‘Coffee Is a Sentimental Crop, but You Cannot Eat Sentimentality’

By Dauti Kahura

On August 2, 2019, the Kenyan government finally put the troubled Kenya Planters Coffee Union (KPCU) under administration. Peter Munya, Cabinet Secretary for Trade and Industrialization said the government had liquated the union because of gross mismanagement.

KPCU, the oldest farmers’ union in the country, and the biggest employer in the agricultural sector in the 1980s, has undergone many trials and tribulations.

“The union [in the 1980s] was so cash-rich that some influential Kanu party mandarins would make it borrow money from ‘good’ banks, which was actually a scheme to launder and siphon money from the union,” said a top-level KPCU insider, who spoke to me strictly in confidence, because he is not authorized to speak on KPCU matters to a journalist, and also because discussing KPCU is a dangerous subject matter, of life and death. “Some of these men would deliver 10 bags of coffee and claim they had delivered 1000 bags, getting paid for one hundred times what they had actually brought in,” said the insider.

Then, as now, there was no robust system of records at KPCU; many of the transactions were not recorded and therefore, it has always been difficult to prove anything, he said. KPCU was a monopoly because all coffee had to be milled by the union, before the liberalization in 1994. “KPCU was not only the only miller, it was the only seller of coffee," said the insider.

One of the biggest problems that later came to haunt KPCU for the longest time is that it also operated like a bank for coffee farmers. It would lend the farmers money to buy land, for example, to expand their coffee acreage. "Many of the farmers who borrowed money from KPCU were not your ordinary small-scale farmer, but the big-time plantation farmer. With the new regulation in 2001, officially allowing for independent millers, majority of these KPCU loan defaulters refused to pay back the money they had borrowed from the union… they just took their coffee to independent millers from then on," said the KPCU source.

And that is partly how KPCU found itself in trouble: the people who borrowed money then from KPCU remain some of the wealthiest and most influential men in the country to date.

"The list of KPCU creditors is the who's who – some in politics, some in the civil service and others in the private businesses. The ones in private business have powerful connections to those in the politics and public service. They are untouchable,"saidthe insider."To date, KPCU is probably owed KSh4 billion by the big-time coffee farmers who have bluntly refused to pay the loans they took from it."

At its peak, KPCU sold 120,000 bags of coffee. That was in the 1980s. "Today, it barely sells 30,000 bags, most of it smuggled from Uganda," said my source. "Made up of 16 board members, only two have post-secondary education, the rest are semi-illiterate and they are in their 70s. The board is a proxy of a powerfulcartel that still runs KPCU like a fiefdom. With a workforce of about 40 employees, the board is right now kicking out anyone who is not related to its members, now that the union has been taken over by the government. At KPCU, the name of the game is blood loyalty. Period."

In January, 2018, the former Cabinet Secretary for Agriculture, Livestock and Fisheries, Willy Bett, asked the Auditor General to do a forensic audit at the KPCU. "The Auditor General Edward Ouko and his team spent six months at the union and found out that the government owed KPCU about KSh270 million – this is the loan that could be ascertained. If you calculate the base interest rate of about 7–8 percent compounded over a period of 20 years, KPCU would be in a position to comfortably repay its debts and revive its operations," observed the source. The KPCU insider said there was another KSh200 million that the government allegedly owed the union, "but the money cannot be ascertained because records could not be found."

The saga and the multifaceted problems bedeviling the coffee farmer in Kenya is a sad story, which can make one break down with emotion over their tribulations.

Tounderstand the woes of the Kenyan small coffee grower,I took a trip to Irembu Farmers Co-operative Society Ltd in Murang'a County, 70km north-east of the capital city Nairobi. Located eight kilometres off Maragua town, the coffee factory yard looked desolate and forlorn. There was a deathly air to it. There was zero activity. The existing infrastructure had been let to rust and rot.

A once thriving factory that in its heyday turned over 60,000kilograms of coffee in one day, and upward of 1.2 million kilograms a year, Irembu Farmers Co-operative Farmers Society is a microcosm of the sorry state that is Kenyan small-scale coffee growers find themselves in today.

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I was met by the society's secretary-cum-manager, Salome Wanjiru, a middle-aged woman in her late 40s, who has worked in the coffee industry for more than two decades. "Irembu used to serve 700 members during the halcyon years," said a nostalgic Salome. "The factory was so busy, it was not unusual for farmers to trans-night at the factory waiting for their turn to hand in their coffee berries."

That now was in the past. The coffee racks that were used by the factory workers to dry the coffee berries had fallen apart, the wooden stumps half-eaten by termites. The grinding machine is derelict, the manager could not recall the last time it had crushed coffee berries.

"The coffee woes begun in the late 1980s with the onset of the liberalization," said Salome. "When the free-market policies set in proper in the 1990s, the small-scale coffee grower found it really hard to contend with the new arrangement: of independent millers and freestyle marketing, in which he ceded control of his produce." The liberalization was as a result of the introduction of Structural Adjustment Programmes (SAPs), brought about by the Bretton Woods institutions: the World Bank and International Monetary Fund (IMF).

"During KPCU days, the small-scale coffee grower enjoyed subsidies from the government", said Salome. "The government in conjunction with the Co-operative Bank – known countrywide as the 'farmers bank' would supplement the coffee farmer with farm inputs such as fertilizer and loan advances." Today there are about 20 independent millers, and hearing Salome speak, it seemed to me the farmers' woes have multiplied twenty-fold.

"I was educated with the coffee money," Salome ventured to tell me. "All that my father needed to do is walk into a Co-op bank branch in Murang'a and show the manager his coffee factory delivery number, and he would be loaned money for school fees." Her story – the story of how she was educated with coffee money is a narrative replicated many times in the lives of many Kenyans from Central Kenya – some of them now influential people in the civil service and politics.

But with liberalization, the emergence of independent millers and coffee brokers put an end to all that. Salome did not mince her words: the government of the day has neglected the small-scale coffee grower. I asked her why. "The small-scale coffee grower has continued to languish in mounting debt and searing poverty, all the while the government looking askance, leaving the farmer mercilessly at the hands of insidious brokers and ruthless millers."

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Irembu Farmers Co-operative Society – like many of the coffee co-operative societies across the country–enjoyed its last merry days in the early years of the 1990s. "If my memory serves me right, the years between 1993–1996 were the last time the coffee farmer enjoyed the fruits of his labour," said Salome. In those years, a kilo of coffee berries averaged KSh40. But in 1997–1998, things changed abruptly: the Irembu farmer was only advanced seven shillings. "After we took our coffee to KPCU, no money was paid for the coffee delivered. What shocked the farmer even more, is that, he was told, he owed money to the co-operative running into hundreds of millions of shillings."

In the intervening years, the small-scale coffee grower has sunk into despair and hopelessness. Many coffee farmers are now engaged in subsistence farming. Salome showed me erstwhile coffee farms that had been turned into banana and maize farms. "Coffee is a sentimental crop, but you cannot eat sentimentality," she said. Farmers have agonized over whether to uproot the coffee tree, many have gone on to do so, embittered by the deteriorating coffee prices and their helplessness in controlling the marketing chain.

One of the farmers that has been mulling over whether to uproot his coffee trees is Samuel Kimari. Kimari has been growing coffee on his five-acre farm in Kigumo, also in Murang'a County. He recounted how over the years, the coffee prices have plummeted to a miserly Sh30 per kilo – adjusting for inflation, this is measly. "This is notwithstanding the huge expenses of employing labourers, buying fertilizer and sowing the land," said Kimari. "The coffee farmer, unlike his counterpart the tea grower, is at the mercy of the coffee cartels which include the collusion of millers and coffee dealers."

Once the farmer has taken his coffee to the millers, he ceases to have control over his coffee berries, said Kimari. "You cannot even be sure whether the miller is selling your coffee or indeed what has happened to it." It is the miller who decides how much a farmer is going to be paid for his coffee berries. "The miller collects your coffee, markets it and pegs the price on how much he is going to pay for your coffee, all rolled into one."

Small-scale coffee farmers in Kenya are treated like slaves, Peter Mwangi Njoroge told me in Maragua town. He is small-scale coffee grower, chairman of Kenya Small-Scale Coffee Growers Association (KESCOGA), a lobby group formed 10 years ago to agitate for the voice of the small-scale coffee growers countrywide. "We read in history that slavery was ended by Abraham Lincoln in the US, but here in Kenya, the coffee farmer is still very much a slave," lamented Njoroge. "Our leaders have been compromised by the coffee cartel, they look the other way as the coffee farmer is brow beaten by the millers who keep the farmers money."

Njoroge's organization, which represents some of the 700,000 small-scale coffee growers countrywide, hopes to resuscitate the small-scale grower coffee farming. Yet, in between animated conversation about the glorious days of coffee farming, skepticism will creep in and he will say something like, "if the government does not do something about the coffee industry woes that have gone on for far too long, coffee farming will soon die and there will be no coffee to drink – here and abroad."

Njoroge reminded me that Kenya grows one of the best coffee varieties in the world, Arabica, but because production volumes are low, Kenyan Arabica is used to blend with other coffee types like Robusta grown in South America, or in neighbouring Uganda, to come up with a coffee taste that sells all over the world. "Without our coffee, the world would find little to enjoy in drinking one of the finest coffee brews," said Njoroge.

But, be that as it may, the story of the coffee problems in Kenya is half told if you have not spoken to the club of the big boys who have been growing the crop on large scale plantations. Kiambu County, also in Central Kenya, has been the cradle of coffee growing, since the cash crop was introduced in 1893 by the Scottish missionaries.

As luck would have it, I met Josephat Njoroge and his wife, who are looking for a joint venture to turn his 220-acre coffee plantation into a real estate project. The farm is located just on the outskirts of Kiambu town. "I cannot take it anymore. I have been saddled with so much debt; the bank has been threatening me with auctioning my land if I do not pay their money," Njoroge told me in the middle of phone calls with potential partners for the JV.

At $990 billion traded in coffee every year, "coffee is the second highest quoted commodity in the world's stock exchange after oil, but look at the coffee farmers in Kenya. They live like paupers," said a disenchanted Njoroge. The global coffee enterprise is an upward of $100million (Sh1 trillion dollars), but hardly a fifth of this money reaches the farmer.

The election of Mwai Kibaki in 2002 brought hopes that the coffee sector would be reformed, seeing that Kibaki was from a coffee-growing area and so he must have understood how the coffee farmer was struggling and had been impoverished by the coffee cartels. To his credit, Kibaki reactivated the Stabilisation of Export Earnings – Stabex – a fund provided for by EU-ACP that channelled money through Co-operative Bank, money that was meant to be advanced to farmers, with as low an interest as five percent per year.

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"Yet no sooner had Co-op bank advanced us the Stabex money, than the bank said the money had dried up," said an agitated Njoroge, who told me the bank now started asking the farmers to pay a 12% rate. "But that was not even the killer. The bank ordered the interest rate to be paid in dollars," explained Njoroge. "That is when I knew my time was up with coffee growing business." The bank is now asking the government for an extra Sh1.5 billion, said Njoroge.

Njoroge was unequivocally blunt: "In Kiambu coffee growing will be a thing of the past – make no mistake about it. Look around at the biggest coffee farms in Kiambu – nearly all of them have turned their back on coffee."

A cursory glance at the plantations confirms Njoroge's assertions. Socfinaf– one of the largest coffee estates – had converted part of their sprawling Tatu estate into a golf course; a full 600 acres of it. Seven hundred and seventy four acres of the Migaa coffee estate is now scheduled for a gated community housing project next to Ruiru town. Cianda coffee estate, which belonged to the late Kiambu veteran politician Njenga Karume, uprooted the coffee and planted tea instead – all of the 1,000 acres.

Talking of selling, it is allegedly believed Kiamara estate, which is also on the outskirts of Kiambu town–1,000 acres and that belongs to James Karugu, a former Attorney General– has been sold. Karugu's Kiamara estate is right next to Ibonia estate, 1,000 acres all under coffee. Ibonia is owned by "Sir" Charles Mugane Njonjo, the only coffee estate that seems to be doing well. "I really would like to know how Njonjo has been so successful in his coffee growing," Njoroge mused loudly. "He is the only coffee farmer among the big boys who has not hinted he is about to sell his plantation."

Even Kibubuti Farm – a whole 2,000 acres all under coffee has been reconsidering uprooting the coffee trees and converting the land into real estate. Kibubuti is owned by Mike Maina, a hotelier who runs Marble Arc Hotel in Nairobi.

Outside the cradle of the coffee belt in Kiambu, the other area that grew coffee on a large scale was in Kitale. An agricultural settler-like town, Kitale was home to 4,000 acres of land under coffee. The giant farm was called Wamuini Co-operative Society. The farm was run by farmers from Nyeri County. It was divided into Wamuini A, Wamuini B and Wamuini C, etc. But even this humongous farm could not withstand the complexities of what had become the coffee woes of Kenya. The farmers gave up on coffee and now the plantations have been turned into maize and assorted fruits farms.

Like his counterparts, from the small-scale coffee growers, Salome and his namesake Njoroge of KESCOGA, Njoroge believes the 20 millers or so are part of the cartel that have ensured the coffee farmer does not reap from his coffee farming. They are all agreed that the government must step in and reign in on the cartels, give the farmer control over his produce and stabilize the coffee prices. “Coffee is a sentimental crop, no coffee farmer is happy to see his plantation, big or small, turned into concrete jungle,” said Njoroge.

“It is a paradox that coffee farmers did well when KPCU was the only miller in the country,” Njoroge from Kiambu said sadly. It was during this time when the troubled Mbo-i-Kamiti Farm (1,500 acres), one time produced a third of all coffee grown in Kenya. “It is a record that has not been broken to date,” summed up Njoroge.

Will the mess at KPCU and in the coffee sector ever be solved, I asked my KPCU insider source. “Yes. But not by opening the Pandora’s Box. The individuals who owe KPCU money, plus those who have corrupted the industry, include some of the most powerful men in Kenyan politics today. They will fight back because they owe hundreds of millions to KPCU and have no intentions whatsoever of repaying that money. They, therefore, will do anything to stop whoever is pursuing them. Hence, opening the can of worms is an exercise in futility.

“What the government should do is pay back the monies it owes to KPCU, ensure farmers are paid their rightful dues and start afresh. As for the individual defaulters – a truth and reconciliation type of commission should be constituted for the powerful men – to seek penance and be remorseful for their criminal sins.”

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