



**REMARKS BY THE CABINET SECRETARY FOR AGRICULTURE, LIVESTOCK, FISHERIES & COOPERATIVES, HON. PETER MUNYA, EGH, DURING THE SMALLHOLDER TEA FACTORIES CHAIRS AND VICE CHAIRS FORUM ON THURSDAY, 13<sup>TH</sup> MAY 2021**

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**My colleague, Cabinet Secretary for Interior & Coordination of National Government, Dr. Fred Matiang'i, EGH**

**Chairpersons & Vice Chairpersons for the respective Smallholder Tea Factory Companies;**

**AFA Director General/Director Tea;**

**Ladies and Gentlemen;**

- It gives me great pleasure to join in this very important forum of the chairpersons and vice chairpersons of smallholder tea factories from the East of Rift.
- Let me first congratulate you for winning the confidence of the shareholders/farmers who have elected you to the boards of your respective tea factory companies. As you assume office, it is important to recognize that you have been bestowed a critical responsibility and that the shareholders have great expectations for you to deliver and steer the companies towards a growth path that will translate into increased earnings from their investments. It is expected that your election to office will mark a paradigm shift for a transparent, accountable and effective leadership. It is my hope that none of you is getting into office with the mentality of "it is our time to eat" which indeed has been the mantra of previous leadership.

- The Government recognizes and appreciates the strategic role that the tea industry plays in the socio-economic development of our country. The industry supports over 6 million Kenyans who are engaged in the tea value chain directly and indirectly. It is also one of the leading foreign exchange earners, generating over Kshs. 130 billion annually in export earnings. What is more important to note is that the smallholder sub-sector, which you represent, accounts for over 60% of tea production and earnings. Over 600,000 smallholder farmers have consistently produced top quality tea and placed the country at the top of the pack as the leading supplier of tea to the global market.
  
- Over the last few years, the tea industry in Kenya has witnessed a worrying decline in earnings, threatening the livelihoods of millions of Kenyans who are engaged in various segments of the tea value chain. The worst hit in the value chain have been the farmers, who are the principal stakeholders and without whom the industry would not exist. Global market dynamics, including alleged glut due to over-production of Black CTC teas, has been cited as the key factor leading to depressed prices. However, while over-production could contribute in suppressing global tea prices, our competitors continue to enjoy good prices for their tea. I therefore refuse to accept that global glut can only affect the Kenya tea industry. It can only mean that there are certain actions that we have failed to execute towards responding to the global market dynamics and consequently have missed out on the opportunities to reap due benefits.

## **Ladies & Gentlemen;**

- In my view, the greatest failure has been with the leadership, particularly that of the respective smallholder tea factory companies. Your predecessors clearly abdicated their responsibility and instead succumbed to machinations and interests of those they had employed to facilitate management of their investments, including processing, marketing and sale of teas on their behalf. The Kenya Tea Development Agency (Holdings) Ltd, through its managing agency outfit, the Kenya Tea Development Agency (Management Services) Ltd, over the years transformed itself from being a managing agent employed by the factory companies into the principal – the owner of the factories limited companies. Prior to the current KTDA leadership deciding to change focus to pursue selfish interests, the sector was thriving on the account of quality tea production and formidable marketing and promotion of tea, supported by the Government.
- The most unfortunate result of the capture by the KTDA mandarins has been the farmers completely losing power to elect their own leaders and instead leaders being imposed on them through an election system that disenfranchised the majority of farmers. Having entrenched their “leadership” whose focus has been to benefit some few individuals, they have been aggressively fighting all initiatives and efforts towards changing the fortunes for tea farmers. Ironically, KTDA itself belongs to tea farmers and is expected to serve their interests.

- Despite the recent challenges that have bedeviled the tea industry, there is light at the end of the tunnel. Farmers have finally taken back their power and elected leaders of their choice – yourselves. However, that is just the first step in the journey towards redeeming the smallholder tea sub-sector. It is now the steps that you will take as the new leaders that will make the difference going forward. The first important step is to realize that you are the ultimate leaders for your respective tea factories companies and that the buck stops with you.
  
- Farmers/shareholders should from here henceforth expect to see positive results from the decisions that you make without being influenced by external forces that do not have any interest in their welfare. It is important for you to note that you are NOT leading “private” institutions as has been claimed by those who have hijacked farmers’ investments but institutions and investments that belongs to over 600,000 farmers and millions of other Kenyans who depend on the tea value chain for their livelihoods.
  
- It is instructive that you have been elected on the platform of change and reforms for the tea industry. Whereas the previous leadership has been identified with acts of impunity, non-accountability and secrecy, your tenure should be marked by demonstrable fairness, accountability and transparency. Good corporate governance and servant leadership should be your fort. In view of this, I do not expect that you will arrange for weeks of retreat in some distant hideout or holiday resorts in

the name of induction. Instead, it will be critical for you to focus on the immediate interventions towards restoring the confidence of tea farmers and returning the industry on the growth and prosperity path.

- As you assume your new responsibilities, there is need for you to ensure continued smooth operations of your respective companies. Further, it is necessary that you move to secure all the assets that belong to shareholders/farmers. These include the institutions that were designed to support the operations and management of their companies, notably the Kenya Tea Development Agency (Holdings) Ltd and its subsidiaries. This will require that you individually and collectively work with a singular mind of serving the interests of those who have entrusted you with leadership. I believe every one of you possesses competencies, qualifications and experience that will be useful in executing your new mandate.

### **Ladies & Gentlemen;**

- Following an elaborate public participation process, reforms were recommended for the revitalization of the tea industry. Subsequently, the recommendations were taken through the legislative process and passed into law through the Tea Act, 2020. It is important to note that some of the provisions in the Act are aimed at facilitating the small-holder tea sub-sector, particularly geared towards according the most benefit to tea farmers.

- The broad objectives of the reforms were to empower the farmers/shareholders in electing their leaders and consequently participating in the decision-making processes, reducing unnecessary costs at the factory level with the consequent result of enhancing farmers' earnings as well as entrenching good governance and accountability in the management of the tea factory companies. Unfortunately, those hell-bent on scuttling the reform process and denying farmers the opportunities to receive enhanced earnings have been on overdrive. They have done all in their books to retain the status quo by obtaining myriad of court orders and injunctions. Luckily, it has not been possible to stop the shareholders from taking up their rights to decide for their companies. It is this inalienable right that has made possible your election to the respective boards of the tea factories companies. It is my hope that you will rise to the occasion and embrace the reforms that have been designed to facilitate fair returns to farmers and reposition the tea industry as the pillar of socio-economic development of our country.
  
- Contrary to propaganda that has been bandied around by the reform detractors, the Government has no intention of engaging in business. However, it has the mandate and responsibility for a facilitative regulatory framework with a view to ensuring fair play for the benefit of stakeholders in the respective economic platforms, including the tea industry. The regulatory reforms that the Government is steering in the tea industry is not unique to our country. Globally, Governments institute strong oversight on strategic commodities by instituting

requisite regulations and necessary controls to safeguard national interests and mitigate against potential risks of exploitative trading behaviour.

**Ladies & Gentlemen;**

- I am well aware of the challenges you are going through as you take over leadership in your respective factories. These include resistance by KTDA employees and in particular the Factory Unit Managers; Political interference; Interference and sabotage by KTDA and former directors; Existing court rulings and in particular the Kiru case and also more significantly the fact that some of you may be taking up corporate responsibilities at the board level for the first time.
  
- In order to facilitate smooth take-over as well as secure the assets belonging to the shareholders/farmers, we will be working with the Ministry of Interior in the execution of the relevant steps and actions. With immediate effect, security agencies will facilitate enforcement of the CR 12 registration of the newly elected boards. The enforcement process will entail the following actions:
  1. The former directors should keep off the tea factories premises and be prevented from undertaking any activities in the factory or engaging tea farmers in any way as directors;
  2. The newly elected directors to be given access to all properties of their respective tea factories;
  3. Surrender of the Company's seal and other instruments of ownership to the newly appointed Company Secretary;

4. Availing a register of fixed assets and documents of title;
  5. Provision of a status report on all bank accounts, current signatories and signed forms for change of signatories;
  6. Provision of financial reports for the last nine (9) months indicating both performance and position of the tea factory;
  7. Provision of an inventory report indicating stocks at the factory on transits and in all warehouses;
  8. Minutes of the last Board meeting to be availed;
- In the event that the current managements fail to cooperate, the new boards should take the following actions:
1. Engage an experienced and capable person to oversee production if the Production Manager is unavailable;
  2. Engage an experienced and capable person to oversee the collection of green leaf in event the current FSE is unavailable;
  3. Develop a system for payment of tea growers in case KTDA does not give access to the current system;
  4. Engage an alternative service provider for security services.
- Noting that KTDA (MS) Ltd and KTDA Holdings Ltd are institutions that belong to tea farmers, who are also shareholders of your respective companies, the process of electing new directors to the new outfits needs to be undertaken immediately. This is the responsibility of the newly elected factory boards, who should proceed to replace the current KTDA zonal directors.



- In order to build the capacity of the newly elected boards, I direct the Tea Board of Kenya to immediately commence a programme to sensitize the boards on the ongoing tea reforms, best practices in corporate governance and the expectations of the boards in the implementation of reforms for the industry. Similarly, factories will be expected to organize for in-depth training and capacity building programmes for their respective tea factories Boards on corporate governance and orienting the newly elected directors in taking over their roles in the companies.
  
- As I conclude my remarks, let me express sincere gratitude to my colleague in the Ministry of Interior & Coordination of National Government, Dr. Fred Matian'gi for the immense support provided by the agencies under his Ministry and for his personal commitment in facilitating peaceful conduct of the farmers'/shareholders Extra-Ordinary General meetings. I also wish to thank the Office of the Attorney General for legal advisory and facilitating the requisite legal processes. It is my hope that we will continue collaborating in supporting the agriculture sector which remains our pillar in socio-economic development.
  
- It is now my pleasure to invite my Cabinet colleague, Dr. Fred Matiang'i to address you.

**Thank You.**