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**Private Sector Position Paper on Kenya's Failure to Renew
Import Permits of Uganda's Milk Exporters to Kenya**

Presented to

**Rt. Hon. Rebecca Kadaga - 1st Deputy Prime Minister and
Minister for East African Community Affairs**

By

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**CC: Rt. Hon. Speaker of Parliament of the Republic of Uganda
Minister of Foreign Affairs of the Republic of Uganda
Minister of Trade, Industry and Cooperatives of the Republic of Uganda
Minister of Agriculture, Animal Industry and Fisheries**



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1. About PSFU

The Private Sector Foundation Uganda (PSFU) is an umbrella body for the private sector in Uganda. It is composed of over 316 Business Associations, Corporate bodies, and Public Sector Agencies supporting private sector growth. PSFU is a value-based and ethically driven entity premised on twelve (12) key sectors that drive Uganda's economic growth.

Since its founding in 1995, PSFU has expanded and scaled up its reach from merely providing business information, grants management, training, and Business Development Services, to a diverse private sector think tank and innovation hub, tackling the world's most pressing challenges while contributing to sustainable development. PSFU is also one of the major Government of Uganda (GoU)'s implementing partners for projects and programs that are aimed at strengthening the private sector as the engine of economic growth.

As a business facilitator, PSFU continues to enhance access to markets for its members and the wider private sector through conducting intelligence market surveys, facilitating trade missions, and business forums among other facilitation services.

2. Background

Uganda's trade with Kenya stands at **US\$ 305.16 million**¹ and **US\$ 831.92 million**² respectively in 2021 according to the United Nations Comtrade database on international trade. This signifies a trade deficit of over **US\$526.76**

¹ <https://tradingeconomics.com/kenya/imports/uganda>

² <https://tradingeconomics.com/kenya/exports/uganda#:~:text=Kenya%20Exports%20to%20Uganda%20was,updated%20on%20May%20of%202023>

million. It is also important to note that in Uganda's dairy industry, there are some Kenyan players.

According to Uganda's Dairy Development Authority (DDA), Uganda produced **3.22 billion liters** of milk in the Financial Year 2021/2022 from **2.8 billion liters** in the FY2020/21. For Uganda's milk produced, about 80% of it is marketed and given that Uganda's Dairy sector has a nominal value of UGX 1,181 (\$0.32), the export value stands at **UGX 3.8 trillion** (DDA 2023).

In FY2021/22, Uganda's revenue from dairy exports was worth **US\$ 102.6 million as compared US\$ 92.4 million in FY 2020/21** and the key export destinations were regional markets, Somalia, United Arab Emirates (UAE), Syria, Oman, United States, Nepal, and Bangladesh (DDA, 2023). The exported dairy products include casein, whey protein powder, UHT milk and milk powder, pasteurized milk, yogurt, cream, ice cream, fermented milk, and cheese among others.

3. Kenya's Unfair Trade Practices with Uganda.

The private sector in Uganda has been saddened by the failure by the Kenya Dairy Board (KDB) to renew the import permits of over 80 companies of powdered milk to Kenya since March 2023. For the last two months, the price of milk per litre has reduced by over **375%** from Ushs 1500/= in March 2023 to Ushs 400/= in May 2023.³ Uganda's farmers believe this is a very unfair practice and do not put into consideration the value chain disruptions and consequently the losses it is creating.

On 13th June 2022, Kenya again changed its positions on trade with Uganda on eggs by introducing an import levy of Ksh72 (\$0.6) and the equivalent of Ushs

³ The East African May, 20 – 26, 2023: How Kenya's political games are hurting EAC Common Market Pp. 4-5.

2500 per tray of eggs⁴. This decision affected the growth rate of the poultry population which grew at **9.6%** and egg production which also grew at **9%** between 2013 and 2017⁵ (UBOS, 2018). The decision affects over 720,000⁶ people who are employed directly by the poultry sub-sector and over 4.5 million people benefiting from the livestock sub-sector who are playing different roles in the value chain⁷.

Additionally, in 2021, Kenya decided to reduce the importation of Ugandan sugar by 79% from the initially agreed 90,000 tons to 18,923 tons of sugar and stopped the import of sugarcane. This decision led to a loss to sugar manufacturers who had stored sugar worth **US\$ 50 million** and over **6,000 tonnes** of sugarcane on **150 trucks** were left rotting⁸. An estimated 40,000 households, employing about 640,000 labourers were affected by the Kenyan decisions⁹.

Further, Kenya restricted the import of Ugandan maize to Kenya in 2021 where aflatoxins were given as a justification. This decision by Kenya affected Uganda's maize exports earning from **US\$ 92.11 million** in 2020 to **US\$ 52.07 million** in 2021 (UBOS, 2022). All these distortions by Kenya on maize affected over **4.26 million** households engaged in maize production (UBOS, 2019).

⁴ <https://www.theeastaffrican.co.ke/tea/business/kenya-fresh-tax-on-uganda-eggs-sets-stage-for-trade-war-3846726>

⁵ Poultry Training Manual for Extension Workers in Uganda 2019.

⁶ Poultry Association of Uganda 2022.

⁷ Private Sector Position on the abrupt taxation and execution of the import duty of 10% and vat 18% on animal feeds and premixes by the Uganda Revenue Authority (URA)

⁸ <https://www.monitor.co.ug/uganda/news/national/what-kenya-s-ban-on-brown-sugar-cane-means-for-uganda-1900174>

⁹ <https://www.monitor.co.ug/uganda/business/prosper/is-prosperity-eluding-sugar-industry--3954968>

Uganda's private sector believes that if the reverse was the case, our counterparts in Kenya would have retaliated. Yet, the Ugandan business community incurs losses and continues trading with our Kenyan counterparts normally. Moreover, seasons come and go, thus, if every season the market is to be disrupted, then, Uganda ceases to have a fair trade with Kenya. This also contravenes the East African Community Common Market Protocol.

On the flip side, all Kenyan products have unlimited access to Uganda's market. Irrespective of several bans Kenya has imposed on Ugandan products, Uganda has never imposed any ban on products from Kenya. For instance, Kenya exports to Uganda palm oil worth US\$ 61.5 million, sorghum US\$ 12 million, vegetables US\$ 2.6 million, legumes US\$ 1.7 million¹⁰, sugar and confectionary US\$ 18.7 million, animal vegetable fats and oils 16.67 million¹¹ among others.

4. Effects of the Failure to Renew Import Permits.

The 2019 blockade of Uganda's milk led to major losses to the dairy sector. In Uganda, the dairy sector supports more than **6 million** people and employs over **100,000 people**¹² (salaried jobs). The initial blockade caused more than **40,000 direct job losses**, more than **30,000 value chain indirect jobs**, and over **3.8 million** households who are in dairy businesses. The loss in employment is because many dairy companies like Pearl Dairies Limited producers of Lato Milk brand had their operation capacity most likely reduce to about **20%** of their production capacity, shut down of some production lines, lower farmgate prices

¹⁰ The East African May, 20 – 26, 2023: How Kenya's political games are hurting EAC Common Market Pp. 4-5

¹¹ Trading Economics 2023. Uganda imports from Kenya.
<https://tradingeconomics.com/uganda/imports/kenya>

¹² Dairy Development Authority 2021. Annual Report. <https://dda.go.ug/assets/files/DDA-annulareport20-21.pdf>

for fresh milk that went as to as low as Ushs **500/=** per liter with a few companies trying to mop up whatever they could afford.

Furthermore, Uganda imports over **75% of its cargo through the Mombasa port**. This signifies the goodwill that Uganda has in terms of our trade relations with Kenya. However, over time, the Ugandan business community has not enjoyed that reciprocity. It is based on this background that Uganda is now looking into exploring other markets such as Algeria, DRC, Zambia and South Sudan among others.

Notably, the failure to renew import permits for Uganda's milk to Kenya will not only hurt Ugandans but also Kenyans. For example, **700 - 800 Kenyans** are likely to lose jobs due to the closure of many distributors, Kenya Revenue Authority will lose more than **US\$ 8 million** in VAT revenue from powder products just like it happened in 2020 and 2021. Further, the Kenyan packing industry will lose business of approximately **US\$ 7 million**, and Kenyan logistics companies will lose revenue of **US\$ 4 million** in the region. On the flip side, the entry of Uganda's milk is likely to attract investment into the sector and Uganda's milk production is likely to go to over **3.2 billion liters per year**.

In the spirit of the East African Community and Africa Continental Free Trade Area (AfCFTA), Ugandan private sector wishes to condemn Kenya's decision not to renew over 80 import permits of Uganda milk exporters to Kenya as an unfair practice. Moreover, Kenya is not only a major trade partner in the region but also enjoys an over **US\$ 526.76 million** trade deficit with Uganda. On behalf of the Private Sector, we feel that government needs to present this matter to the Kenyan government.

5. Private Sector Position on the Ban.

- i. The Kenyan Authorities going forward should desist from such trade practices that include the ban of Ugandan products without prior notification. This heavily disrupts value chains and leads to business losses. Moreover, it also affects the goodwill of the government of Uganda as one of the major regional trading partners.
- ii. The private sector notes with concern that this has been and continues to be a seasonal approach that Kenya has been using not only on dairy products but also on other agricultural products. In the past, Uganda had chosen to take a diplomatic path irrespective of the losses these trade practices have brought to them. Thus, to mitigate such, the private sector will explore new markets and consider stopping our concentration on the unpredictable Kenyan market.
- iii. Uganda's private sector also notes with concern that such impromptu trade practices and/or bans contravene the East African Community (EAC) trade protocols, the Common Market Protocol on the free movement of goods and services, as well as the agreement that established the African Free Continental Trade Area (AfCFTA). Such a practice derails the integration process and affects the goodwill of the Ugandan business community.

6. Private Sector prayer

- i. The private sector thus requests that the government of Kenya, with immediate effect, renews the import permits of milk exporting companies to Kenya.

- ii. The private sector prays that the two governments of Uganda and Kenya agree to certain repercussions in the event that any of the countries restrict the entry of products from any of the partner states.
- iii. The private sector prays that the EAC Secretariat be held accountable for such arbitrary bad trade practices in the community and intervenes promptly whenever they occur.

Uganda's private sector hopes that this matter will be resolved with immediate effect. ***For God and my Country.***

Sincerely,



Mr. Humphrey Nzeyi

CHAIRMAN BOARD OF DIRECTORS



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