

KENYA'S SISAL INDUSTRY
2005



KENYA

EXPORT PROCESSING ZONES AUTHORITY



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Annual Exchange Rates (KShs. to US\$)

Year	Rate
1999	70.3
2000	76.2
2001	78.6
2002	78.4
2003	75.9
2004	80.0 (As at 31 st August 2004)

For latest rates click on <http://www.centralbank.go.ke/cbk/FXrates/archives.html>



1 Industry overview

Sisal is a vegetable fibre extract from leaves of an Agave (*Agave sisalana* Perrine), a major tropical fibre used in agricultural and parceling twine of various kinds in addition to ropes, sacks, carpets, and upholstery. Agave is a genus that includes the common sisal (*A. sisalana*) and many other species such as *Agave fourcroydes* (Henequen). The Agaves are indigenous to tropical and sub-tropical regions of Southern America, Mexico, Southern Coast of United States of America and the Caribbean island. It was introduced to Tanzania by a German agronomist in 1893 who imported bulbils from Florida, USA. From there, sisal spread to Kenya and other parts of East, Central and Southern Africa.

Sisal is the most important of the group of hard fibres, which includes Flax, Abaca, Jute, Coir and other fibres. Sisal occupies 6th place among fibre crops, representing 2% of the world's production of plant fibres (plant fibres provide 65% of the world's fibres). The world's largest producers are Brazil, China, Mexico, Kenya, Tanzania and Madagascar.

Sisal is a reasonably drought tolerant crop and can be grown in areas with as low rainfall as 600 mm per annum. However, it performs better at about 1200 mm of rainfall reasonably distributed through out the year.

Traditionally the main market for Sisal fibre has been baler twine, ropes, sacks, carpets, cordage, and upholstery. Informally, large volumes of Sisal are absorbed in the small-scale handicraft industry annually to make mainly woven bags (Kiondo) among a variety of other handicrafts.

The Kenyan Sisal Industry was born in 1907 when the first sisal plantation was established at Punda Milia near Thika by M/S R. Swift and E. D. Rutherford. By 1914 sisal had firmly established itself in Kenya as a cash crop and the first 42 tonnes of sisal fibre from Kenya was exported to Europe the same year. A steadily growing demand for Kenya sisal fibre subsequently followed necessitating further expansion in production. Growing demand for Sisal harvest and baler twine in Europe encouraged rapid growth of the Industry in the 50 years that followed. Plantations increased to 54, occupying over 120,000 hectares, and production and exports of sisal fibre reached 68,000 and 58,000 metric tonnes per annum respectively in 1965, while the Industry employed over 20,000 people directly and many more indirectly.

In 1954, a spinning factory was opened at Juja to process twine, ropes, gunny bags and later carpets and mats from sisal fibre for the domestic and export market.

The industry grew so rapidly that by 1920 a need was felt for research and development to support the industry. This culminated in the opening of the High Level Sisal Research Station at Thika in 1937. The station thereafter played a major role in the development of the Kenyan sisal industry in the next 35 years. It developed superior varieties, improved agronomic, management and processing practices which were to form the foundation of the sisal industry to date.

Up to the early 1940s the sisal industry was solely run by the Kenya Sisal Growers Association. In mid 1940s the colonial government, in recognition of the role of sisal in the economy, decided to form a body to oversee the industry. This led to the formation of the Kenya Sisal Board by an ordinance of the government, which enacted into law the Sisal Industry Act (Cap. 341) in 1946. The mission of the Board was, and remains, to cater for the welfare and promotion of and to regulate the industry.

Unfortunately however, in 1940s came the invention of manmade (synthetic) fibres. The frenzy that followed this new invention saw a very swift shift from natural fibres to man made fibres. This notwithstanding, their proximity to market, cheap prices and abundance enabled the new fibres to make quick in roads into the natural fibre market. This marked a turning point in the success and growth of the sisal industry with demand and subsequently prices of sisal fibre



growing at a much slower rate. By late 1960s demand for Sisal fibre declined causing a consequent declining trend in production, which persisted up to late 1980s.

Development of new uses and markets in recent years has reversed the trend. The new uses include the manufacture of composite, particularly for manufacture of interior motor vehicle panels to replace glass fibre, manufacture of gypsum blocks for building and specialty paper.

With entry of these new products in to the market in the early 1990s, the trend changed with demand and prices for Sisal fiber rising gradually. In the late 1990s, introduction of new uses (products), markets and application of improved production and processing techniques further accelerated the rise in demand. Research is now at an advanced stage to introduce Sisal fibre in manufacture of geotextiles.



Selection and breeding of high yield Sisal varieties

Research in improved production and processing systems including propagation of Sisal using meristematic tissue culture, and harmer mill extraction technology in addition to the conventional decortication has greatly enhanced production and quality of Sisal fibre as well as improved soil and environmental conservation.

Research is also at advanced stage to use Sisal extraction waste in bio-energy generation, livestock feed as well as organic fertilizer. This enhanced interest and investment in Research and Development (R&D) will enhance production, efficiency, and quality of Kenya's Sisal fibre.

In Kenya Sisal is mainly produced by large-scale plantations with long experience and know-how.



A sisal plantation



Kenya produces the world's best quality Sisal fibre that is mainly used in the manufacture of high quality and premium products including high quality carpets, specialty paper, gypsum blocks and composites in addition to the traditional baler twine market.



Harvesting of Sisal in an estate

Kenya Sisal Board runs a fully-fledged Sisal Inspectorate unit, which inspects and certifies all Sisal fibre to ensure conformity with established quality standards.

The Kenyan Sisal Industry has embarked on an expansion programme to increase Sisal production to meet an increasing demand for high quality fibre.

2 Industry structure

The Sisal Board of Kenya under the Ministry of Agriculture regulates the sisal sub-sector in Kenya. The sisal industry in Kenya has largely remained an export commodity industry. The industry is mainly composed of producers, marketing agents and spinners. Currently there are about 7 sisal fibre producers involved in production and processing of sisal. There are also 8 sisal-marketing agents involved in the marketing of sisal fibres.

Table 1: Sisal fibre producers & their locations

Company	Location
REA VIPINGO PLANTATIONS	VIPINGO – MOMBASA
DWA ESTATE LTD	KIBWEZI
TEITA ESTATE	MWATATE
MOGOTIYO PLANTATIONS LTD	MOGOTIO
KILIFI PLANTATIONS LTD	KILIFI
TABU ESTATE LTD	MOMBASA
VOI SISAL ESTATE	VOI

Source: Sisal Board of Kenya, August 2004



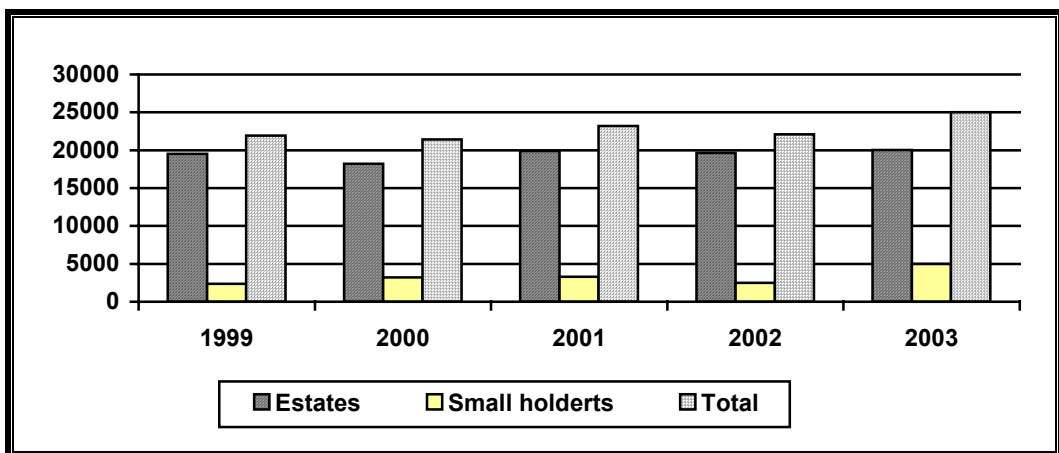
3 Sisal production

Over the last 5 years, sisal production in Kenya has increased from 21,914 MT in 1999 to 25,009 MT in 2003. Sisal Estates produced 20,010 MT in 2003, which was 80% of the total production while Smallholders produced 4,999 MT translating to 20% of the total output.

Total production in the last 5 years averaged 23,000 MT while for Sisal Estates and Smallholders it was 19,000 MT and 3,000 MT respectively. Total production in the last 5 years was highest in 2003 at 25,000 MT, which represented a 14% increase from the 1999 production.

As at 1997 when Kenya Sisal Board last established the area under sisal plantation, total area under sisal plantation stood at 112,636 hectares and was mostly located in the coastal region of the country.

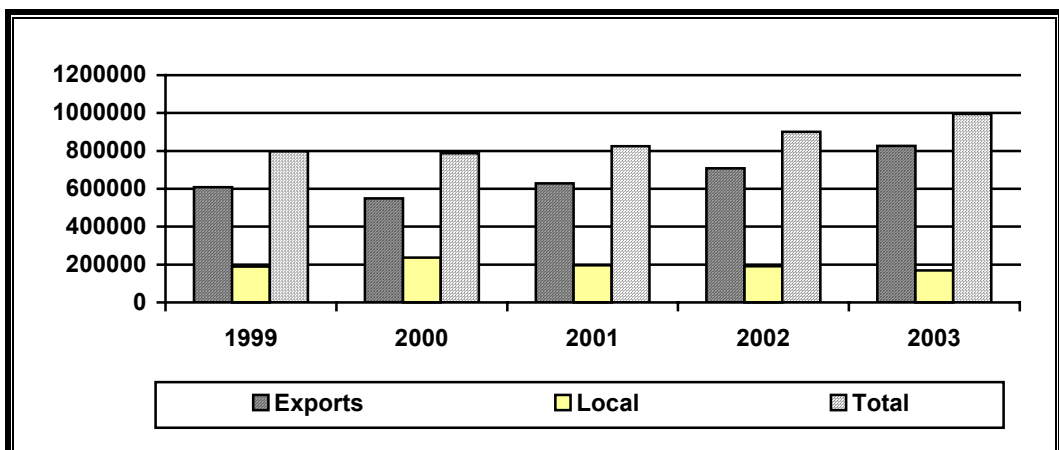
Chart 1: Sisal fibre production, 1999-2003 (MT)



Source: Sisal Board of Kenya, August 2004

Currently about 80% of the sisal fibre produced is exported. The value of sisal produced in Kenya increased from KShs 797,035,979 in 1999 to 994,969,974 in 2003 representing a 25% increase.

Chart 2: Value of sisal produced, 1999-2003 (KShs)



Source: Sisal Board of Kenya, August 2004



4 Market conditions

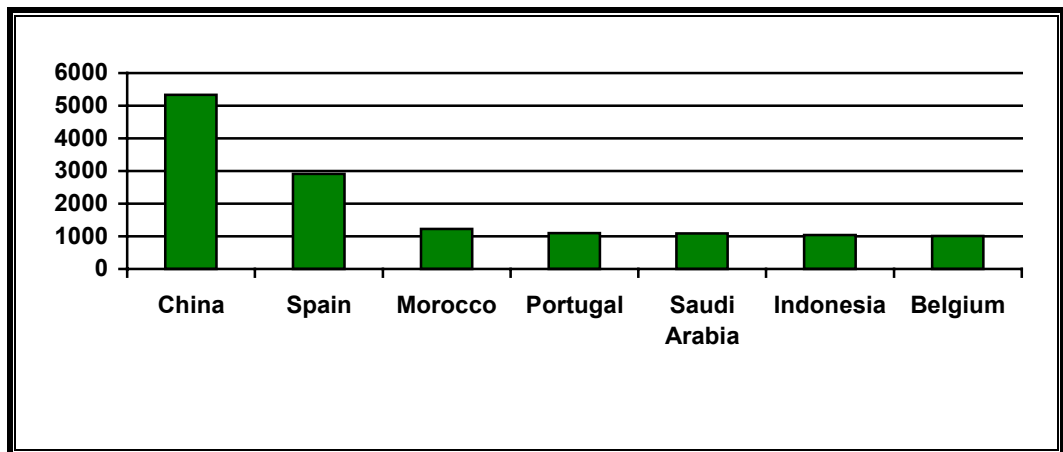
Over 80% of the sisal produced in Kenya is exported. By the end of 2003, exports from Kenya were 20,470 MT valued at KShs 826,789,864.

Marketing agents do the marketing of sisal for export. Currently there are about 8 marketing agencies, some of whom also own sisal plantations. The marketing agents are licensed and registered by Kenya Sisal Board. Kenya Sisal Board also facilitates the marketing of sisal in both the local and export markets. The list of sisal marketing agents includes the following.

- Wigglesworth Exporters Ltd
- Pack Enterprises Ltd
- Tropical Farm Ltd
- Mogotiyo Plantations Ltd
- Benle Investment (K) Ltd
- Reham Trading Co. Ltd
- Gilfreight Cargo Services Ltd
- Mombasa Cashewnut Processors (K) Ltd

The main export markets for Kenyan sisal include China, Spain, Morocco, Portugal and Saudi Arabia amongst others.

Chart 3: Major export destinations by quantity, 2003 (MT)



Source: Sisal Board of Kenya, August 2004

Table 2: Export market regions

European Markets	African Markets	Asian Markets	Middle East	Other Markets
Spain	Morocco	China	Saudi Arabia	Australia
Portugal	Egypt	Indonesia	Syria	Mexico
Belgium	South Africa	Japan	Jordan	New Zealand
Italy	Ghana	Philippines	U.A.E	Brazil
Germany	Ivory Coast	India	Lebanon	Canada
Turkey	Benin	Pakistan		
UK	Senegal	Bangladesh		
France	Greece	Sri Lanka		
	Tunisia	Taiwan		
	Togo			



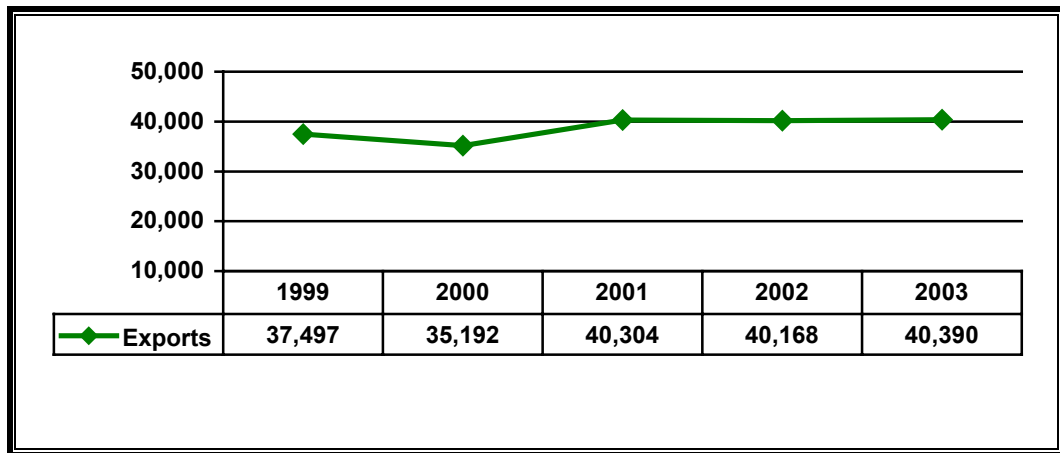
European Markets	African Markets	Asian Markets	Middle East	Other Markets
	Nigeria			
	Algeria			
	Cameroon			
	Mali			

Source: Sisal Board of Kenya, August 2004

As shown in table 2 above, most of the markets are mainly in Africa, though in actual export figures, Asia still remains the main market for both sisal fibre and sisal products.

The average price per tonne of sisal in the five-year period from 1999 to 2003 was approximately KShs 40,000.

Chart 4: Average price per tonne (KShs)



Source: Sisal Board of Kenya, August 2004

5 Legal & regulatory framework

5.1 Sector Regulation

The sisal sub-sector in Kenya is regulated by the Sisal Board of Kenya, which falls under the Ministry of Agriculture. The industry is governed by *The Sisal Industry Act* that was first enacted in 1946 though it has been revised over the years.

The role of the Board is to cater for the welfare and promotion of and to regulate the sisal industry.

Sisal farmers have formed the Kenya Sisal Growers' and Employers Association to articulate issues concerning the industry.

5.2 Trade Policies and Trading Partners

Exports from Kenya enjoy preferential access to world markets under a number of special access and duty reduction programmes.

- EAC- East African Community - Kenya is a member of the East Africa Community (Kenya, Uganda and Tanzania) with a population of about 80 million people. The EAC is in the process of operationalizing a customs union whereby goods from the 3 countries will enjoy duty free trading



- COMESA – Common Market for Eastern and Southern Africa - has a population of about 380 million and members of this group enjoy preferential tariff treatment for their imports and exports.
- AGOA - African Growth and Opportunity Act. Kenya enjoys duty and quota free access to the United States of America (USA) market for a wide range of products.
- ACP / Cotonou Agreement - Exports from Kenya entering the European Union are entitled to duty reductions and freedoms from all quota restrictions. Trade preferences include duty free entry of all industrial products and a wide range of agricultural products.
- GSP - Generalised System of Preferences - Under the GSP, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in the United States of America, Japan, Canada, New Zealand, Australia, Switzerland, Norway, Sweden, Finland and other European countries. In addition, no quantitative restrictions are applicable to Kenyan exports on any of the 3000-plus items currently eligible for GSP treatment.

6 Reasons to invest in Kenya

Some of the main reasons for investing in Kenya's sisal industry include:

Good climate

Kenya offers ideal climatic and weather conditions for the growing and cultivation of sisal. The country has above average rainfall and good temperature supported by soil that is suitable for sisal production.

Research & development capability

The Kenyan High Level Sisal Research Station provides industry research activities in areas such as improved varieties, farming practices and processing techniques.

Availability of affordable labour

Sisal production requires a supply of relatively affordable labour mainly at harvest time. Kenya offers potential investors with an abundant supply of affordable labour in the sisal growing areas, especially in plantations without mobile decorticators and where sisal has to be bundled and transported to the factory for decoration.

Regulatory framework

The setting up of a single regulatory body, the Kenya Sisal Board ensures that investors get a single source of investment advice on the sector. The Board facilitates registration of players in the sector.

Access to the regional market

Kenya's membership in regional trading bodies such as COMESA, African Union and the East African Community (EAC) provides investors with a large potential market for their products. As a member of the COMESA Free Trade Area (FTA), Kenya is allowed duty free exports to other COMESA FTA countries.

Investor friendly arrangements

The Kenya government can guarantee investor friendly arrangements such as:

- the Export Processing Zones (EPZ) program which offers attractive incentives to export-oriented investors and EPZ Authority to provide one-stop-shop service for facilitation and aftercare
- the Investment Promotion Centre (IPC) to promote all other investment in Kenya including in Manufacturing under Bond (MUB) program
- the Tax Remission for Export Office (TREO), a program for intermittent imports for export production
- Generous investment and capital allowances
- Double taxation, bilateral investment and trade agreements



Investment protection and insurance

The Constitution of Kenya provides guarantees against expropriation of private property. In addition, capital repatriation, remittance of dividends and interest are guaranteed to foreign investors under the Foreign Investment Protection Act (FIPA) (Cap 518).

Kenya as a member of MIGA (Multilateral Investment Guarantee Agency) provides investors with an opportunity to insure their investment in Kenya against a wide range of non-commercial risks. Kenya is also a member of the African Trade Insurance Agency (ATI), a multilateral export credit and political risk agency for COMESA member states as well as the International Council for Settlement of Investment Disputes (ICSID).

Strategic location

Located on the East African coast and having the port of Mombasa, Kenya is strategically located for investors wanting to access the East and Central African markets. Kenya is also a regional hub for airlines allowing for easy access from and to any part of the world.

Good quality of life

Kenya hosts a number of international organizations and foreign embassies and provides very good and up to standard living conditions for foreign investors wishing to reside in Kenya. With recognized international hotels, airports and entertainment centres, Kenya provides as much comfort for foreigners as in any European capital.

Stable political climate

Kenya has been one of the very stable countries in Africa since independence. The country has had three presidents with smooth transition taking place from one government to the next and peaceful elections held regularly. This is also manifested in the number of international and regional organizations headquartered in Nairobi including the UNEP, IGAD etc.

7 Investment opportunities

Some of the investment opportunities foreign and local investors can take advantage of include:

- Development and assembly of machines to be used in farming, harvesting and processing sisal such as rolling brush cutter, decorticators, heavy disk harrow ploughs and heavy rotary cultivators.
- Manufacture and provision of pest and disease control chemicals to both estates and smallholder farmers.
- Development of factories to process sisal.
- Development of other uses of sisal apart from the traditional uses so as to effectively compete with synthetic fibres.
- Provision of research and development services to farmers and processors of sisal and sisal products.
- Development of infrastructure in sisal growing areas including roads, provision of power (electricity) etc.
- Kenya also particularly invites investors to invest in weaving and spinning of sisal.
- Use of sisal decortication waste material in the production of alcohol, biogas, waxes, hecogenin, animal feed, and manure.
- Supply of water and transport to the sisal processing industries.



8 Main players in the industry

8.1 Companies

Sisal Fibre Producers

Company	Contact
REA VIPINGO PLANTATIONS LTD	P.O. Box 1 VIPINGO TEL: 254-41-32204 FAX: 254-41-32204
DWA ESTATE LTD	P.O. Box 71 KIBWEZI TEL: 254-20-725558 FAX: 254-20-721422
TEITA ESTATE LTD	P.O. Box 36 MWATATE TEL: 254-43-36042 FAX: 254-43-36024
MOGOTIYO PLANTATIONS LTD	P.O. Box 19 MOGOTIYO TEL: 254-20-4449128/29 FAX: 254-20-4449282
KILIFI PLANTATIONS LTD	PRIVATE BAG - KILIFI TEL: 254-41-22119/ 22120 / 22383 FAX: 254-41-22149
TABU ESTATE LTD	P.O. Box 85985 MOMBASA
VOI SISAL ESTATE	P.O. Box 10 VOI TEL: 254-43-30015 FAX: 254-43-30038

Sisal Marketing Agents

Agents	Contact
WIGGLESWORTH EXPORTERS LTD	P.O. Box 90501 MOMBASA TEL: 254-41-225244 FAX: 254-41-225353
PACK ENTERPRISES LTD	P.O. Box 18488 NAIROBI TEL: 254-20-544525/6 FAX: 254-20-652160 Email: info@pack.co.ke
TROPICAL FARM LTD	P.O. Box 260 THIKA TEL: 254-67-21637/8 FAX: 254-67-30468/31132 Email: scem@swiftkenya.com
MIGOTIYO PLANTATIONS LTD	P.O. Box 47068 NAIROBI TEL: 254-20-4449128/29 FAX: 254-20-4449282 Email: migotiyo@kenyaweb.com
BENLE INVESTMENT (K) LTD	P.O. Box 69731 NAIROBI TEL: 254-2722649447 FAX: 254-20-250130 Email: benleke@yahoo.com
REHAM TRADING CO. LTD	P.O. Box 60206 NAIROBI TEL: 254-20-226580/3 FAX: 254-20-338174 Email: rehan@swiftkenya.com
GILFREIGHT CARGO SERVICES LTD	P.O. Box 49983 NAIROBI TEL: 254-20-602080/606486



Agents	Contact
MOMBASA CASHEWNUT PROCESSORS (K) LTD	FAX: 254-20-604866 P.O. Box 85985 MOMBASA TEL: 254-41-228476 FAX: 254-41-223323 Email: kiliware@africaonline.co.ke

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9 Useful contacts

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Web: www.tradeandindustry.go.ke

Ministry of Agriculture & Rural Development
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10 Sources of information & glossary

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- *Laws of Kenya - The Sisal Industry Act Chapter 341 printed by Government Printer-Nairobi*

A List of Abbreviations

- UK – United Kingdom
- U.A.E – United Arab Emirates
- MUB – Manufacturing under Bond
- EPZ – Export Processing Zone
- EAC – East African Community
- COMESA – Common Market for Eastern and Southern Africa
- MT - Metric Tonnes
- KShs - Kenya Shillings