

**SINENDET TEA MULTI-PURPOSE  
CO-OPERATIVE SOCIETY LTD  
P.O BOX 2147 - 20200,  
KERICHO.**

5<sup>th</sup> January 2024

Dear Members,

We hope that you and your family had a wonderful festive period, taking time to reflect on the past year and to consider the journeys each of us has in the coming year and beyond. This blessed period allows us to celebrate our successes, consider the challenges that we have faced, all the while enjoying time with family and celebrating the protection and bounty that our Lord provides us.

**Reflections on our journey so far**

We started this Co-operatives Society in 1989 with the name Kericho Rural Multipurpose Cooperative Society Limited with, among others, Nehemiah Suge, late Kipngeno Arap Ngeny, Joseah Sang, CPA Paul Chirchir, late Kipkalya Kones, late Antony Kimetto and late Ayub Chepkwony (also known as the pioneers of giant Cooperatives in Kericho and Bomet) as our founding members, who inspired us as a community to embrace the co-operative movement and to use our collective strength of numbers as a community to enter into large-scale tea farming. Until then large-scale tea farming was largely the preserve of multinational companies and a few prominent politicians from outside Kericho and Bomet. This is despite the fact that the local community through cooperatives could afford to purchase the large scale tea estates.

As such in 1995 we acquired the 372.83 Hectares comprising Tentwet, Saosa and Cheronget/Marmara estates from Nyayo Tea Zone Development Corporation. We wound up Kericho Rural Multipurpose Cooperative Society Limited and registered in its place Sinendet Tea Multipurpose Cooperative Society Limited in 2002. Many will recall the personal sacrifices that were made by the 18,935 strong memberships at the time to raise the funds. We also appreciate the support we received from Imarisha Sacco (Formerly Kipsigis Teachers Sacco) who raised funds towards the purchase of Nyayo Tea Zone Farm.

Ownership of tea plantations has always been our core goal, and we recognized that to achieve this, strong corporate governance and management was going to be a core pillar. I recall in those initial days Nehemiah Suge, late Isaiah Cheluget and late Dr. Richard Koech constantly urging us to stay the path. We also benefitted from having amongst the membership and the board, individuals who have strong corporate and public sector backgrounds, who were instrumental in helping us tackle the inevitable challenges that are experienced in business. This allowed us to build our capabilities and confidence.

With the profits of our initial investment we have diversified into real estate with the Sinendet Towers building in Kericho town, further cementing our commitment to the economy of the tea highlands of the Rift Valley. We also appreciate the support we received

from Co-operative Bank of Kenya to raise the balance of the funds to develop Sinendet Towers, a loan which we have since repaid.

We have strong partnerships with fellow Cooperatives Societies including Mau Tea, Kenya Highlands SACCO, Imarisha SACCO and Kipsigis Highlands with which together we constitute direct membership of 350,000.

#### Search for further investments in the tea sector

As a board of directors, we have reflected on how to continue to increase our presence across the tea value chain. We have taken note of several themes in the tea sector and believe that we should be a core part of actively driving its future and not a passive participant.

Some of these themes include:

- **Share of Value** - the continued wide gap between the retail price of branded tea in key markets and the price paid to the producers of black tea. A casual review of UK online supermarkets shows branded everyday tea selling at more than five times even the most premium of Kenya's tea marks. This margin increases considerably when one considers the premium tea brands. As such we need to consider marketing Kenya's origins more effectively by educating consumers and brand owners around the world through on the characteristics of Kenyan tea and differentiation between different Kenyan marks.
- **Effective partnerships** - Too often, Kenyan teas are included in blends sold to international consumers, but rarely marketed as a named origin of quality. We need to partner with brand owners, private label manufacturers and retailers to address this and find a commercial reason to make this interesting for all parties, for instance (a) the increasing need for food traceability; (b) being responsive to ever-changing consumer tastes; and (c) embracing new pricing models where risk and reward are shared as partners. There is some precedent for this, particularly in Kenya's own floriculture and horticulture sectors.
- **Mechanisation** – in recent years, we have witnessed the introduction of tractor mechanised harvesting in Kericho. Mechanisation has a valuable role to play in reducing the cost of production, but the path towards mechanisation needs to be managed sensitively with all stakeholders. We have worked with industry experts to identify a path towards mechanisation that takes these factors into account. This path has been labelled 'responsible mechanisation.'
- **Agronomy and Climate** – we also recognise the need to improve agronomy practices and to adapt to climate change to ensure that our industry is not only sustainable, but ideally regenerative.

We should also appreciate our broader role as Sinendet as an important investor in the Rift Valley tea highlands region. Our broad membership brings with it the ability to aggregate capital, but also brings knowledge, skills and networks of our individual members. As such we have a responsibility to be active participants in growing our local economy by ensuring that sectors in which the region is competitive (in this case agriculture) receive our support and active engagement. This is imperative as we have a youthful and growing population and yet there are limited employment opportunities in the region and indeed in Kenya as a whole. So we have to be creative and entrepreneurial to develop business models so that our land can create broader economic opportunities for the region.

In 2023, there were reports in the international press of the intentions of certain multinationals to exit their plantation assets. In one case, James Finlay Kenya, this has already occurred. We saw the ownership of a large-scale tea estate change from one foreign owner (the British-owned Finlays) to another (the Sri Lankan-owned Browns Investment). In fact, this change of ownership has raised many questions in the community - especially given the historical context of this land in the Rift Valley tea highlands.

Whilst the historical context of this land is an important consideration, we must start focussing on the role of these large plantations in developing the local economy for current and future populations. We believe the local community should have substantial shareholding of these large tea estates operating across our ancestral lands, with a clear path to majority shareholding.

But when? And how?

In fact, during 2023, Sinendet took steps to start to pursue this path. It is not widely known, but we approached the parent company of James Finlays Kenya with an offer to acquire shares. Our proposal was for Sinendet to acquire a significant stake in the business (greater than the 15% offered). However, we were unable to convince the seller and they remained with their original plan.

A new model for the ownership of large-scale tea estates is needed. So, during 2023, we have partnered with senior former executives from the international tea and plantation industry to develop a better alternative. **Together, we have developed a better alternative model – a new model for the ownership and operation of large-scale tea estates that is fit for the 21<sup>st</sup> century.** This new model finally lifts the shadows of the past and places the local community in its rightful position so that our future generations can benefit.

In our new model, our consortium of cooperatives is partnering with the senior executives and their investor base to build a modern tea agri-business centered around the Rift Valley tea highlands. At the outset the cooperatives shall have a substantial shareholding and we shall also introduce a charitable community trust as a shareholder, so that part of the profits will be available for local social projects. Between the cooperatives and the community trust, we anticipate the local community will have majority shareholding. The seasoned and senior tea executives will provide management and develop our young managers into operators of a modern tea agribusiness. We believe that this model not only addresses the historical question of the local community's participation in the economic value of the tea estates, but it also places the business in an even stronger position to face the future with the support of the local community. This future will not only see the continued development of the tea business, but will also develop alternative sources of revenue including alternative crops, tea tourism and related service businesses, which will create new employment opportunities.

To pursue our goals, we have strengthened our partnership with other local co-operatives, some of which are represented on our board and some of which we are invested in, making our collective even stronger.

In 2024, together with our partners, we continue to pursue acquisition opportunities. Such discussions are sensitive and can be protracted, but - rest assured - we shall provide more detailed communication.

Success will require us to raise more capital from members. We acknowledge that this is not necessarily a time of surplus for many. However, even when we started Sinendet, it was a challenge, but that sacrifice has borne fruit for us. We should embrace the opportunity to create an even bigger legacy for generations to come.

#### **Appreciations**

We appreciate all the founder members for their initiative and foresight. We also appreciate our membership for the contributions that you have made and for fostering the spirit of collectiveness that holds us together. Your confidence in the board is a constant reminder of our responsibility to you.

Finally, I thank my fellow board members and management for the time that you have committed, the diligence of our deliberations and your unwavering commitment to good corporate governance. This reputation has made us attractive to our partners and is an invaluable asset.

On behalf of the board, I wish you the very best in this current year 2024.



CPA Paul Chirchir  
Chairman