

CHANGE IN KTDA'S SHAREHOLDING STRUCTURE A PROMISING MOVE FOR SMALLHOLDER TEA SUB-SECTOR

Following the issuance of shares to farmers by KTDA Holdings PLC, there have been various requests for clarification and feedback from the public and a section of the media regarding this farmer focused empowerment initiative.

We would like to clarify some of the issues raised on the issuance of bonus shares.

Shareholders of Kenya's largest smallholder tea farmers' organization, the Kenya Tea Development Agency Holdings PLC (KTDA), approved the restructuring of its shareholding structure to have, for the first time, farmers owning shares directly in the company.

This, was done by allotting five (5) million bonus shares by the 54 tea factory companies – which before this resolution were KTDA's sole corporate shareholders.

This restructuring has made KTDA Holdings PLC one of Kenya's largest companies by shareholding as it will now have over 620,000 individual and institutional shareholders. Previously, farmers owned the organization 100% through their 54 tea factory companies whose zonal representatives formed the KTDA Holdings Board at the national level.

The tea factory companies will remain corporate shareholders owning 23,000,000 shares and will now jointly and directly own the company with the farmers who will now also own 5,000,000 shares. As a result, farmers will have a seat at the KTDA Holdings Board, with the farmer representative from each of the 12 Zones holding the position for a three-year non-renewable term.

The farmers will still have the final say on the affairs of their investment through the majority shareholding by the 54 corporate shareholders, the tea factory companies which are 100% owned by respective tea farmers.

As part of the resolutions, the sale of any assets whose value exceeds one percent of the total value of KTDA Holdings PLC net value will have to be approved by the shareholders/farmers. Trading/sale of the shares will be locked for the next ten years to protect the farmers from short term speculators.

These developments come when the smallholder tea sub-sector is undergoing reforms to enhance issues of corporate governance and, significantly with the aim of improving farmers' earnings. This comes at a time when the global tea market is experiencing low prices due to oversupply of the product from East Africa and globally.

The farmer's position as a shareholder of KTDA is now fully established and reinforced. Previously, it has been argued that farmers are not the owners of the organization. With the new structure, the farmer's place in their organization is affirmed as they will be in greater control of their affairs being direct shareholders.

Farmers will now derive dividends directly – being earnings from KTDA Holdings and its subsidiaries – in addition to earning dividend through their factories. In the last five years, farmers have earned more than KES 2.7 billion, through their factories.

Farmers now have greater control over their assets, currently worth more than Ksh.36 billion. Recently, there has been talk of KTDA Holdings assets being sold or possessed by persons outside of KTDA. This is not now possible without the direct approval of the over 620,000 shareholders of the company.

These new changes mean that KTDA shareholders can, in the future if they so wish, approve listing shares on the NSE allowing the company to raise additional funds for development expenditure, as opposed to its current framework where funds are raised through internal mechanisms. This move would see KTDA Holdings PLC regulated by the Capital Markets Authority, ensuring additional regulated practices that safeguard the organization.

Reforms in organizations are both internal and external and are aligned to necessary regulatory requirements. Market dynamics and the need to safeguard and increase shareholders value underlines the continuous changes. The changes in the KTDA Holdings PLC shareholdings will ensure small holder tea farmers earn directly from their investments in the tea value chain and have an even stronger control of their investment