



REPUBLIC OF KENYA

FERTILIZER AND PESTICIDES

SUB-SECTOR PROFILE AND OPPORTUNITIES FOR PRIVATE
INVESTMENT

MINISTRY OF TOURISM, TRADE AND INDUSTRY

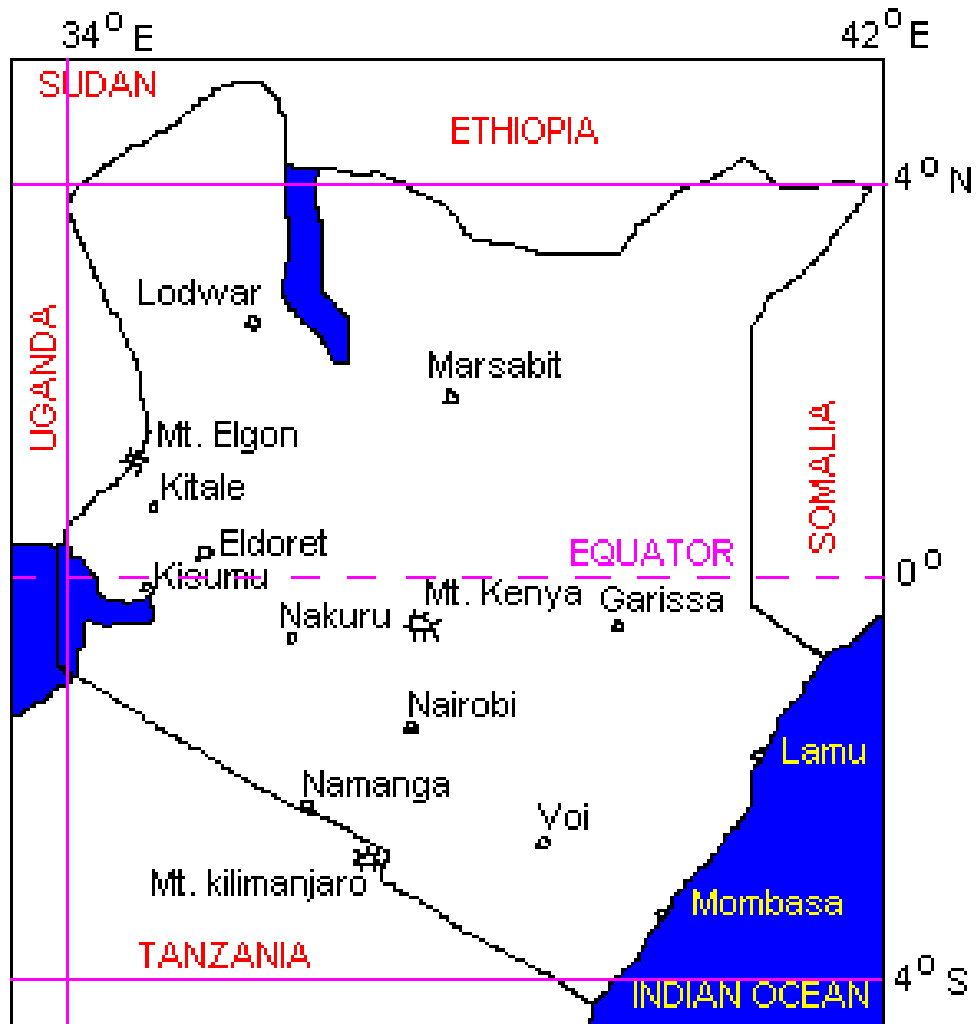
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MAP OF KENYA



MESSAGE FROM THE MINISTER FOR TOURISM, TRADE AND INDUSTRY

On behalf of the Government of Kenya I am pleased to present to you this profile of Fertilizer and Pesticides Industry in Kenya. The sub-sector profile has been prepared by the Ministry, which is charged with the development of industries in Kenya, in conjunction with many public and private sector institutions and companies.

We sincerely hope that the profiles, although not exhaustive, will guide you and enable you to make some meaningful decisions on how to invest in the industry of your choice. In this regard an attempt has been made to provide balanced information.

In most cases the most obvious investment opportunities in various sub-sectors have been highlighted. We invite investors to carry out investment studies to determine the viability of these opportunities. We also invite the investors to identify further opportunities more suitable to their individual needs or experience.

Recently the three countries of Kenya, Uganda and Tanzania revived the East African Co-operation which aims to establish a federation in the near future to create a larger market of over 71 million people and introduce benefits of economies of scale. We welcome foreign investors to take advantage of this larger market and invest in Kenya.

In case of need please do not hesitate to contact the ministry, for further assistance. Just visit our offices any time, ring or send us a fax.

Thank you for your interest in this industrial sub-sector in Kenya. We look forward to assisting you to implement your investment.

HON. KIPYATOR NICHOLAS K. BIWOTT, EGH, MP

MINISTER FOR TOURISM, TRADE AND INDUSTRY.

A. FERTILIZER INDUSTRY

1.0 OVERVIEW

1.1 Agriculture is the backbone of Kenya's economy since it contributes about 30 percent of the Gross Domestic Product (GDP). Fertilizer is a very important input in agricultural production since most of Kenyan soils are poor in plant nutrients. There are two fertilizer factories in Kenya namely:

- (i) KEL Chemicals Ltd based at Thika, manufacturing single superphosphate (10,000 tons per annum); and
- (ii) MEA Ltd based in Nakuru is importing manufactured fertilizers and blending them into various NPK grades (40,000 tons per annum).

There was an attempt by the Government in 1970s to establish a fertilizer factory in Kenya on a joint venture basis, but it did not materialize due to unforeseen circumstances.

1.2 There are several manufactures of foliar feeds but on small scale. The use of fertilizer in Kenya dates back to early 1920s. At the time of independence in 1963, fertilizers were mainly used by large scale farmers most of whom were European. After independence fertilizer usage was advocated and small scale farmers started using it.

1.3 Kenya is not endowed with the raw materials for fertilizer industry except filler materials such as limestone and soapstone. Fertilizer is considered to be one of the most important products in the Kenyan economy and it is stressed in the current 8th National Development Plan that to ensure food security and export of agricultural crops, which are the main foreign exchange earners, the use of fertilizers is quite essential. It was proposed in the Plan that a fertilizer factory should be built and the use of organic fertilizers such as nitrogen fixing organisms and organic residues should be encouraged.

1.4 The fertilizer pricing and marketing was liberalised in 1990. The rapid devaluation of the shilling has resulted in high domestic prices of fertilizers.

1.5 Since the agricultural sector will continue to grow, the demand for fertilizers will continue to increase in the same trend as well and local production of fertilizers which are currently being imported will save the country a lot of foreign exchange. This will also provide an opportunity for the exploration of mineral-based raw materials for the manufacture of fertilizers.

1.6 The main types of imported fertilizers are diammonium phosphate (DAP) for planting and calcium ammonium nitrate (CAN) for top-dressing and NPK 25:5:5+5% S for use mainly on tea. The fertilizer industry will provide a better linkage with the agricultural sector since fertilizer is used as an input in agricultural production.

2.0 CURRENT STATUS OF THE FERTILIZER SUB-SECTOR

- 2.1 Kenya is not endowed with mineral resources for fertilizer manufacture but some reports from studies undertaken in various parts of the country have shown availability of rock phosphate and guano which can be used in the manufacture of fertilizers. There are also opportunities for the manufacture of biofertilizers to supplement inorganic fertilizers.
- 2.2 There are two fertilizer manufacturers in Kenya. Most of the fertilizers are imported. The productivity of the agricultural sector is highly dependent on fertilizer use. Since the Kenyan economy is so much dependent on agriculture, the establishment of a fertilizer industry would be quite beneficial to the economy in terms of employment as well as boosting agricultural output to ensure food security and for export.
- 2.3 The varieties of fertilizers in the Kenyan market, include DAP, CAN, NPKS, Urea, TSP & SSP. These fertilizers are used in cash, food and horticultural crops growing.
- 2.4 There are a wide range of investment incentives offered by the Government which apply to the fertilizer industry as well.
- 2.5 The fertilizer pricing and marketing is liberalised and now the cooperative societies and farmers can import fertilizer directly or from agents and other stockist.
- 2.6 Due to the increase in population and sub division of land, use of fertilizer is quite essential for maximum productivity from these small fragments of lands. The establishment of fertilizer manufacturing plants will benefit the farmers in terms of ready availability of fertilizers and foreign exchange savings by the Government.
- 2.7 Kenya has a network of roads and railway line which serves most parts of the country. Kenya Farmers Association (KFA) has a depot in almost every part of the country where fertilizers are sold to the wholesalers and retailers. There are also several cooperative societies marketing fertilizers mainly to their members in most parts of the country. Some fertilizers are transported by road whereas others are transported by railway.
- 2.8 Most parts of the country are having ultra modern STD telephone exchanges for effective communication locally and abroad. Railway transport is used as a means of transporting bulk products like fertilizers to most parts of the country.

Table 1**FERTILIZER TYPES CONSUMED IN KENYA ANNUALLY**

FERTILIZER	CROPS	QUANTITY (TONS)	% p.a.
Straight fertilizers			
CAN (26-0-0)	Coffee, Maize	36,000	12.7
Urea (46-0-0)	Sugar	15,000	5.3
ASN (26-0-0)	Coffee, Tea...	4,000	1.4
SA (21-0-0)	Rice, Tea	6,000	2.1
SSP (0-21-0)	Sugar	6,000	2.1
TSP (0-46-0)	Sugar, Barley	3,000	1.4
N-P Compounds			
(Planting fertilizers)			
DAP (18-46-0)	Food crops	76,000	26.9
MAP (11-55-0)	Barley, Wheat	10,000	3.5
20-20-0	Maize	24,000	8.5
23-23-0	Maize	20,000	7.0
NPK's			
20-10-10	Coffee	21,000	7.4
17-17-17,16-16-16	Coffee	2,000	0.7
25-5-5+5S,22-6-12+5	Tea	43,000	15.2
15-15-6	Tobacco	1,000	0.4
6-18-20	Tobacco	2,000	0.7
OTHERS	Cash Crops	10,000	3.5

_Sources: Ministry of Agriculture

Table 2**ESTIMATED FERTILIZER DEMAND, 1995/96 - 1999/2000 (Tonnes)**

Fertilizer	1995/96	1996/97	1997/98	1998/99	1999/2000
DAP/MAP	63,000	66,000	70,000	75,000	80,000
TSP	19,000	20,000	21,000	22,000	23,000
CAN	63,000	66,000	70,000	73,000	78,000
ASN	26,000	27,500	29,000	30,000	32,000
SA	15,000	16,000	18,000	20,000	22,000
UREA	7,500	7,500	8,000	8,000	8,000
S. POTASH	1,400	1,500	1,600	1,600	1,600
M. POTASH	700	750	750	800	800
20:20:0	35,000	37,500	40,000	42,000	46,000
20:20:10	7,500	8,000	8,500	9,000	10,000
17:17:17	4,500	5,500	6,000	7,000	8,000
25:5:5:55	21,500	22,000	22,000	22,500	23,000
15:15:6:4	750	750	800	800	800
6:18:20:2	1,800	1,800	1,800	1,900	2,000
Totals	266,650	280,800	297,350	313,600	335,200

Source: Ministry of Agriculture

3.0 INVESTMENT OPPORTUNITIES IN THE FERTILIZER SUB-SECTOR

- 3.1 As Kenya is strategically placed in the COMESA region with a good transport network and a strategic port at Mombasa, establishment of a CAN, DAP and other NPK fertilizer plants at Mombasa, using imported semi-finished raw materials such as ammonia, phosphoric acid, nitric acid and some raw materials available locally like lime, would be appropriate. This plant can serve the Kenyan agricultural sector and the surplus can be exported to the neighbouring countries whose demand for these fertilizers are currently met by imports. Since the fertilizer pricing and marketing is liberalised, this will give the investor an opportunity to determine the best type of technology to use and the selling prices of their products.
- 3.2 There is also an opportunity in the manufacture of biofertilizers using organic wastes from agro-based industry particularly sugar industry, garbages from local authorities and weeds such as water hyacinth in Lake Victoria.

4.0 POLICY ISSUES AND INCENTIVES IN THE FERTILIZER SECTOR

- 4.1 As stated in the country's 8th National Development Plan (1997-2001), increased fertilizer use will be promoted by ensuring availability of foreign exchange to fertilizer importers and the improvement of credit facilities and timely crop payment systems. The feasibility of increased local production of fertilizer and the increased use of enriched farm-yard manure and other appropriate farm and non-farm wastes will be examined.
- 4.2 Fertilizer pricing and marketing is liberalised and the import licences are processed by the Ministry of Agriculture, Livestock Development and Marketing to ensure that there is adequate supply of the commodity at the right time.

B. PESTICIDES INDUSTRY

1.0 OVERVIEW

- 1.1 Pesticides are used for public health, animal and plant protection purposes. Pesticides marketed in Kenya include insecticides, fungicides, herbicides, plant growth regulators, nematicides, miticides, etc. Most of the pesticides are used in the agricultural sector to control livestock, plant pests and diseases. For public health purposes pesticides are used to control mosquitoes and tsetse flies which are disease vectors.
- 1.2 The pesticide industry in Kenya consists mainly of firms importing active ingredients, formulating, selling and repacking. Some firms are also importing finished and packed products for retail purposes.
- 1.3 The demand for pesticide products has continued to increase due to increasing incidence of pests and diseases for crops. In order to produce good quality products, both the livestock and crops must be protected against pests and diseases. Pesticide imports have

been increasing and the major users have been coffee estates and horticultural farmers.

- 1.4 The pesticide sub-sector is very essential in national development as Kenya is one of the leading producers of pyrethrum. The development of this industry should go hand in hand with the pyrethrum sub-sector development.
- 1.5 The sector contributes a lot to the GDP through the production of quality products both for export and local markets. Some of the imported active ingredients are formulated, packed and re-exported to the COMESA countries. This earns the country a lot of foreign exchange.
- 1.6 The sub-sector has a lot of room for development since the pyrethrum produced locally is still being exported not as a finished product. There is also a lot of potential in using Neem tree extract which has proved to be having some pesticidal property. The tree is being promoted by ICIPE and most farmers are growing it, hence it will form a better base for natural pesticide raw material. There are a lot of pesticides which are still undergoing trials to test their suitability to our local conditions. The pesticide industry links the agricultural and health sectors of the economy.

2.0 PRESENT STATUS OF THE PESTICIDE SUB-SECTOR

- 2.1 The pesticide industry is regulated by the Pest Control Products Board. The Board licences, screens and inspects the pesticides which are manufactured locally or imported.
- 2.2 The major raw materials for the pesticide industry are not available locally. Local production of basic raw materials for pesticide manufacture is being encouraged. In addition, the Government will encourage firms to add value on pyrethrum so that the country exports it as semi processed or finished products.
- 2.3 There are about eleven (11) firms manufacturing and/or selling various pesticide products in the country. Most of them import already formulated products which are repacked and sold. Others import active ingredients and other semi-finished products which are formulated locally, packed and sold. Most of the firms are also exporting to the COMESA region. Copper oxychloride fungicide is manufactured locally by Saroc Ltd (capacity -1200 tonnes/year) and also some insecticides which are pyrethrum based with some imported active ingredients. The majority of the pesticide industries are multinationals with subsidiaries locally.
- 2.4 There has been an increase in the import of pesticides in the past years and also re-export to the COMESA region. Pyrethrum production decreased from 220.5 tonnes in 1993 to 89.4 tonnes of dried flowers in 1997. The decline was attributed to bad weather during this period. Kenya exports about 90% of pyrethrum produced locally. Kenya imports about 7,300 tonnes of pesticides annually except with fluctuation in some years e.g 4,054 tonnes in 1991.
- 2.5 Kenya has a good network of roads and a well established agricultural sector served by cooperative societies and Kenya Farmers Association (KFA) which market the pesticides

to farmers. The Pesticide Chemical Association of Kenya (PCAK) is an organisation serving the pesticide manufacturers. This provides a forum where they can raise complaints and present their grievances to the Government for the betterment of the industry.

- 2.6 Most of the pesticides raw materials are imported duty free.

3.0 INVESTMENT OPPORTUNITIES IN THE PESTICIDE SUB-SECTOR

Kenya's pyrethrum is exported in semi-processed form or as dried flowers which fetch little money in the world market. Pyrethrum plus imported ingredients can be formulated into insecticides locally and exported as a finished product.

- 3.1 There are also opportunities for the manufacture of fungicides using some imported ingredients and mixing them with locally available filler materials such as soapstone, limestone, clay etc.
- 3.2 The processing of Neem tree extract as a source of pesticide raw material should also be explored. The tree is being promoted by International Centre for Insect Physiology and Entomology (ICIPE) in Kenya and it has been found that the extract has pesticidal properties. This is a very promising area since the extract is a natural organic substance which is biodegradable and hence poses less danger to the environment.

4.0 GENERAL INVESTMENT INCENTIVES

The Government places highest priority to development of agribusiness as it supports directly and indirectly close to 80% of the country's population.

Some of the incentives that investors in this sector will be entitled to include:

- ◆ Investment protection
- ◆ Investment allowances on buildings and machinery for manufacturing or processing
- ◆ Low import duty for importation of most industrial inputs
- ◆ Free repatriation of capital and profits
- ◆ Local capital borrowing opportunities, etc
- ◆ Indefinite loss carried forward

USEFUL CONTACTS

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