KENYA'S SUGAR INDUSTRY
2005

KENYA

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Abbreviations

TCD	Tonnes of cane per day
MT	Metric Tonnes
KG	Kilogram
KSB	Kenya Sugar Board
COMESA	Common Market for Eastern & Southern Africa
KShs	Kenya Shillings
ISO	International Sugar Organisation
WTO	World Trade Organisation
VAT	Value Added Tax
UN	United Nations

Annual Exchange Rates (KShs. to US$)

Year	Rate
1999	70.3
2000	76.2
2001	78.6
2002	78.4
2003	75.9
2004	80.0 (As at 31st August 2004)

For latest rates click on http://www.centralbank.go.ke/cbk/FXrates/archives.html

KENYA

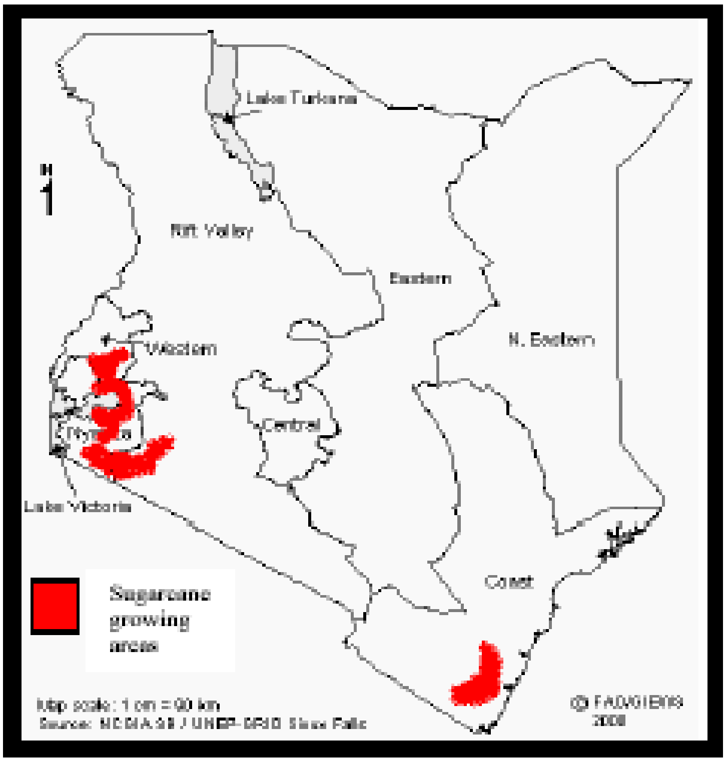
1. Industry overview

Agriculture is a dominant sector in the Kenyan economy accounting for 24% of the country's Gross Domestic Product. The sector is the largest contributor of foreign exchange through export earnings from tea, coffee and horticulture. Agriculture also provides employment and livelihood to a large proportion of the population. An estimated 75% of the population depends on the sector either directly or indirectly. Any changes in the sector, due to its dominance will translate to changes in the whole economy. Hence further investment in this sector remains a priority.

The sugar industry in Kenya dates back to 1922, with the establishment of the first sugar factories. The industry directly and indirectly supports 5 million Kenyans representing about 16% of the entire Kenyan population. Sugar cane growing is also a major source of income to over 150,000 shareholders.

In Kenya, sugarcane is grown on fairly flat regions in the Western, Nyanza and Coast Provinces. About 85% of the total cane supply is from small-scale growers whilst the remaining is from the nucleus estates of the sugar factories.

Map 1: Sugar Cane growing areas of Kenya



The country has 7 major factories with an annual production capacity of between 550,000 and 600,000 tonnes of sugar. By-products from the factories include molasses (mostly for alcohol production), baggase (for generation of power) and filter press mart for fertilizer.

Statistics show that Kenya's consumption of sugar outstrips production. Kenya currently produces about 70% of her domestic sugar requirement. Sugar production has increased from 384,171 tonnes in 1995 to 448,489 in 2003. Consumption also increased from 560,000 tonnes in 1995 to 691,563 tonnes in 2003. The deficit in sugar production is met through imports. There exists potential for Kenya to become and retain self-sufficiency in sugar production and also produce surplus amounts for export. The envisaged expansion and setting up of new factories in the country will help reduce this deficit.

The Ministry of Agriculture has the overall responsibility for the sugar industry development. It also has its representatives in the board of directors of all the sugar mills. Sugar cane research and advisory services to farmers also falls under the Ministry. Government bodies such as the Kenya Sugar Board (KSB) are involved in the policy formulation and implementation. The KSB acts as a technical unit to advise the Ministry in promoting all aspects of producing, processing and marketing of sugar cane, sugar and molasses. The KSB also advises on pricing and necessary legislation for the industry.

Before liberalization of the sector in early 1990s, all sugar manufactured in the country was sold to Kenya National Trading Corporation (KNTC), which was responsible for distribution of the sugar throughout the country. With the advent of liberalisation, factories are now free to sell their sugar through appointed distributors and wholesalers. They have adopted a number of methods for distribution including use of wholesalers, agents, retailers and even individuals. There are now more than 5,000 private wholesalers who buy sugar directly from the factories. Individual traders can also buy directly from the factories.

Growth of the sugar sector is vital to the economic development of the country as this ensures increased incomes and employment to the rural population especially small-scale producers who constitute 75% of Kenya's population. Considerable efforts have been made to promote growth in this sector through systematic process of tariff reduction, removal of price controls thus freeing the market of most of the constraints and imposition of duties on sugar importation. These are all aimed at raising domestic production efficiency to be able to compete effectively with imported sugar.

The supply and demand gap is however narrowing down, as the existing factories are being rehabilitated and expanded while proposals have been made to set up new factories. The Government is also putting in place measures to revive the sector and solve the problems affecting the sector such as uncontrolled importation and non-payment of dues to farmers by the cane factories. Other problems affecting the sugar industry are inefficiency, low productivity, weak management, distortions in the sugar market, inadequate credit facilities for sugarcane development, persistent droughts and fires.

Apart from the increasing demand for sugar in the country, Kenya has the opportunity to benefit from annual export quota to the European Union after being granted the status of an exporting member of the International Sugar Organisation. There also exists a potential market in the COMESA and IGAD regions.

With the increasing sugar consumption, the rapid increase in population and the existing export potential, further production is necessary in the sector and this calls for more investment from both local and foreign investors.

2. Industry structure

There are seven major sugar factories in Kenya with a total installed capacity of 22,150 tonnes of cane per day (TCD), which at full capacity for 300 days a year would produce approximately 550,000 tonnes of sugar. This is short of local demand now estimated at over 600,000 tonnes. The consumption of sugar in Kenya is mainly for direct human consumption and industrial use.

Table 1: ***Installed capacity of sugar factories in Kenya***

Factory	Year Built	Installed Capacity (TCD)
Miwani Sugar Company Ltd (currently closed)	1927	1,500
Chemelil Sugar Company Ltd	1968	3,500
Mumias Sugar Company Ltd	1973	8,400
Nzoia Sugar Company Ltd	1978	3,250
South Nyanza (Sony) Sugar Company Ltd	1979	2,400
West Kenya Sugar Company Ltd	1981	900
Muhoroni Sugar Company Ltd (operating under receivership)	1966	2,200
TOTAL		22,150

Source: Report of the Task Force on Recovery of the Sugar Industry – November, 2002

Two additional sugar factories are currently under development; Busia Sugar Company and Soin Sugar Company. Other potential factory projects include Transmara Sugar Project, Ramisi Sugar Project, Siaya Sugar Project and Kamulamba Sugar Project.

The sugar companies operate under regulation by the Kenya Sugar Board, a public body charged with the responsibility of promoting and fostering the effective and efficient development of sugar cane for production of white sugar. The KSB falls under the Ministry of Agriculture. The sugar sub-sector has been liberalised and the government is in the process of divesting from the industry. There is need to improve the factories by increasing their efficiency through installation of diffusers and to revive the non-operational ones.

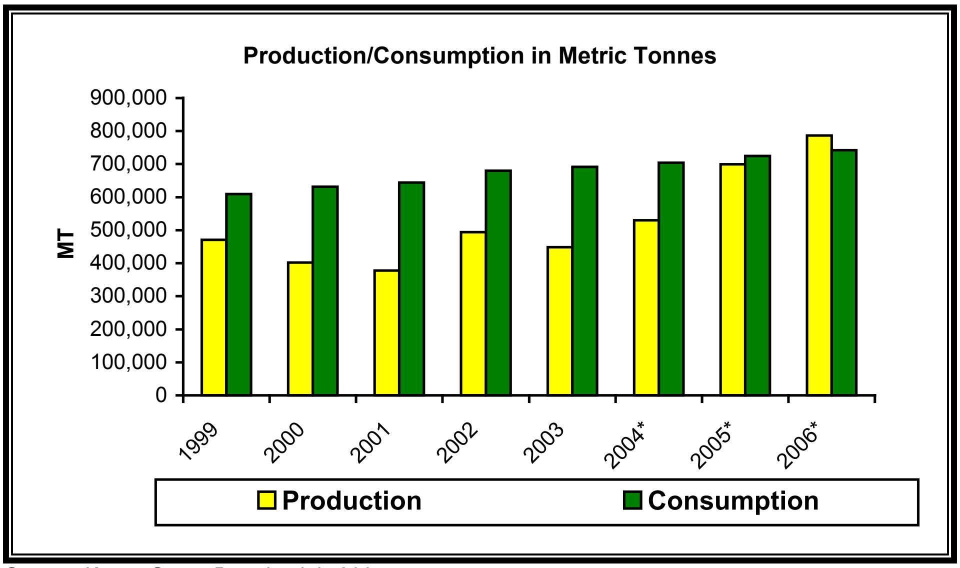
3. Production

3.1 Trend

By the end of the first quarter of 2004, the sugar industry had recorded a remarkable improvement in sugar production compared to the same period in 2003. This production is the best recorded in the history of sugar industry in Kenya, heightening speculation that the 2002 record of 494,249 MT could be broken. Sugar sales also increased immensely as a result of Government efforts to curb illegal sugar importation to end up with stock of 16,660 tonnes compared to 36,367 tonnes at the end of March 2003.

Over the last 8 years, the average production level has been 430,000 MT per year against an average domestic demand of 625,000 MT. This demand is expected to rise to 724,057 MT by the year 2006 as shown in chart 1 below.

Chart 1: Past & Projected Production & Consumption Trends (MT)



Source: Kenya Sugar Board – July 2004
**Projections*

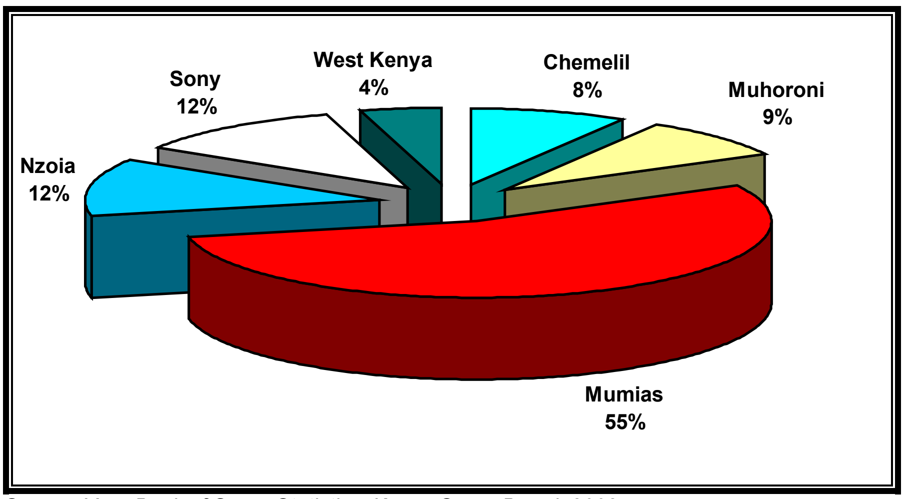
As seen in chart 1 above, though domestic consumption currently outstrips production, the increase in production is projected to surpass consumption by 2006, making the country self sufficient in sugar. This however will only be possible if measures are taken to revive the industry and increased investment into the sector by both local and foreign investors.

Currently, Kenya imports an average of 200,000 MT of sugar to meet the deficit. Of this amount, 111,000 MT is industrial or refined sugar, which Kenya does not currently have the capacity to produce. Refined sugar is an essential raw material in food processing, beverage manufacture, soft drinks and pharmaceutical production. Cane tops and molasses are important dietary supplements for livestock. Molasses is also used as a raw material in the manufacture of pharmaceuticals, alcohol and other beverages.

3.2 Production by Factory

The total sugar production in 2003 amounted to 448,489 tonnes, with Mumias Sugar Company contributing 55% of the total production while West Kenya Sugar Factory had the lowest share of production at 4% of the total production.

Chart 2: Share of sugar production by factory, 2003



Source: Year Book of Sugar Statistics, Kenya Sugar Board, 2003

3.3 Agricultural Performance

Area under Cane

Total area under cane as at the end of the first quarter of 2004 was 107,622 hectares compared to 106,313 hectares in the same period in 2003, representing an increase of 1.2%. The increase was attributed to South Nyanza sugar belt as all the other zones experienced diminishing cane area.

Cane Varieties

In 2003, cane variety Co 945 occupied the largest cane surface with 30,220 hectares, representing 25% of the total area. Variety N14 came second to occupy 28,262 hectares (23%) followed by Co 421 with 12%. A sizeable bulk of the area amounting to 34,968 hectares (29%) was grown with mixed varieties of unknown parentage. Cane varieties Co 331, NCO 376 and B 41227 were in very small quantities occupying less than 0.4%.

Area Harvested, Cane Deliveries and Cane Yields

Total area harvested in the nucleus estates and the out grower farms was 50,468 hectares in 2003 compared to 54,010 hectares in 2002, indicating a decrease of 6.6%. This does not however include the area harvested by non-contracted farmers. As at the end of the first quarter of 2004 (March 2004), total area harvested in both nucleus and out grower farms was 14,722 hectares up from 12,147 hectares in the same period in 2003.

Total cane deliveries for the year 2003 were 4,204,055 tonnes against 4,501,363 tonnes in 2002, representing a decrease of 6.6%. By March 2004, total cane delivered to all the sugar factories was 1,242,465 tonnes compared to 965,416 tonnes in the same period in 2003. This translates to a 29% supply increase. The increase in cane supply to factories was attributed to prompt payment to farmers for cane delivered. The out growers' farms contributed 72.5% of the total cane deliveries, nucleus estates gave 13.1%, West Kenya 5.4%, while non-contracted and Busia zone gave 4.5% each. Mumias factory received 48% of the total cane delivered.

Overall, the sugar industry recorded an improvement in cane yield pf 9.6% to end with 72.25 tonnes per hectare in the first quarter of 2004 up from 65.93 tonnes per hectare in the same period in 2003. Mumias, Nzoia and South Nyanza sugar zones realized improved cane yields while Chemelil and Muhoroni zones reported lower yields in the first quarter of 2004 compared to the same period in 2003.

Table 2: Sugar Cane Yields by Factory in First Quarter of 2003 & 2004

FACTORY ZONE	Yield (T/HA)					
	2003			2004		
	Nucleus Estate	Out Growers	MEAN	Nucleus Estate	Out Growers	MEAN
CHEMELIL	67.49	69.20	68.86	65.55	60.52	61.37
MUHORONI	30.47	58.30	57.39	51.49	58.22	57.30
MUMIAS	62.91	73.49	71.65	65.59	78.50	76.97
NZOIA	76.45	69.19	70.99	87.48	72.80	77.14
SOUTH NYANZA	48.48	48.94	48.78	54.38	79.74	74.13
MIWANI	N/A	N/A	N/A	N/A	N/A	N/A
OVERALL	**61.69**	**67.00**	**65.93**	**67.52**	**73.17**	**72.25**

Source: Quarterly Bulletin of Sugar - Kenya Sugar Board, January – March 2004
**Miwani Sugar Factory was closed*

3.4 Factory Performance

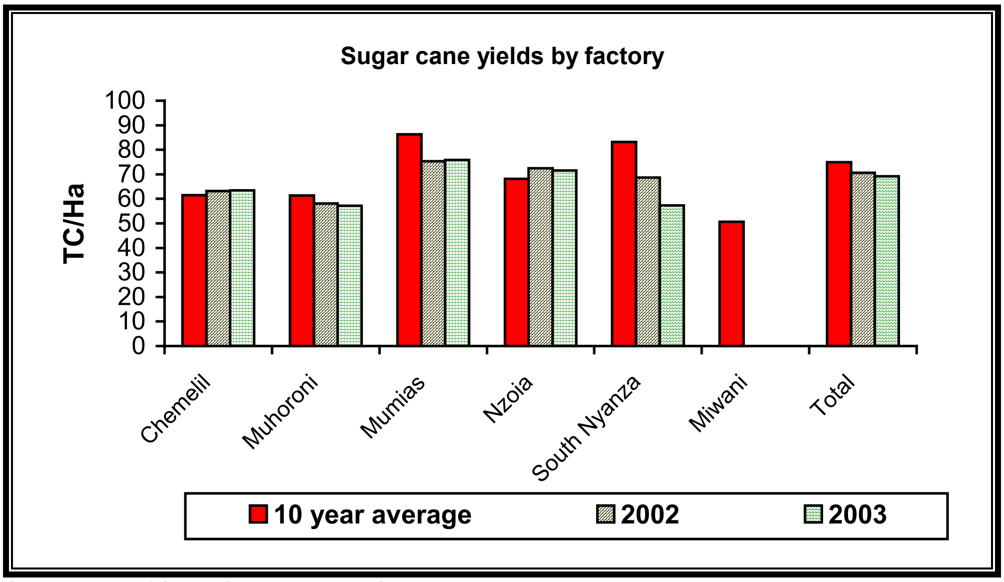
Cane Crushed, Sugar Made and Recoveries
A total of 4,312,992 tonnes of cane were crushed at a sugar recovery rate of 10.4% to make 448,489 tonnes of sugar in 2003. During the year 2002, 4,576,335 tonnes of cane were milled to make 494,249 tonnes of sugar, giving a recovery of 10.7%. Quantity of sugar crushed during 2002 was 24% more than that in 2001.

Time Account
In 2003, the industry registered an actual grinding time of 28,474 hours compared to 30,805 hours in 2002.

During the first quarter of 2004, the gross available grinding time was 13,104 hours, while actual grinding time was 8,903 hours, giving an overall time efficiency of 77.77% with a factory time efficiency of 80.6 % and field time efficiency of 96.4%.

Mumias Sugar Factory recorded the highest overall time efficiency with 90.06%, while West Kenya sugar factory had the lowest time efficiency with 70.13% which was, however, an improvement from 64.29% in the first quarter of 2003.

Chart 3: Sugar cane yields by factory zone in 2002 and 2003 (TC/HA)



Source: Year of Sugar Statistic, Kenya Sugar Board - 2003

As shown in chart 3 above, average cane yields for the industry in 2003 was 69.17 tonnes per hectare compared to 70.67 tonnes per hectare in 2002, giving a marginal decrease of 2%.

The smallholder farmers are the main producers of the crop and they produce about 90% of the cane crushed. Refined sugar, which is wholly imported, is an essential raw material in food processing, beverage manufacture, soft drinks and pharmaceutical products, among others.

4. Market conditions

4.1 Sugar Sales & Closing Stock

Sugar production bagged in 2003 was 448,489 tonnes. Sugar sales for 2003 were 485,215 tonnes compared to 475,386 tonnes in 2002 giving an increase in sales of 2%.

The industry ended up with a closing stock of 14,536 tonnes against 57,105 tonnes in 2002.

As at the end of the first quarter of 2004, a total of 137,013 tonnes of sugar had been sold against 120,666 tonnes in the same period of 2003, giving 13.5% sales increase. The sales increase is an indication of better market opportunities following regulation of sugar imports. Sugar closing stocks for the quarter were 16,660 tonnes against 36,376 tonnes in the same period in 2003.

4.2 Local Market Sugar Prices

Ex-Factory Prices

Ex-factory prices started the year 2003 with a monthly average price of KShs 1,842 per 50-Kg bag (KShs 36,840 per tonne). The prices maintained an upward trend to finish December 2003 at a monthly average of KShs 2,144 per bag (KShs 42,880 per tonne). The year ended with an annual average price of KShs 2,023 per bag (KShs 40,460 per tonne) compared to KShs 1,947 per bag in 2002, representing an increase of 4%.

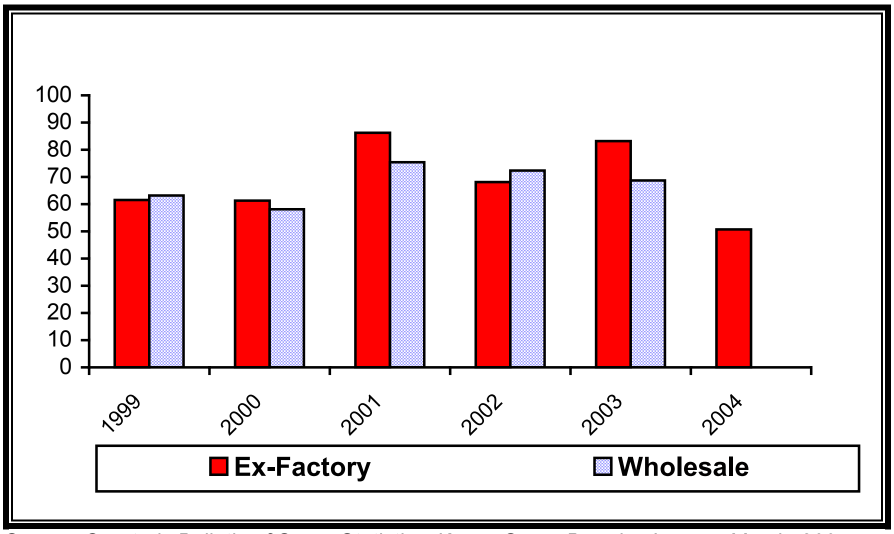
By March 2004, overall ex-factory sugar prices traded in the range of KShs 2,090 to 2,195 per 50-Kg bag to end with a quarterly average of KShs 2,144 per 50-Kg bag (KShs 42,880 per tonne). During the same period in 2003, the prices ranged between KShs. 1,820 and 1,900 per 50-Kg bag and had quarterly average of KShs 1,857 per 50-Kg bag (KShs 37,140 per tonne). The ex-factory sugar prices were therefore 15.5% higher than those dealt in in the same period last year.

Wholesale Sugar Prices

Wholesale prices started the year 2003 at a monthly average price of KShs 1,921 per 50-Kg bag. The prices picked to maximize at KShs 2,252 per bag in June 2003 and then declined in subsequent months with some re-correction after August to finish in December with a monthly average of KShs 2,216 per 50-Kg bag. The year ended with an annual average of KShs 2,098 per 50-Kg bag up from KShs 1,998 in 2002, representing a 5% price increase. The upward trend was mainly attributed to the increasing ex-factory sugar prices and supported by lower availability of cheap imports.

In 2004, wholesale prices opened the year at a weekly average of KShs 2,195 per 50-Kg bag. By the end of the first quarter of the year, the prices were at a weekly average of KShs 2,225 per bag. Overall, wholesale prices traded in the range of KShs 2,148 to 2,270 with a quarterly average of KShs 2,206 per 50-Kg bag (KShs 44,120 per tonne). The average wholesale price for the first quarter of 2004 was therefore 14.9% higher than the same period in 2003. The increase is explained by the higher-ex-factory prices during the period.

Chart 4: Overall average ex-factory & wholesale sugar prices, 1999-2004



Source: Quarterly Bulletin of Sugar Statistics, Kenya Sugar Board – January-March, 2004
**2004 figures are only for the first quarter of 2004 (January to March 2004)*

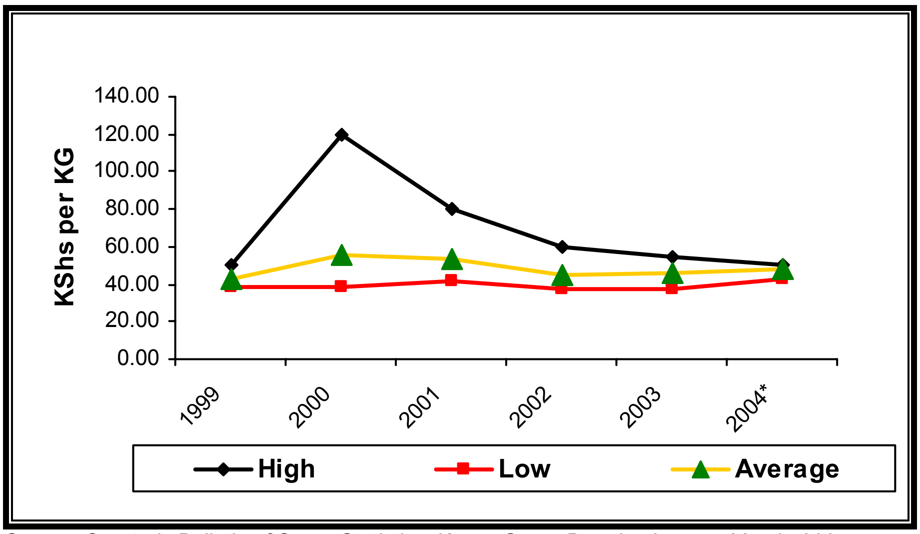
Retail Sugar Prices

Retail sugar prices took a similar trend to that of wholesale prices in 2003. The year started at a monthly price of KShs 42.98 per Kg and then picked gradually to maximize at KShs 49.38 per Kg in June 2003. Price stability was observed in the subsequent months with a marginal decrease to end in December at a monthly average of KShs 48.04 per Kg. The annual average was KShs 46.09 per Kg compared to KShs 44.94 in 2002, giving a price increase of 3%.

In 2004, the retail prices started the year at a weekly average price of KShs 46.50 per Kg. The prices showed some upward trend to maximize at KShs 49.10 towards the end of January and then declined to a low of KShs 46.55 towards last week of February. Subsequent weeks reported increased prices to end the first quarter of the year (January-March) at KShs 49.10 per Kg.

Overall in the first quarter of 2004, retail prices traded in the range of KShs 43.00 to KShs 50.00 per Kg with a quarterly average price of KShs 48.00 compared to the range of KShs 37.50 to KShs 50.00 and an average price of KShs 42.70 per Kg in the same quarter of 2003, representing an increase of 12.4%.

Chart 5: Retail sugar prices, 1999-2004



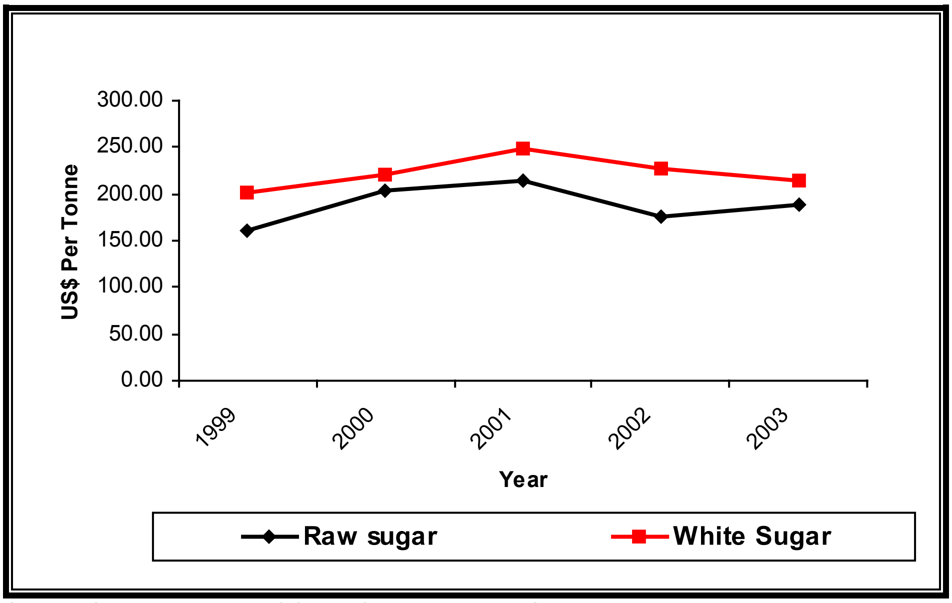
Source: Quarterly Bulletin of Sugar Statistics, Kenya Sugar Board – January-March, 2004
**2004 figures are only for the first quarter of 2004 (January to March 2004)*

4.3 World Sugar Prices

The London Daily Price (LDP) for white sugar traded on a decreasing trend to end the year 2003 with a range of US$ 179.80 to US$ 253.50 per tonne and an annual average of US$ 214.63 per tonne, to give a 6% decrease from US$ 228.21 per tonne in 2002. Raw sugar followed the trends of white sugar to trade at a range of US$ 160.80 to 232.80 per tonne and an average of US$ 188.57 in 2003 compared to US$ 174.96 per tonne in 2002.

Chart 6 below shows comparative world sugar prices (raw and white) for the last 5 years. It is observed that the prices in year 2001 for both raw and white sugar were the highest at US$ 213.67 and US$ 248.98 per tonne respectively. The price of white sugar was higher than the price of raw sugar by an average of US$ 35 per tonne in the five year 1999 to 2004.

Chart 6: London Daily Spot Raw & White sugar prices, 1999-2004



Source: Quarterly Bulletin of Sugar Statistics, Kenya Sugar Board – January-March, 2004/International Sugar Organisation

According to the International Sugar Organisation (ISO) second revision of the world sugar balance for 2003/04, world production is expected to be 614,000 tonnes higher than world consumption. Sugar production is projected to increase to 146.5 million tonnes from 141.49 million tonnes in the crop cycle 2002/03. The current global supply/demand picture is characterized by huge surplus stocks accumulated during the previous seasons of significant over production.

4.4 Prospective Sugar Market

With Kenya's population growing at a rate of 3.3% and the annual sugar consumption growth rate being estimated at 2% annually, the demand for sugar will continue to increase.

Despite the measures taken by the Government and the industry players to improve the sector and attain self sufficiency in sugar production, Kenya still experiences a deficit which has to be supplemented by imports from COMESA and other countries.

Production and consumption of sugar in Kenya shows that by the end of 2003, the country consumed over 650,000 tonnes of sugar against a production of slightly less than 450,000 tonnes. This left a deficit of over 200,000 tonnes that was imported from other sugar producing countries.

The future of the sugar industry is thus potentially good given the unmet demand. Kenya can become self-sufficient in the production of sugar and even produce surplus for export. There exist potential markets in the neighbouring countries of East African Community, COMESA and IGAD regions as well as the European Union under preferential market access arrangements.

With the increasing sugar per capita in Kenya, the rapid increase in population and the existing export potential, there exists an ideal investment opportunity in the sector to further increase production capacity.

5. Legal and regulatory framework

5.1 Government Policy

As a high priority economic sector, the Government has provided comprehensive direction to enhance development of the sector and raise domestic production efficiency for effective competition with imported sugar. These include:

- setting up of importation quotas and punitive customs duty on imported sugar so as to help safeguard the local sugar industry
- written off loans to farmers
- Assisted sugar companies to settle pending payments to farmers.
- Improvement of infrastructure in the sugar belts
- systematic tariff reduction on raw materials and capital inputs
- removal of price controls thus freeing the market

The Government is also in the process of offloading its shareholding in the sugar mills to the private sector. The Government presently controls Chemelil, Nzoia, South Nyanza (Sony), Muhoroni and Miwani sugar companies. Mumias Sugar Company was privatized in late 2001, with government retaining majority shareholding. West Kenya, on the other hand, is privately owned.

A Sugar Arbitration Tribunal has also recently been constituted to resolve unrest and disputes among stakeholders.

5.2 Kenya Sugar Board

Kenya Sugar Board (KSB) is a public body set up by the Sugar Act of 2001 under the Ministry of Agriculture. The Board succeeded the Kenya Sugar Authority, now defunct, and is mandated to:

- regulate, develop and promote the sugar industry
- co-ordinate the activities of individuals and organizations within the industry
- facilitate equitable access to the benefits and resources of the industry by all interested parties

A sugar development levy of 7% of the market price is charged by the Kenya Government on all sugar sales. This levy is collected by the Kenya Revenue Authority and is managed by KSB. The levy comprises the following:

- Cane Development 2%
- Infrastructure 1%
- Factory Rehabilitation 3%
- Grants to Research 0.5%
- KSB Administration 0.5%

5.3 Other Industry Players

The Kenya Sugar Research Foundation (KESREF) is the scientific wing of the industry. Its responsibilities include breeding appropriate varieties of cane, recommending appropriate fertilizers, appraising, studying, developing and monitoring technologies, pest and diseases, agronomic packages, farm machinery, environment and safety issues in sugar. The Foundation also institutes socio-economic studies to enhance the development of sugar as a business, as well as extension activities and collaboration with bodies that can further its mission. The Foundation, established in 2001, is funded by the sugar levy and has its headquarters in Kibos, Kisumu with sub-stations in Kakamega, Mtwapa and Rongo.

The sugarcane farmers belong to representative outgrower institutions including outgrower companies, societies, unions and SACCOS that are currently numbering 13. The institutions are members of the Kenya Sugarcane Growers Association (KESGA), the apex institution for cane growers. The sugar cane millers too have an apex institution representing their interest known as the Kenya Sugar Millers Association (KESMA).

Others include the Kenya National Sugarcane Growers and Employers Association (KNSGEA), a registered union and Kenya Society of Sugarcane Technologists (KSSCT), a non-partisan technical organization for those involved in sugar production, manufacture, direct consumption, transportation and handling of sugar and its by-products.

Other bodies with interest in the industry include the Sugar Parliamentary Committee (SUPAC) composed of members of Parliament and the Sugar Campaign for Change (SUCAM), an independent lobby and advocacy coalition.

6. Reasons to invest in Kenya's sugar industry

Kenya's competitive advantage as an investment destination in the sugar industry is supported by various investor friendly factors that include:

Local market availability
Currently the production in the country does not meet the local demand for sugar, thus creating a shortfall which can be filled through utilization of idle capacity and additional sugar factories. Kenya's population grows at an average rate of about 3% while sugar consumption is assumed to grow at an annual rate of 2%.

Good climate
The western and coastal areas of Kenya offer ideal climatic and weather conditions for the growing and cultivation of sugarcane. With above average rainfall and good temperature supported by deep fertile soil that retains water, these regions produce the bulk of sugarcane in Kenya.

Availability of affordable labour
Sugar cane production requires a supply of relatively affordable labour mainly at harvest time. Kenya offers potential investors with an abundant supply of affordable labour in the sugarcane growing areas.

Regulatory framework
The setting up of a single regulatory body, the Kenya Sugar Board (KSB) ensures that investors get a single source of investment advice on the sector. The sugar companies operate under the umbrella of the Kenya Sugar Board, which is a public body charged with the responsibility of promoting and fostering the effective and efficient development of sugar cane for production of white sugar. KSB is also charged with the mandate of regulating the sector and ensuring the country is self sufficient in white sugar production.

Access to the regional market

Kenya's membership in regional trading bodies such as COMESA, African Union and the East African Community provides potential investors with a large potential market for their products. As a member of the COMESA Free Trade Area (FTA), Kenya is allowed duty free exports of sugar to other COMESA FTA countries.

Kenya also has an export quota for sugar to the European Union. This offers potential investors with a ready and accessible market for white sugar.

Investor friendly arrangements

The Kenya government can guarantee investor friendly arrangements such as:

- the Export Processing Zones (EPZ) program which offers attractive incentives to export-oriented investors and EPZ Authority to provide one-stop-shop service for facilitation and aftercare
- the Investment Promotion Centre (IPC) to promote all other investment in Kenya including in Manufacturing under Bond (MUB) program
- the Tax Remission for Export Office (TREO), a program for intermittent imports for export production
- Generous investment and capital allowances
- Double taxation, bilateral investment and trade agreements

Investment protection and insurance

The Constitution of Kenya provides guarantees against expropriation of private property. In addition, capital repatriation, remittance of dividends and interest are guaranteed to foreign investors under the Foreign Investment Protection Act (FIPA) (Cap 518).

Kenya as a member of MIGA (Multilateral Investment Guarantee Agency) provides investors with an opportunity to insure their investment in Kenya against a wide range of non-commercial risks. Kenya is also a member of the African Trade Insurance Agency (ATI), a multilateral export credit and political risk agency for COMESA member states as well as the International Council for Settlement of Investment Disputes (ICSID).

Strategic location

Located on the East African coast and having the port of Mombasa, Kenya is strategically located for investors wanting to access the East and Central African markets. Kenya is also a regional hub for airlines allowing for easy access from and to any part of the world.

Good quality of life

Kenya hosts a number of international organizations and foreign embassies and provides very good and up to standard living conditions for foreign investors wishing to reside in Kenya. With recognized international hotels, airports and entertainment centres, Kenya provides as much comfort for foreigners as in any European capital.

Stable political climate

Kenya has been one of the very stable countries in Africa since independence. The country has had three presidents with smooth transition taking place from one government to the next and peaceful elections held regularly. This is also manifested in the number of international and regional organizations headquartered in Nairobi including the UNEP, IGAD etc.

Current divestiture programme in the industry

The government is currently divesting its shares from most of the sugar factories. This provides an attractive opportunity for private sector investment.

Other incentives for investment include:

- Potential for adequate raw materials.
- Existing export quota to the European Union.
- Existing Regional and International trade protocols offer market opportunities.
- Existing industry driven strategy to revitalize the industry with the ultimate goal of attaining world-class standards.
- Strong industry knowledge base.

- Affordable credit.
- Existing production capacity.
- Existing skilled human resource.
- Research and development capability.
- Consumer loyalty.
- Existing infrastructure.
- Ready demand for sugar and co-product.
- Abundant potential for irrigation

7. Investment opportunities

The following are some of the investment opportunities available in the sugar sub-sector: -

- Establishment of white sugar refineries to meet the domestic demand of industrial sugar.
- Establishment of new factories especially in high-potential areas.
- Financial support to the small and medium scale out-growers
- Investing in any of the five factories where the Government is in the process of divesting.
- Rehabilitation and expansion of existing factories to meet the rising demand and production of surplus for export.
- Utilisation of sugarcane by-products:
    - Bagasse for: Electricity generation
      Production of briquettes
      Paper industry
      Fuel to supplement steam to provide energy for the factories
    - Molasses for: Alcohol production
      Vinegar production
      Supplement for livestock feed
    - Filter cake can be used as an organic fertilizer and as soil conditioner

Other investment opportunities currently available include:

- Expansion of existing irrigation programmes for higher yields.
- Expansion and rehabilitation of roads infrastructure in the sugar belt.
- Capacity building for out grower institutions within the sugar industry.
- Financial support for small and medium-scale farmers.
- Crop diversification to optimise on income.
- Research programmes for varietal development to obtain high yielding, drought and disease resistant varieties.
- Research into affordable and appropriate technology.

8. Sugar manufacturing companies

NAME	ADDRESS
Chemelil Sugar Company Ltd	P.O. Box 287 Muhoroni Tel: 254-57-51527/51534/35
Mumias Sugar Company Ltd	P.O. Box 132 Mumias Tel: 254-56-41620/1 Email: mumiassogc@africaonline.co.ke
Miwani Sugar Company Ltd.	P.O. Box Private Bag Miwani Tel: 254-57-22551/52/05/50 Fax: 254-57-22550
Nzoia Sugar Company Ltd.	P.O. Box 285 Bungoma Tel: 254-55-20741-3 Fax: 254-55-30001 Email: nzuco@africaonline.co.ke

NAME	ADDRESS
South Nyanza Sugar Co. Ltd.	P.O. Box 107 Sare Awendo Tel: 254-59-43620 Fax: 254-59-43245 administrator@sonysugar.co.ke
Muhoroni Sugar Co. Ltd.	P.O. Box 2 Muhoroni Tel: 254-57-51047/51494/51016 Fax: 254-57-51148 Email: musco@swiftkisumu.com
West Kenya Sugar Company Ltd	P.O. Box 2101 Kakamega Tel: 254-56-20790/20896/7 Fax: 254-56-20895/30555 Email: sugar@africaonline.co.ke

9. Useful contacts

Ministry of Agriculture & Rural Development
Kilimo House, Cathedral Road
P.O Box 30028
Nairobi, Kenya
Tel: 254-20-718870
Fax: 254-20-720586
Web: www.agriculture.go.ke

Ministry of Trade and Industry
Telposta Towers,
Kenyatta Avenue
P.O. Box 43137 Nairobi, Kenya
Tel: 254-20-315001-4
Fax: 254-20-315011
Web: www.tradeandindustry.go.ke

Kenya Sugar Board
Sukari Plaza, Off Waiyaki Way
P.O. Box 51500-00200
Nairobi, Kenya
Telegram: "KENSUGAR"
Tel: 254-20-631880/642/697/767/762
Fax: 254-20-630853
Email: ksb@africaonline.co.ke

Investment Promotion Center (IPC)
National Bank Building, 8th Floor,
Harambee Avenue
P.O. Box 55704-00200 Nairobi,
Tel: 254-20-221401-4
Fax: 254-20-336663
Email: info@investmentkenya.com
Web: www.investmentkenya.com

Kenya Society of Sugarcane Technologists (KSSCT)
P.O Box 1681
Kisumu
Tel: 254-57-41821
Fax: 254-57-22031

Export Processing Zones Authority (EPZA)
Administration Building
Athi River EPZ, Viwanda Road
Off Nairobi - Namanga Highway
P.O Box 50563, 00200 Nairobi
Kenya
Tel: 254 45 26421-6
Fax: 254 45 26427
Web: www.epzakenya.com
Email: info@epzakenya.com

Kenya Revenue Authority
Times Tower, Haile Selassie Avenue
P.O. Box 48240, City Square Nairobi
Tel: 254-20-310900/315553
Fax: 254-20-316872
Web: www.revenue.go.ke

Export Promotion Council
Anniversary Towers, 16th Floor,
University Way
P.O. Box 42047 Nairobi, Kenya
Tel: 254-20-228534
Fax: 254-20-218013/228539
Email: chiefexe@epc.or.ke
Web: www.cbik.or.ke

Kenya Sugar Research Foundation (KESREF)
Kibos Headquarters
P.O Box 44
Kisumu
Tel: 254-57-43672/43812
Fax: 254-57-23649

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10. Sources of information and glossary

- Ministry of Agriculture
- Kenya Sugar Board
- Food and Agricultural Organisation – FAO
- Ministry of Trade & Industry
- Kenya Revenue Authority
- Investment Promotion Center
- Central Bureau of Statistics
- International Trade Statistics - http://www.intracen.org/tradstat
- www.kenyaweb.com
- EPC - Export Promotion Council
- KEPHIS - Kenya Plant Health Inspectorate Services
- Kenya Sugarcane Growers Association
- Kenya Sugar Research Foundation (KESREF)
- International Sugar Organisation

Reference:

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- Quarterly Bulletin of Sugar Statistics January-March 2004
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