

**MEMORANDA ON THE COCONUT INDUSTRY DEVELOPMENT BILL, 2021 (SENATE BILL No 24 of 2021)  
BY THE CABINET SECRETARY, MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND  
COOPERATIVES**

**Background Information**

**1. Producing Counties**

Coconuts is produced in the Six Coastal counties namely Kilifi, Kwale, Lamu, Mombasa, Taita Taveta , Tana River but there are potentials in other counties including Tharaka Nthi, Meru, Parts of Makueni, Machakos, Busia, Homabay and Siaya.

**2. Production statistics**

There are over 10 million trees out of which an estimated 1.3 Million trees are below ten years of age, 6.5 million are bearing and 2.6 million are above 60 years of age and therefore considered senile with very low production volumes. Area under coconut production are as in the following table 1;

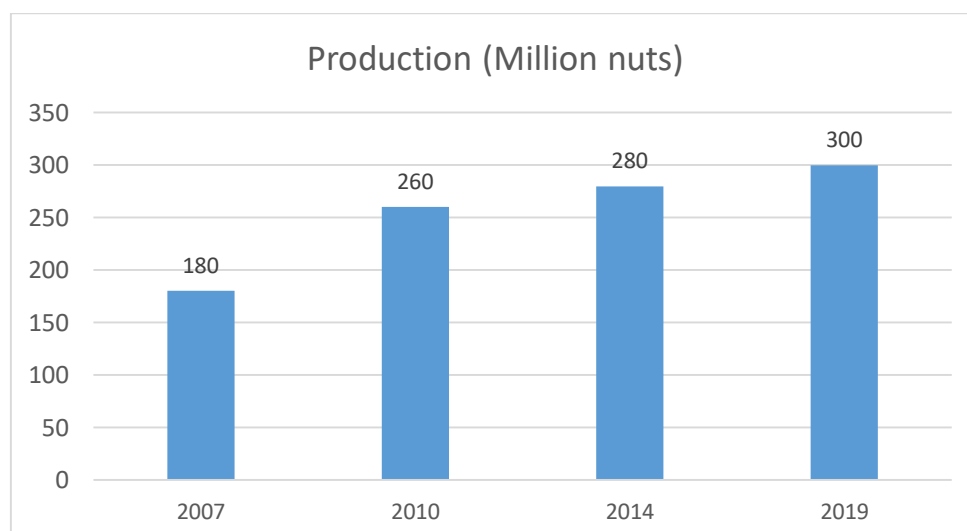
**Table 1; Area under coconut, Production and Value 2019-2020**

COUNTY	AREA (Ha)		Quantity(MT)		Value (Ksh.) Millions	
	2019	2020	2019	2020	2019	2020
Kilifi	41,432	41,470	52,853	52,913	2,219.8	2,384.0
Kwale	31,358	31,384	46,227	46,240	2,126.4	2,139.0
Lamu	10,713	10,722	6,771	6,792	304.7	322.0
Mombasa	156	158	2,344	2,361	103.1	122.0
Taita Taveta	99	102	873	858	37.5	36.1
Tana River	1,066	1,070	822	849	37.0	35.3
<b>Total</b>	<b>84,824</b>	<b>84,906</b>	<b>109,889</b>	<b>110,013</b>	<b>4,828.5</b>	<b>5,038</b>

Source: AFA-Nuts and Oil Crops Directorate

**3. Level of incomes**

Coconut production has significantly increased from 180 million nuts in 2007 to 260 million nuts reported in 2013 to 300 million nuts in 2019 (Gachanja, 2007, UNIDO 2014, Danda 2019). The increment is attributed to farmer sensitization on replanting and use of quality coconut tree seedlings to replace the aged and senile trees in addition to empowerment of the farmers to embrace good agricultural practices as depicted in the graph below:



*Figure1: Production trends from 2007 to 2019*

The average yield in 2020 was reported to be of 36 nuts per tree and increase from 34 nuts per tree reported in 2019. Generally, the improved yield resulted in an overall increased total quantity produced. The increased productivity is attributed to the above average rainfall received in the coastal region during the year. It's Imperative to note however that the yield is still much lower than recommended resulting from poor agronomic practices.

Farm gate prices registered a marginal increase from an average of KES 15 in 2019 to an average of KES 16 in 2020.

The coconut tree produces nuts throughout the year, however harvesting is done three or four times annually depending on the rainfall amount received. There are two distinct coconut production seasons i.e. high and low. The high nut production season begins in October and ends in April while the low season is between May and September.

#### **4. Potential of the sector**

The potential of coconut in Kenya is estimated to be Kenya shillings Twenty-Five (25) billion annually but only 53% has been utilized, according to Danda (2020). This clearly implies that 47% of the coconut potential is untapped thus denying the country the much needed agro based revenue which is critical to achieve sustainable development goals. Though the coconut plant has many economic uses, very little interventions have been put in place to optimize its huge economic potential and maximize its returns for socio-economic reasons. Indeed, there is inadequate value addition linkages aimed at commercializing the coconut subsector through technological innovation, infrastructural development, distribution, marketing financing and leveraging on existing structural & institutional framework that are prerequisite in harnessing the untapped coconut multibillion agro sub sector.

The untapped potential justifies the need to promote the production and utilization of coconut-based products by ensuring a sustained flow and adoption of technologies, and research and development, which meet the challenges of this sub-sector. Its contribution to the Gross Domestic Product (GDP) from agriculture is estimated at to 1.5% while its contribution to the National GDP stands at 0.4%.

#### **5. Challenges**

Despite the proven subsector's great potential, stakeholders in the sub-sector have faced challenges, key among them being old and senile trees, traditional crop varieties, limited value addition, highly fragmented, small in scale and highly informal. These, among other constraints, have made the coconut industry rank very low amongst other agricultural and enterprise subsectors in the country. The sub-sector remains a sleeping giant to itself, the County and National economies.

#### **6. Coconut Bill 2021 Comments**

The Coconut Industry Development Bill 2021 is a Bill for an Act of parliament to provide for the production, processing, marketing and distribution of Kenya coconuts and its products; establish the Coconut Industry Development Board; provide a framework for coconut and its related products; and for connected purposes.

The Bill will consequently result in creation of another parastatal yet the Presidential Task force report 2013 on Parastatals reform highlighted that **Stakeholders** commented that the economy was carrying too many State Corporations and that they continued being created without consultation as required under the State Corporations Act. Owing to lack of

consultation State Corporations with overlapping and duplicating functions have been created, while others duplicated functions of Government ministries. The task force recommended reorganization, consolidation and rationalisation of existing parastatals with the purpose and rationale to:

- increase efficiency and effectiveness;
- rationalize areas of overlapping mandates;
- improve service delivery;
- enhance the ability of public agencies to meet their core regulatory and developmental mandates; and
- maximize the contribution to sectoral and national development goals under Kenya Vision 2030.

Clause 4 of the Bill establishes the Coconut Industry Development Board as body corporate which shall require reliable financial source, in this case not clearly defined hence the fear for its sustainability.

<b>Sn</b>	<b>Provisions of the Coconuts Bill 2021</b>	<b>Comments by SDCDAR</b>	<b>Recommendation</b>
1.	Establishes the Coconut Industry Development Board Clause 4(3)	Providing that the headquarters of the Board shall be in Kilifi County has no basis nor any justifiable merit,	Comparative advantage analysis is necessary or left to be done administratively
2.	Constitution of the Board Clause 6(1)(d)	Unnecessarily limits membership by region and individuals specifically to farmers and only to those in large cooperative societies.	Review to give a national outlook being a National institution and accommodate other actors along the value chain,
3.	Functions of the Board Clause 10	The Clause mixes regulatory and developmental functions by the same Board without proper clarity and consideration of county functions as provided in the Fourth Schedule	Best practice provides for Government regulatory agencies and private sector lead development agency.
4.	Functions of the Board Clause 10(b)	Providing for promotion of oil palm products and by-products is outside the scope of the Bill	Review to delete oil Palm which is another crop by itself.
5.	Functions of the Board Clause 10(h)	Food safety regulation and standard are not confined to the marketing function hence limiting it to marketing is not in line with good practice,	Food safety control measures should be instituted along the value chain, from farm to fork
6.	Role of the County Government Clause 23(1)(b)	The Role of the County Government Clause 23(1)(b) and the Functions of Board Clause 10(a) are duplicating roles and potential areas for conflict between the Board and the Counties.	Redefine County role and provide more on development and enforcement of laws while the Board to formulate and oversee enforcement.
7.	Licensing of Manufacturers Clause 25 (5)	Thirty days as time required to issue license is too long and against good spirit to facilitate business	Reduce the time limit to not more than fifteen days
8.	Appeals Clause 30	Court process may cause a lot of delays given that the processes are usually too long.	Consider providing for out of court settlement eg arbitrations prior to use of Courts to settle disputes.
9.	Financial Provisions Clause 31	There is no clear provision for monies to the Fund. Establishment of fund are prerogative of the Public Finance Management Act.	Consult with the National Treasury on Establishment of the Fund.

10.	Licensing of Manufacturers or processors Clause 25	License fees at County level are subject to County Finance Bill hence no guarantee that the funds will be ploughed into the industry.	Provide for how some funds will be plowed back to the industry.
11.	First Schedule; Counties	This is prohibitive and against innovations and progression. Studies have proven that coconut production can be expanded to other regions	Delete First Schedule.

### **Conclusion**

Coconut grows in the same agro ecological zones with other crops like cashew, simsim and bixa hence their regulation and development requirements can be provided for together in order to benefit from synergies . The National Treasury has previously questioned the impact of creation of additional Boards in relation to increase on the wage Bill. We propose that the current arrangement where coconut and other oil crops are clustered together be sustained.