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**KENYA NATIONAL ASSEMBLY
TENTH PARLIAMENT – SECOND SESSION**

**DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND
NATURAL RESOURCES**

**REPORT OF THE COMMITTEE ON A STUDY
TOUR TO THE PYRETHRUM BOARD OF KENYA
ON JULY 10 – 16 AND SEPTEMBER 25-26, 2008**

**Clerks Chambers
National Assembly
Nairobi**

October, 2008

PREFACE

Mr. Speaker Sir,

On behalf of the Members of the Departmental Committee on Agriculture, Lands and Natural Resources, I feel honoured to present to the House the Committee's Report on a study tour to the Pyrethrum Board of Kenya, Nakuru from September 25-26 2008. This was a follow-up to an earlier fact-finding tour undertaken by the Committee from July 10-16, 2008.

Mandate of the Committee

The Departmental Committee on Agriculture, Lands and Natural Resources was established pursuant to provisions of Standing Order No. 151; its mandate pursuant to Standing Order 151(4) is: -

- a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*
- b) to study the programme and policy objectives of the Ministries and departments and the effectiveness for implementation;*
- c) to study and know all legislation after First Reading, subject to the exceptions under Standing Order 101A (4);*
- d) to study, assess and analyze the relative success of Ministries and departments as measured by the results obtained as compared with its stated objectives;*
- e) to investigate and inquire into all matters relating to all assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House or a Minister and;*
- f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

Mr. Speaker Sir,

The Committee oversees the following Government Ministries and Departments, namely: -

1. Ministry of Agriculture;
2. Ministry of Lands and settlement;
3. Ministry of Water and Irrigations;
4. Ministry of Co-operative Development and Marketing;

5. Ministry of Regional Development;
6. Ministry of Northern Kenya and Arid Lands;
7. Ministry of livestock development;
8. Ministry of Fisheries development;
9. Ministry of Environment and Minerals Resources; and
10. Ministry of Forestry and Wildlife.

The following are the Members of the Committee:

1. Hon. Bett, Franklin, M.P. - **Chairman**
2. Hon. Mureithi, Erastus, M.P.
3. Hon. Mututho, John, M.P.
4. Hon. Washiali, Benjamin Jomo, M.P.
5. Hon. Muriuki, Ruteere Silas, M.P.
6. Hon. Mbai, Itwiku Benson, M.P.
7. Hon. Kazungu, Kambi Samuel, M.P.
8. Hon. Munyaka, Victor Kioko, M.P.
9. Hon. Akula, Evans Bulimo, M.P.
10. Hon. Simam, Peris Chepchumba, M.P.
11. Hon. Monda, Robert Onsare, M.P.

Mr. Speaker Sir,

The Committee wishes to take the earliest opportunity to thank the Ministry of Agriculture and its officers together with the Pyrethrum Board of Kenya and the Farmers who participated in study tour and subsequent meetings to make the mission a success, it shows their commitment to duty and readiness to change the Kenyan society.

The Committee on Agriculture, Lands and Natural Resources undertook a fact finding mission to the Pyrethrum Board of Kenya in Nakuru to establish from the stakeholders, the problems afflicting pyrethrum production in the country. During the tour the Committee also visited a research centre in Molo and regretted the level of neglect at the centre. The farmers expressed concern on the development of another competitor company in contravention of the Pyrethrum Board of Kenya Act.

This Report is an account of the findings of the Committee and its recommendations on the way forward.

While undertaking the tour the Committee was also accompanied by officials from the Ministry of Agriculture (head office and field), the Board of Directors and senior Management from the Pyrethrum Board of Kenya.

They included:-

- i) Ministry of Agriculture
 - a) Mrs. Elizabeth Kimenyi

- b) Mrs. Beatrice King'ori
- c) Mr. F. Omusiani –Provincial Director of Agriculture

The officers represented the Permanent Secretary and the Agriculture Secretary

- ii) Pyrethrum Board of Kenya
 - a) Mr. Isaac k. Mwangi – Pyrethrum Board of Kenya, Chairman
 - b) Mr. J. Ikahu – Ag. Managing Director
 - c) Dr. Christine Onyango – Director
 - d) Mr. G. Kenduiwo – Cooperative Director
 - e) Mr. Obad Obare –Regional Manager, Central Rift

The Committee appreciates the immense support, information rendered and facilitation provided by the officers in their respective areas or line of duties.

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Agriculture, Lands and Natural Resources, to present and commend this report to the House pursuant to provision of Standing Order No. 162 of the National Assembly.

SIGNED:.....

HON. FRANKLIN BETT, MP
CHAIRMAN
DEPARTMENTAL COMMITTEE ON AGRICULTURE, LANDS AND NATURAL RESOURCES

DATE:.....

1.1 INTRODUCTION

The Pyrethrum as a plant and seed was introduced in Kenya in 1928 from Britain and is currently grown in 5 provinces (35 districts) in Kenya. Rift Valley produces over 70% of the National Production, while Nakuru District Produces 45% of the National production.

The crop is grown by over 200,000 farmers, employing about 1 million people directly or indirectly. The country has a potential of earning Kshs.1.5 billion annually from the sale of Pyrethrum. Pyrethrum is best suited for growing at 1700-3000m above sea level in rich volcanic soils, at temperatures of about 18 C for six weeks and requires rainfall of about 1000mm.

1.1.2 THE BOARD

The Pyrethrum Board is a statutory organization established under Cap 340 Laws of Kenya of 1964 which was subsequently amended to regulate the growing, processing and marketing of pyrethrum in Kenya.

Further, the Board operates under the State Corporation Act, Cap 446, Laws of Kenya of 1987.

The Board is mandated to organize, regulate the pyrethrum industry, while controlling growing, processing and marketing of pyrethrum, for scientific and economic research and connected purposes.

The market share locally is through licensing of farmers and licensed farmers control 25% of the market, self-help groups – 45%, co-operation societies – 20% and the Board collection centres – 11%.

Internationally the Kenya pyrethrum products have a substantial market; with 55% accounted by American Market, Europe – 30%, Asia Pacific 10% and 5% is Africa. The American market controls the largest market share following an agreement between the board and Johnson & Co. Ltd of America for supply of pyrethrum flowers and by products.

Currently, the Board produces a range of products including refined pyrethrum extract for aerosols, veterinary and pharmaceutical products, crude oil resin from mosquito coils, superfine pyrethrum powder, pyrethrum Mac for animal feeds, mosquito coils and finally a number of end use products.

1.1.3 PRODUCTION AND SALES

The production and sales of the crop from 1987 to 1997 had shown steady growth in pyrethrum production and sales. However, thereafter currently a sharp decline occurred due to gross mismanagement by successive managements and boards. The pre-election uncertainty and post-election violence made it worse. Further, the decline was also a product of delayed payment to farmers.

1.1.4 MEETING WITH STAKEHOLDERS

The Committee met with farmers' representatives, pyrethrum users, former directors, union officials and senior management and Board of Directors from the Pyrethrum Board of Kenya during the study tour.

The Committee noted with gratitude that there was a future in pyrethrum farming as long as the Pyrethrum Board of Kenya was restructured and farmers got proper representation in the Board.

The Stakeholders attributed the problems afflicting the pyrethrum industry to many factors including:-

- (a) Reduce profitability from the crop compared to other horticultural produce;
- (b) Declining production against increasing demand;
- (c) Delayed payment to farmers (farmers were last paid in 2007 for 2002 crop) and despite high sales registered in 2002 and 2003, farmers have not received any bonus;
- (d) Pyrethrum prices were still very low and the market was restricted to Pyrethrum Board of Kenya;
- (e) Inadequate operational capital leading to limited funds for research and development;
- (f) Irregular supply of pyrethrin to customers;
- (g) High financial commitment on generating toxicological dossiers to support pyrethrum usage in the market;
- (h) Use of obsolete and inefficient processing equipment resulting in high production costs and loss of products;
- (i) Loss of produce due to inefficient weighing management or outright theft by employees and middlemen;
- (j) Bad governance and mismanagement issues arising from previous Boards adopting nepotism and tribalism in employment of staff coupled with misappropriation of funds by employees;
- (k) Mismanagement leading to loss of pyrethrin in the stores due to infestation with "rats";
- (l) Appointment of Directors to the Board contrary to the provisions of the Pyrethrum Board of Kenya Act leading to lack of farmers' representation in the Board;
- (m) Lack of communication between the Board and the farmers on new seeds varieties or pesticides;
- (n) Failure of the Government to liberalise the market;
- (o) High turnover of staff at all levels leading to inefficiency as a result of loss of experienced staff and employment of inexperienced ones;
- (p) That, the Boards' property was sold illegally and at very low prices. This included 850 acres of demonstration farm in Molo sold at Kshs. 33 million although only 19 million was paid. Attempts to pay the balance were thwarted by the board.

- (q) The Board has many idle assets including residential houses with some occupied by staff not working but continue to receive a monthly wage;
- (r) The pyrethrin content of Kenyan pyrethrum had dropped from 1.8% to 1.2% as the clones were not propagated and there was no new research to improve the quality of the crop and ;
- (s) Inept management decisions resulted in the installation of a plant (at a cost of Kshs 350 million), that has excess capacity and it was not possible for the farmers to satisfy the minimum capacity of the plant.
- (t) The Committee established that the Board had incurred massive losses as follows:-

LOSSES AT THE PYRETHRUM BOARD OF KENYA

	NATURE OF LOSS	VALUE IN KSHS
1.	Pyrethrins	2.684 Billion
2.	Unpaid sales(foreign)	44 Million
3.	Euro Bank	159 Million
4.	Property(Demonstration farm in Molo)	14 Million
5.	A.S.K Plot	7 Million
6.	Tissue Culture	100 Million
	TOTAL LOSSES	3.024Billion

Comments:

- Apart from the above losses, the farmers have lost raw materials (flowers delivered) worth Kshs 1.5 billion;
- That the government advance Kshs 864 million to the board to offset the monies it owes to farmers, but most of it went to employees salaries;

1.1.5 COMMITTEE OBSERVATIONS

The Committee, based on the information availed to it, has formed its opinion that the problems of Pyrethrum Board of Kenya are mainly anchored or rooted in competent management and Board of Directors. It further noted that both institutions have political or tribal tags that have unfortunately pulled down the Industry. With this background both management and the Board have not been able to address intelligently and conclusively the critical issues bedeviling the industry especially those of production and marketing. The most affected

are the farmers who have now started to uproot the crop, while the employees on the other hand due to inadequate work assignments have involved themselves in activities that do not serve the interests of the corporation. All these together have led to a demoralised farmer community, a demotivated employee and a frustrated consumer.

As a matter of urgency, there is therefore need to address the problems of the sector - restoration of confidence and trust and streamlining of financial and human resource management in order to save it from slipping further into insolvency.

1.1.6 RECOMMENDATIONS.

In view of the foregoing, notably our observations, we recommend as follows:-

- a) That the Ministry of Agriculture complies with the provisions of the Pyrethrum Board of Kenya Act, Cap 340 in so far as the election and appointment of Directors is concerned.;
- b) That the Board recruits qualified, experienced and professional staff in an open and competitive manner;
- c) That the Board re-establishes a "Farmers Account" or "Secured Reserve Fund" to ensure timely settlement of farmers' payments.
- d) That the Government amends the Pyrethrum Board of Kenya Act, Cap 340 to allow liberalisation of the pyrethrum industry;
- e) That the Board, in consultation with the Kenya Agricultural Research Institute (KARI), devotes funds to research with a view to obtaining seed variety for increased production;
- f) That assets of the Board in Nakuru or elsewhere be valued by a Government valuer to ascertain the current market value and that idle assets be sold in open market and the proceeds thereto be deposited in the "Reserve Fund";
- g) That the Government takes keen interest on pyrethrum industry just like it has done in Coffee, Tea, Maize, sugar, milk and beef and that includes promotion of production
- h) That the Board, undertakes rigorous marketing to regain and sustain its share in the world Market;
- i) That the Board upgrades its equipment to improve on efficiency and quality of production taking cognisance of modern technology;
- j) That all persons including members of the Board of Directors and staff implicated in losses and theft at the Board be prosecuted and recoveries made;

- k) That the Government and the Board implement the management audit report on the Board by the Inspectorate of State Corporation dated October 2007 and further recommends that a follow-up management and financial audit by the said Inspectorate and Auditor-General (Corporations) be undertaken immediately.

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