Communique for the high-level experiential field visit to South Africa for the Warehouse Receipts System by the Kenya Parliamentary Committee for Agriculture and Livestock on 9th to 14th December 2018 in Johannesburg, South Africa.
INTRODUCTION

The Eastern Africa Grain Council (EAGC) in partnership with the Johannesburg Stock Exchange and with support from the Alliance for a Green Revolution in Africa (AGRA) hosted a high-level experiential field visit to South Africa for the Warehouse Receipts System for the Departmental Committee for Agriculture and Livestock of the National Assembly of Kenya. The field visit, which took place from 9th to 14th December 2018, sought to expose the delegation of Members of Parliament to the operations of mature, structured grain markets with a well-functioning Warehouse Receipt System. This experience was expected to guide the Members of Parliament from Kenya in putting in place appropriate policies that can support the growth of the grain sector in the country, by first exposing them to the broader policy requirements for ensuring sustainable agricultural sector development in Kenya in line with the Big Four Agenda. The experience was also aimed at guiding the high-level policy makers on the proposed legislation of the Warehouse Receipt System that is currently in Parliament.

The delegation of Members of Parliament was accompanied by representatives of the Strategic Food Reserve Trust Fund Oversight Board, representatives of County Governments, as well private sector players who comprised of grain farmers and aggregators, and senior staff of the Nairobi Securities Exchange (NSE).

PREAMBLE

The Ministry of Agriculture, Livestock, Fisheries and Irrigation initiated the process of developing a regulatory framework for the Warehouse Receipts System (WRS) in 2010. A taskforce co-chaired by the Ministry and the private sector through EAGC was established to undertake the task, culminating in the development of a draft Warehouse Receipts System Bill in 2013. The WRS Bill has been in Parliament since 2015. Having been passed with Amendments by the Senate earlier this year, the Bill is now in the National Assembly and has been committed to the Departmental Committee for Agriculture and Livestock after undergoing its Second Reading.

As the lead private sector representative on the process of developing the WRS Bill, EAGC has severally engaged both the National Assembly and the Senate to present private sector inputs into the proposed legislation. In November 2018, EAGC was invited by the Departmental Committee for Agriculture and Livestock to a meeting to discuss and make submissions on the WRS Bill. During the meeting, EAGC was requested by the Committee to facilitate field visits to Jurisdictions with mature structured grain trading systems to learn practical aspects of the WRS in order to guide the Committee Members as they consider the WRS Bill currently before them.

South Africa was selected for the field visit on account of its high level of success in formalising and organising grain trade with its Warehouse Receipt System forming a solid foundation for advanced forms of commodity trading whilst allowing for food security objectives to be attained by the Government. The country also underwent significant transformation in the governance of the agricultural sector in the mid-1990s, thus presenting important lessons for Kenya with respect to the role of the government in the agricultural sector and food security.
HIGHLIGHTS FROM THE EXPERIENTIAL FIELD VISIT

Remarks by Hon. Ferdinand Wanyonyi (MP)
The Delegation of Members of Parliament was led by Hon. Ferdinand Wanyonyi (MP - Kwanza Constituency), Member of the National Assembly Departmental Committee for Agriculture and Livestock on behalf of the substantive Chairman of the Committee, Hon. Adan Haji. Hon. Wanyonyi:

THANKED EAGC, the Johannesburg Stock Exchange with the support of AGRA for facilitating the Experiential Field Visit by the Members of the Parliamentary Committee on Agriculture and Livestock as well as members of the private sector;

INDICATED THAT the Committee had not been exposed to the operations of the WRS, its underlying regulatory framework and so the field visit exposed them to practical learning from the South African jurisdiction, which has mature and well-established structured trading systems for grain commodities;

REITERATED that the Experiential Field Visit to South Africa was an important opportunity to guide the Committee Members as they consider the WRS Bill currently before them;

INDICATED THAT the Committee will be sitting again in the early months of 2019 to put in place appropriate policies that can support the growth of the grain sector in the country, with regards to the proposed legislation of the Warehouse Receipt System that is currently in Parliament.

Remarks by H.E. Ambassador Jean Kamau, High Commissioner of Kenya to South Africa
Ambassador Jean Kamau received the delegation at the Kenya High Commission in Pretoria.
In her remarks, Ambassador Kamau:

WELCOMED the delegation to South Africa and appreciated their visit to the High Commission.
PRAISED the delegation, particularly the Members of Parliament on their keenness to learn, thus reflecting Kenya’s spirit as a nation of learning.
POINTED OUT THAT a delegation of Kenyan scientists visited South Africa in September 2018 to learn about adoption of genetically modified food commodities.

NOTED THAT South Africa is also learning from Kenya, particularly on matters relating to
the integration of smallholder farmers in the economic framework considering that large-scale, predominantly white farmers dominate agriculture in South Africa.

Remarks by Mehrdad Ehsani, Head of Markets and Post-Harvest Management at AGRA

In his remarks, Mr. Ehsani:

THANKED EAGC and the Johannesburg Stock Exchange for facilitating the experiential field visit for the delegation;

INDICATED THAT AGRA is looking forward to results of the visit following the exposure the delegation of Members of Parliament to South Africa’s structured grain markets with a well-functioning Warehouse Receipt System;

FURTHER ADDED THAT AGRA is readily available to continue supporting the WRS process by working with partners such as EAGC to unblock systemic issues around access to markets, inputs and finance, structured trade, quality enhancement and aggregation as well as to address policy issues constraining private sector investment.

Remarks by EAGC Executive Director, Mr Gerald Masila

In his remarks, Mr Masila:

THANKED the JSE for working closely with EAGC in planning for the successful field visits by the delegation.

THANKED the delegates for taking their time to participate in the field visits and for their commitment to learn and understand the importance of a structured commodity trade environment in promoting food security.

THANKED AGRA for supporting EAGC and JSE in the organization of the experiential field visit.

CALLED UPON THE members of parliament in the delegation to collaborate with EAGC in advocating and putting in place a favourable Warehouse Receipt Bill to make it more suitable for supporting Structured Grain Trade in Kenya.

KEY LESSONS FROM THE EXPERIENTIAL FIELD VISIT
The delegation visited organisations operating in the grain sector in South Africa, which play distinct roles along the value chain, such as grain handlers and aggregators, trade information service providers, quality assurance service providers and the South Africa’s commodities exchange. The delegation visited:

- **AFGRI and Senwes Group of Companies**: These are the leading agricultural companies that commenced as farmer cooperatives before deregulation of the South African Markets. The Companies now offer grain handling and aggregation, storage, financing, trade facilitation on behalf of their members, agronomy support and training for farmers.

- **The Johannesburg Stock Exchange (JSE) – Commodity Division**: The JSE, previously known as the South African Futures Exchange (SAFEX), is the division, which handles the South Africa’s agricultural commodities exchange and is the main platform for price discovery and commodity trade.

- **Grain SA**: This is the apex organisation for grain farmers in South Africa, which provides a voice for farmers in matters pertaining to policy formulation and implementation in South Africa.

- **South African Grain Information Service (SAGIS)**: SAGIS is a non-profit company established in a public-private partnership model with a legal mandate to collect, analyse and disseminate grain sector information for purposes of business and policy decision-making in the context of agricultural trade.

- **Southern Africa Grain Laboratory (SAGL)**: This is a private sector institution, which is dedicated to matters quality control and quality-related dispute resolution as part of facilitating structured grain trade. SAGL works closely with the South Africa Bureau of Standards (SBS) and has adopted global best practices in grain quality control.

**During the Field Visit, the delegation:**

i. **NOTED** that deregulation of the agricultural sector leads increased efficiency, competitiveness and food security. The sector is governed by the private sector in a self-regulation model with the role of Government being limited to creating a supportive policy environment. Former government marketing boards have been converted into independent Trust Funds that support research, capacity building and other support services to value chain players.

ii. **OBSERVED** that professional grain handling and storage are the cornerstones of structured grain trade and a successful WRS. A conducive policy environment has attracted significant investment by the private sector in this area, which has subsequently led to almost total elimination of post-harvest losses and eradication of food safety and quality risks that plague the food chain in Kenya.

iii. **RECOGNIZED** the need for an independent, transparent and credible Grain Sector Information System supported by legislation, which provides up-to-date and reliable data and information that supports both business and policy decision-making.

iv. **LEARNED** that a transparent structured trading system where market forces determine prices of commodities provides the optimal means for commodity price discovery and price risk management for farmers, traders and processors. The futures commodity market managed by the JSE provides for instruments that allow
value chain players to manage price risks and eliminates price information asymmetry, thus informing both business and policy decisions by the private sector and the government respectively.

v. **DETERMINED** that robust food safety and quality assurance structures automatically attract a premium price for superior quality, and thus provides a business incentive for farmers to invest in good agronomical and post-harvest practices.

vi. **NOTED** that organized Industry players under a voluntary industry self-regulation engage in structured dialogue amongst themselves and the Government. This creates transparency and allows the industry as a whole to support a unified direction for the sector for optimal benefits for all value chain players.

vii. **RECOGNIZED** that structured grain trade provides farmers, traders and millers a means to access financial services. Electronic Silo Certificates (essentially Warehouse Receipts) are used as collateral to access credit from financial institutions. Futures contracts can also be traded (liquidated) at any time for cash as the holder may see fit, with the price discovery mechanism in futures trade as JSE providing the necessary information to guide such decisions.

viii. **LEARNED** that a Commercial Grain production and marketing system Grain farming delivers food security for a country and prosperity for all value chain players. Government institutions in Kenya thus need to be restructured to offer optimal support to farmers to improve agronomical practices for increased production and efficiency, while letting market forces determine the prices of commodities without interference. Therefore, food prices are kept at affordable levels for consumers, while increased efficiency by farmers allows them to become both profitable and competitive without government price support.

**WAY FORWARD FROM THE FIELD VISIT**

EAGC in partnership with AGRA will seek to undertake the following next steps:

- **CONVENE A JOINT WORKSHOP** between the National Assembly and Senate Committees responsible for agriculture for purposes of experience-sharing and agreeing on a unified direction for the WRS Bill currently in Parliament.
- **PRESENT A SUBMISSION** on the WRS Bill to both Houses of Parliament based on the findings of the field visit and the latest version of the WRS Bill.
- **UNDERTAKE STAKEHOLDER AND PUBLIC SENSITISATION** on the WRS and its proposed legislation by convening a wrs media dialogue and stakeholder workshops at county-level.
PICTORIAL OF THE HIGH LEVEL EXPERIENTIAL FIELD VISIT TO SOUTH AFRICA

Hon. Ferdinand Wanyonyi (MP) presenting a memento to Dr. Raphael Karuaihe upon conclusion of the visit to JSE

Members of the delegation at Grain SA offices with CEO Mr. Jannies

Her Excellency Amb. Jean Kamau addressing the delegation during their courtesy call to the Kenya High Commission in Pretoria

Group photo of the delegation and H.E. Ambassador Jean Kamau in Pretoria

Mr. Nico Hawkins, GM of SAGIS addressing the delegation at the Grain Auditorium in Pretoria
Group photo of the delegation with Mr. Nico Hawkins, GM of SAGIS

Ms. Wiana Louw, GM of SAGL taking the delegation through a tour of SAGL laboratories in Pretoria. Looking on is Hon. Janet Sitienei (left), Hon. Dr. Noah Wekesa (2nd left), Gerald Masila (centre) and Hon. Silvanus Osoro (right).

Mr. Rod Blondin, former Director of SAFEX addressing the delegation in Pretoria

Mr. Frans Dreyer of Senwes addressing the delegation at Senwes HQ in Klerksdorp

The delegation presented Ms. Wiana Louw with a token of appreciation after the visit to SAGL.
Grain silos at Senwes's Silo Complex at Wesselsbron

EAGC Executive Director Mr. Gerald Masila token of appreciation to Her Excellency Ambassador Jean Kamau

For more information, please feel free to contact the EAGC Secretariat:

EASTERN AFRICA GRAIN COUNCIL

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**Annex I: Members of the delegation to South Africa**

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<th>S/N</th>
<th>Name</th>
<th>Designation</th>
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<td></td>
<td><strong>Members of the Departmental Committee for Agriculture and Livestock of the National Assembly</strong></td>
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<tr>
<td>1</td>
<td>Hon. Ferdinand Wanyonyi</td>
<td>Committee Member</td>
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<td>2</td>
<td>Hon. Janet Jepkemboi Sitienei</td>
<td>Committee Member</td>
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<td>3</td>
<td>Hon. John Paul Mwirigi</td>
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<td>Hon. Silas Kipkoech Tiren</td>
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<td>5</td>
<td>Hon. Florence Mutua</td>
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<td>6</td>
<td>Hon. Silvanus Osoro Onyiego</td>
<td>Committee Member</td>
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<td>7</td>
<td>Ms. Lynette Otieno</td>
<td>Legal Counsel to the Committee</td>
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<td><strong>The Strategic Food Reserve Trust Fund Oversight Board</strong></td>
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<td>8</td>
<td>Dr. Noah Wekesa</td>
<td>Chairman, Strategic Food Reserve Trust Fund Oversight Board</td>
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<td>9</td>
<td>Omar Salat</td>
<td>Fund Manager, Strategic Food Reserve Trust Fund Oversight Board</td>
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<td><strong>Representatives of County Governments</strong></td>
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<td>10</td>
<td>Esther Mutai</td>
<td>County Executive for Cooperatives, County Government of Uasin Gishu</td>
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<td>11</td>
<td>Mary Nzomo</td>
<td>County Executive for Agriculture, County Government of Trans Nzoia</td>
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<td><strong>Representatives of the Private Sector</strong></td>
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<td>12</td>
<td>Farhia Hassan</td>
<td>Director, ALMIS Enterprises</td>
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<td>13</td>
<td>Terry Adembesa</td>
<td>Derivatives Market Director, Nairobi Securities Exchange</td>
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<td><strong>Representatives of the Alliance for a Green Revolution in Africa</strong></td>
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<td>14</td>
<td>Mehrdad Ehsani</td>
<td>Head of Markets and Post-Harvest Management, Alliance for a Green Revolution in Africa</td>
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<td>15</td>
<td>John Macharia</td>
<td>Kenya Country Manager, Alliance for a Green Revolution in Africa</td>
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<td><strong>EAGC Secretariat</strong></td>
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<td>16</td>
<td>Gerald Masila</td>
<td>Executive Director, Eastern Africa Grain Council</td>
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<td>17</td>
<td>Kimwaga Mhando</td>
<td>Trade Policy &amp; Advocacy Manager, Eastern Africa Grain Council</td>
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<td>18</td>
<td>Jacinta Mwau</td>
<td>Regional Manager - Market Information Systems, Eastern Africa Grain Council</td>
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<td><strong>Representatives of the Johannesburg Stock Exchange</strong></td>
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<td>19</td>
<td>Vuyo Mpumza</td>
<td>Specialist – Commodities, Johannesburg Stock Exchange</td>
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