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SESSIONAL PAPER NO.1 of 1973

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GOVERNMENT GUARANTEE FOR A LOAN BY THE DANISH TURNKEY DAIRIES THROUGH THE DANISH MINISTRY OF COMMERCE (EXPORT CREDIT COUNCIL) TO THE KENYA CO-OPERATIVE CREAMERIES LIMITED. THE GUARANTEE (LOANS) ACT. CAP. 461

In accordance with the provisions of the Guarantee (Loans) Act. Cap. 461, the following information is laid before the National Assembly relating to a Guarantee which the Kenya Government proposes to give to the Kenya Co-operative Creameries Limited in respect of a loan in Danish currency equivalent to DKr.8,724,961 or K£441,558 at the prevailing rate of exchange by the Danish Turnkey Dairies Limited to the Kenya Co-operative Creameries Limited.

The interest rate of the loan will be in accordance with the official Danish discount rate which is at the moment 7%. This is calculated on the total amount of the loan.

The loan is repayable over a period of 10 years with 2 years grace period. The repayment will start 2 years after the shipment of goods which will be in March, 1975. The terms of repayment will be 8 equal yearly bills plus interest.

The Kenya Co-operative Creameries Limited has asked the Danish Turnkey Dairies Limited for a loan which will be financed through the Danish Ministry of Commerce (Export Credit Council) for the extension of the K.C.C. Kitale dairy factory. The intake of milk in the Kitale/Eldoret area is beyond K.C.C. reception and manufacturing capacity. This situation persisted for the whole of last year and in particular since July, 1971 when the Presidential decree was issued raising the price of liquid milk to Shs.3/50 per gallon or 77 cents per litre. The intake of liquid milk will no doubt continue to rise. Milk powder has a lucrative market and it is particularly in high demand in Tanzania for her recombining programme. In addition, Nestles, continue to favour this product and their demand for it is very high. Other potential markets include markets in Japan, Zambia, United Kingdom, Uganda, Rwanda, Burundi and even Kenya. The nett realisation for this product is good. It is especially good for "Safariland" milk powder packed in tins and polythene bags. These are good for local and export markets.

The Kitale factory extension will raise the manufacturing capacity of K.C.C. by 30,000 gallons of milk. In other words, the Kitale factory will have a drying capacity of 30,000 gallons (milk powder). This additional capacity of manufacturing facilities in the Kitale area, will cope with the increased intake of liquid milk from the suppliers in the Kitale/Eldoret area where the intake of liquid milk from farmers to K.C.C. factories has been higher than ever before, and the two K.C.C. factories at Kitale and Eldoret with the present manufacturing facilities have not been able to handle all the milk delivered for manufacturing.

From the economic and development point of view, the project should be accorded high priority.

Danish Turnkey Dairies Limited have been supplying machinery for manufacture of dairy products to Kenya Co-operative Creameries Limited for some years now. They supplied K.C.C. with machinery for a dairy factory at Sotik and are supplying milk coolers to our suppliers (dairy farmers) who have placed firm orders for such coolers.

K.C.C. will repay the loan from a capital levy of 1 cent per litre of milk which was agreed as per K.C.C. memorandum, Ref: No.MD/F.14a/464/DRS dated 21st March, 1972 in the meeting held between the Minister for Agriculture, the Minister for Finance and Economic Planning including their respective officials and K.C.C. A provision for loan repayments whereby a capital levy of 1 cent per litre of milk will be instituted. In 1972 the estimated intake of liquid milk is 232,900,000 litres and at 1 cent per litre this will amount to £116,450 per annum. Over a period of 10 years which is the duration of Kitale Loan, we shall have completed paying the loan. The total Loan for Kitale is £441,558. The capital levy collected so far up to the end of September is £58,671.

The current total contingent liability of the Kenya Government in respect of guarantees given under Section 3 of the Guarantee (Loans) Act (other than those specified in the Schedule to the Act) amount to K£90,420,976. With the guarantee of K£441,558 proposed in this Sessional Paper the aggregate will be increased to 90,862,534 of which K£33,809,705 will fall within paragraph (a) and K£57,052,829 within paragraph (b) of Section 3 of the Act.

Ministry of Finance and Planning,
The Treasury,
P.O. Box 30007,
NAIROBI.

5th December, 1972.

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