



PRESS STATEMENT BY HON. PETER MUNYA, MGH, CABINET SECRETARY, MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND COOPERATIVES ON 2ND JULY, 2020 AT KILIMO HOUSE

GOVERNMENT OF KENYA DIRECTIVES ON THE IMPORTATION OF RAW CANE AND PROCESSED SUGAR

Over the last three decades, sugar consumption in Kenya has grown steadily, outpacing domestic production. Despite government investment in sugar mills and other capacity development initiatives on cane development, the country still has not reached self-sufficiency in sugar production. For this reason, the country has been filling the deficit by importing sugar, especially from the COMESA region.

Sugar production increased from 523,652 Metric Tons (MT) in 2010 to an all-time 22% increase to 639,741 MT in 2016. In 2019 only 440,935 MT were produced against national consumption of 1,038,717 MT, resulting in a 58% deficit. This effectively makes Kenya a net importer of sugar despite the vast potential for sugar cane development supported by favorable climate and a dedicated farmer population.

The continuing gap between the production and consumption of Sugar in Kenya is not a desirable situation. As read in my previous statement, the Government has taken deliberate efforts to revive the Sugar industry to make Kenya competitive in the sugar value chain. We believe that the country can achieve self-sufficiency in sugar and even have a surplus for export in the global market competitively.

Kenya's sugar imports are mainly from COMESA following the 2002 sugar safeguard. The sugar sector in Kenya was not able to compete with other COMESA member states on Duty-Free Quota Free terms. Through Directive NO.1 of 2007, Kenya is required to maintain the Safeguard as a Tariff Rate Quota (TRQ) with the quota increasing while reducing the tariff gradually until 0%.

In the year 2020, Kenya has imported 157,529 MT of brown sugar from COMESA Countries between January and March. The Agriculture and Food Authority (AFA) has additionally received requests to import a total of 586,000 MT, which is yet to be approved.

The Ministry has noted with great concern an influx of illegal importation of brown sugar from Uganda through the Busia Border with indications of unscrupulous businessmen and traders taking

advantage of the COVID-19 curfew hours to sneak unlawful imports into the country at night.

Additionally, some millers who had obtained temporary permits to import raw cane from Uganda for a limited period of three months (September to December 2019) have illegally continued to import raw cane. This trend could potentially affect the livelihoods of Kenyan farmers along the Sugar-Belt, whose crop is ready for harvest.

The uncoordinated importation of raw cane and brown sugar has rendered Kenya's mills uncompetitive. Ex-factory prices for the mills remain at Kenya shillings 4,200 per 50 KG bag. The price per tonne is Kenya shillings 85,260 compared to Cost Insurance Freight (CIF) for imported sugar, which stands at Kenya shillings 60,117. This scenario clearly explains why Kenyan sugar is struggling to compete with imported sugar in the local market.

Through comprehensive reforms, the Government is determined to facilitate a multi-purpose sugar cane industry that is efficient, diversified, and globally competitive through enhanced industry competitiveness, cost reduction strategies, and a strengthened regulatory framework.

The country may soon be faced with a sugar glut occasioned by this increased importation and an eventual collapse of the industry. This is a great disincentive to farmers and investors.

The Ministry has therefore taken the following remedial measures: -

- a) Suspended all Brown Sugar imports into the country with immediate effect until further notice.
- b) Suspended pre-shipment approvals and Extensions of all Sugar import permits with immediate effect until further notice.
- c) Prohibited the importation of Raw Cane with immediate effect.
- d) With immediate effect, all applications for Brown Sugar Imports shall be subjected to the Sugar (Imports/Exports) Regulations soon to be gazetted.
- e) The Ministry shall work closely with counterpart Agencies to intensify Cross-Border Surveillance along Kenya and Uganda borders to ensure no smuggling of sugar and raw cane.
- f) Lastly, I have directed the Sugar Directorate of the Agriculture and Food Authority to ensure that the new Sugar Importation guidelines give no provision for the extension for existing Brown Sugar import permits.

**HON. PETER G. MUNYA, MGH
CABINET SECRETARY**