

## NEWS BUSINESS

# Ban on three chemicals to hurt Kenya's fresh produce growers

Farmers exported Sh115bn worth of horticultural produce in 2017 with EU taking 40 percent

JOHN MUCHANGI AND  
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Kenya's fresh produce exporters could be affected by the European Union's ban on three chemicals blamed for the growing decline of bees.

Although the ban is only within the EU, local exporters fear they might face resistance by their customers in Europe because the chemicals are widely used in Kenya.

The ban relates to the outdoor use of clothianidin, imidacloprid and thiamethoxam, which are derived from nicotine that has insecticidal properties.

The ban comes into force on December 31. It does not affect chemicals use inside permanent green-

houses.

Gigiri-based UN Environment said the ban will be beneficial to the declining bees populations in Kenya and across the world.

"Policy makers in other jurisdictions will doubtless be paying close attention," Unep said last week after the European Court of Justice rejected requests by chemicals giants Bayer and Syngenta to overturn the ban. "Scientific studies have found that the chemicals can disorientate bees, harming their ability to pollinate and return to hives," Unep said.

The nicotine-derived chemicals were introduced in the late 1980s as a safer alternative to older insecticides that are more toxic. Yet a growing body of research has linked them to dying bees population.

"Without them (bees), we could lose a variety of food such as potatoes, pepper, coffee, pumpkins, carrots, apples, almonds, tomatoes, just to name a few," Carla Mucavi, director of the Food and Agriculture Organisation liaison Office in New York said in a statement.

Some local exporters said the EU might lower the maximum residue level, the highest level of a pesticide residue to be legally tolerated on food.

When the ban was first mooted in 2013, horticulture firm Finlays said they would actively engage with their customers to fully understand their position.

"Outside of the EU the use of these compounds will still be legal however our ability to use them will de-

pend on our customers' reaction and our own position," the company said in a statement.

Kenya exported Sh115 billion worth of horticultural produce in 2017, according to the Horticulture Department.

Flower Council CEO Jane Ngige said 40 per cent of the exports go to the European Union.

Some of it go to USA but after being repackaged.

"Currently, we export our produce via Netherlands and South Africa. This makes it difficult to know how much of our produce go to USA because they lose the identity in this two countries before they go to the market," Ngige said last week while commenting on the expected Kenya-US direct flights.



## PHOTO STORY

Lily Kitonyo, Takaful Insurance Mombasa branch manager awards best sales agent Suleiman Rashid of Azhar Insurance Agency. Looking on is Takaful Insurance CEO Hassan Bashir. / COURTESY



## MARKET REPORT ALY KHAN SATCHU

### History's greatest riddle

Let me start with a quotation from Ryszard Kapucinski's *Shah of Shahs*. "It is authority that provokes revolution... This occurs when a feeling of impunity takes root among the elite: We are allowed anything, we can do anything. This is a delusion, but it rests on a certain rational foundation. For a while it does indeed look as if they can do whatever they want. Scandal after scandal and illegality after illegality go unpunished. The people remain silent.

They are afraid and do not yet feel their own strength. At the same time, they keep a detailed account of the wrongs, which at one particular moment are to be added up. The choice of that moment is the greatest riddle of history"

"Kenya's budget is now approaching two trillion shillings; a third of it is being wasted through corruption," said Kinisu [Reuters]. The figure is in excess of \$6b. It is a mind-boggling figure. It is a disease and the symptoms of this disease are seen just about everywhere in our Economy.

As you are no doubt aware, the following changes have been tabled in parliament through various tax bills, including the Income Tax Bill, 2018 and the Tax Laws (Amendment) Bill, 2018:

Thirt five percent tax on individuals earning Sh 750,000 per month and above as well as large corporations with a monthly taxable income of more than Sh500 million, and, amendments to the VAT Act that include changing the status of various products such as milk and cream, maize (corn) flour, bread and wheat

among others from zero-rated to exempt, meaning that producers of these products cannot claim Value Added Tax on inputs from the government, thus increasing their retail prices.

These changes as well as the expected 16 per cent VAT on petroleum products from September is aimed at increasing revenue collections. [via Cytonn]

Essentially if you were seeking to demolish our credentials as an Investment decision for ourselves because ultimately Kenyans are the biggest single Investor in Kenya Inc. This is the way to proceed. Jacking up tax rates will produce meagre gains for the Treasury, if any.

What happens is that folks will expend all their energy on tax mitigation and avoidance. This happens the world over. All my analysis shows that Kenya needs to be cutting tax at this point. This will increase compliance levels and will in fact increase the tax take. I urge Francis Muthaura, the new KRA chairman to dial up Nikhil Hira [who did a lot of this modelling during his

time at Deloitte]. The disease is not addressed by taxing honest and hard-working Kenyans more. This disease is dealt with by tackling the disease at its source.

The President is self-evidently seized of the problem. The folks who are making off with \$6billion every year are not the smartest folks on the block.

They walk into our public institutions and walk out with cash in gunny sacks. It insults our intelligence. Just look at social media where there has been a sea change [The people are no longer silent]. We can certainly go and pay millions to consultants to tell us what we need to do and throw in a few weekends in Mombasa [Mombasa is passe now, in fact and folks brazenly go to the ends of the earth now for their off-sites] and come up with absolutely nothing.

We are at a fork in the road. We need to "uber" ise otherwise we will look back at and call this our "Kodak" moment.

Aly-Khan is a financial analyst

## BOOST

### Kenya Power improves ageing Nairobi sub-station

VICTOR AMADALA / Kenya Power will today commission a Sh13 billion sub-station in Nairobi, which is expected to address power interruption in the city.

The modern indoor 220KV gas insulated facility will replace the 50-year-old air-insulated switchgear at Juja Road substation, boosting power transformer capacity by more than 50 per cent.

The project funded through a twenty-year concessional loan from China Exim Bank will be commissioned by Energy Cabinet secretary Charles Keter.

It is expected to enhance supply to meet increasing domestic and commercial consumers demand. The most recent Africa Energy Outlook by International Energy Agency show that Kenya encounters 600 hours or 25 days of power outage every year, denying the Kenya Power Sh3.4 billion in revenue.

Speaking recently to the Star, Kenya Power managing director Ken Tarus said, the GIS system is part of a network modernisation plan which also involves network reinforcement measures including upgrading faulty or overloaded transformers and adding new ones.

"The modern system will bring efficiency in the power sector in the city. The cable will enhance communication between our officers on the ground, significantly reducing power blackouts in the city," said Tarus.

## CHANGE

### Barclays Bank Kenya to adopt Absa brand in 2019

VICTOR AMADALA / Barclays Bank Kenya is expected to adopt the Absa brand by next year, ahead of the 2020 deadline.

Shareholders voted in support of the proposed name change at the lender's AGM held in Nairobi on Friday.

"Now what we have to is manage the regulators and eventually the company's registrar's office. So there is not going to be an immediate name change in the public's perspective because the process is not yet complete," said bank's chief executive Jeremy Awori.

He said the process will be carefully managed to ensure all shareholder and regulatory requirements and ensure a seamless transition.

Awori said the new identity will bring with it a heightened level of customer obsession.

The approval comes just days after parent firm Barclays Africa Group Limited gave the go ahead for the group to change its name from Barclays Africa to Absa Group this year.

All subsidiaries across Africa have until June 2020 to switch to the new brand after meeting all regulatory approvals. The bank's counter at the Nairobi Securities Exchange stagnated Sh11.75, illustrating calmness among investors who took home Sh0.80 per share in dividends.