COMMUNIQUE

THE STAKEHOLDERS RETREAT WITH PARLIAMENTARY COMMITTEES FOR AGRICULTURE (NATIONAL ASSEMBLY AND SENATE) ON THE WAREHOUSE RECEIPT SYSTEM BILL, 2017

Date: 22nd – 23rd February 2019
Venue: Reef Hotel, Mombasa
INTRODUCTION

The Eastern Africa Grain Council (EAGC) hosted a Stakeholders Retreat with the Parliamentary Committee for Agriculture on the Warehouse Receipt System Bill 2017, which was held from 22nd to 23rd February 2019 at the Reef Hotel in Mombasa, Kenya.

The Retreat convened Members of the National Assembly Departmental Committee for Agriculture and Livestock, senior officials from Ministries responsible for Agriculture and Trade and private sector stakeholders to discuss potential improvements in the Warehouse Receipt System Bill in Kenya. As part of the Retreat, EAGC also organised a Learning Visit to grain handling and processing facilities to expose the Committee Members to professional grain handling, storage and warehousing investments to improve their understanding of the functional components of the WRS.

In attendance were 17 Honorable Members of Parliament who are Members of the National Assembly Departmental Committee for Agriculture and Livestock, Dr. Chris Kiptoo- the Principal Secretary - State Department of Trade, Ministry of Industry, 3 Ministers from the Country governments of Uasin Gishu and Trans Nzoia and 25 participants drawn from the National Ministries of Agriculture and Trade, EAGC members, Committee Clerks and Development Partners.

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. The Ministry established a Taskforce co-chaired by the Ministry and the private sector through EAGC 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. Since then, EAGC has been the lead private sector representative in the process of developing the Warehouse Receipt System Bill which was recently passed by the National Assembly and presented to the Senate.

EAGC has over the years engaged both Houses of Parliament and the Government on matters pertaining to the Bill. This also included exposing the legislators on practical aspects of the WRS; in December 2018 when EAGC with the support of AGRA organised an Experiential Field Visit to South Africa on the WRS for the National Assembly Departmental Committee for Agriculture and Livestock. The learnings from the field visit were expected to inform ongoing deliberations on the WRS Bill.

To discuss the lessons learned from the field visit and how best these lessons could be adopted in the WRS Bill and its Regulations, EAGC organised a Stakeholders Retreat with the National Assembly Departmental Committee for Agriculture and Livestock, and the Senate Standing Committee for Agriculture. However, the Senate Committee was unable to participate in this Retreat.
HIGHLIGHTS OF THE STAKEHOLDERS RETREAT

1. REMARKS BY GUESTS AT THE STAKEHOLDERS RETREAT

Official opening remarks by the Chairman of the Departmental Committee for Agriculture and Livestock of the National Assembly, Hon. Adan Haji Ali

In his Opening Remarks, Hon. Ali:

THANKED EAGC and AGRA for supporting the Experiential Field Visit to South Africa by his Committee;

POINTED OUT that the National Assembly passed the WRS Bill with Amendments, ADDING THAT the same has been forwarded to the Senate for concurrence;

INDICATED THAT the National Assembly opted to reduce the number of government bodies represented on the WRS Council in the interest of equitable representation;

URGED the private sector stakeholders, to re-align their strategies to take advantage of the WRS legislation; and

CALLED UPON the Government to commence development of WRS Regulations at the earliest opportunity parallel to the senate engagements to pass the WRS Bill.

Presentation by the Principal Secretary – State Department of Trade, Dr. Chris Kiptoo

Dr. Chris Kiptoo presented an overview of Kenya’s trade performance and strategies being implemented by the Government to address trade imbalances. In his presentation, Dr. Chris Kiptoo:

ENLIGHTENED the stakeholders on the trade performance of the Republic of Kenya, POINTING OUT THAT Kenya has a widening trade deficit and narrow export base;

ELABORATED on the National Trade Policy and Export Development Strategy which are the key instruments to address the trade imbalance;

REITERATED the support of his Ministry to the WRS Bill in its current form; and

NOTED THAT the Cabinet has approved the operationalisation of the Kenya Commodity Exchange (KOMEX) under the supervision of the Capital Markets Authority. The implementation of KOMEX depends on a functional WRS, thus making the WRS Bill particularly important in that respect.
Remarks by the Principal Agricultural Officer at the Ministry of Agriculture, Livestock, Fisheries and Irrigation, Mr. David Ombalo

On behalf of the Principal Secretary – State Department of Crops Development, Prof. Hamadi Boga, Mr. Ombalo:

INDICATED THAT a good regulatory WRS framework will be expected to attract investment in aggregation, warehousing and storage of food commodities, eventually contributing towards food security; and

POINTED OUT THAT the State Department of Crops had put forward a Joint Memorandum with the State Department of Trade to Parliament on the WRS Bill in partnership with the State Department of Trade, which included proposals to widen the scope of the WRS Bill to include non-agricultural commodities and representation of the State Department of Trade and the Capital Markets Authority in the WRS Council structure.

Remarks by the EAGC Executive Director, Mr. Gerald Masila

Mr Masila,

REMINDED the stakeholders the purpose of the retreat which was to debrief on the lessons learned from the Experiential Field Visit to South Africa for the WRS and adopt its recommendations;

FURTHER REMINDED the stakeholders the objective of the WRS being to ultimately benefit the farmers;

FURTHER POINTED OUT THAT the WRS needs to create trust between farmers, traders, millers, bankers and ultimately consumers;

CALLED FOR the WRS Bill in its current state to be enacted at the earliest opportunity and any amendments could be informed by lessons from initial implementation; and

INFORMED THAT private stakeholders are eager to start working with the proposed legislation in its current state.
Recap of the experiential field visit to South Africa by the Regional Manager in charge of MIS & Communications at EAGC, Ms. Jacinta Mwau

Recapping the Experiential Field Visit to South Africa by the National Assembly Committee for Agriculture, Ms. Jacinta Mwau:

RECOUNTED the lessons learnt and key recommendations the Field Visit EMPHASIZED on the need for a credible institution to serve as a Regulator for the WRS, in order to gain the confidence of potential participants in the WRS;

RECOMMENDED THAT the composition of the WRS Council should be representative of key stakeholders and should ensure sufficient autonomy from existing government structures;

STRESSED on the need to promote and incentivise investment in grain handling, storage and warehousing infrastructure;

FURTHER STRESSED THAT the WRS would require competent warehouse operators hence the WRS Legislation should create an environment that encourages investment in warehouse operations; and

CALLED UPON the government to refrain from taking policy actions that may disrupt operation of grain markets.

Discussion on Key Lessons Learned during the Experiential Field Visit to South Africa

The delegation shared their experiences and lessons learned from the Field Visit for consideration in the WRS Bill process and for improvement of the broader agricultural sector policy environment.

They pointed out that:

- Differentiation of grades in storage of grains, which allows price segmentation based on quality, is very important.
- Structured grain trade guarantees a market for farmers in two ways where they produce with the market in mind and they can trade their commodities even before planting by taking advantage of futures derivatives.
- Protecting agricultural land is key to allow for economies of scale in agricultural production.
- The role of government is restricted to policy support while the private sector regulates itself with only broad oversight from the government.
- Market forces should determine the price of commodities, rather than government interference in the markets to set prices, which undermines the viability of the WRS.
- The Government through the Strategic Food Reserve should look at better ways to procure grains without disrupting the market.
- Establishing an independent and trust organisations for collecting and disseminating market information, similar to SAGIS in South Africa
- The importance of reviving cooperatives to mobilise farmers into groups to facilitate their participation in structured grain trade
Recap of Key requirements for the WRS by the EAGC Trade Policy & Advocacy Manager
Mr. Kimwaga Mhando

Presenting a summary of the key requirements for a viable WRS, Mr. Kimwaga Mhando:

POINTED OUT the importance of a legal and regulatory system to govern the WRS, allied with a competent body to oversee the WRS on a national scale on a day-to-day basis;

UNDERSCORED the need for certified warehouses for professional grain handling and issue Warehouse Receipts;

EMPHASIZED the need for financial services and a trading platform to facilitate transactions in the WRS;

HIGHLIGHTED important principles for consideration in the WRS Bill on protecting the independence, inclusivity and credibility of the WRS Council as well as enacting provisions that enable efficiency and reduction of transaction costs in the WRS

FURTHER HIGHLIGHTED the importance of separation of regulatory and operational functions of the WRS Council and finally the importance of enshrining voluntary participation in the WRS.

2. FIELD VISIT TO GRAIN BULK HANDLERS LIMITED

The Stakeholders Retreat included a Field Visit to Grain Bulk Handlers Limited (GBHL) in Mombasa, the biggest grain handling operation in East Africa, serving clients in Kenya, Uganda, South Sudan and Rwanda.

The delegation of stakeholders was hosted by Mr. Jared Locklear, General Manager at GBHL who exposed them to the operations of GBHL, the Control Centre from where all their grain handling operations are monitored, a visit to their silo operations under Phases I and II totalling 240,000MT of storage capacity and a real time observation of ongoing discharge of over 40,000MT of grain from a vessel using GBHL facilities.

At the field visit, the delegation got an opportunity to observe the extent and nature of investment in infrastructure for structured grain trade that is already in place in Kenya. The delegation appreciated that a good WRS legislation would certainly be expected to stimulate future investments of similar scale in the grain sector.
KEY RECOMMENDATIONS AND OUTCOMES FROM THE WRS BILL RETREAT

The retreat adopted the recommendations of the field visit to South Africa to inform policies around structured grain trade in Kenya, including the WRS as follows:

- **EAGC and the Ministries responsible for Agriculture and Trade to **ENGAGE THE SENATE through the Senate Standing Committee on Agriculture, Livestock and Fisheries at the earliest opportunity in order to **EXPEDITED THEIR CONSIDERATION AND PASSING OF THE WRS BILL.**
- **The DEVELOPMENT OF WRS REGULATIONS SHOULD COMMENCE IMMEDIATELY,** so that the WRS Bill can be operationalised as soon as it is assented into Law.
- **AMENDMENTS FOR IMPROVEMENT TO BE MADE IN THE FUTURE** based on lessons from initial implementation

**PICTORIAL OF THE STAKEHOLDERS RETREAT**

*Group photo of Committee Members, PS state department of trade, representatives from County Governments, Ministries of Agriculture and trade, the Strategic Food Reserve Trust Fund Oversight Board, EAGC members and development partners*

*From left to right: Dr. Rusike (AGRA), Ms. Rose (Smart Logistics/EAGC Board Director), Mr. Macharia (AGRA), Mr. Masila (EAGC), Hon. Tiren, Hon. Wangwe, Hon. Ouda and Hon. Tuitoek (Committee Members), and Ms. Mwau (EAGC).*
Committee Chairperson, Hon Adan Haji Ali opening the meeting

Hon. John Mutunga sharing his views on the WRS during the retreat

The high level delegation arrival at the Grain bulk handlers in MSA

The delegation boarding a ship to see how grain is offloaded

Mr. Jared Locklear giving an overview of Grain bulk handlers operations to the delegates

Delegates listening keenly to the briefing from Grain bulk handlers
Wheat being syphoned from a ship by a special crane

Ms. Mary Nzomo, CEC Agriculture for Trans-Nzoia Country her views on the WRS

Grain Bulk Handlers’s Control Centre from discharge, silo operations to loading onto trucks for dispatch to clients

Rose Mutuku, Director of Smart Logistics Ltd and Board Director representing Kenya at EAGC presented a Vote of Thanks on behalf of EAGC at the Retreat

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

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