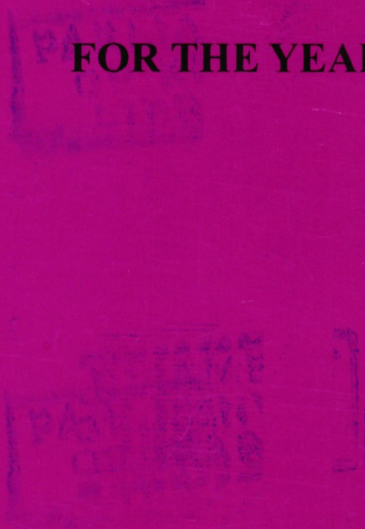


PYRETHRUM BOARD OF KENYA

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ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



PYRETHRUM BOARD OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004



P.O. Box 420 - 20100 • NAKURU • Kenya • Telephone: (051) 2211567

PYRETHRUM BOARD OF KENYA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

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PYRETHRUM BOARD OF KENYA

BOARD MEMBERS WHO SERVED DURING THE YEAR ENDED 30 JUNE 2004

HENRY N. M'NAROBI	-	Chairman
SAMUEL KURIA KIHU		
SAMUEL KIPKORIR LANG'AT	-	Appointed 24.02.2004
JOSEPH K. MAINEK LANG'AT	-	Appointed 24.02.2004
DYRANE PATRICK THIONGO CHEGE	-	Appointed 24.02.2004
JOEL MBUGUA SAMUEL	-	Appointed 24.02.2004
JAMES MATUNDURA ARAKA	-	Resigned 30.07.2003 and Re-appointed 24.02.2004
JOSEPH K. Arap CHEPKONGA	-	Resigned 30.07.2003
TOM M. KIBISU	-	Resigned 30.07.2003
WILLIAM N. NJUGUNA	-	Resigned 30.07.2003
SAMUEL M. M'IKIARA	-	Resigned 30.07.2003
ANTHONY LUI MZEE		
LIZA CHELULE		
DAVID RUTO CHEBET		
ZABLON RATEMO		
THE PERMANENT SECRETARY, MINISTRY OF AGRICULTURE		
THE DIRECTOR OF AGRICULTURE		
THE COMMISSIONER FOR CO-OPERATIVE DEVELOPMENT		

SENIOR MANAGEMENT STAFF AS AT 30 JUNE 2004

ENG. MARTIN O. OWITI	-	Managing Director
CHARLES O. ATING'A	-	Ag. Marketing Manager
JAMES A. O. GICHANA	-	Factory Manager
JAMES N. KURIA	-	Product Development Manager
KEVIN I. MPAKA	-	Corporate Secretary/ Legal Officer
CLEOPHAS D. OCHIENG	-	Logistics Manager
ONGIRI OSINDE	-	Finance Manager
ROBERT TIAMPATI	-	Crop Production Manager
DR. BEN M. WANJALA	-	Crop Research Manager
PETER N. WAWERU	-	Chief Internal Auditor



PYRETHRUM BOARD OF KENYA

SUMMARY OF REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

1. CROP PRODUCTION

**Pool Year
2003 / 2004**

5,797 (tonnes)

Crop delivered by growers

**Pool Year
2002 / 2003**

10,953 (tonnes)

2. SALES

Kshs. 1,169,794,054	Sales proceeds from flowers/powder/extract	Kshs. 836,663,779
Kshs. <u>34,266,852</u>	Sales proceeds from pyrethrum marc and other by-products	Kshs. <u>23,629,441</u>
<u>1,204,060,906</u>		<u>860,293,220</u>

3. COSTS

Kshs. 627,596,798	Total operating costs including depreciation	Kshs. 719,526,824
Kshs. <u>20,880,890</u>	Total distribution costs	Kshs. <u>14,470,070</u>
Kshs. <u>648,477,688</u>		Kshs. <u>733,996,894</u>

4. PYRETHRINS CONTENT

<u>1.273%</u>	Average pyrethrins content of flowers delivered	<u>1.343%</u>
---------------	--	---------------

5. PAYMENTS TO GROWERS

Kshs. 544,778,176.00	Total pool payments due	Kshs.1,085,501,810.00
Kshs. 7,373.00	Per Kilo of pyrethrins	Kshs. 7,373.00
Kshs. 110.60	Per Kilo of 1.5% flowers	Kshs. 110.60
Kshs. 95.85	Per Kilo of 1.3% flowers	Kshs. 95.85
Kshs. 73.73	Per Kilo of 1.0% flowers	Kshs. 73.73



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PYRETHRUM BOARD OF KENYA

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	Average pyrethrins content of flowers delivered	
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Kshs. 73.73	Per Kilo of 1.0% flowers	Kshs. 73.73



PYRETHRUM BOARD OF KENYA

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

I am pleased to present the annual report on the financial performance and operations of Pyrethrum Board of Kenya for the financial year ended 30th June 2004.

Operating Environment:

Kenya is the number one producer of pyrethrum in the world producing more than 60% of the world's pyrethrum. Kenya has about 150,000 regular pyrethrum growers countrywide. The crop is grown in 22 districts in four provinces namely Rift Valley, Central, Nyanza and Eastern provinces.

Over 95% of all pyrethrum products from Kenya are exported. The supply of Kenyan pyrethrum in the world market in the past has been varying from surplus to shortages thereby making Kenya unreliable supplier. Pyrethrum production declined steadily from 17,711 MT in 1993 to the lowest level in 1999 when only 3995 MT were produced mainly due to bad weather. This led to the shortage of pyrethrum in the world market. In the event, the customers turned to synthetic pyrethroids to replace pyrethrum.

Other players entered the pyrethrum market and increased competition with Kenya. These include Rwanda, Tanzania, Australia and more recently China. The stiff competition from synthetic pyrethroids led to reduced demand for pyrethrum in the World market. Consequently, there has been a glut in the pyrethrum industry worldwide as a result of depressed world market demand for pyrethrum and increased supply from producers.

Although production picked up in Kenya from 2000 onwards reaching 11,380 tons in 2001/02, sales had drastically dropped resulting in high stocks of pyrethrum products. Consequently, severe cashflow constraints were experienced resulting in huge arrears in payment to farmers. This in turn made many growers to abandon pyrethrum growing for other crops resulting in reduced production in 2003/4 to 5,700 tons.

The new Board inherited arrears to growers of KShs. 1.2 billion, an overdraft from Barclays Bank of KShs. 400 million, liabilities on other suppliers account KShs. 80 million and high stocks of pyrethrum products and a depressed market. Moreover, fire had gutted one of the extraction plants in March 2003 and the available extraction capacity was not adequate to process flowers being received.

Operating Results:

The new Board embarked on aggressive marketing of pyrethrum worldwide and visited traditional customers to reassure them of the Board's ability to sustain supply and the strategies being adopted to ensure continuity of supply. The Board also explained the changes that have taken place in Kenya and the new Government's economic recovery strategy. As a result, some of the former customers of the Pyrethrum Board resumed

