy	1	6	7	10	5
Bunyala Paddy	3	4	5	6	4
S.W Kano	-	9	10	11	8

Source: Own computation from Economic Survey 2014

*Provisional

Reports indicate that the cost of rice production in Kenya is higher than international prices. The main reasons for inefficient local rice production include its labour-intensive production requirement, high input costs and poor infrastructure, particularly that of irrigation.

1.2 PROBLEM STATEMENT

Co-operative societies play a pivotal role in the development of the Kenyan agricultural sector by facilitating credit and inputs access and joint marketing of produce for collective price bargaining. Theoretically, therefore, farmers are expected to realise the benefits more than those that operate individually. In practice, however, co-operative members are still as worse-off or even more vulnerable to exploitation. In the case of both coffee and sugarcane productions, prices are dictated by cartels of input suppliers, millers, buyers and exporters. The coffee value chain is often monopolised by unscrupulous brokers who determine prices as most coffee produces from smallholder societies are processed and marketed through them. A survey on coffee co-operatives conducted by KHRC (2012) for instance established that smallholder farmers face several challenges in producing, processing and marketing their coffee associated with unpredictable earnings, high production costs, payment delays, lack of value addition, limited market information, and governance issues in coffee co-operatives. Sugarcane growers, on the other hand, rely on millers for all services and expenses involved in cane production and sales where the latter are accused of attaching high interest rates to farm inputs and services; and issuing financial statements that are computed in a non-transparent manner. In the case of scheme rice production, farmers under the management of the National Irrigation Board (NIB) are treated as mere licencees without title deeds, which in Kenya is a necessary requirement to access certain services such as credit. Moreover, restricted production regulation from the Board does not allow scheme farmers to venture into livestock keeping or growing vegetables, whereby increasing their vulnerability to food security.

Agricultural co-operative movement in Kenya is weak and ineffective often associated with the tendency to follow old ways of marketing produce even when market dynamics have changed (Minishi, 2012). Many of the agricultural societies lack the capacity for diversification, value addition and aggressive marketing.

1.3 OBJECTIVE OF THE STUDY

Against this background, the main objective of the study is to assess the effectiveness of agricultural co-operatives in Kenya for four selected commodities- coffee, rice, sugarcane and tea- with a special focus on delivering trade justice and their role in advancing trade and livelihoods of farmers. The study aims to establish the main challenges affecting agricultural co-operatives' effectiveness, taking into consideration the gender dimension of the movement.

1.4 SCOPE OF THE STUDY

The study employs both primary and secondary data collection tools to meet the above general objective. Desktop review of available and relevant literature on the history of co-operatives in Kenya; performance trends; policy reforms as well as best practices from elsewhere are all assessed to put the performance of Kenyan co-operatives into perspective. Furthermore, the study benefits from interaction with farmers, both members and non-members of select products; co-operative officials; county officials responsible for co-operatives development; policy makers; as well as selected private companies. The study uses structured questionnaires both for focus group discussions as well as interviews.

With regard to product and geographic coverage, the study focuses on four major products in seven counties, *viz.* Coffee in *Nyeri* and *Meru*; Rice in *Kirinyaga*; Sugarcane in *Migori* and *Kakamega*; and Tea in *Kericho* and *Muranga*

II. CO-OPERATIVES AT WORK

Patterns in co-operative movements, in terms of number and type, depend on the development stages of countries. Literatures indicate that least developed countries have few co-operatives, which are mainly dominated by primary agricultural products; while in developing countries, the movement is dominated by credit co-operatives followed by agricultural, consumer, fisheries and workers co-operatives; and in emerging countries of South East Asia, agricultural, credit, consumer and multipurpose co-operatives are the dominating types. In developed countries, where patterns are more diversified, credit co-operatives and housing co-operatives are the dominating types (Chloupková, 2002).

2.1 BRIEF HISTORY OF THE CO-OPERATIVE MOVEMENT IN KENYA

The first ever co-operative known was the Lumbwa Farmers Co-operative Society founded by British settlers in 1908. During the colonial administration, local Kenyans were neither allowed to grow certain cash crops such as coffee and pyrethrum nor join co-operatives. In 1946, however, Africans were allowed to form co-operative societies and the Office of Registrar of Co-operatives was established with the power to register, audit, supervise and dissolve societies. The primary reason for creating co-operatives during this period was for marketing purpose to ensure economies of scale primarily for the British settlers and secondarily for smallholder farmers. In response to the Mau Mau uprising in the early 1950s, the colonial administration introduced smallholder agriculture co-operative development in Kenya. The colonial era also bred a dual co-operative system where primary co-operatives were promoted to cater for smallholder farmers while British large-scale farmers controlled national co-operative unions (Muthuma, 2011).

After independence, particularly during 1963-1979, the co-operative movement was as much driven by political ideology as economic reasons based on Africanisation of co-operatives which aimed to integrate smallholder farmers into the wider economy and for the co-operatives to play pivotal role in development. During this period, co-operative societies were under State control as the Co-operative Department replaced the colonial Office of the Registrar. It is also during this period that the Co-operative College of Kenya was established (1967) and the Co-operative Bank of Kenya licensed (1968); and agricultural extension services established to work through co-operatives. Government's support to the sector focused on certain products and geographical areas. Large number of co-operatives of dairy, coffee, cotton and pyrethrum proliferated in Rift Valley and Central Kenya followed by

Nyanza, Western and Eastern parts of the country. The government supported agricultural activities by providing subsidised inputs including fertilizers, veterinary services and made agricultural credit services available. Under state control, co-operatives were used as instruments to implement social and economic government policies and had monopoly power in the sector as sole suppliers of cash crops.

State funded institutions provided services to producers within certain value chains including the coffee co-operatives, Kenya Co-operative Creameries (KCC) in the dairy industry, National Cereals and Produce Board (maize), Kenya Farmers' Association (input supply), the smallholder Kenya Tea Development Authority (KTDA) and the Kenya Meat Commission (Colin and Karuti, 2013).

However, due to structural organisation, particularly in terms of control and management, many of the co-operative unions and co-operative organisations became inefficient with excessive bureaucracy, unaccountability and apathy among members. The share of production and marketing of certain crops by co-operatives started to decline by mid-1980s.

The era of liberalisation came drumming in the early 1990s with the now infamous Structural Adjustment programme (SAP) of the World Bank and IMF that forced many governments to loosen their tight grip over their economies in order to qualify for financial assistance. The underlying assumption of the SAP was that the private sector is the engine of growth through production and marketing efficiency, which could only be achieved through state decontrol. Anchored in market-orientation and less government intervention ideology and with the assumption that government control was stifling co-operatives, co-operatives moved out of government grip to self reliance and autonomy in 1997. The move sought to align Kenyan co-operatives to the core definition of co-operatives- that is to become autonomous, member-owned, self-reliant, and democratically-controlled enterprises to meet the economic, social and cultural needs and aspirations of their members, which was not necessarily true in this case.

Following recognition of the adverse effects of liberalisation on the economies of several developing countries, inflicted by SAP, coupled with a change in government in 2002 as well as international financial institutions' focus on poverty reduction, the government adopted more of a facilitative role in the economy by identifying agriculture and rural development as one of the vital sectors for the country. As a result, the Strategy for Revitalizing Agriculture (2004-2014) was designed to transform smallholder agriculture into a commercially viable

activity through strategies of modern farming practices, market-oriented production and linkages with other sectors of the economy.

2.2 STATE OF AGRICULTURAL CO-OPERATIVE MOVEMENT IN KENYA

About 63 percent of Kenyans derive their livelihood from co-operatives and approximately 250,000 people are employed or gain most of their income from co-operatives (ILO, 2009). Notwithstanding challenges in the co-operative sector, the number of co-operatives and membership has continued to rise. Presently, there are 5,178 agricultural societies in Kenya (KNBS, 2014). In terms of membership, as indicated in Table 2, agricultural co-operatives in Kenya have a total membership of about 1.7 million all over the country by 2011 and the trend in membership has been in the upwards.

Table 13. Membership of Co-operative Societies, '000 members (2006-2012)

Society by Crop	2006	2007	2008	2009	2010	2011
Coffee	594	658	672	883	881	828
Sugar	55	52	62	53	54	60
Total Agriculture	1,238	1,318	1,464	1,744	1,756	1,777

Source: KNBS Statistical Abstract 2013

The originally visualized member-driven, self-governing, self-reliant, democratic institutions have over the years constantly still remained underutilized. Available literatures indicate that there has been a decline in the performance of co-operative societies and in some cases total collapse in the recent past due to financial misappropriation, bad governance, nepotism in hiring and dismissal of staff, refusal of management committees to hold elections or vacate their positions after elections, illegal payments to committee members, unauthorised investments, political interference, and weak Co-operatives Act (Owuor , 2009; ILO, 2009; Muthuma, 2011) forcing some farmers to explore other options such as operate individually rather than in groups.

2.3 POLICY AND INSTITUTIONAL FRAMEWORKS

The current policy framework for co-operative development is based on Sessional Paper No. 6 of 1997, *Co-operatives in a Liberalised Economic Environment* that heralded the withdrawal of government control over the co-operative sector. The policy confined the role of the government to more of as a regulator and facilitator of the development of co-operatives and intended to make co-operatives autonomous and self-reliant. The 1997 policy, however, was not specific in defining the supportive role of government in the development of co-operatives nor did it have a guideline for co-operatives that intended to venture into

related businesses to increase cash flows or engage in merges to benefit from economies of scale. It also lacked clarity in the specific roles and responsibilities of managerial staff and elected committees.

The legislation on co-operatives, the Co-operative Societies Act (No.12, 1997), is an act of Parliament relating to the constitution, registration and regulation of co-operative societies. It was later amended to the Co-operative Societies Act of 2004. Section 4 of the Act stipulates registration of co-operative societies is subject to the fulfilment of objectives of the promotion of the welfare and economic interests of members; and have by-laws based on the principles of voluntary and open membership; democratic member control; economic participation by members; autonomy and independence; education, training and information; co-operation among co-operatives; and concern for community in general.

Studies indicate that the Act is weak as it does not lay out the repercussions of embezzling co-operatives' money. It is also criticised for being gender-neutral in terms of membership conditions and access to leadership positions as well as to the extent of referring members and persons in managerial functions in the masculine (Majurin, 2012).

In terms of institutional framework, since 2013 the Ministry of Industrialization and Enterprise Development has been responsible for co-operatives development. Currently, the Ministry assumes facilitative and supervisory roles through legal framework provision; inspection and inquires; and even has the mandate to demand for liquidation. The Ministry, under its Directorate of Co-operative Development and Marketing, provides policy and legal framework for Co-operatives at national level. The mandate for development of Co-operatives was devolved to the County Governments in the 2010 constitutional dispensation. Each of the 47 counties has been assigned County Co-operative Commissioners and County Co-operative Directors of Audit to support co-operatives particularly with farm inputs supplies and distribution. The Ministry has also promoted the formation of County Co-operative Development Committees to co-ordinate the co-operative agenda. County Governments are responsible for capacity building, governance, value addition and mentorship programmes for Co-operatives at grassroots level.

2.4 GENDER DIMENSION OF CO-OPERATIVES

According to a study by Wanyama (2009), women produce 80 percent of the food but in terms of access to agricultural inputs and services, the share is too low where for instance,

they receive only 7 percent of agricultural extension service, less than 10 percent of credit for small-scale farmers and own only 1 percent of the land. Co-operatives have so much to offer to women in the face of social and political norms that make women have less access to productive resources and market opportunities by providing social and economic empowerment, particularly through leadership and income opportunities.

The ILO Recommendation Concerning Promotion of Co-operatives (R193) states that *special consideration should be given to increasing women's participation in the co-operative movement at all levels, particularly at management and leadership levels*; and national policies should notably *promote gender equality in co-operatives and in their work*. However, studies show women in African co-operatives are under-represented in leadership and management positions.

Studies have shown time and again that when women effectively participate in co-operatives, the economic, social or psychological gains are immense. A research study by Gweyi *et al.* (2013) on the co-operative movement in rural development in Kenya observes that co-operatives have huge social effect on minimising traditional beliefs against women who actively participate in co-operatives; as well as result in positive economic implications when co-operatives have by-laws on affirmative initiatives such as special privilege in credit access, training and financial support in favour of women members. Literatures indicate, however, certain co-operatives discriminate women with conditions that are *de jure* or *de facto* blocking women from membership such as a by-law of land-ownership requirement for one-member-per-household membership.

Majurin (2012), while assessing how women fare in East African co-operatives, establishes that women's representation in co-operatives in Kenya, Tanzania and Uganda was between 30 to 42 percent; while attendance in last annual general meetings in agricultural co-operatives were found to be 7 percent in Tanzania and 44 percent in Uganda. With leadership roles, such as board members, chairpersons, managers, supervisory committee members and credit committee members, the share of women in general were also found to be much lower than that of men.

Table 14. Women and Co-operatives: Representation and share of Women Employees in Kenya, Tanzania and Uganda

Description	Kenya	Tanzania	Uganda
Women Representation	30%*	40% [†]	42% [^]
Share of Women employees in Agricultural Co-operatives	36%	26%	26%

* Out of 3.6 million members across 8 administrative regions (2009-2010)

Compiled from Majurin's study (2012)

[†] Out of 255 thousand members across 4 regions (2010)

[^] Out of 1.2 million members (2009)

The main factors that impact women's effective participation in co-operatives in Africa are found to be limited access to and control over financial and productive resources, particularly land; lower education; as well as cultural norms that define the roles of women and men with practical implications on division of labour at within and outside the household.

2.5 A CASE OF BEST PRACTICE: LESSON FROM INDIA

This section presents the case of an Indian co-operative that has been found to be working *for* smallholder farmers in the sugar industry. This effective society in the sugarcane production⁴ has managed to bring farmers together to improve their livelihoods and it has stronger market positions in the commodity's value chain.

Located in the Pravara region, in the arid rain shadow belt where drought is common, farmers grow sugarcane. The region had a large water canal that ran through it but it was not used by the small farmers. Smallholder farmers worked on sugarcane plantations run on *their* land by joint stock companies which held long-term cultivation leases on the land at nominal rates. Sugar factories set up by the joint stock companies paid meagre prices to cane farmers; and the lease conditions did not oblige the factories to purchase the full crop, which often led farmers to burn the unsold crop resulting in indebtedness.

To end the exploitation of illiterate small-scale farmers, in 1950 the latter came together from 44 villages to establish the Pravaranagar Sugarcane Co-operative Society and set up the Pravara Co-operative Sugar Factory with financial assistance from the State Co-operative Bank to be run on *co-operative principles*. For the first time in India, a biogas plant was established by the co-operative sector in 1977. India's favourable policy and legal environment for renewable energy generation and private power generation allowed the

⁴ Nalwaya (2009)- FAO; and Hegde (2012)

factory owned by the co-operative society to tap large-scale capital resources. The surplus biogas is piped to 196 households in worker residential complex near the sugar factory to meet home cooking energy needs; while the residue, which is rich in fertiliser, is distributed to farmers for better yield. Ethanol production has also been found to have a ready market in petroleum companies which use it for petroleum blending; and a ready market in the pharmaceutical industry. Another ready market was electricity, whereby during the FAO report preparation, the co-operative's factory 35Mw co-generation plant was to commence electricity production by partnering with a leading private sector partner meeting all electricity and steam needs of the co-operative's large industrial complex and selling surplus power to the state grid.

In terms of social solidarity, the Pravara Co-operative Sugar Factory introduced a holistic local community development model whereby a comprehensive health and education infrastructure has been set up with the co-operative society's income. It came up with well managed network of schools and professional colleges and initiatives have reportedly resulted in significant improvement in social indicators such as increased literacy rate (20 percent to 83 percent) and reduction in birth rates and child and maternal mortality rates.

In general, it is reported that the institutional set up of the Pravaranagar Co-operative Society, which has been in existence for the last 60 years, has allowed it to be a model co-operative society. The main features of the institutional set up include *participatory and equitable decision making processes; equitable share of benefits; and the loyalty and dedication of its members.*

III. THEORETICAL FRAMEWORK FOR MEASURING EFFECTIVENESS OF CO-OPERATIVES

In the 89th Session of the ILO on Promotion of Co-operatives in 2001, it was noted that the first prerequisites for co-operative success are *entrepreneurship* and *good management*. Entrepreneurship helps co-operatives to use opportunities and take calculated risks while management skills are required for effective use of scarce resources to produce competitive goods for the market.

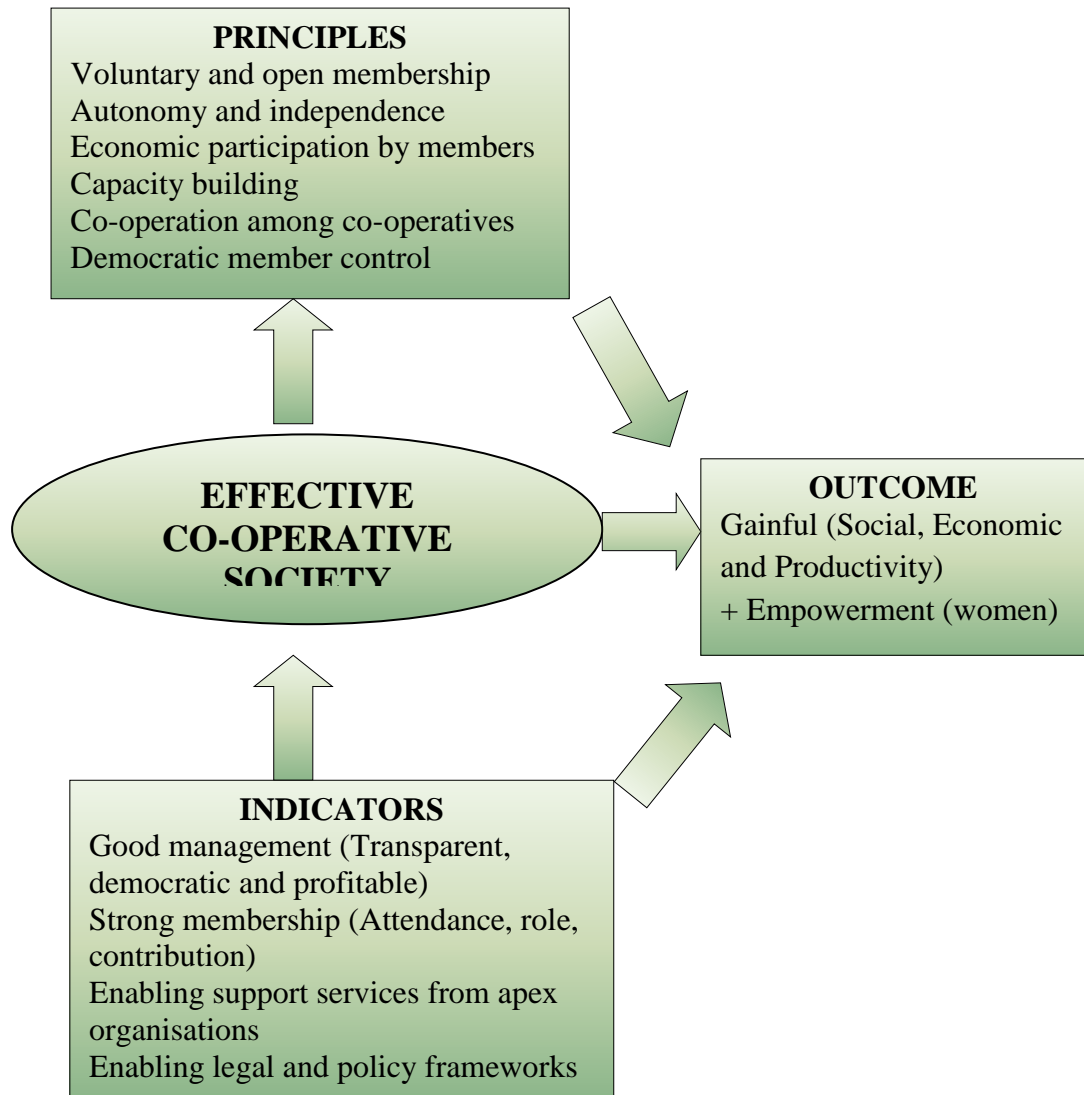
Mellor (2009) outlined four indicators in the Measurements for Tracking Indicators of Co-operative Success (METRICS). These are *sound business practices* as measured by financial profitability and performance; *strong membership participation* where both co-operative and members benefit through tapped knowledge and commitment; and needs of members addressed; *support of an efficient apex organization (co-operative federation or union)* that provide oversight and services that may solve challenges within the co-operative and across the entire value chain as well as anticipate opportunities; and *a facilitating economic and legal environment*.

Rodríguez (2011), on the other hand, identifies five factors that facilitate success within smallholders' agricultural co-operatives, the first four are *access to land, credit, technology & technical assistance*, and market, which are all exogenous i.e., conditions that are greatly affected by external agents (such as State regulation or provision of public goods) and by external economic conditions (e.g. efficiency of land market). The fifth factor for success is the *managerial and collective action capabilities of members*, which basically depends on member's attributes and internal organisation of the co-operative.

This particular study combines some of the above prerequisites and indicators and adopts a theoretical framework of analysis as depicted in Figure 2 below. An effective co-operative abides by the basic principles of voluntary and open membership; democratic member control; economic participation by members; autonomy and independence; capacity building through education, training and information; co-operation among co-operatives; and concern for community in general. The more effective a co-operative is, the better its chances of delivering trade justice to its members revealed through social, economic and productivity gains as well as empowerment of women, ultimately leading to fair and sustainable trade. To investigate the success of a particular co-operative society, the study uses the following

indicators: good management measured through transparent pricing formula, democratic governance and profitable business; strong membership participation through role, contribution and attendance of meetings; enabling support services from apex organisations; and an enabling legal and policy framework.

Figure 6. Theoretical Framework for Analysing Kenyan Agricultural Co-operatives of Selected Crops



Source: Own formulation

IV. SETTING THE STAGE

This section of the report gives a brief background on selected sample counties on population size, general levels of poverty; and significance of the relevant selected product. The section also provides a briefing on the state of co-operatives under each selected crop.

4.1 BRIEF BACKGROUND ON THE SEVEN SAMPLE COUNTIES

The seven sample counties selected for the study are Kakamega Kirinyaga, Meru, Migori, Murang'a and Nyeri.

Kakamega County, located in Western Kenya, has 12 constituencies namely Butere, Ikolomani, Khwisero, Likuyani, Lugari, Lurambi, Matungu, Mumias East, Mumias West, Malava, Navakholo and Shinyalu. The main tourist destination for the county is the Kakamega Forest, which is the only equatorial tropical rainforest in Kenya. The population of Kakamega County is estimated to be around 1,660,651 people, the majority of whom largely depend on agriculture, particularly sugarcane farming for their livelihoods and it is also home to the largest **sugar** producing company in Kenya- Mumias Sugar. Of the seven sampled counties, Kakamega has the second highest percentage of individuals, 49 percent, living below the poverty line.

Kericho County is located in the Rift Valley with 6 constituencies namely Ainamoi, Belgut, Bureti, Kipkelion East, Kipkelion West and Sigowet –Soin. The 2009 national census estimates the county's population to be around 758,339 people although the county government puts the figure to over one million. According to KNBS/SID study on inequalities (2013), out of the total 47 counties of the country, Kericho ranks as the 16th county for having the least percentage of individuals living below the poverty line. The county has the biggest water catchment area in the country- the Mau Forest and enjoys rainfall all year round. Kericho is known for its large **tea** farms and considered as the centre for Kenya's tea industry; where Ketepa, one of the most popular tea brands nationally and multinational companies such as Unilever Kenya, James Finlay and Williamson Tea are all based at the county.

Kirinyaga County is located in the Central highlands of Kenya with 4 constituencies namely Mwea, Gichugu, Kirinyaga Central and Ndia. Out of the 47 counties, Kirinyaga is ranked as 3rd county with the least percentage of people living below the poverty line. The total population of the county is estimated around 528,054 people where the majority derive

livelihood from agricultural activities. Believed to produce half of Kenya's total **rice** production, Mwea sub-county is home to the country's largest and extensive irrigation scheme and hosts the Mwea Rice Mills Ltd, the main producer and miller of the Kenyan Pishori rice.

Table 15. Key Characteristics of Sample Counties

County	Population Size, Annual Growth Rate, Density, 2009			Poverty	Health		Education		Infrastructure (2009)		
	Population (thousand)	Annual Population Growth Rate %	Population Density (per Km ²)	Individuals below Poverty Line. % 2013	Malaria Burden, % 2012	HIV Prevalence %, 2011	Primary Education %	Secondary Education %	Improved Water, % HH, 2009	Electricity % HH, 2009	Paved Roads % of total roads, 2012
Kakamega	1,661	2.48	550	49	290	5.6	70.9	11.0	76.1	5.6	0.4
Kericho	758	2.43	274	39	263	4.4	69.8	11.4	56.1	11.8	4.7
Kirinyaga	528	1.44	357	26	64	4.0	68.6	16.1	56.8	16.4	1.0
Meru	1,356	2.07	196	31	165	3.3	72.3	12.6	65.0	13.1	2.1
Migori	917	3.19	353	50	315	13.4	68.0	10.3	47.8	5.3	0.5
Murang'a	943	2.47	368	33	28	5.2	69.5	17.7	51.0	14.0	4.9
Nyeri	694	0.48	208	28	4	4.4	61.4	19.8	69.3	26.3	4.4

Compiled from *Kenya County Fact Sheets* (CRA, 2013); and KNBS&SID (2013)

Meru County is located in Eastern province and has 9 sub-counties namely Buuri, Igembe Central, Igembe North, Igembe South, Imenti Central, Imenti North, Imenti South Tigania East and Tigania West. As indicated in Table 6 above, the total population size of Meru is estimated around 1.3 million people. The population density per km² is around 196, making the county the least densely populated county among the sampled counties. The county is ranked as the 5th county out of the 47 counties with the least number of people living below poverty line. Due to its fertile volcanic soil, agriculture is the main source of livelihood for smallholder farmers in the country. **Coffee** is one of the top cash crops grown in the county.

Migori County is located in the South Western part of Kenya with a total population size of around 917,170 people. Of the seven sampled counties, Migori has the highest percentage of individuals living below the poverty line and it is ranked as the 21st worst counties in the nation. The county has 8 sub-counties namely Awendo, Kuria West, Kuria East, Nyatike, Rongo, Suna East, Suna West and Uriri. Owing to Lake Victoria and rivers Migori and Kuja, the county is known for fishing and its fertile soils are conducive for tobacco, **sugarcane** and other cash crop production. Since 1976, Migori has been hosting the South Nyanza (SONY) Sugar Company, the second largest sugar producer in the country, which supplies 15 percent of all sugar in the country.

Murang'a County is located in Central Kenya with 7 sub-counties including Gatanga, Kandara, Kangemi, Kigumo, Kiharu, Mathioya and Maragwa. The county features as the 7th county nationally with the least number of people of living below the poverty line. A total of 942,581 people reside in Murang'a out of which 60 percent are small scale farmers engaged in **tea** and coffee productions. It is estimated that there are about 60,000 tea farmers in Murang'a County.

Nyeri County, home to Mountain Kenya, the highest mountain in the country, is located in Central Kenya with a total population size of 693,558 people. The county has six constituencies namely Kieni, Mathira, Mukurweni, Nyeri Town, Othaya and Tetu. Of the total 47 counties in Kenya, Nyeri County features as the 4th county with the least percentage of individuals living below the poverty line. In the predominantly agricultural county due to its location in the fertile central highlands, Nyeri farmers derive their livelihood from cash crops tea and **coffee**

4.2 STATE OF PLAY OF KENYAN AGRICULTURAL SOCIETIES OF SELECTED PRODUCTS

COFFEE CO-OPERATIVE SOCIETIES

Small-scale coffee growers sold their produce only through co-operatives until 2002. Presently there are 597 Coffee Societies in Kenya (KNBS 2014). According to the Coffee Board of Kenya, 162,479 ha of land are under coffee out of which 75.5 percent is in the co-operative sub-sector and the remaining under estates i.e., farms over 5 acres. Studies indicate that among selected agricultural crops, coffee co-operatives are the most mismanaged and neglected. Many blame politicisation and bad governance in the coffee co-operative sector as the root cause for the decline of the coffee sector over the last two decades (Colin and Karuti, 2013; Owur *et al.*, 2009). In a study conducted in Nyeri, Owur *et al.* (2009) report farmers cite both political interferences and marketing problems as the major challenges in the sector whereby for instance most coffee co-operative members in the area were politicians and not real farmers. It was further indicated in the same study that information on marketing of the crop as well as returns were non-transparent, with some farmers even indicating that during coffee beans auctions, representatives of co-operatives are not present to witness the process.

The Kenya Planters Co-operative Union (KPCU) is the largest coffee farmers' co-operative union solely owned by farmers with a constituency of 700,000 small-scale farmers

represented by over 300 co-operatives and about 2,000 estate farmers. It was established in 1937 by British settlers, at a time where Africans were neither allowed to become members nor grow coffee until the 1960s. From 1960s to mid-1990s, KPCU had monopoly power in the market as the sole miller and marketer of coffee in the country. The Union offers services to small-scale coffee farmers including farm inputs, credit, warehousing, milling, polishing and grading, marketing, quality control and liquoring and extension services such as farmer education on quality coffee production.

The Union has been for long plagued by mismanagement; corruption; and leadership disputes among board, management staff and farmers leading to its near collapse. The management crisis is traced back to KPCU's double registration status- on the one hand, the Union is registered as a co-operative society under the Societies Act and on the other hand as a limited liability company under the Companies Act. This dual registration has led to wrangles within the Union whereby farmers demand to be in full control of the Union's affair by virtue of it being a farmers' co-operative; and at the same time under the Companies Act, it is expected to conform to the rules and regulations of governing limited companies.

Furthermore, with the liberalisation of the coffee sub-sector in 1990s, it is said that businessmen, large-scale coffee plantation owners and even politicians fled without paying debts estimated around Ksh 4 billion. KPCU was placed under receivership by the Kenya Commercial Bank in 2009 after it failed to pay loans of around Ksh 644 million where its assets were to be auctioned a year later had it not been for government intervention.

Liberalisation of the sub-sector saw milling plants coming up and started competing with KPCU. As a result, there has been serious *overcapacity* at the milling level (USAID, 2010; IEA, 2000) which has led some of the milling plants to engage in unscrupulous tactics such as incitement and bribery of co-operatives society officials to direct business to the respective mills and set co-operative officials against one another further weakening the societies (IEA, 2000).

RICE CO-OPERATIVES

The National Irrigation Board (NIB) or the Board manages all the seven public schemes. Previously, the Board had been responsible for all value chain activities from land preparation, credit provision, crop husbandry, harvesting to marketing of produce. In Mwea, the Board also undertook milling through its subsidiary, Mwea Rice Millers Limited.

However in 1998, farmers revolted against the Board for making them mere licencees without any ownership entitlement. Moreover, farmers were not happy with the Board's management of the scheme and the way it treated the scheme tenants including the monopolistic structure of production and marketing as the Board was the sole provider of farm inputs on credit and sole buyer of all produce; and the fact that the Board restricted production system with only four acres for rice production, restricting farmers from venturing into livestock keeping or growing vegetables. Grievances were cited also around restriction of quantities farmers could keep for own consumption and lack of sanitation, clean drinking water and fuel wood availability.

Mwea Rice Farmers Co-operative Society then took over the Scheme's management during the period 1999 to 2003. Some of the main problems rice farmers faced during this arrangement included lack of skilled personnel, finances and machinery to maintain the scheme. The National Rice Development Strategy (2008-2018) cited some of the challenges the sector grappled with *after liberalisation of the rice irrigation schemes* including poor rice management practices and deteriorated research and extension services resulting in loss of genetic purity, poor agronomic practices low production and inadequate credit. High costs of farm inputs and machinery as well as poor infrastructure and uneven distribution of rice mills were also found to affect productivity and contribute to decline in production. Poor market organisation in the rice production sector led to market dominance of cartels and adulteration of rice.

In 2003, the Board returned to the management of the scheme with limited roles. Presently, there are three key players in the production and marketing of rice namely producer groups/co-operatives, Irrigation Water Users Association (IWUA), and the management/advisory committee, which is more or less like an apex body with members drawn from producer groups, IWUA, NIB and others. IWUA is tasked with distribution and management of water and ensures that money is collected from farmers on behalf of the Board. The apex committee with membership drawn from the various groups executes advisory services such as on land issues. Though the Board no more involves itself in production and marketing of produce, its strict regulations still infringe the fundamental rights of scheme rice farmers.

SUGARCANE OUT-GROWERS' SOCIETIES

About 92 percent of cane milled is supplied by sugarcane out-growers. There are 191 sugarcane societies in Kenya (KNBS, 2014) supposedly representing and protecting the interests of farmers.

Sugarcane producers rely on millers to provide all services and expenses for cane production and sales. Local sugar factories are often accused of exploiting sugarcane farmers for charging exorbitant charges for farm inputs and services including cane deliveries to factories, ploughing, harrowing, furrowing, harvesting, survey, seeds and fertiliser supply among others⁵. Furthermore, the millers are accused of attaching high interest rates to farm inputs and services. Certain calculations deducted from farmers' dues are under the discretion of millers that appear to be non-transparent such as the calculation of transport charges and interest rates on seed cane supply. Many of the sugarcane growers do not also understand the complex computations on deductions and their returns.

At co-operative or out-growers company level, sugarcane farmers have poor representation, if at all. In the past, corruption, conflict of interest and collusion with millers led to the collapse of out-growers associations and companies; the few existing societies are also reported to be on the brink of collapse due to high debt burden. With the absence of organised representation to pursue their interests, farmers are left under the mercy of millers.

TEA CO-OPERATIVES

It is estimated that about 60 percent of total tea production comes from smallholder tea growers while the rest produced by multinational companies. The Kenya Tea Development Authority was established through legal notice No.42 of 1964 to promote and foster the growing of tea in small farm. Upon privatisation of the Authority in 2000, the Kenya Tea Development Agency Limited (KTDA- Ltd) was incorporated as a private company of CAP 486 under the Kenyan law as the management agency for the small scale tea farmers by taking over the assets, liabilities and mandates of the Authority. The Agency is expected to provide effective management services to the tea sector through efficient production, processing and marketing of high quality tea and investing in related profitable ventures for the benefit of shareholders and other stake holders. Presently, the Agency manages 63

⁵ See *Daily Nation* 22 June 2014 for interviews with stakeholders

factories based on contractual agreements. The Agency controls over 65 percent of the tea sold at auctions.

Many applaud the organisation of the tea sub-sector mainly attributed to an enabling investment environment particularly for the large scale tea estates, professional management of smallholder tea production through the Agency and non-interference of the Tea Board on production, processing and marketing activities (Muthuma, 2012). The study by Owuor *et al.* (2009) in Nyeri also indicates that unlike the coffee sector, tea co-operatives in the study area were well managed; and payments timely and transparent.

However, behind this rosy representation, reports are emerging accusing the KTDA of price manipulation through collusion with brokers. Prices of the highest tea grade is said to be manipulated and sold at low or the same price with inferior grades at weekly auctions thereby denying small-scale farmers of their rightful earnings. The damning Tea Industry Status Report 2014⁶ by the Tea Board of Kenya implicates KTDA of manipulating the price of the highest tea grade mainly produced by small-scale farmers. Certain loopholes allow high quality teas to be sold at below auction prices thereby creating artificial market signals of excess tea supply further dampening prices.

Multinational tea companies are also accused as one of the culprits for deteriorating tea prices as some post low quality tea for auctioning, attracting low prices and knock KTDA out of competition for traditional markets; thereby not only transfer prices to aid exportation of high quality tea at disguised market prices but also access KTDA teas at lower prices.

Other challenges ailing the sub-sector include the vulnerability of the crop to climate change, declining world prices and rising input costs, small size of landholding, and little value addition. Smallholder tea growers also have weak representation of their interests due to two rival groups- the Kenya Small Tea Growers Association (KSTGA), which supports the continued operation of the KTDA and the Kenya Union of Small Scale Tea Owners (KUSSTO), which calls for the dissolution of KTDA. This rival representation has been found to contribute to smallholders' weak position in lobbying for their interests with the KTDA as they do not have a single, well organized and structured national lobby group (Muthuma, 2012).

⁶ See Daily Nation June 29, 2014; and Daily Nation July 6, 2014

4.3 INSTITUTIONAL AND LEGAL FRAMEWORKS FOR COFFEE, RICE, SUGAR AND TEA

In terms of legislation, the 2001 Coffee Act (Cap 333), Tea Act (Cap 343) and Sugar Act (No. 10 of 2001) govern the respective sub-sectors and give mandate to the Coffee Board of Kenya (CBK), Tea Board of Kenya (TBK) and the Kenya Sugar Board (KSB) to regulate, develop and promote the respective industries. The Irrigation Act (Cap. 347) on the other hand, regulates rice production on irrigation schemes under the National Irrigation Board (NIB).

CBK is the registration and licensing body of agents along the value chain including coffee nurseries, growers, pulping stations, millers, marketing agents, management agents, buyers, roasters, packers, warehousemen and auctioneers. TBK has the mandate to regulate and control the cultivation and processing of tea; to monitor tea trade; and to promote Kenyan tea in both local and international markets; while NIB manages public irrigation schemes with particular role in operation and maintenance of scheme infrastructure. KSB, established in 2002 under the 2001 Sugar Act, regulates the sugar industry through issuing permits and licensing of millers and importers and exporters; developing the industry through funding of research cane development, factory rehabilitation and infrastructure development; as well as promoting the sub-sector through representation and articulation of interests among other activities.

However, the legislative framework has changed since 2013 with the enactment of the Crops Act 2013 while the institutional landscape has changed with the enactment of the Agriculture, Fisheries and Food Authority Act, 2013.

The **Crops Act 2013** is an Act of Parliament to consolidate and repeal various statutes relating to crops for the purpose of providing growth and development of agricultural crops and for connected purposes. Therefore, the Tea Act (Cap. 343); Coffee Act (No. 9 of 2001); Sugar Act (No. 10 of 2001); and the Irrigation Act (Cap. 347) are superseded by the Crops Act 2013 and repealed thereof. For purposes of accessing economies of scale, the Act states that every smallholder grower has the freedom of registration. In the case of coffee, grower registers with the co-operative society to which they deliver coffee; in the case of tea, growers register with the tea factory to which they deliver green leaf; in the case of sugarcane, growers register with an out-grower institution and any other organisation

representing the interests of sugar farmers. The Act considers sugarcane, tea, coffee and rice as *first* schedule crops, i.e., crops with breeding programme under compulsory certification.

In terms of institutional framework, the **Agriculture, Fisheries and Food Authority Act, 2013** provides for the establishment of the Agriculture, Fisheries and Food Authority (AFFA) with the main objective of making provision for the respective roles of the national and county governments in agriculture excluding livestock and related matters. Therefore, AFFA or the Authority is now the successor to the *former institutions* established by the Crops Act⁷ including CBK, TBK and KSB. The Agricultural Sector Coordinating Unit existing at the commencement of the Act acts as the secretariat of the Authority for not less than two years but not more than three years from the commencement of the Act.

The Authority is mandated to regulate, the production, processing, marketing, grading, storage, collection, transportation and warehousing of agricultural and aquatic products excluding livestock. The Act directs the Authority to establish a directorate on fisheries and a separate directorate on food to carry out activities with respect to promotion or management of the specific product. Although this is expected to bring down the State's Wage Bill, it might result in inefficient regulation and inadequate managerial service delivery for the selected crops that face myriad and unique issues.

⁷ The full list of former institutions in the 2013 Act includes: (i) the Coconut Development Authority; (ii) the Kenya Sugar Board; (iii) the Tea Board of Kenya; (iv) the Coffee Board of Kenya; (v) the Horticultural Crops Development Authority; (vi) the Pyrethrum Board of Kenya; (vii) the Cotton Development Authority; and (viii) the Sisal Board of Kenya; (ix) the Pests Control Products Board; (x) the Kenya Plant Health Inspectorate Service;

V. RESEARCH FINDINGS

The study team travelled to all the seven counties to assess the performance of co-operative and out-grower societies; identify challenges ailing the movement and collate recommendations for reviving the co-operative movement. Interviewed stakeholders include farmers of the four crops, both members and non-members of societies; county officials including county co-operative officers, Members of County Assembly (MCA), Deputy Governors, and Governors; factories and millers; and union representatives. In Nairobi, views were solicited from policy makers, apex bodies and the academia such as from the Ministry of Industrialisation and Enterprise Development; NIB; KSB; the Co-operative College of Kenya/Agri & Co-op Training and Consultancy Services; the Co-operative Alliance of Kenya; and KPCU (see Annex I for a list of respondents)⁸.

5.1 COFFEE CO-OPERATIVES

To assess the effectiveness of coffee co-operatives, the study examined co-operative societies in Nyeri and Meru Counties. FGDs were held with farmers in both counties to inquire about perceived benefits and challenges; while non-members were interviewed to understand benefits and losses of not belonging to a society. In-depth interviews were held with co-operative officials of Gachatha Farmers' Co-operative and Aguthi Farmers' Co-operative in Nyeri County; Miriga Mieru Society and Nthimbiri Farmers' Co-operative Society Ltd. in Meru County. Views of respective County Governments were solicited from the Assistant County Commissioner and Member of County Assembly in Nyeri; the Meru County Co-operative Officer; and the Meru County Executive for Agriculture, Livestock and Fisheries. To gather information on whether factories prefer to source produce directly from farmers or through co-operatives and the reasons behind their preferences, factories/millers in the respective counties were interviewed including Kagumo Factory and Gachatha Factory in Nyeri; and Meru County Coffee Millers. Perspectives were also gathered from apex organisations such as Meru Central Coffee Union and the Kenya Planters' Co-operative Union Ltd (KPCU).

⁸ The study team's effort to interview representatives of Coffee Board, Tea Board and KTDA was not successful.

Membership

Gachatha Farmers' Co-operative and Aguthi Farmers' Co-operative in Nyeri were established in the year 2000 and 2004; and their membership size stand at 1,300 and 2,000 members with an overwhelming majority of male membership of almost 70 percent and 60 percent, respectively. Miriga Mieru Society in Meru was established in 1947 with a total membership size of 4,000 although the active members are only 1,500. The interviewee did not have sex disaggregated information on members. Established in 1999, Nthimbiri Farmers' Co-operative has 1,200 members of which three-fourth are male members.

Table 7 Society by Year of Establishment and Number of Members by Sex

Name of Society	County	Year of Establishment	Total number of members	Sex of Members	
				M	F
Gachatha Farmers' Co-operative	Nyeri	2000	1,300	69.2 %	30.8 %
Aguthi Farmers' Co-operative	Nyeri	2004	2,000	59%	41%
Miriga Mieru Society	Meru	1947	4,000	N/a	N/a
Nthimbiri Farmers' Co-operative	Meru	1999	1,200	75%	25%

According to farmers, membership depends on the prices co-operative societies offer as those offering higher prices experience increased membership while those perceived to offer lower prices experience decline in membership, which indeed is the case for Miriga Mieru that experiences increased membership every time coffee prices are good. Similarly in Gachatha membership has been increasing because the society offers relatively good prices; and the co-operative does not deduct the 20 percent due allowed by law; instead according to the officials interviewed, farmers decide how much to remit to the society, which usually is Ksh 5 per kilogram sold. Similarly, Nthimbiri has also experienced increased membership mainly attributed to the fair prices it fetches for members. On the other hand, Aguthi Farmers' Co-operative has been experiencing decline in membership due to decline in payments. In Meru, Membership fees in Meru are cheaper than in Nyeri. For Miriga Mieru it is Ksh 500 and Nthimbiri Ksh 200. Gachatha members' dependents who desire to join the society are charged Ksh 1,000 while outsiders are charged Ksh 6,000 as membership fee. The high fee, according to the co-operative officials is because the society does not borrow from any lending institution. Aguthi members pay Ksh 1,200.

Table 816 Society Management Structure by Sex

	Gachatha			Aguthi			Miriga Mieru			Nthimbiri		
	Total	F (%)	M (%)	Total	F (%)	M (%)	Total	F (%)	M (%)	Total	F (%)	M (%)
Board	9	0	100	5	0	100	9	22	78	5	0	100
Management	1	100	0	5	0	100	13	15	85	-	-	-
Employees	13	54	46	31	N/A	N/A	15	27	73	6	0	100
Committee										-	-	-
Supervisory	-	-	-	3	0	100	-	-	-	-	-	-
Education	-	-	-	-	-	-	3	0	100	-	-	-
Transport	-	-	-	-	-	-	2	0	100	-	-	-
Procurement	-	-	-	-	-	-	2	0	100	-	-	-

As presented in Table 8, in a bid to save cost, according to Gachatha’s chairman, board members double up as committee members. All the decision making positions in three of the societies are controlled by men; while in Miriga Mieru, all committee members are men; though women feature in board and management, albeit with a negligible share. The highest education attained by a board member in Gachatha is Form Four and the lowest is the pre-colonial system of Class Four; whereas the manager’s education level is Form Four. In Miriga Mieru management staff’s highest education qualification is Secondary while all the committee members had only Primary schooling. Nthimbiri leaders are better educated with a board member of university degree and employee with diploma; and the lowest level in these is Form Four. Nthimbiri has committee and no management staff.

FGD among farmers in Nyeri revealed that cultural perceptions make it easier for men to get elected for leadership positions while women particularly married women are discouraged by their husbands from running for positions. The vested interests of politicians are also believed to scare women away as many say they do not want to mix up with ‘dirty politics’. Moreover, the requirement in the by-laws for a farmer to supply above a certain specified amount in order to run for leadership discriminates women since they tend to own lesser portions of land. Similarly in Meru, according to the focus group discussants women do not participate actively in co-operative affairs and they do not vie for posts even when allocated seats during elections.

Perceived Benefits of Belonging to a Co-operative Society and Reality on the Ground

Coffee growers in both counties believe that being organised under a society is better for small-scale farmers than operating individually for the many benefits co-operatives bring, including:

- Access to inputs on credit;
- Access to fair market prices
- Able to withstand price variances; and
- Able to negotiate for cheaper credit facilities.
- Economies of scale in production and marketing;
- Extension services
- Loans
- Reduction in transportation and marketing costs;
- Networking and trainings that enhance knowledge and skills such as coffee bush management and coffee husbandry;

Non-members in Nyeri indicated that they were discouraged by the collapse of Tetu Coffee Growers Society, which was the umbrella body for all coffee growers in the greater Nyeri area. According to interviewees, the Society collapsed due to external political influence and corruption among officials. The non-members did not think they lose much by not being part of a co-operative society as the latter is often poorly managed and riddled by corruption. Similarly in Meru, non-members indicated that the reason they left co-operatives was due to mismanagement of societies by leaders who had no entrepreneurial and managerial skills. The non-members interviewed in both counties were estate owners with own factories. Due to their huge acres of land, they stated they saw no need to join a society as they can comfortably source for inputs as well as deliver produce to millers without belonging to a group.

In Nyeri, farmers and County officials revealed that the *biggest beneficiaries are co-operative officials* who are in a position to embezzle funds to take care of their personal businesses at the expense of the members; while the *biggest losers are farmers*. In spite of the many grievances, farmers do not plan to leave their co-operative societies mainly because of cheap inputs and ease of marketing their produce. In Meru, views were divided on who the biggest beneficiaries and losers were from co-operatives. Some indicated the *biggest beneficiaries are farmers*; while others indicated the *biggest beneficiaries are committee members*. According to the national representative of small-scale coffee farmers in Kenya, KPCU, the *biggest beneficiaries are big co-operative entities* whose officials drive big flashy cars and operate in big buildings while *farmers are the biggest losers*. *Millers and marketers were cited as the biggest beneficiaries and farmers as the biggest losers* by the representative of Meru Central Coffee Union.

It is indicated that there is a huge price gap between price of coffee on a tree and price of coffee on the shelf. Many of the farmers stated that the proceeds from coffee alone are not enough to cater for healthcare services; and school fees for their secondary and post-secondary school going children and many rely on other businesses while some had to resort to borrowing. Prices have been declining in the recent past and according to the KPCU respondent, coffee farmers in Kenya have been uprooting the crop for other cash crops. This was confirmed by one Nyeri County official where in the southern part of the County, farmers have started uprooting coffee for other cash crops such as macadamia nuts.

Training, Information and Education

Farmers in Nyeri County have received training mostly on safe chemical use and better coffee management, the latter offered by the Coffee Research Foundation. However, they indicated that these are carried out during election campaigns periods and mainly used to gain mileage from farmers.

In Meru County, farmers have been offered trainings on soil preservation; good crop management and coffee husbandry by the Ministry of Agriculture; selection of coffee varieties for different altitudes by Coffee Board of Kenya; input usage by local coffee millers; and also have agricultural field days.

Marketing

Farmers in Nyeri stated that they would rather sell directly and get rid of middlemen who exploit farmers. The marketing process in Nyeri is manipulated particularly during coffee auctions. Coffee buyers have cartels and set price ceilings but sell at very high prices in international markets. Nyeri and Meru County Governments have offered to directly market coffee produce on behalf of small-scale farmers' co-operatives. However, Gachata co-operative society has opted out of the offer and makes arrangements with millers to sell members' produce, which incidentally fetches higher prices. In general, prices are set by market forces and farmers and their societies seem to have no control.

Co-operation with other Co-operative Societies

The Gachata official indicated that the society co-operates with other societies to build each other's capacities. Societies also exchange information, particularly on credit history of a former member planning to join a new one. To benefit from economies of scale, Aguthi

society partners with another co-operative to provide coffee produce to millers. Farmers' co-operatives in Meru also co-operate under the auspices of Meru Coffee Growers Union which organizes training and seminars where all the co-operatives get a chance to send representatives.

Membership Participation

According to Nyeri farmers, though meetings are open for participation, they realise that a clique of people often set the agenda and make decisions against the will of the majority and that the small-scale farmers' attendance is usually to rubberstamp such decisions. Members perceived to be 'troublemakers' are usually blacklisted and harassed. According to the co-operative officials interviewed decisions come from members at AGMs. In Meru, the Miriga Mieru official stated that most members attend only when money is given out.

Profitability

Though societies interviewed for the study in Nyeri are profitable, none has ventured into other businesses. In Meru, however, Miriga Mieru society has investment shares in banks and SACCOs and owns a rental property.

Challenges and Grievances

In Nyeri, *elections are marred by voter bribery* by co-operative officials who buy their way into office; and respondents suspect the same money embezzled from the society is used for campaigning and bribery. Many of the respondents, including farmers, county officials and apex representatives indicated that *gross mismanagement of co-operatives and infighting among officials* are common mainly due to lack of capacity among the leaders. *Cartels have been formed between the co-operative officials, millers and auctioneers* exposing farmers to exploitation. Farmers are gradually shying away from these co-operatives as they lack faith in their leadership and their ability to get them good prices for their coffee. According to KPCU, many of the coffee co-operatives nationwide are characterised by *mismanagement, poor governance structure* and nepotism dubbed '*incest board*' where in some cases the mother is the board chair and the son is a board member.

Summary of Guiding Principles

Membership is open and voluntary irrespective of gender and farm size in both societies assessed. However, Nyeri coffee growers indicated that co-operative elections are marred by

voter bribery and there is no democratic control of their society. In both societies, economic participation by members depends on the amount of produce they deliver to their respective societies.

Table 9 Guiding Principles

Guiding Principles	Members of various societies in Nyeri,	Meru Coffee Growers Union Ltd.
Voluntary and open membership	Yes	Yes
Democratic member control	No Voter bribery	Yes
Capacity building of members and officials	Yes Although farmers thought these are done during election time to gain mileage by officials.	Yes
Equitable economic participation	Yes Based on quantity supplied	Yes Based on amount supplied
Affirmative initiatives for women members	None	Yes Women are given a chance to participate in vying for posts but most shy away
Discriminatory by-laws against women	Yes Requirement of running for office for those that supply more than a minimum amount of produce	Yes Existing by-laws state that a wife cannot register as a member when her husband is already a member.
Co-operation among out-grower societies	Yes	Yes

Grievances against Factories/Millers

Kagumo Factory in Nyeri has collection centres where farmers deliver their produce; while farmers deliver individually to Gachatha Factory once in a week, although during bumper harvest periods an extra day is allocated for delivery. According to the Kagumo Factory's respondent, the plant prefers to buy directly from farmers because it finds it easier to recover advances on inputs provided to farmers. However, Gachatha Factory and Meru Coffee Millers prefer to deal with co-operatives not only because it is easier to deal with a group than many farmers but also allows millers to get bulk produce at once.

Farmers' main grievance against factories is the low prices they usually offer. However, according to factory representatives prices are determined by exogenous factors such as world prices and it is not under the miller's control.

County Intervention/Initiatives

In an effort to assist coffee growers get better price deals and eliminate middlemen, Nyeri and Meru County Governments have started directly marketing coffee on behalf of the farmers. So far, seven co-operative societies in Nyeri supply through the Governor's office while the remaining four societies of the County, including Gachatha, have opted to deliver directly to the millers. Nyeri farmers during FGD complained that delivering produce to private millers instead of the Governor's office fetches more. In fact, interviews with various respondents indicated that Gachatha Farmers' Co-operative is performing well because it is one society that has refused to market members' coffee through the County. Conversely, Meru farmers are happy with their County's initiative and believe the move will increase their incomes.

In Meru, societies receive coffee seedlings and fertilisers. The County Government has also revived the Meru Coffee Mills, which had been under receivership. Although societies have not received any support from Nyeri County Government so far, the County is drafting the Co-operatives Bill.

5.2 RICE GROWERS' SOCIETIES

Mwea in Kirinyaga County was chosen to investigate how rice growers' societies were fairing. FGD was held with Mwea Rice Growers Multipurpose Co-operative Society members and interviews with non-members. The field team also conducted an in-depth interview with the General Manager of Mwea Rice Growers Multipurpose Co-operative Society Ltd, which is the only rice co-operative society in the County. The Kirinyaga Minister for Co-operatives and the Assistant Chief for Tebere location also contributed their views on the rice growers' society. To assess the relation of rice growers with local millers, the views of the Mwalimu Pamoja Rice Millers represented by its Production Manager has been included in the study. The Irrigation Engineer of NIB was also interviewed to solicit views on the current roles of NIB and the various challenges ailing rice co-operative societies.

In the past, there were two co-operative societies- Mwea Tebere Co-operative SACCO and Mwea Farmers Co-operative Society Ltd, the latter established in 1967. These two societies were merged under the name Mwea Amalgamated Rice Growers in 1983 but later in 1993 split into *Mwea Rice Growers Multipurpose Co-op Society* and *Mwea Rice Farmers SACCO*.

Mwea Rice Growers Multipurpose Co-operative Society Ltd, henceforth the Society, provides functions taken over from the NIB. These are provision of credit to members for

land tillage; quality seeds; farm inputs; extension services; and processing and marketing of members' produce. Farmers hold 45 percent share in Mwea Rice Mill (MRM); and NIB has a share of 50 percent.

Membership

The Society was initially established in 1967 and later took its current form in 1993. It has a total of 5,000 members with an overwhelming majority of man.

Table 170 Society by Year of Establishment and Number of Members by Sex

Name of Society	County	Year of Establishment	Total number of members	Sex of Members	
				M	F
Mwea Rice Growers Multipurpose Co-operative Society Ltd	Kirinyaga	1967 (rebranded in 1993)	5,000	70%	30%

In general, membership has been constant since all land farms have been taken up and membership cards are passed down from one family member to another. Indeed, farmers hold four acres of land, though with no title deeds and settlement has been spanning for the last three to four generations. Members pay Ksh 500 when joining the Society and Ksh 5,000 for minimum shares.

Management Structure and Women Representation

The Society has a total of 9 board members, of which the highest education level attained by a board member is Diploma and the lowest standard Seven. At the managerial level, of the three, the highest education level attained is BA degree and the lowest Diploma. In decision making positions, women were nowhere to be found in the board and the various committees. The education levels of committee members range from Diploma to Standard Four.

Table 11 Society Management Structure by Sex

	MRGC		
	Total Number	F (%)	M (%)
Board Members	9	0	100
Management	3	33.3	66.6
Employees	58	50	50
Committee Members			
1. Executive Board	4	0	100
2. Marketing	3	0	100
3. Agriculture	4	0	100

There is no affirmative initiative targeting women rice farmers in the County. During FGD, it was revealed that women's role is confined to farming and men benefit more since traditionally it is the man who holds the membership card, which entitles the man to receive remittances through his account. Women rarely run for leadership positions as their husbands are the ones who are members. In any case, the Society has a by-law which states that a member can only vie for leadership if the farmer has been delivering a minimum of 2,000 kilograms of rice for the last three consecutive years, further marginalising vulnerable groups such as women and the youth.

Perceived Benefits of Belonging to the Society and Reality on the Ground

Stakeholders in Kirinyaga believe that co-operative societies should ideally benefit farmers through:

- Access to farm inputs such as seedlings and fertilizers at cheaper prices or on credit basis since the inputs are bought in bulk;
- Access to credit facilities, which is particularly important since farmers cannot secure bank loans for lack of title deeds as collaterals;
- Ability to meet social needs for instance during school fees and other family emergencies.
- Economies of scale in marketing;
- Peer learning;
- Capacity building;
- Collective bargaining power; and
- Access to marketing and processing services;

There was however a general feeling among the Society's members that in spite of the above perceived benefits, non-members were better off since the latter get better prices for their price by selling directly through *soko huru*- free market where market forces determine prices- giving non-members relatively more control over prices through haggling unlike members who rely on prices set by the Society. Members insisted that they would have been unable to pay for school fees were it not for engaging in supplementary activities. They also depend heavily on loans since they are unable to access banks due to lack of title deeds. Indeed, farmers are allowed to get short term and long-term loans as high as three times their shares and deposits from the SACCO.

When asked if they are planning to leave their society any time soon, members stated they would not leave because there are no other co-operative societies in the area that could provide them with services such as inputs and credit facilities, notwithstanding the relative ease of registering a co-operative society. To register a farmers' co-operative society, a group of at least ten individuals with common interests can form a society by expressing their plan to the government co-operative officer. Once they get information on requirements, they proceed to develop internal by-laws, with approvals from the co-operative officer, which then is then taken to the registrar of co-operatives for registration. Nonetheless, according to respondents, the few societies that have tried to come up were thwarted by the Society's officials that stand to gain from control over the only society in the area.

For the County Co-operative Minister, *active members are the biggest beneficiaries* as they do not require ready-cash to undertake production and marketing activities while the *biggest loser is NIB* since it has lost monopoly in production and marketing. However, many of the respondents interviewed indicated that the *biggest beneficiaries are co-operative officials* as they embezzle the society's money; direct funds to wasteful investments; and in general engage in uncontrolled spending spree. To the majority of respondents, the *biggest losers* from the Society *are farmers* that get little returns from sold produce; charged high interest rates on loans; as well as offered more expensive inputs than prevailing market prices.

Interviewed non-members indicated that they were previously members but they had to leave because they were displeased by the Society's management and also lost confidence in co-operatives because of previous bad experience as many of them incurred losses. Though farmers are owners of the MRF SACCO, there is no effective participation from members and the officials are involved in mismanagement of the funds.

Training, Information and Education

Farmers stated that they have received training on rice husbandry by the Ministry of Agriculture which also occasionally organizes field days for the farmers. Co-operative officials have also received training on financial management and human resources provided by the Co-operative Bank of Kenya. According to the NIB respondent, the Board offers a comprehensive one-week-training on formation of farmers' groups; mobilisation of resources; and water management for all national scheme co-operatives annually. Furthermore, the Board also facilitates scheme visits for farmers within the country and even

abroad. According to the County Co-operative Minister, the County Government trains society officials on skills development and management once in a year.

Marketing

Farmers sell through their co-operative while non-members and inactive members sell through *soko huru*. Society members indicated that they would prefer to sell directly to the market because of delayed payments when done otherwise. Farmers stated that there is no pricing committee and prices are determined by the Society's board and employees. According to the General Manager of the Society, marketing strategies of the Society include value addition to produce through processing, packaging, branding and marketing with the aim of getting the highest possible returns.

Co-operation with other Societies

There is co-operation with non-rice co-operative societies whereby different rice prices are set in an exchange for better offers from the other non-rice co-operatives. Moreover, the Society in collaboration with its sister society, MRF SACCO, provides joint training to members. The two societies have a joint committee that meets occasionally to discuss common issues; and also exchange information on the credit history of members to avoid over-lending. However, according to farmers the same sister society that acts as a banker to the Society is made up of the same clique of people as their co-operative.

Membership Participation

Contrary to the Society's General Manager view that good meeting attendance by members to be an indication of membership participation, to the members meetings are held to rubber stamp issues floated by a section of members with vested interests and often sponsored by co-operative officials. Motions would be proposed and seconded by pre-arranged participants without members having the chance to debate on them. Members lament crucial concerns that appear to be contentious would not be usually addressed. Members that are viewed as having radical opinions are *blocked from vying* for leadership positions; *locked out of meetings*; and in some instants *harassed by hired goons*.

Profitability and Business Ventures

Respondents believe that the society is profitable because of increased production and delivery. It has been fairly successful in venturing into other income generating activities

including owning rental properties; petrol station; warehouses for hire; a fleet of farm machinery for hire including tractors and harvesters; transport and garage services; drying facility; and sell of charcoal from rice husks.

Challenges and Grievances

The leaders *favour certain market players* as they are in absolute control of three critical aspects - sourcing for inputs, provision of credits and marketing- based on procedures marred by corruption. Corruption is also alleged among officials where *price differentials are pocketed*. It is common practice that co-operatives sell stock at a fixed price until all produce are sold out. However, when market prices increase, the officials sell at the higher prevailing price and retain the difference for themselves. Co-operative managers are also accused of *selling at prices lower than what is offered by other private millers*. Indeed the representative of Mwalimu Pamoja Rice Millers indicated that the plant offers better prices than what the Society remits to its members. The miller also prefers to buy from farmers directly for efficiency purpose as fewer procedures are required and less documentations to be handled.

Undemocratic governance and election procedures are also cited as one of the major problems where *voter bribery, blocking of radical members from participating in meetings; locking out of prospective leaders from vying* are all common practices. It was also revealed that there is no *term limit* for board members.

Summary of Guiding Principles

Membership is open to all. However, farmers insist they have no democratic control over the society. Although officials voted out leave positions immediately, the current officials have been in the same place for too long due to voter bribery and locking out of opponents and their supporters. In terms of women empowerment, women are discriminated not by the Society's by-law but by virtue of tradition where the cared-holder is usually the man.

Table 12 Guiding Principles

Guiding Principles	Mwea Rice Growers Multipurpose Co-op Society Ltd.
Voluntary and open membership	Yes Open for all rice growers.
Democratic member control	No Bribery of voters by officials who linger to power far too long.

Capacity building of members and officials	Yes The Ministry of Agriculture has offered several trainings and organises field days. Society's officials are trained by the Ministry responsible for co-operatives development.
Equitable economic participation	Yes/No Membership contribution is the same across the board. However, to the farmers there is no equity as rich farmers are favoured by the by-laws.
Affirmative initiatives for women members	None
Discriminatory by-laws against women	None However, by <i>de facto</i> women are discriminated since land ownership is a requirement for membership. This means that women are locked out of the co-operative. Furthermore, changing the cardholder's name in the event of death or old age is a tedious process.
Co-operation among co-operative societies	Yes

County Intervention/Initiatives

Kirinyaga County is drafting a Co-operatives Bill. The County Government also partners with the Society in rice value addition and mechanisation of the sub-sector. However, according to respondents, there has been no tangible support from the County Government so far.

Board Initiatives

Notwithstanding the role of NIB currently is confined to maintenance of irrigation schemes and has divorced itself from production, inputs supply, harvest delivery and sales, the office is still involved in capacity building for farmers through trainings as well as building linkages with financial institutions whereby for instance the NIB management has signed a memorandum of understanding as a guarantor for farmers with Equity Bank.

5.3 SUGAR OUT-GROWERS' SOCIETIES

Migori and Kakamega Counties were chosen to assess the effectiveness of sugarcane out-grower societies. Our team contacted out-grower societies- SONY Farmers Rural SACCO (SFRS) in Migori County and West Kenya Out growers Company Ltd (WEKO) in Kakamega- for an in-depth interview with the respective society officials. FGD was held with members of the Kenya National Sugarcane Farmers Society (KNSFS) in Migori and WEKO members in Kakamega. Farmers who did not belong to any out-grower society were also interviewed to understand the reason why they have decided not to join any out-grower society and also to assess perceived benefits and losses from belonging to a society. At the

county government level, the Governor and Deputy Governor of Migori County; the Co-operative Officer for Awendo sub-County; the Deputy Governor of Kakamega County; Central Ward Butere Member of County Assembly (MCA) who was also the chairman for Agriculture, Co-operatives and Natural Resource Committee; Kabras West Ward Malave MCA; and Kakamega County Commissioner of Co-operatives were interviewed for the study. The national chairman of the Kenya National Sugarcane Farmers Union (KENSFU) representing an apex body in Migori; the Out-Growers Extension Service Manager of SONY Sugar Company Limited; and West Kenya Sugar Company Limited in Kakamega were also contacted to solicit their views on the effectiveness of the out-grower society movement in Western Kenya. At the policy making level, the Public Relations Officer of the Kenya Sugar Board also contributed views on the myriad of factors ailing the sugarcane out-growers movement and the sugar industry in general.

Membership

Table 183 Society by Year of Establishment and Number of Members by Sex

Name of Society	County	Year of Establishment	Total number of members	Sex of Members	
				M	F
SONY Farmers Rural Society (SFRS)	Migori	1989	5000	76%	24%
West Kenya Out growers Company (WEKO)	Kakamega	2005	500	67%	33%

SFRS is a multipurpose society serving members as an out-grower society as well as a SACCO. SFRS and WEKO were established in the year 1986 and 2005. SFRS, being the giant society in the County boasts a total of 5000 membership, with only a quarter female members and an overwhelming male membership. WEKO, on the other hand, has one-tenth of SFRS membership size. Again the overwhelming majority are male members, as shown in Table 13 above. Both out-grower societies charge Ksh 200 as membership fee.

Membership has been, however, declining in the recent past in both societies. According to SFRS officials, members currently are not contributing fees and the miller, SONY Sugar, is not assisting the society by deducting one percent for the society's sustenance. Some opt out due to the poor relation between the out-grower society and SONY Sugar Factory, which impedes efficient service delivery. The reason for declining membership in WEKO is due to poor management of the society. At the time of the study, all activities had been frozen and the case pending at a court of law from management wrangles. Farmers assert that

membership has been declining since they fail to see the benefits of belonging to out-grower societies. They have lost confidence due to previous experiences in mismanagement and embezzlement of funds by co-operative officials. This is confirmed by County officials who even indicated that it is the same old faces that still want to take over leadership in societies, which discourages not only members but also the younger generation who could bring in new ideas.

Management Structure and Women Representation

Table 14 Society Management Structure by Sex

	SFRS			WEKO		
	Total	F (%)	M (%)	Total	F (%)	M (%)
Board Members	9	22.2	77.8	5	0	100
Management	9	22.2	77.8	5	0	100
Employees	4	50	50	1	100	0
Committee Members						
4. Supervisory	3	0	100	3	33.3	66.6
5. Education	3	0	100			
6. Credit	3	33.3	66.6			

As presented in Table 14, the out-grower societies have poor women representation in leadership positions. Further investigation also revealed that none of societies have affirmative by-laws or initiatives to support women members. Our study in Kakamega finds that women are unintentionally discriminated since to be elected as officials, women need to own sugarcane farms and culture in the region dictates that sugarcane farms belong to men and not women.

Perceived Benefits of Belonging to an Out-grower Society and Reality on the Ground

Sugarcane farmers decide to come together as a group for the many benefits that an out-grower society might potentially offer. These include:

- Access to cheaper loans and advances with no collateral requirement;
- Ability to meet financial needs in emergencies at lower interest rates compared to other commercial banks;
- Access to farm inputs at cheaper rates;
- Representation as the weighbridge for the correct cane weight recording;
- Payment at their doorsteps without going to bank, which is likely in the nearest town;
- Able to market surplus through the society;

- Transportation of sugarcane on time;
- Technical advice on best production techniques. Farmers who have no money to engage an expert in sugarcane farming get the service free of charge through seminars organised by societies;
- Collectively safeguard farmers' interests by effectively engaging with millers in negotiation for input costs, sugarcane prices and share of losses as a result of spillage;
- Used as a form of insurance to assist family members;
- Used as the official public relations channel between farmers and millers;
- Access to any kind of assistance that are channelled through the society;
- Secure inclusion of those farmers whose cane production could hardly reach the minimum required tonnes;
- In Kakamega County, membership is a condition to be able to supply cane to the factory (Kakamega);

For the most part, however, reality on the ground is different from some of the above perceived benefits. FGD with KNSFS members in Migori and WEKO members in Kakamega revealed that farmers neither have enough to pay for school fees nor for health care services as prices remain low and deductions run high in the form of various taxes. There are a number of deductions done without the consent and understanding of the cane farmer. Moreover, payment from the miller is delayed for a long period and farmers end up with cumulated borrowings which take up all the income when payments are finally arrive. As a result farmers end up leasing or even selling their farms to pay for bills.

Views were divided on who might be the biggest beneficiaries and biggest losers from societies. To some respondents *the biggest beneficiaries are farmers* since they have access to cheaper credit facilities; while the majority of respondents in the study indicated *farmers are the biggest losers* because of late payments of their dues; higher transport costs accelerated by the high cost of hiring trucks; and lack of adequate credit for farming activities. To some again, *the millers are the biggest beneficiaries* since farmers have no collective voice to raise their concerns; no control over exact cane weight; and have no say on set cane prices. To others, *the biggest beneficiaries are few individuals within the out-grower societies*. A typical example cited by respondents is the Mumias Out-grower Company which owns the building where Maasai Mara University is located and its trailers leased to SONY

Sugar in Awendo sub-County but respondents were unsure to who rents and lease payments go to.

Non- members in Migori stated they have never been members of any out-grower society because they were discouraged by what had happened in a co-operative society called SONY Sugarcane Out-growers Co-operative and Credit (SSOCC) which had collapsed with farmers' savings⁹. Another case of a collapsed society is the South Nyanza Out growers Company (SOC) that was formed to supply inputs and other services to farmers. Before its collapse, SOC had taken over land development while seed cane supply was the miller's responsibility. However due to lack of professional management, SONY realised it was headed to scarcity of canes supply and decided to resume the role of cane development. The reason for the collapse, according to the SONY Sugar Company respondent, was because members elected politicians to head the co-operatives despite them lacking in terms of the managerial skills. Similarly in Kakamega County, the non-members interviewed belonged to a society previously but due to poor services from the society they had to leave, never to join any society again.

With all the challenges and risks associated with belonging to an out-grower society, all participants of the FGD in Migori and Kakamega counties assert that they have no plans to leave owing to the possibility of getting government support. On the other hand, non-members acknowledge that by not being members, they face challenges including: incorrect recording of sugarcane weight by the miller since individual farmers are not allowed at the weighbridge- some referring it as 'robbery without violence'; they are paid at the miller's discretion without following sugar pricing procedure; and offered low prices as there is no group to negotiate for better prices on their behalf.

Training, Information and Education

SFRS officials have received training on managerial skills through seminars offered by Kenya Union of Savings & Credit Co-operatives Limited (KUSCCO) and the Co-operative Bank of Kenya. The Kenya Sugarcane Growers Union (KENSGU) gives loans and educates farmers but financial challenges but more could have been done if not for financial constraints. In Kakamega, farmers revealed that earlier on they received some trainings organised in conjunction with the Kenya Sugar Foundation and millers through the societies,

⁹ During the FGD with co-operative members, discussants alleged that the collapse of SSOCC was due to sabotage by SONY Sugar Company that facilitated the formation of another company (SOC).

which is no longer the case. Society officials, however, have received training on managerial skills offered by the District Co-operative Officer.

Marketing

Currently farmers market their produce directly to millers after many of the out-grower societies in the region came to the brink of collapse although they would have preferred to sell through their respective societies. Millers also have expressed their preference to buy from out-grower societies in order to save themselves from handling thousands of farmers separately.

Co-operation with other Out-grower Societies

In Migori, out-grower society officials stated there is co-operation among societies since they all face the same challenges and co-operation makes them stronger while facing the miller. However, farmers during FGD revealed they were not aware of any co-operation although the Union is working towards that. In Kakamega, there has not been any co-operation with other societies since according to WEKO officials the society is the only out-grower society in Kakamega North sub-County.

Membership Participation

According to farmers in Migori, the AGMs are highly polarised and not objective. Moreover, members attend only to pass resolutions without keen consideration. Farmers are involved only through AGMs and consultation days for members. In Kakamega, high membership participation level was experienced in the past but now the society is as good as dead after management wrangles that saw some members attempt to register to society as a private limited entity. At the time of the study, the case is pending in court for hearing.

Profitability

None of the out-grower societies assessed was found to be profitable. According to officials, the societies have not been profitable since many farmers have failed to repay their loans and therefore the co-operative is unable to carry out its functions. However, according to farmers the societies are not profitable because of mismanagement by society officials and infighting among the leadership. This has led farmers lose confidence; hindered the growth of the out-grower societies; and limited new membership.

In Kakamega, WEKO officials blame farmers for not being loyal to their society. For instance, at times farmers decide to supply cane to the factory when the society had decided to freeze sugarcane supply in a bid to negotiate for better prices. Officials further accuse farmers for defaulting on loan repayment as some even resort to changing their names while delivering canes to millers so that the latter does not deduct on behalf of the society.

According to millers on the other hand, deductions in the form of cess to the county government as well as the high VAT rate limit the profit margin of both farmers and millers. High electricity cost is also cited as one factor dampening profitability. Cane prices have also been dropping and at the time of the study sugarcane prices declined from Ksh 3400 to Ksh 2000 per tonne but according to the West Kenya Sugar Company representative this is mainly due to decline in sugar prices.

Challenges

Apart from *lost confidence*, small holder farmers who belong to a society are losing greatly due to *mismanagement* of the out-grower societies by *unqualified staff* that *embezzle funds* and *exploit* members. The current out-grower societies are marred by *undemocratic governance* whereby the shareholders of these societies- that is farmers- are not given room to participate fully in decision making. There is *favouritism* in job opportunities thus converting the societies into a *family business*. The societies are also accused of *discrimination and preferences on issuance of loans* to members. According to the apex body respondent, most out-grower societies in Migori County have *no genuine offices*; have *no proper books of account*; hold *no meetings for farmers*; avail *no dividends*; and in general grossly mismanaged.

Non-member interviewees in both counties allege that many of their neighbours are non-members of the area society due to the problems stated above; and can only be persuaded to join one if such governance issues are sorted out. Out-grower members in focus group discussions also indicated that non-members save themselves from incurring huge losses when a society collapses. In Kakamega for instance, WEKO members' income has been deducted in order to pay for fertilizer which they were never given. The same society is accused of *colluding with millers* to pay low prices to farmers. Respondents in Kakamega indicated that the money the miller remits to WEKO is put into *wasteful investments* such as buying vehicles for managers instead of investing in a venture with good returns. Furthermore, the societies are highly *politicised* due to officials' vested interests.

According to KSB interviewee, cane farmers organise themselves in groups to approach the Board for funds through the Sugar Development Fund. However, there are many instances where *society offices are burnt afterwards to destroy records* and cover any track of mismanagement. .

Other Challenges- Farmers require protective clothing against snake biting, which is common in cane farms. Another challenge cited was the HIV infection, which is rampant among sugarcane farmers. The current statistics of sugarcane farmers infected with the virus, according to the Union respondent, stands at 2,055,964 just for Homa Bay and Migori Counties alone. The *high infection exposure to sexually transmitted diseases* occurs particularly during weeding periods when hired labourers, due to the nature of the job, develop relationships in the farms. *Poor infrastructure* is also cited as a major problem. In Migori, farmers complain about *poor conditions of feeder roads* that increase transportation cost especially during rainy seasons. In Kakamega, farmers acknowledge that the miller has been at the forefront in maintaining the feeder roads to farms. In general, however, the County suffers from poor road infrastructure. The KSB is also accused of causing some challenges whereby county co-operative officials accuse the KSB for *licensing sugar factories too close to one another* leading to poaching and acrimony.

Summary of Guiding Principles

Information is gathered from out-grower members during FGD in the two counties on the some guiding principles. In Migori, membership is voluntary and open to all, irrespective of gender and farm size. However, in Kakamega, farmers have to belong to a society in order to supply to millers. Farmers believe that there is democratic member control because they are able to vote in new board members and the ones voted out vacate their positions immediately; but the fact that the societies are grossly managed and riddled by corruption shows there is no democratic control by members.

Table 15 Guiding Principles

Guiding Principles	KNSFS	WEKO
Voluntary and open membership	Yes Open for residents over 18 years old	No The miller's contract system dictates that farmers have to organised under a society and no one had an option but to societies. However, membership is inclusive.
Democratic member control	Yes/No	Yes/No
Capacity building of members and officials	No Lack of finance	Yes The out grower used to organise seminars

Guiding Principles	KNSFS	WEKO
		where farmers were trained on the best agricultural practices which is not the case at present with the collapse of the society.
Equitable economic participation	Yes Uniform contribution	Yes Uniform contribution
Affirmative initiatives for women members	No	No
Discriminative by-laws against women	No	No
Co-operation among out-grower societies	No	Yes It co-operates with other sugarcane out growers associations under the umbrella of Kenya Sugar Board.

Grievances against Millers

In Migori County, SONY Sugar Company Limited provides services that an out-grower society should have offered including credit and inputs to farmers including seed cane, manure and fertilizer; the miller also ploughs on behalf of the farmers. According to the miller representative interviewed, even though the factory would have preferred to deal with societies, it had to stop working through them since it could not risk facing cane supply shortage. The miller acknowledges that improving the relation between the factory and producers is to the mutual advantages of all parties involved and that the factory needs to listen to out-growers' problems and try to address them accordingly.

In Kakamega County, West Kenya Sugar Company Limited provides inputs such as seed cane, manure and fertilisers but not credit. The miller had to start buying produce direct from individual farmers when WEKO changed the society's registration status to a private entity and this made it impossible for the miller to continue remitting farmers deductions to the company.

Farmers believe millers often fail to deduct members' contribution in a bid to stifle the out-grower societies' growth. Farmers in Migori believe that when their society failed to offer training, the area miller, SONY Sugar, took advantage of this situation to offer training with an aim of belittling their society.

In response to why payments to farmers are delayed, SONY Sugar Company insists it is because of the many challenges the factory faces such as illegal smuggling across borders and excessive legal importation of cheap sugar that dampen prices; and at times when the factory's produce is not marketed on time for various reasons. Farmers also complain about delayed financial statements even up to a period of three months and do not usually

comprehend how deductions are arrived at. Furthermore, farmers accuse SONY for deliberately refusing to provide a new seed variety with shorter maturity period. According to the farmers the new species would allow them to harvest for 5 to 6 times and not 3 times. To the farmers, the Kenya Sugar Research Foundation has made this variety available but SONY Sugar Company is not willing to take up easily since the new variety will demand that it makes prompt and frequent payment to farmers.

In Kakamega, farmers are not comfortable with the way contracts are drafted as the contracts usually are not well understood by sugarcane farmers and in most cases favour the miller.

County intervention/Initiatives

The out-grower societies' officials interviewed stated that the respective county governments have not provided any support so far. However, interviews conducted with county co-operative officials reveal that there are plans to carry out practical initiatives to revive the societies. Migori County Government has a strategic plan put in place to revive the movement. For instance, to address the challenges associated with low level of education within the co-operatives leadership, the County Government's plan of intervention is to *hire professional managers on the societies' behalf*. It has also already started *mobilizing communities to join the co-operative movement* in agriculture and other sectors such as mining. More plan of action is outlined to attract farmers to join co-operatives including *sensitisation of farmers on the benefits of co-operatives; inputs to be delivered through the societies; avail tractors at affordable rates* (the County has bought some tractors to be availed through co-operatives); County to *push factory to pay farmers their dues on time; ensure farmers are shareholders when SONY becomes privatized*; and pass the Crops Bill that seeks to define how much of land should be set aside for other farming practices. The County government has some initiatives to *empower women* where it is encouraging them to form a group or co-operative to access development funds.

Kakamega County Government, on the other hand, has set aside Ksh 200 million to *establish a centre where sugarcane will be bought from farmers and sold to millers*. It is believed that the centre will pay farmers a reasonable amount of price for their produce. For a report to be released soon, the Country established *a task force to investigate problems ailing out-grower societies* and come up with recommendations. For 2014/15 financial year, the County has set aside Ksh 49 million as *Co-operative Development Fund*. The County Government also supports the establishment of other *co-operatives of potential crops and their respective*

processing units, such as tea and dairy farming and processing, not only to improve farmers' income but also reduce the overreliance on sugarcane farming in the County.

KSB Initiatives

The KSB has adopted a model of organising 1,000 cane farmers to come together and more or less to operate as a co-operative society. This *clustering model* is expected to force farmers hold each other accountable. Another initiative is the introduction of *payment system based on the sucrose content* of canes that will force farmers put their acts together, according to the Board representative, as currently farmers are paid cane/tonne (kg), no matter what the sucrose content is. It was also intimated during the interview that the office is in the process of privatising all mills by mid-2015 since the Board believes private mills are more efficient than State owned mills.

5.4 TEA CO-OPERATIVES

Kericho and Murang'a Counties were chosen to investigate the effectiveness of tea co-operative societies. FGD was conducted with members of Kokchaik Co-operative Society in Kericho County and farmers supplying to area tea factories in Murang'a County, respectively. Farmers who did not belong to any co-operative society were also interviewed in Kericho County to understand the benefits and losses of being non-members. FINTEA Growers Co-operative Union in Kericho and Kenya Union of Small Scale Tea Owners (KUSSTO) in Murang'a represented apex bodies in the respective Counties. In-depth interviews with the Co-operative official of Kokchaik Co-operative Society in Kericho and the Director of Chinga Tea Development Authority in Murang'a were carried out to get views on challenges, marketing strategies and initiatives of Societies. Representing County Governments, the Kericho County Co-operative Officer; the Member of County Assembly for Kipchimchim Ward who is also the Chairman of Co-operative Development Committee in Kericho County Assembly; the Deputy County Commissioner for Murang'a Kirianini Ward; and the Member for Murang'a County Assembly were all interviewed to assess what the respective counties have initiated or planned to strengthen the co-operative movement. Private millers that participated in the study include Tegat Tea Factory and its satellite Toror Tea Factory both in Kericho County and Iriaini Tea Factory in Murang'a County.

Membership

Kericho County officials indicated that the Rift Valley region has a good co-operatives culture whereby most of the farmers belong to one society or another. In the same region, it is indicated that most co-operatives are successful and are even able to pay bonuses to their members at the end of each year. In the same County, five co-operative societies (Chepcheb, Chesetekoa, Kapkap, Kochaik, and Ainamoi) come under FINTEA Growers Co-operative Union. The Union encourages environmental protection through trainings; helps in bulk input purchases on behalf of co-operatives; and mobilises farmers for investments in SACCOs for loans and dividends.

Kochaik Co-operative Society was established in 2008 with a total number of 8,000 members with an overwhelming majority of three-quarters male membership. Farmers contribute Ksh 200 as membership fee and a minimum of shares worth Ksh 1,000. According to the co-operative official membership has been increasing because of the services offered by the society such as water tanks and drug dispensary and laboratories because of the premiums the society gets from FINLAY.

In Murang'a tea farmers are organised in a slightly different manner. Tea growers are grouped under catchment areas of tea factories. The board members of the factories are elected by farmers and KTDA management representatives, which in turn elect the zone representative for KTDA board. The factories have collection centres complete with committees. Farmers have the opportunity to buy shares in the factories where each share goes for Ksh 5 with a minimum of five shares.

Table 196 Society by Year of Establishment and Number of Members by Sex

Name of Society	County	Year of Establishment	Total number of members	Sex of Members	
				M	F
Kochaik Co-operative Society	Kericho	2008	8,000	75%	25%
Chinga Tea Development Authority	Murang'a	1964	7,200	N/A	N/A

Of assessed co-operative societies, Kokchaiik has a more or less balanced representation in terms of gender where women are involved in all the managerial structure including board, management and committees. In the same society the highest education level attend is post-graduate with Master of Business Administration while the lowest is Form Four. In Murang'a Chinga Tea Development Authority was established in 1964 and has a total of 7,200 members. However, figures on sex disaggregated figures were not available during the

interview. There is no membership fee and anyone is free to join as long as they operate within the catchment area of the factory and have at least 700 tea bushes.

Management Structure and Women Representation

Table 17 Society Management Structure by Sex

	Kokchaik Co-op Society			Chinga Tea Development Authority		
	Total Number	F (%)	M (%)	Total Number	F (%)	M (%)
Board Members	9	33.3	66.6	7	0	100
Management	9	33.3	66.6	5	60	40
Employees	13	38	62	72	N/A	N/A
Committee Members						
Premium	10	40	60	-	-	-
Environmental	9	44	56	-	-	-
Tendering	-		-	3	0	100
Finance	-		-	3	0	100

Chinga and other factories in the County have a three-tier management structure namely the collection centre committee; factory directors; and of the total factory directors, one will be chosen to represent at the KTDA board.

Like in many other Societies, women feature nowhere in decision making positions in Chinga Tea Development Authority. In Kericho, farmers in FGD were in agreement when stating that men gain more from co-operatives; and that none of the societies in the County have affirmative by-laws or initiatives for women farmers. However, some women in Murang'a have a slightly better advantage thanks to a directive that allowed the man and his wife to record produce separately. It was revealed during discussions that in the past men have been found mismanaging incomes, mainly due to excessive alcohol consumption, particularly after receiving bonuses and this led to a directive from factories to split land portions between spouses. The women tend the land, harvest and take produce to the factories; and it is at the latter stage that some of the wives record lower amounts under their husband's portion and add onto theirs, which they believe is only fair to compensate their hard work. This has worked well since factories remit payments through separate accounts.

Perceived Benefits of Belonging to a Co-operative Society and Reality on the Ground

Farmers believe belonging to a co-operative society provides them opportunities including:

- Access to credit facilities for inputs as well as for social needs like school fees;
- Ability to save and invest;

- Reduced transportation cost;
- Earn dividends;
- Assistance from other members in terms of guarantors for credit facilities;
- Reduce the role of middlemen who offer low prices thereby eroding benefits to farmers;
- Improve the mode of agriculture and food production through farmers' education on better farming practices.
- Empower farmers by providing collective bargaining power; and
- Generally enhance welfare of the society as small-scale farmers are able to earn more income through co-operatives and meet certain needs such as educating their children.

In Kericho, members of Kokchaik Co-op Society believe they gain more by being members compared to non-members. However, members complain of high interest rates on loans compared to other co-operatives in the area; lower approved loan amounts, which usually are based on members' savings and shares; and delays in processing loans. Tea growers in both counties complain of huge income deductions. In Murang'a for instance those who pluck tea take around Ksh10 per kilogram or Ksh 200 per day; the factory deducts Ksh 2.50 for a kilogram of fertiliser; there are also other deductions related to operation costs; and finally banks deduct when payments are transferred through accounts. Moreover, tea prices have been declining in the recent past and many of the farmers in Kericho have resorted to fund raising for school fees and health care services. Similarly in Murang'a, farmers stated they have to take loans to pay for school fees and other needs though they have health insurance through the factories.

According to the FINTEA Union representative, *farmers are the main beneficiaries* from co-operative societies because the co-operative assists with marketing of surplus produce thus reducing losses. Moreover, co-operative members' are offered employment opportunities as field clerks. According to the same respondent, *co-operative societies are the biggest losers* as they absorb all losses related to quality of tea delivered. Moreover, co-operative societies are at time involved in road upgrading to avoid losses resulting from broken down trucks while ferrying farm produce. However, the majority of respondents, including County Co-operative representatives insist that the *biggest beneficiaries are marketing agents and middlemen* that hide price information from farmers' co-operative societies and take advantage of their ignorance. On the other hand, *farmers are the biggest losers* since they

accept the offer price from agents. Murang'a farmers, the KUSSTO representative and one County official all believe that *the major beneficiaries are factory board members, factory directors and the KTDA* since they all collude to exploit farmers leaving the latter as the biggest losers.

Training, Information and Education

In Kericho, farmers have received trainings from FINTEA Union and KTDA, respectively. The Union provides training on good agricultural practices and environmental protection while KTDA has provided training on tea production process. Similarly, in Murang'a, officials have received trainings on good corporate governance and seminars on management. Farmers have farmers field schools where they are taught diversification through practical experiences, which takes about a year. In partnership with a development partner, farmers have also been provided training on best agricultural practices on other crops and dairy to reduce over-reliance on tea.

Marketing

In Kericho, views were divided among those farmers who would rather sell through their co-operative society that reduces high cost of transporting their produce; and farmers who would prefer to sell directly to the market that ensures prompt payment.

Membership Participation

In Kericho, members believe there is no strong participation as co-operative officials call for meetings to inform members on interest rate adjustments, which serves their own interest and not of farmers. Members describe their roles in the co-operative as mere attendants of meetings and pass regulations/ decisions; and as receivers of credit facilities.

In Murang'a, though the Chinga Tea Development Authority representative indicated that notice of meetings are given through the buying centres and that farmers would also be given a chance to air their views on issues, during FGD farmers revealed that annual general meetings are used to pass decisions on agendas that were pre-planned, proposed and seconded by certain sections without small-scale farmers' consent.

Profitability

Kokchaik has been investing on rental properties and has managed to put a tea shop. In Murang’a farmers believe the factories are profitable and even have managed to establish microfinance institutions though dividends are not given out.

Challenges

According to Kokchaik Co-operative Society members, since the establishment of the society in 2008, *there has never been any election* and members were *unaware how and by whom prices are determined*. Farmers also complain of *limited access to inputs* which is based on the amount of produce supplied. In Murang’a farmers indicated that the *by-laws on leadership favour the rich* since requirements for one to be a factory director include producing 2000 kilograms in the last three consecutive years; and having a certain amount of shares in the factory which is out of reach to many as the majority have 50 shares and below, further marginalising small-scale farmers. Furthermore, in Murang’a County, *tea is viewed as a political crop since politicians have vested interest in the sub-sector* for many reasons. First, controlling tea farmers is a way to influence the direction the community votes in national/general elections. Second, tea is a lucrative crop and most tea growers in the County are owners of large estates and cannot be easily swayed by little money. Hence, politicians devise ways to control the sector through other means than bribing, such as by having power over tea factories. Discussion with representatives from the Ministry of Industrialisation and Enterprise Development also confirms the fact that tea is a political crop to the extent that *monitoring tools developed by the Ministry are often sabotaged by politicians and others with vested interests*.

Summary of Guiding Principles

In Kericho County membership is open and voluntary; whereas in Murang’a farmers felt that they were forced to register under a factory as they have no say in the allocation of the catchment area of a factory and only those that fall on location boundaries would be able to choose the catchment area/factory. However, anyone is allowed to join a factory as long as they own 700 tea bushes.

Table 18 Guiding Principles

Guiding Principles	Kokchaik Co-Operative Society	Murang’a
Voluntary and open membership	Yes Irrespective of gender and farm size	Yes//No Open to farmers but will not be allowed to supply factory unless

Guiding Principles	Kokchaik Co-Operative Society	Murang'a
		they are organised in groups.
Democratic member control	No No election has been held since establishment	Not applicable
Capacity building of members and officials	Yes	Yes
Equitable economic participation	No Contribution dependent on amount produced	Yes
Affirmative initiatives for women members	None	None
Discriminative by-laws against women	None	Yes

Farmers in Murang'a believe women are discriminated by a by-law that confers voting power only to membership number holders who often are men.

Grievances against Tea Factories

Tegat Tea Factory and its satellite Toror Factory in Kericho use tea cess road funds in the maintenance of rural access roads within the catchment; offer employment opportunities to the local community; as well as provide seedlings for afforestation and environmental conservation. The factories also supply fertilisers and protective gears such as gumboots, overalls, caps and gloves. In Murang'a, Iriaini Tea Factory facilitates the distribution of inputs; and does all the marketing and processing of farmers' produce. Iriaini and other tea factories also upgrade feeder roads within catchment areas around the factories for which farmers are charged a small fee. In addition the factories employ locals.

Farmers are not happy with the tea factories because they do not provide any opportunity to farmers to negotiate for better prices; delay payments; and delay in produce collection resulting in loss due to quality decline. On the latter, in Murang'a for instance the trucks delay in collecting produce from the various collection centres and many of the farmers are forced to spend the night at the collection centres until their produce are delivered.

County intervention/Initiatives

In Kericho, the County Government has allocated budget to enhance co-operative development and planning and to formulate a Co-operative Bill. Co-operative officials

indicated that so far the County Government has not provided any kind of support to the Society. The Murang'a County Government has assisted in upgrading roads which has made it easier for tea leaves to be delivered to the factories as trucks are now able to access tea collection centres with ease. It also holds meetings with the tea factories to discuss development issues.

VI. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1 SUMMARY OF FINDINGS

Farmers understand the benefits of belonging to a co-operative society and many of them would not wish to leave their societies, particularly due to access to loans and inputs on credit in spite of the many grievances against their respective co-operative societies.

Ease of registration of societies in the counties- In Kericho and Western Kenya, procedures of forming a farmers' co-operative society involve a formal request through the County Co-operative Office of intention by the interim promoters and the Office shares information on requirements. After filling the application form and presented with proposed by-laws together with the economic viability and sustainability of the proposed society, the interim promoters pay only Ksh 3,500 to be duly registered. Likewise in Kirinyaga, a society can be formed by at least ten individual farmers who are driven by the same interest and expressed their plan through a government co-operative officer. Once they get information on requirements, they develop internal by-laws, with approval from the co-operative officer, which then is taken to the registrar of co-operatives for registration. Though it is quite easy to establish a Society, there is only one co-operative society in the same county whose *officials thwart any effort to establish another rival society.*

Low education level of society officials- In almost all co-operative and out-grower societies assessed, board members, committee members and even some management staff have low education qualification.

Open and voluntary membership in almost all the societies, irrespective of gender and farm size, with the only exceptions of Kakamega and Murang'a counties. In Kakamega, membership is a requirement to supply sugarcane to the area miller; whereas in Murang'a, farmers have to be organised under a certain catchment area to supply to respective factories.

Poor management and embezzlement of society money feature as the most common problem within the governance structure of co-operatives.

Voter bribery is also a common phenomenon during elections for co-operative leadership positions, which some believe embezzled funds from the society are used to campaign and bribe members.

Some Co-operative societies have no term limit for officials- Some co-operative societies have officials serving for decades.

Membership participation in annual general meetings often used to rubberstamp preset agendas and decisions- In many of the co-operative societies, particularly in Central, a clique of members usually set the AGMs' agenda and passes decisions against the will of small-scale producers. Those perceived to raise questions on such processes are often harassed. Many of the farmers believe their involvement is confined to availing their produce to the societies for marketing.

Many of the County Governments have not delivered any tangible support to the co-operative societies although most have plans to do so.

Men dominate Society membership and leadership positions- In almost all the assessed co-operative societies women are underwhelmingly represented as both members and leaders.

Discrimination of women by de facto- Women farmers are unable to be members or to assume leadership positions, often by virtue of tradition since farms are owned by (or allocated to) men, which is a prerequisite for belonging to a co-operative society. Some societies allow voting by membership card holder only and prohibit proxy voters.

Certain by-laws discriminate against 'small' farmers as they require for a farmer to have supplied more than a certain specified amount in the last few consecutive years; and must have a certain amount of share as prerequisite to vie for leadership. Such by-laws further marginalise women and the youth.

COFFEE CO-OPERATIVE SOCIETIES

- Co-operatives that offer better prices and those that have better management structure experience increased membership.
- Marketing process of coffee produce is dominated by cartels that set price ceilings. The cartels have been formed between the co-operative officials, millers and auctioneers exposing farmers to exploitation.
- Within societies, decision making leadership positions are majorly controlled by men.
- Vested interests of politicians and cultural perceptions seem to scare women away from vying for leadership positions within societies.

- In the recent past, coffee prices have been declining and some farmers have started uprooting coffee plants for other cash crops.
- Non-members were discouraged by the collapse of Tetu Coffee Growers Society in Nyeri and vowed to not join any other society while the ones in Meru stated mismanagement by incompetent officials discouraged them from being part of any farmers' group. However, the non-members were also estate owners who could comfortably source for inputs and deliver to millers by their own.
- In both Nyeri and Meru Counties, coffee marketing has been undertaken by the respective County Governments. Views on the initiative are divided. Interviewed Nyeri farmers are not happy with the lower prices their produce fetch compared to those selling directly to millers; while Meru farmers believe the initiative is promising.
- In Nyeri, farmers stated membership participation in AGMs was merely to rubberstamp pre-set agendas and decisions by a clique of members working closely with co-operative officials;
- Embezzlement of funds is a common problem in both counties; and particularly in Nyeri, respondents believe the same loot is used to campaign for leadership positions and for voter bribery.
- Discriminatory by-laws exist against marginalised groups such as women and the youth. In Nyeri, farmers are required to have supplied more than a certain amount of produce to run for leadership positions. This discriminates women and the youth who often supply lesser amount because of their little portions of land; in Meru, on the other hand, a woman cannot register in the same co-operative her husband belongs to.
- Respondents complain of the high farm inputs prices such as pesticides and high interest rates on loans.
- Though societies interviewed for the study in Nyeri were profitable, none had ventured into other businesses.
- The commitment of Meru County Government to revive the coffee industry and its support to co-operative societies were appreciated by the various respondents.
- Both Meru and Nyeri Counties have drafted respective County Co-operatives Bill.

RICE GROWER CO-OPERATIVE SOCIETIES

- Mwea Rice Growers Multipurpose Co-operative Society Ltd is the only co-operative society in the County;

- The board and various committees have no female representation;
- The woman's role is confined to farming while membership is commonly under the husband's name which means remittances are transferred to his account. Therefore, women are discriminated by *de facto* from being members of the society as well as from assuming leadership positions;
- Women and other marginalised groups are further discriminated by the Society's by-law which states that a member can vie for a post only if the farmer has been delivering a minimum of 2,000 kilograms of rice in the last three consecutive years;
- The Society is profitable because rice production and delivery by members has been increasing;
- The society has also been successful in venturing into various businesses that generate a good sum of income. These businesses include rental properties, petrol station, storage, drying facility, transport and garage services.
- However, respondents unequivocally indicated that poor management, embezzlement of funds; and corruption characterise the Society.
- Farmers, both members and non-members of the area co-operative, also believe that non-members benefit more since they sell through *soko huru* that allows them to have a relatively better control over prices;
- Co-operative officials are accused of corruption, voter bribery and mismanagement of the society. Motions are proposed and seconded in a suspicious manner. The officials are also accused of blocking opinionated members from participating in meetings and vying for leadership positions by using various tactics;
- Board members serve without term limits;
- Although NIB no more involves itself in production, supply of inputs, harvest delivery and sales, it builds the capacity of scheme co-operatives and facilitates linkages to financial institutions.

SUGARCANE OUT-GROWER SOCIETIES

- The sugarcane industry is described as being in a state of intensive care unit (ICU). Some farmers have started uprooting the crop for other alternative cash crops.
- The study indicates that all parties are to be blamed for the collapse of some of the out-grower societies. While farmers accuse officials for colluding with millers and mismanaging out-grower societies; out-grower society officials blame the members for

being disloyal and for defaulting in loan payments. Millers are also accused of exploiting farmers; sabotaging the out-grower society movement; and deliberately stifling their growth thereby weakening the movement.

- Poor management and leadership skills within out-grower societies' structures mainly associated to low levels of education.
- Misappropriation of funds is common within out-grower societies. There is also discrimination and preferences on issuance of loans to members.
- Farmers have lost confidence in out-grower societies due to previous bad experience when leaders embezzled members' money. The same old faces are still trying to take up the leadership of current co-operatives discouraging the younger generation.
- Millers offer services that should have been offered normally by an out-grower society. SONY Sugar Company Limited provides credit and inputs to farmers including seed cane, manure and fertilizer; and even ploughing on behalf of the farmers. West Kenya Sugar Company Limited also provides inputs such as seed cane, manure and fertilisers.
- Political interference is cited as one of the problems ailing the out-growers society movement. It is indicated that some managers of these co-operatives leave to join political positions and will always fight for the downfall of the societies to either avoid the possibility of grooming other competitors or to discourage other officials who may try to unravel their previous misdeeds while serving the society.
- Majority of the respondents indicated that farmers are the biggest losers where as millers and few individuals within out-grower societies are the biggest beneficiaries.
- Poor representation of women and the youth in the out-grower societies' leadership positions.
- By *de facto*, women are discriminated from assuming leadership positions since to be elected as officials, women need to own sugarcane farms and culture in the region dictates that sugarcane farms belong to men and not women.
- Women members are not provided any kind of affirmative support in the societies counties assessed.
- All respondents in the study concur that liberalisation has hit co-operatives hard as most could not sustain operation without government support.
- Farmers bear grievances against SONY which is accused of delayed payments, delayed financial statements, deliberately weakening co-operatives, refusing to accept new varieties with shorter maturity periods,

- Many lament about the lack of awareness and political goodwill for the co-operative development in Kenya; and most often, farmers do not even know the government co-operative officers.
- County governments have planned various initiatives to support sugarcane farmers.
- The Kenya Sugar Board has introduced a payment system based on sucrose content. There is also a plan to privatise all State owned sugar factories.
- Protective clothing is required against snake in cane farms;
- HIV infection is rampant among cane farmers

TEA CO-OPERATIVE SOCIETIES

- Farmers and their societies have no access to market price information, making them vulnerable to exploitation by marketing agents and processors.
- Co-operative societies are at times involved in road upgrading and maintenance to avoid losses resulting from broken down trucks while ferrying farm produce.
- Kericho County officials indicated that the Rift Valley region has a good co-operative culture whereby most of the farmers belong to one society or another. In the same region, it is indicated that most co-operatives are successful and are even able to pay bonuses to their members at the end of each year.
- Kokchaik members in Kericho stated that elections have never been called since inception of the society in 2008.
- Kericho farmers do not believe their co-operative society negotiates for better prices with processors.
- High interest rates on loans, particularly in Kericho.
- In Murang'a tea co-operative societies are organised in a manner that farmers belong to catchment areas around tea factories. The board members of the factories are elected by farmers and KTDA management representatives, which in turn elect the zone representative for KTDA board.
- Farmers have serious grievances against KTDA for undermining their proceeds.
- An interesting finding in Murang'a is how some women use the directive to split land portions between spouses to their advantage. Some of the women, when recording produce, allot a lower amount under their husband's names and more under theirs, which they seem to believe is only fair to compensate their hard work.

6.2 CONCLUSION

In recognition co-operatives' role in improving food security and contributing to hunger eradication, the 2012 World Food Day was celebrated under the theme *Agricultural Co-operatives: Key to Feeding the World*. Unarguably, small farmers acting collectively under effective co-operative societies are able to take advantage of market opportunities; reduce the effects of market shocks; and shield themselves from exploitation by private companies and agents/middlemen.

Agricultural co-operatives play a major role in countries like Kenya where the agriculture sector is greatly significant in terms of employment creation, income generation, foreign exchange earnings as well as contribution to total production as measured by GDP. Therefore, it was found imperative to establish whether agricultural co-operatives in Kenya are working *for* smallholder farmers.

Though co-operative societies are legally viewed as private operators, they have a public aspect due to the size of their membership as well as their role in the country's development. Liberalisation, following the Structural Adjustment Programme, has hard hit societies and weakened the co-operative movement in Kenya as most were unable to continue sustaining their operations.

From findings on the ground, the study authoritatively concludes that co-operative and out-grower societies are ineffective in delivering social, economic and productivity gains to their members. The small-scale farmers' co-operative societies assessed in this study were somewhat organised like table banking (*chamas*). Most of the societies are starving financially.

The study establishes that there are leadership gaps in societies around governance and financial management. Many of the societies are mismanaged and have poor governance structure. Society leaders are accused of conflict of interest and most of them have been serving for decades. Management wrangles are also common; some were even embroiled in legal court battles. Ideally, middlemen would be the biggest losers when societies are well managed but in the case of most of the societies assessed, farmers appear to be the biggest losers while co-operative officials the biggest beneficiaries.

There is great apathy among farmers based on previous bad experiences in relation to mismanagement of societies and collusion with millers and middlemen. Some farmers sell to millers directly, and not through their societies, thus exposing themselves to challenges that come along with operating as individuals than as a group.

Millers provide services that should have been carried out by societies, particularly in sugarcane production, such as supply of fertilisers, seed cane, and transportation, further undermining the co-operative movement.

An interesting model has emerged in the coffee sub-sector where Nyeri and Meru County Governments are engaged in direct coffee marketing. However, it is too early to draw implications of such an initiative on farmers' proceeds and on the co-operative movement in general.

Discrimination of women small-scale farmers by *de facto* has come out strongly in the study.

Amidst all these challenges, all stakeholders agree that if well managed, the co-operative society is the ideal model to enhance livelihoods and uplift small-scale farmers out of poverty.

6.3 RECOMMENDATIONS

In order to revitalise the co-operative movement and revive their dwindling fortunes, the study in this section proposes recommendations under general recommendations and sectoral recommendations for each crop.

6.3.1 GENERAL RECOMMENDATIONS

The devolved governance system has presented a unique opportunity to popularise, rebrand and revive the co-operative movement in the country and many of the study's recommendations require the commitment of County Governments that view small-scale farmers' societies as a means of development and not as cash-cows for elected officials and other players. Being closer to the grassroots, each county government must take it up on itself to closely oversee how co-operative societies are fairing; monitor leadership successions; and work closely with their unions.

Decentralisation of activities including registration and licensing is important. Legal frameworks for co-operatives at the county level should also be put in place and some of the assessed counties have already started the process of drafting and debating on their respective County Co-operative Bills.

There is need for *continuous* training of members and officials on governance, the principles of co-operatives and legislations for which county governments are in a position to offer, in collaboration with national apex bodies like the Co-operative Alliance of Kenya (formerly Kenya National Federation of Co-operatives); the Kenya Human Rights Commission (KHRC) and other civil societies; and development Partners. Members should be sensitised about their rights, including the rights to access information regarding the business venture their societies engage in; and the importance of attending AGMs.

In addition, there is need for an *indicator tool* for measuring and tracking *performance* for co-operative societies.

Better Management

- The Co-operative Societies Act of 2004 lays out broad regulations while each individual society is expected to have its own by-laws for internal regulations for binding and governing societies, which become operational when registered by the respective state

office in charge of co-operatives. The study, therefore, recommends that when presented with the approval of by-laws, government offices should tighten loopholes particularly in the areas of accountability, transparency and responsibility.

- Management, board and committee members, and others responsible for running farmer societies must accept liability for failure to execute duties in good faith and to uphold the values of transparency, accountability and responsibility. To this effect, all board and committee members should provide their title deeds and/or personal assets to indemnify total loss. This should send the right signal that apart from losing their positions, there are personal repercussions for mismanaging and misusing the society.
- In addition, to make the culprits face the full brunt of the law, by-laws must include articles that provide for filing criminal charges against officials implicated in mismanagement of funds. The likes of Kenya Human Rights Commission (KHRC) and other civil societies have an important role to play in assisting farmers get justice, without necessarily for the latter to bear legal costs.
- The County Governments should also put a regulation whereby when new committee and board members are elected at general meetings, they should not assume office immediately unless they are cleared by the County Co-operative and anti-corruption offices and satisfied all the requirements of the Co-operative Act and internal by-laws.
- Ideally societies should be run by professional managers and accountants for the purpose of efficiency. By-laws should demand a certain minimum education qualification for those who desire to vie for a post. Alternatively, outsourcing management for the sake of accountability is also recommended.
- Apex bodies should be allowed to have a management oversight role to monitor closely the operations of the societies; and to be allowed to take quick action against financial mismanagement by officials.
- There needs to be clear separation of overseeing and actual execution roles by management, committee and board within a Society to avoid overlap, duplication, wastage and conflict of interest.

Reviving the Movement

Findings indicate that farmers ought to be convinced that co-operatives are beneficial and they can indeed work *for* farmers. To this end, the study recommends the following:

- Administrators of counties, including Governors and their Deputies, need to be taken through the co-operative philosophy, principles, importance and benefits of co-operatives in order to understand and appreciate the co-operative business model..
- County governments need to work on sensitisation of the benefits of co-operatives to completely erase apathy among farmers.
- County governments, national apex bodies, development partners and other stakeholders need to facilitate exchange programmes to learn from successful societies; exchange information; and emulate best practices, particularly on good management. This would also enhance co-operation among co-operative societies.
- There is need to devolve co-op tribunals down to the counties for speedy resolution of disputes.

Involvement of Women

- County Governments need to ensure leadership positions are available for women in co-operative societies. County Co-operative Bills and co-operative societies' by-laws need to be anchored in the Constitution's one-third gender provision.
- County Governments and development partners should encourage women to form women farmers' groups since their social status is an impediment within a mixed group not only to assume leadership positions but even to reflect their interests.
- Co-operative societies must be barred from introducing certain discriminatory by-laws that marginalise a section of small-scale farmers, specifically women and the youth. These include the requirements of supplying more than a certain amount for the last few consecutive years or having certain amount of share in order to be eligible to vie for a leadership position; and the power of voting conferred upon only the membership card holder that happen to be usually men.
- Lessons can be drawn from Murang'a and shared for replication with other societies where there is a directive to split the land between spouses and to hold separate bank accounts, which has brought meaningful and positive impact on women empowerment.

Profitability and Investment

- In certain crops such as tea, farmers and their representative society's have no control over prices. Co-operative societies need to be facilitated to access farmer friendly information services on market prices. Stakeholders, such as private investors or

development partners could design a *mobile phone notification service on market price information* to farmers at a minimal cost.

- Co-operatives need to add value and/or diversify to ensure sustainability. This could be through horizontal diversification such as planting of other crops that respond to market demand and that require low cost of production cost; and/or venturing into other related and non-related businesses, as is the case in Mwea. Another alternative is vertical diversification where farmers through their co-operatives add value to their crops through processing and packaging. Research and extension services to guide agribusiness need to be encouraged by county governments. Guidance on investment opportunities and on investment management is also equally important.

Shares in Factories/mills

Farmers ought to be facilitated to have shares in processing factories. County governments could buy shares on behalf of societies that can be paid off later from proceeds. This is of particular importance especially to sugarcane out-grower societies with the looming privatisation of all state owned sugar factories.

6.3.2 SECTOR SPECIFIC RECOMMENDATIONS

COFFEE

- County Governments need to facilitate the acquisition of equipment such as coffee hullers and huskers for the co-operative societies in a bid to reduce exploitation by processors;
- Encourage societies to venture into other related or unrelated businesses to reduce overdependence on coffee production.
- The initiative to market coffee produce through County Governments is at its infancy and it is difficult to conclusively draw implications. Further study on implications on farmers' proceeds and on the co-operative movement in general will have to be undertaken to recommend replication or rejection.
- There is need for County Governments to encourage the many but small co-operative societies to come together and form a bigger society for better bargaining power.

RICE

- Agriculture and co-operative development are devolved to the county level but not NIB. Currently it may not be feasible financially for county governments to take over and run

irrigation schemes due to huge resource requirements such as technical staff and expensive equipment. Therefore, county governments should forge close partnership with the NIB.

- It is indicated that 50 percent of rice produced is lost during manual harvesting while it is estimated that modern harvesters minimise the loss to less than 10 percent. Therefore, mechanisation of farm processes is crucial.
- Farmers complain of being treated as squatters due to lack of title deeds. The issue of title deeds needs to be settled with NIB once and for all.
- To increase income, rice growers need capacity building on value addition and on how to use by-products for income generating activities like using rice husk to produce charcoal.
- Allow youth participation in meetings. This can be done through by-laws that allow younger family members to represent their aged parents in meetings.
- MRGC presently enjoys monopoly and fights off any attempt to establish other societies. The County Government should encourage the formation of other co-operative societies to rival the MRGC.
- Against common practices of allowing financial audits to be conducted by the government, the co-operative is being audited by a private auditor since 2013. Therefore, the County Government must assume an oversight role particularly in management and better financial auditing.

SUGAR

- Smuggling and legal but excessive sugar importation impair the sugar industry. There is need for tight control of sugar smuggling from neighbouring countries and periodical monitoring of legal but excessive sugar importation to protect the livelihoods of millions of people.
- Diversification is required to cushion some of the adverse effects of a liberalised industry when the time comes for the country to open its doors for sugar exportation from COMESA countries. Both parties, millers and co-operatives, need to venture into other (related) businesses as well as focus on value addition. Farmers must be encouraged and guided with techniques that maximise total yield.
- There is need to redefine the roles of both co-operatives and millers so that millers remain with only milling whereas co-operatives deal with issues of land management, credit facilities, supply of inputs and marketing of sugarcane. There is a lot of pressure on the

millers to provide all necessary inputs and transporting produce because of weak out-grower societies. Reviving co-operative societies will definitely ease pressure on millers and reduce inefficiencies and exploitation therein.

- Contractual agreements between farmers and millers drafted years ago must be revised to reflect changes as well as to ensure benefits for both parties.
- The County Governments need to compel millers to regularly release the 1 percent deductions collected on behalf of out-grower societies to facilitate their operations. Moreover, there should be a regulation for millers to disclose farmers' financial expenditure statements monthly.
- Now that the KSB is gearing up to privatise State owned mills, County Governments in the respective cane producing regions ought to aim to buy shares on behalf of farmers, that can then be paid off from proceeds.
- Given the Board's introduction of a payment system based on sucrose content, there is need to educate farmers on the same.
- Lastly, the study indicates that sugarcane farmers have been hard hit by HIV infection. There is need for allocation of the AIDS fund to help educate farmers on the dangers, preventive measures and management of the disease.

TEA

- Some of the challenges of the sub-sector include price manipulation and lack of transparency particularly during auctioning. In line with the recent Tea Board report, the study recommends automation of tea auctioning in order to enhance transparency and competitiveness of pricing in the sub-sector. Tea e-auctioning not only shortens the value chain but also allow farmers to rely less on middlemen.
- Given the positive attitude of tea farmers in Kericho towards co-operative societies, the County Government should capitalise on this by allocating sufficient budget for the development and facilitation of co-operatives. This also offers a unique opportunity for the County Government to channel its development efforts through strong co-operatives.
- Farmers need to have access to market price information. The capacity of the bulk handler, FINTEA Union in Kericho, should be strengthened for it to negotiate better prices with the area multinational FINLAY Tea Company.
- Although many respondents acknowledge that both counties have fairly good road infrastructure, the County Governments can do better to minimise losses while ferrying

tea produce. Moreover, in both counties, tea factories are involved in upgrading roads, which has a dampening implication on farmers' income.

- KTDA has been accused of undermining tea growers' proceeds revealed by both farmers interviewed for the study as well as recent reports appearing on dailies. There is need to audit KTDA and its subsidiary companies on accountability and transparency.
- The directive to split land between spouses has empowered women to have direct source of income as proceeds are remitted in separate accounts. Such by-laws have meaningful impact on empowerment of voiceless women and should be replicated in other societies as well.

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