

Pyrethrum Sector in Kenya –Current Status.

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Who we are - PGA?

- A farmer organization registered Under the societies Act in the year 2001, Headquartered in Molo, Nakuru County.
- Have voluntary membership (Current Membership 6000 but with a potential of 40,000. We have a representation in the 18 pyrethrum growing Counties.
- Strive to promote the interests of the pyrethrum farmers through Lobby and advocacy , Using the right Based Approach.(RBA).
- **VISION:** "To be a vibrant and innovative Pyrethrum farmers Association in Kenya and Beyond"
- **MISSION:** Represent, lobby and advocate for the Pyrethrum farmers interests and build their capacities.

The History of Pyrethrum in Kenya (SOME FACTS)

- **Kenya started to grow pyrethrum in 1928**
- **From the late 1930's Kenya dominated world production.**
- **In the 1940's Kenyan dried flower production exceeded 6,000 tonnes a year.**
- **By the 1960's annual dried flower production exceeded 10,000 tonnes.**

Pyrethrum History cont'd

- From 1960 until the late 1990's Kenya supplied more than 90% of the world's pyrethrum
- As recently as 2002 and 2003 dried flower production exceeded 10,000 tonnes per year
- From 2004, the Kenyan Pyrethrum sector went into TRAGIC decline.....

The Decline of Kenyan Pyrethrum

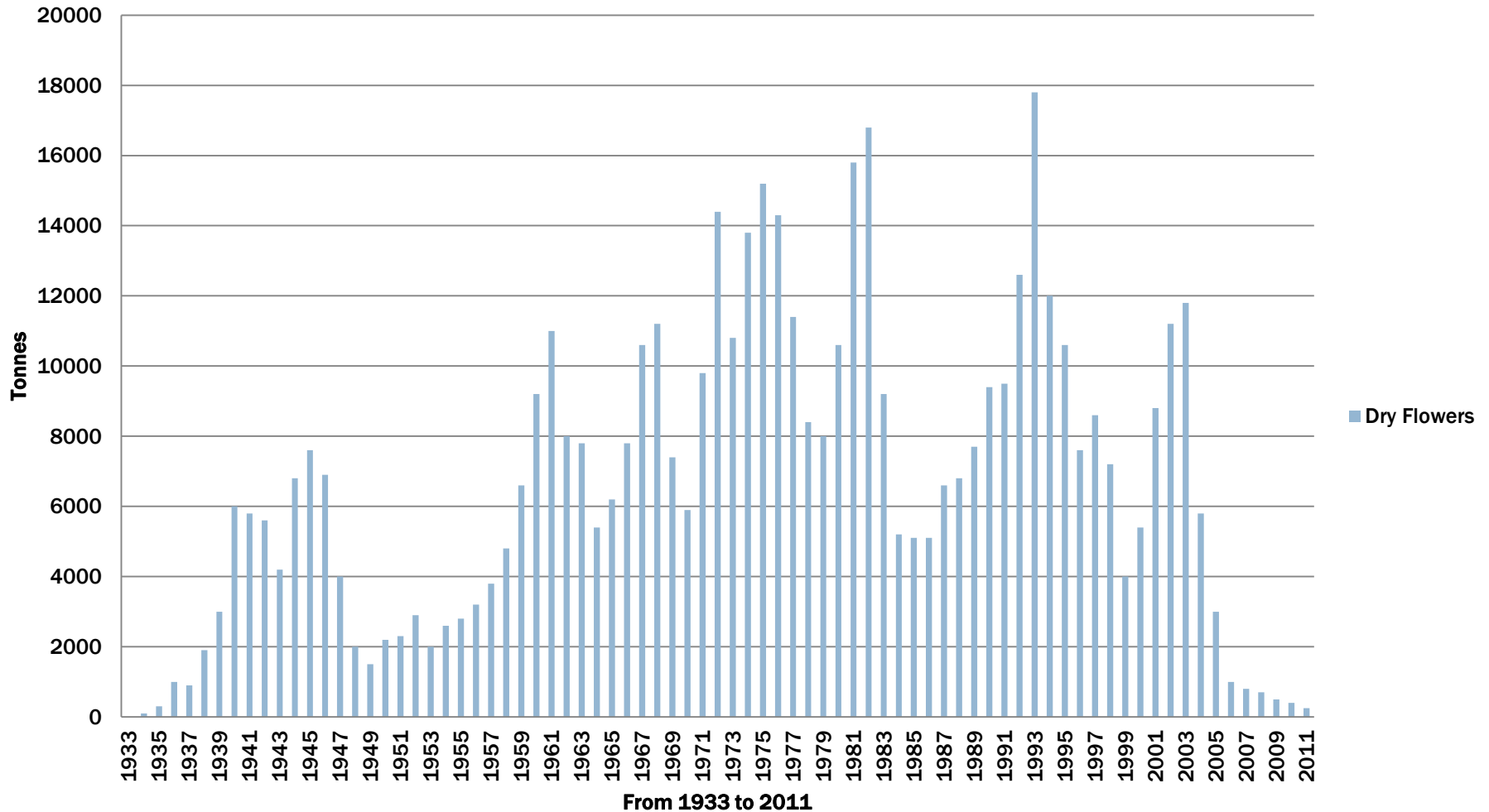
- In 2004 production fell to 5,000 tonnes in the year
- In 2005 it decreased further to 3,000 tonnes
- In 2006 there was a further fall to 1,000 tonnes
- In the space of three years from 2003 to 2006 production had fallen by 91%
- And it got worse....

The Collapse of Kenyan Pyrethrum (What you need to know)

- In 2007 production fell below 1,000 tonnes for the first time since 1934. Just 800 tonnes was recorded
- In 2008 a further fall to 600 tonnes
- In 2009 it fell below 500 tonnes
- In 2010 production fell to 400 tonnes
- In 2011 production fell to an estimated 250 tonnes
- In eight years production has fallen from 11,000 tonnes to 250 tonnes. A fall of 98%

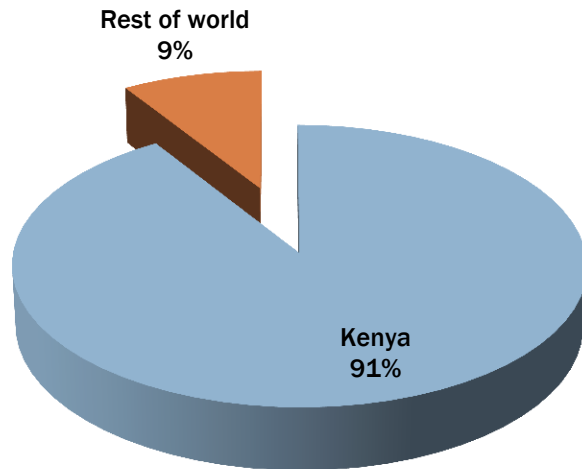
THE RESULT? From a position of controlling over 90% of world pyrethrum production in the late 1990's, Kenya currently produces less than 2% of world pyrethrum.

Kenya Pyrethrum Dry Flowers

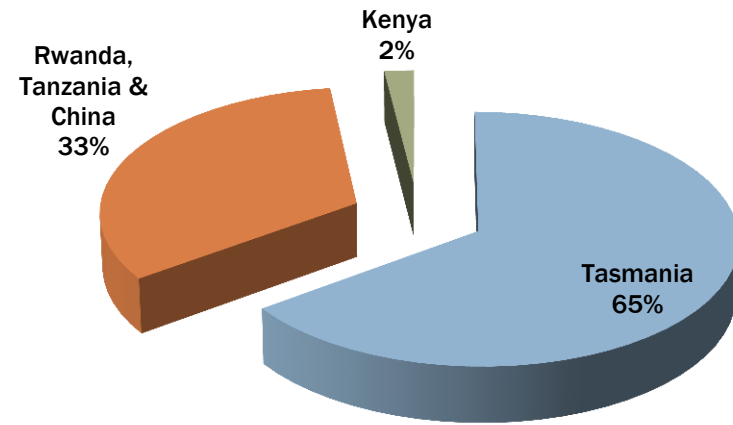


World Pyrethrum Production

□ Year 1994/95



□ Year 2011/12



■ Tasmania
■ Rwanda, Tanzania & China
■ Kenya

Kenyan Pyrethrum Farmers - The Past Glory.

- In the mid 1990's there were over 220,000 pyrethrum farmers in Kenya producing in excess of 12,000 tonnes per year (Valued at 4.0 Bn Kshs)
- Many of today's top politicians, businessmen and academics were schooled on pyrethrum earnings
- Farmers in pyrethrum growing areas talk with nostalgia about the "Generation of Kenyans schooled on pyrethrum"
- It's tragic that they talk in the past tense
- Pyrethrum should be schooling the next generation and future generations.... (It can Address MDG 1 and 6) ERS 2003-7 and ASDSP 2010-20.

Kenyan Pyrethrum Farmers - The Present.

- Currently PBK (PPC) estimates that there are 30,000 pyrethrum farmers supplying PBK with 250 tonnes of dried flowers annually.
- It is estimated that current pyrethrum farmers possibly produces 750 - 1,000 tonnes of dried flowers annually (with 500 - 750 tonnes being sold to the informal sector)
- **Based on possible current output, it is likely that the true number of active pyrethrum farmers is actually between 7,000 and 12,000.**

The Financial Loss to Farmers

- In 2003 the Pyrethrum Board bought 11,000 tonnes of dried pyrethrum from Kenyan farmers. At today's prices that represents Kshs1.9million paid to pyrethrum farmers.
- Last FY 2012/13 the Pyrethrum Board bought 250 tonnes, with a total value to farmers of below Kshs 50 million.
- Additionally, Kenya lost significant revenues from the production of pyrethrum technical grade and the value add-on losses incurred by Kenyan formulators who have been unable to access technical grade from PBK.(Quality Control)

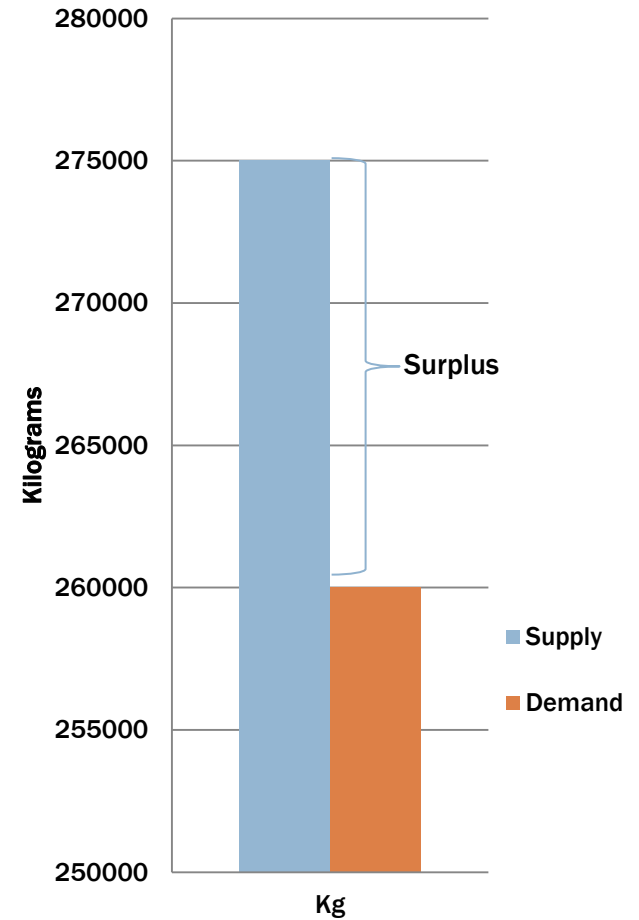
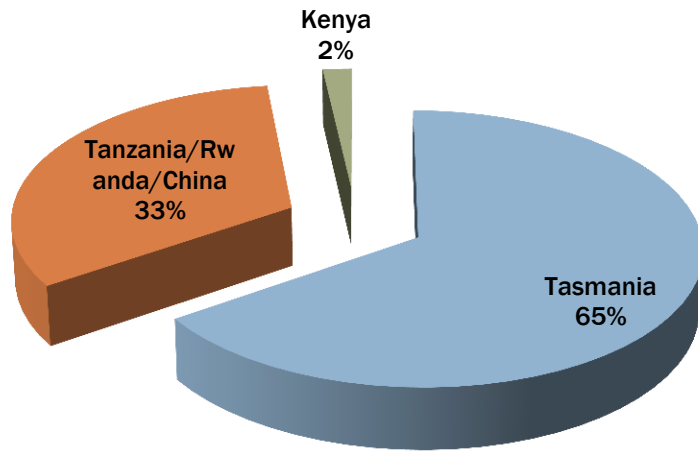
What is the current Global Pyrethrum Situation ?

- Since 2003, the world has suffered an acute shortage of pyrethrum as a direct consequence of Kenya's failings in pyrethrum production.
- Australia identified a market opportunity, and the island state of Tasmania started commercial pyrethrum growing and processing in early 2000
- By 2010, Tasmania controlled 65% of world pyrethrum production.....

Global Pyrethrum Situation cont'd

- **During the same period, a processing plant opened in Rwanda, and an old processing plant in Tanzania was upgraded and modernized.**
- **China, too, joined the race to satisfy the pyrethrum shortage and three processing plants were opened.**
- **Production has steadily increased in all these countries, and in particular in Tasmania. As a consequence the harvests of late 2012/ early 2013 have exceeded world demand for the first time in a decade.**

Pyrethrum World Supply 2011/12 (Pale Refined Extract 50%)



Kenya vs. Global Pyrethrum(Our worry)

- Kenya will be re-entering world pyrethrum at a bad time.
- Without the Kenyan resurgence, world supply of pyrethrum is expected to exceed world demand in 2014 and 2015.(MGK,RBA) USA/UK.
- With increased supplies from Kenya, supply will significantly exceed demand.
- This will potentially cause a downward movement in pyrethrum prices, and there is the potential that not all stocks will be sold.

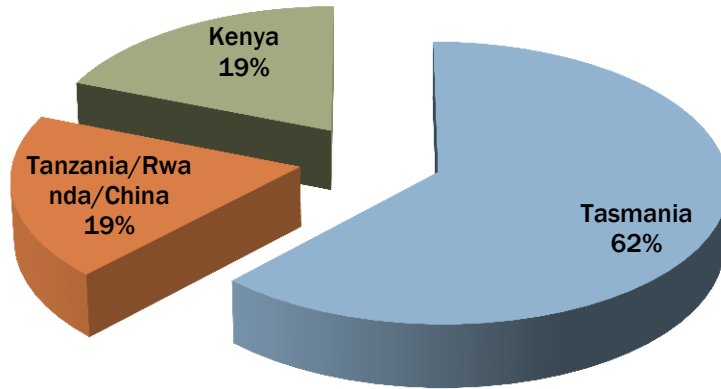
Kenya vs. Global Pyrethrum cont'd

- **The business model for Kenyan pyrethrum must take account of the other sources of supply versus potential world demand.**
- **The business model must also take account of the potential price corrections that may occur when world supply significantly exceeds world demand.**
- **The business model must ensure the cost model is better than competing countries (Tasmania, Tanzania, Rwanda and China) as prolonged oversupply will lead to the weaker processors being driven out of the market.**

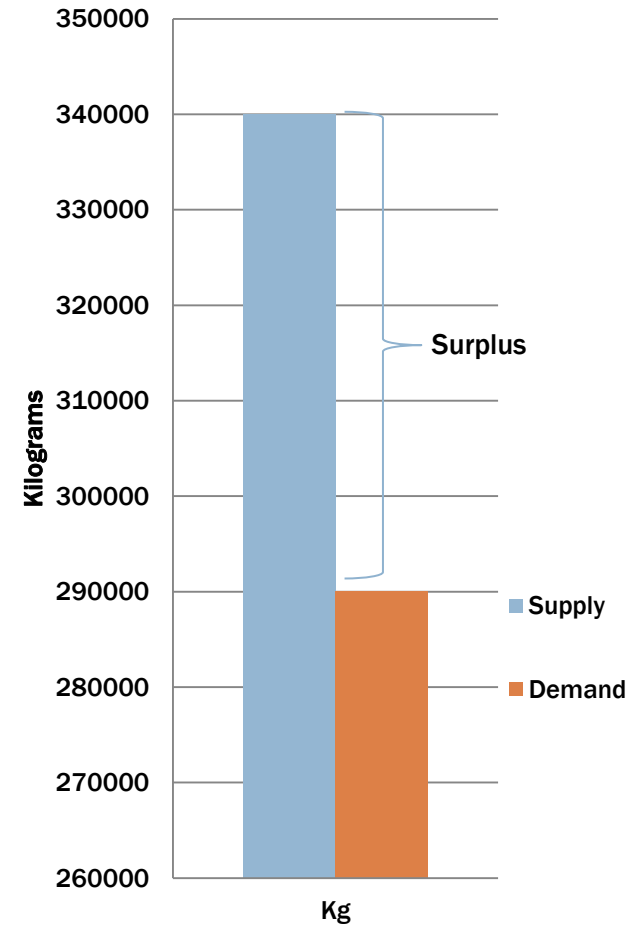
Kenya's Strategic Comeback (**Our thinking**)

- Kenya needs to plan its comeback carefully.....
- ...It is re-entering at a time of global over supply, and it must therefore control its output so as to avoid a 'glut' of pyrethrum on the world market
- We suggest an initial two year target of 4,000 tonnes of dried flowers (2014/15) **OPTIONS**
- ...with a seven year plan to increase to 10,000 tonnes as world demand increases.(2016/22)

Forecasted Global Picture 2014/15



2014/2015 Surplus



Can Kenya Make a Pyrethrum Comeback? (YES/NO.

1. First we must look at recent problems that have caused the decline of Kenyan pyrethrum.....
- 2..... Discuss ways the problems may be overcome in a consultative manner.....
- 3,..... and then discuss control measures to keep the industry healthy and commercially sustainable. (**Increase the Budgetary Allocation**)

What Has Gone Wrong?

- A failure by the Pyrethrum Board of Kenya (PBK) to pay farmers for the pyrethrum they delivered within an acceptable timeframe (in some cases farmers have waited for four years to receive payments!)
- A reliance on one processor (PBK) with a result that when the processor fails, the industry as a whole fails.
- A fear, by farmers, of growing pyrethrum because of a history of non payment by PBK
- **Lack of investment in planting materials, farming methods and crop research (UNDERFUNDING)**

Lack of Planting Material

- There is a shortfall of 10,000 acres.
- 10,000 acres requires significant planting material (220 million seedlings or clonal splits)
- There is a chronic shortage of high quality seed for the development of seedling nurseries (**2013 Nakuru County Task Force Report**).

The Pyrethrum Act 2013

- The Act is new and is in force.
- The Board of the new Regulatory Authority is yet to be formed (DG AFFA) has been appointed.
- The new Regulatory Authority is yet to function
- Everyone waits to see how the Act is implemented and to see the effects on the pyrethrum sector.....
-and in the meantime, investors hold back, farmers hold back..... And everyone waits.....

Can the proposed Reforms work in the Sector ?(**Our Proposal**)

STEP ONE

Effectively implement the Pyrethrum Act 2013

- **Appoint the Board of the new Regulatory Authority**
- **Appoint the CEO of the Regulatory Authority(Currently the office holder is on Acting Capacity)**
- **Commence the functions of the new Regulatory Authority including the licensing of seedling nursery operators, agents and processors (COMPLETE VALUE CHAIN).**

STEP TWO

Establish a quality seed farm

Whilst establishing the seed farm, collect 'best available' seeds from farmers.

The seed farm may either be operated by the Regulatory Authority, or be licensed to a private operator. Requirement is for a minimum of 6 acres.

The seed farm will need to supply 1,500kg of seed annually to the seedling nurseries

STEP THREE

Attract investors for private seedling nurseries

A minimum of 40 acres of seedling nurseries are required to supply the industry with 60 million seedlings annually .

Seedling nursery operators will require a guarantee of contracted sales for seedlings in advance of start-up.

STEP FOUR

Give farmers a guarantee or an assurance that all flowers from contracted farmers will have a ready market.

- Guarantee/give assurance that they will have a ready market for their pyrethrum
- Assist with start up costs for seedling purchases and inputs (loans or grants from County Governments or National Government through the Ministry of Agriculture)

STEP FIVE

Provide farmers with financial assistance either through loans or aid to assist with the start-up costs of purchasing seedlings and input materials.

An acre of pyrethrum will cost a farmer approx 35,000/- to plant with pyrethrum (22,000 for seedlings, balance for inputs, seedling transport and labour).

STEP SIX

Set up a formal system to encourage farmers to sell clonal splits to their neighbours (FARMER TO FARMER)

If all farmers with clones can be persuaded to split their clones, we are able to multiply clones by 6 times every 4/5 months.

We need to achieve 2,500 acres of new clonal pyrethrum fields each year by splitting. This requires formal organisation and potentially financial assistance for the farmers buying the splits (**PGA can undertake this.) Piloting in Nakuru County ASDSP. 2.5 Ksh. 2.5-FY2014/15.**

STEP SEVEN

PR and Media campaign to encourage farmers to return to pyrethrum farming.

The current PBK /PRA must Re-brand itself so that the farmers can gain the confidence that it can deliver. (**PGA can support this initiative**)

STEP EIGHT

Encourage local formulators to invest in new registrations for pyrethrum products in order to maximise the local value add-on on pyrethrum.

We suggest that a target of 20% of all pyrethrum technical grade produced by the processors should be made available to local formulators in order to maximise the revenue and job benefits of pyrethrum (Emphasis from the EU)on MRLs

In Summary.

- 1. Kenya now has a perfect opportunity to return and play a powerful role once more in world pyrethrum production.**
- 2. The opportunity presents itself now, and it is important that we embrace the opportunity and work quickly to re-establish Kenya as a global force in pyrethrum.**
- 3. Farmers are willing to go back to Pyrethrum Farming.**



WE ARE AVAILIABLE FOR COLLABORATION.



Thank you for Listening to Me.

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