EAGC EASTERN AFRICA GRAIN COUNCIL

Grain Watch Trade Brief

RATIN

Table of Contents

Introduction

Grain trade is a key economic activity in the East Africa region as it ensures food security and provides business opportunities for the grain value chain players in the member states. Cross border trade is mainly dictated by the deficit and surplus states of the member states, whereby surplus states export grain to deficit countries in a bid to boost food security in the region. The main surplus countries in the region are Uganda, Tanzania and Ethiopia which supply food to the rest of the deficit countries. Therefore, cross border trade is paramount and there is need to ensure structured processes to ensure that the process is done efficiently where all parties involved benefit thereby enhancing food security.

Consequently, grain trade is affected by many macro-economic factors including climate, production, demand, supply, prices and national and regional policies.

Kenya is generally a food deficit country and therefore it relies on imports to bridge the deficit to meet the demand. In the recent year, some of these factors have affected grain trade as highlighted below.

Policy Environment in Kenya

Strategic Food Reserve and the National Cereals and Produce Board

In April 2020, the Strategic Food Reserve Trust Fund (SFRTF) was disbanded and its responsibilities taken up by the National Cereals and Produce Board (NCPB). This was done in a restructuring process as part of measures taken to consolidate the grain basket towards the realization of food security in the country. The Agriculture Cabinet Secretary argued that there was no point of having Strategic Food Reserve and the National Cereals and Produce Board run as parallel entities. As the National Cereals and Produce will take up the responsibilities of the Strategic Food Reserve, there will be a National Food Reserve system which will procure receipts through commercial competitive processes, through the Warehouse Receipt System, which will help avoid market distortions. The National Cereals and Produce Board will also be restructured into two divisions, namely, The National Food Reserve and NCPB Trading. The National Food Reserve will mainly rest on commercial processes, the Warehouse Receipt System and targeted incentives directly to registered farmers designed to avoid market distortions and opaqueness (The Standard).

Government Strategy for Food Security

The Government of Kenya introduced a number of changes in the ministry of agriculture, particularly in the National Cereals and Produce Board, aimed at boosting food security in the country. According to the Cabinet Secretary of Agriculture, the government would focus on its key role of creating an enabling environment for producers and traders to make and execute commercial decisions while ensuring that commercial interests, especially on imports do not disadvantage local producers and consumers. Some of the changes included the government ceasing from directly buying, selling or setting maize prices. It also ceased purchasing, distributing, selling and setting prices of fertilizer, seeds or any farm inputs used in production. Instead, the government institutionalized, within NCPB the Food Balance Sheet Committee, with broad representation as a statistical and advisory organ on incentives and strategic food reserve decision making (Business Daily).

As declared, the government did not purchase any stocks form the 2020/21 crop for the Strategic Food Reserve. The agriculture cabinet secretary ruled out allocating money to NCPB to purchase maize, saying that the private sector should now lead the drive. The government would then buy the maize from the private sector according to advisories from the Food Balance Sheet Committee. As a concern, some farmers argued that absence of the NCPB in purchasing of grain in the market might create a leeway by the private sector to lower prices offered to farmers (Business Daily).

Kenya Import Ban on maize from Uganda and Tanzania

On 5th March 2021, the Government of Kenya through the Agriculture and Food Authority (AFA) banned the importation of maize from Uganda and Tanzania with immediate effect. According to AFA, the ban was introduced based on the findings of a survey conducted by AFA which showed that maize from the two countries is unfit for human consumption due to levels of mycotoxins that were consistently beyond safety limits. The ban posed severe implications for cross-border maize trade, food security, business operations and livelihoods for maize value chain players in all three countries considering Kenya's structural maize deficit and reliance on imports from the region, and the importance of the Kenyan market for Tanzanian and Ugandan maize producers and traders (in this case exporters).

After deliberations led by the Eastern Africa Grain Council to lift the ban by engaging various government stakeholders, particularly the Agriculture Food Authority, the ban was lifted and a set of requisite conditions were put in place for any trader willing to import maize from Uganda and Tanzania.

Grain traders trading with the Kenyan Market are henceforth required to:

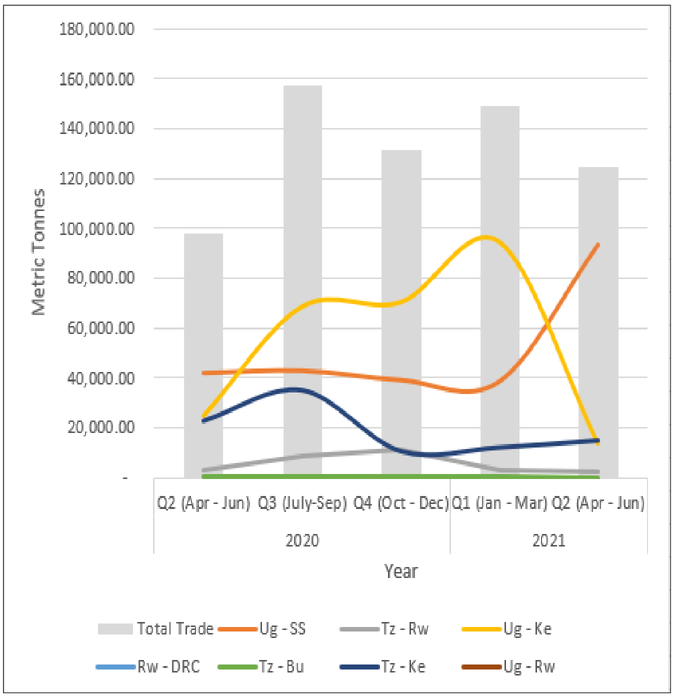
- Register with AFA portal at a registration fee of USD 300.
- Obtain a CoC from accredited laboratories from the country of origin.
- State the warehouse at source and that of the intended storage for the imported grain.
- Qualify for a subsequent test at the border point

Cross Border Trade Update

Regional cross border trade for most commodities increased significantly across most countries from the first quarter because of increased supply from the June harvest, and slight improvement in availability of hard currency in South Sudan. Regional trade was directed at filling gaps in supply and demand in the structural deficit countries of Kenya, South Sudan, Somali, Rwanda, and Burundi (Fewsnet).

Over the last 12 months, Kenya has been mostly sourcing its maize from Uganda with 271,706 metric tons from Uganda imported between July last 2020 to June 2021, compared to 95,316 metric tons imported from Tanzania during the same period. Traders in Kenya preferred maize from Uganda due to adequate supply and favorable prices. However in the recent months, Kenyan traders are slowly shifting to Tanzania following a decrease in stocks in Uganda . Currently maize in Uganda is retailing at USD 271/MT compared to USD 194/MT

Quarterly Cross border trade of maize in the East African region



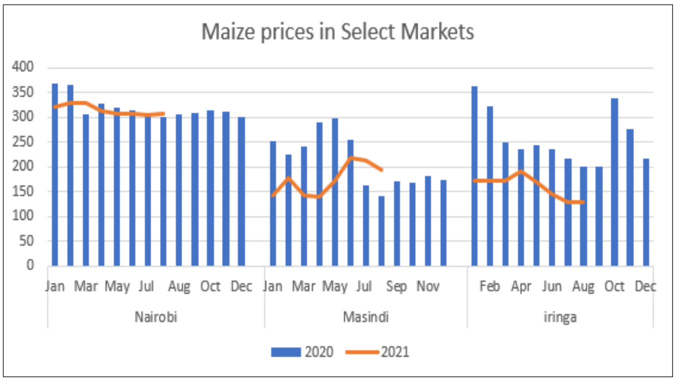
in Tanzania. Tanzania still has ample stocks available for trade due to an above average previous season.

	2020			2021	
	Q2(Apr-Jun)	Q3(Jul-Sep)	Q4(Oct-Dec)	Q1(Jan-Mar)	Q2 (Apr-Jun)
Ug-SS	42,139	43,046	39,332	38,721	93,046
Tz-RW	2,966	8,537	11,168	3,099	2,484
Ug-Ke	24,827	68,458	70,223	94,382	13,813
Tz-Bur	355	632	389	143	136
Tz-Ke	22,774	35,125	10,542	12,027	14,847

Source: FEWSNET

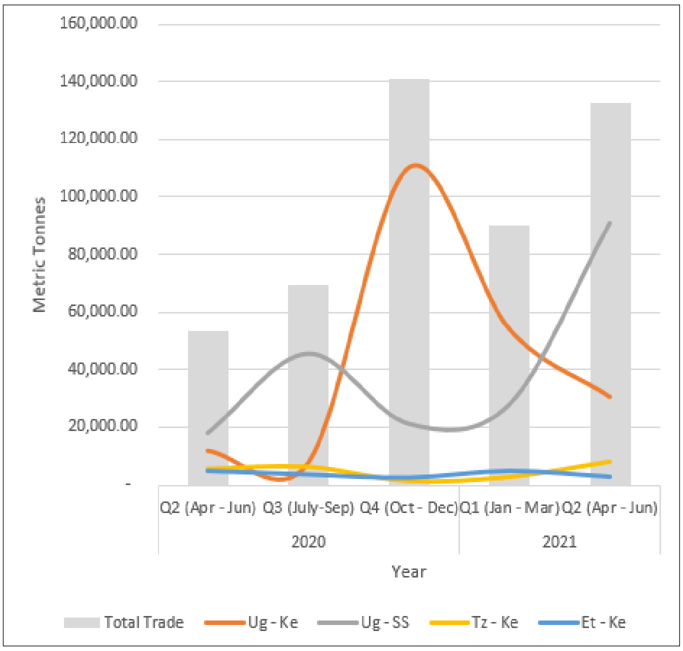
Generally, maize grain trade reduced in the second quarter compared to the first quarter as Kenya imported less from Uganda due to available stocks from the ongoing harvest. However, maize imports significantly increased in South Sudan from Uganda due to increased demand owed to improvement in hard currency availability (Fewsnet).

The Maize import ban on maize from Uganda and Tanzania negatively affected cross border trade, whereby total trade imports from Uganda and Tanzania dropped by 44% and 35% respectively compared to the similar quarter last year. This also affected maize prices in the producer markets in the region, where prices marginally dropped whereas in the consumer markets, prices increased compared to last year. Quarterly prices in the producer markets of Masindi in Uganda and Iringa in Tanzania dropped by 59% and 29%. Prices in Nairobi remained stable in the second owing ample stocks from previous season and high import volumes from Uganda during the first quarter.



Source: RATIN

Quarterly Cross border trade of Dry beans in the East African region



Source: FEWSNET

Dry beans imports increased in the second quarter compared to the similar quarter last year as the country tried to bridge the rising demand of beans to resumption of schools in the region as various entities and institutions reopen.

Outlook (3rd Quarter)

Grain trade in the region is still recovering as countries better manage the effects of the Covid-19 pandemic. The grain value chains players are steadily adopting to the existing and new measures imposed by the respective governments in a bid to curb the spread of the disease. Trade has generally increased this year due to enhanced covid-19 screenings for transporters, implementation of mycotoxin tests at the border crossings and general quick adaptation by grain traders in the region.

Grain trade is expected to increase gradually in the coming months, despite the fact that the region is currently grappling with the effects of climate change, likely forecasted to contribute to below average harvests in Uganda and Kenya. This is mainly due to the late onset of rainfall, which might put pressure on the deficit countries to look for alternative sources.

Maize prices are expected to follow previous trends, below average in most markets in Uganda, Tanzania, and Rwanda due to average harvest which will push price downwards up to the end of the year. In Kenya, prices are likely to move above average levels due to likely below average harvest.

Dry beans prices are expected to trend seasonally but will remain above 5 year averages due to increased domestic and regional demand coupled with reduced production due to heavy rainfalls last year that reduced carry over stocks.

Recommendations

Cross border trade is a key contributor to the respective economies and also ensures food security in the region. Therefore, it is prudent that all the issues that affecting cross border trade be addressed as soon as possible to create an enabling environment where all the value chain players can operate efficiently and profitably. The following are some of the recommended actions to be taken to address certain challenges:

Import bans: Historically, import bans have always resulted into huge losses as the disruption of the value chain processes have had a ripple effect across entire value chains. They have failed to serve their intended purposes of solving various arising issues that the government felt fit to be solved by them. Therefore, countries should consider import bans as the last resort. Instead, they should engage both the public and private stakeholders on possible solutions. This will see minimal disruptions in cross border trade, allowing businesses to operate normally, which will benefit all involved parties.

Aflatoxin contamination and testing: Quality of food commodities is a critical component in cross border trade. Food traded locally and across borders should be of good quality, meeting set standards. Aflatoxin contamination has grappled the maize sector in the region, calling for sustainable solutions to ensure its eradication. Therefore, the government in partnership with the private sector should devise ways to raise awareness and carry out capacity building activities of the grain value chain. Furthermore, the government and the private sector should invest in various technologies that have been developed to eradicate aflatoxin in grains. Aflatoxin testing should also be included in trading processes to ensure the grain traded is within the set limits.

Harmonizing of standards and requirements in the region: So many inefficiencies exist in processes at the border due to conflicting requirements from one country to another. This creates unnecessary delays and costs. Therefore, countries should harmonize their standards and requirements to smoothen cross border trade processes and procedures.

EAGC Interventions

AGRA Trade Facilitation Project – Improving Compliance with Maize Quality Standards along Trade Corridors in East Africa

The Eastern Africa Grain Council (EAGC) in consortium with The Grain Council of Uganda (TGCU) with support from AGRA Regional Food Trade & Resilience program are implementing the project, "Improving Compliance with Maize Quality Standards along Trade Corridors in East Africa". The Project is being implemented in Kenya, Uganda and Tanzania. The two-year project aims to address the low compliance with harmonized East African Grain Standards by maize value chain players attributed to:

- Low awareness about safety and standards among value chain players.
- Limited business incentives to invest in practices that support compliance with standards.
- High cost of complying with standards relative to financial returns.
- Weak enforcement of standards along value chains
- Impact of climate change and Covid-19 on food security and trade.

The goal of the project is to increase trade in quality compliant maize along the grain trade corridors in East Africa specifically Uganda-Kenya and Tanzania– Kenya corridors.

Some of the successful interventions under the project include:

- A total of 60 exporters (Ug-30, Tz-30) and 50 FOs (Tz) identified for further engagement to form the supplier clusters. In Kenya, 28 potential off-takers were engaged through physical and virtual meetings .
- 2 off-taker clusters established in Kenya with a total of 14 off-takers profiled; 7 in Mombasa and 7 in Nairobi Metropolitan.
- 2 supplier clusters in Tanzania initiated with 13 exporters signing letters of commitments: 7 in the Northern zone and 6 in the Southern Zone. In Uganda, 15 suppliers comprised of EAGC and TGCU members have committed to supply under the project and profiling is ongoing.
- 4 Business to business linkages meetings held exporters in Tanzania and Offtakes in Kenya which have resulted in two (2) trade deals agreed upon. The trade contracts were developed and trade facilitated.
- An ELISA Aflatoxin Analysis Kit and Grading sieve purchased. The equipment is installed at the EAGC Uganda Laboratory to assist in quality assessment of grains.

Supply chain Support for Resilience, Relief and Recovery for Cross-Border Food Security

The Supply Chain Support for Resilience, Relief and Recovery for Cross-Border Food Security Initiative is a program of TradeMark East Africa (TMEA) designed to address disruptions in food trade supply chains during the Covid- 19 pandemic to facilitate food trade flows from surplus to deficit areas. The constraints faced are multi-faceted and include weak business environment, high technical and Non-Tariff Barriers (NTBs) to trade, inefficiencies in the supply chain, poor access to markets and the impacts of climate change. Supporting Grain Markets and Trade in East Africa during COVID-19 Pandemic component is a seven-months component of the project targeting especially women cross border traders being implemented by Eastern Africa Grain Council (EAGC) aimed to contribute to social and economic empowerment of women in trade in Eastern Africa. The project covers Kenya, Uganda and Tanzania and focuses to support safe market linkages for farmers and traders especially women CBTs during the COVID-19 pandemic. The project pursues three short-term outcomes as follows:

- Increasing resilience and recovery of cross border food supply chains targeting women CBT in Eastern Africa
- Cross border traders increase compliance with Covid-19 mitigation measures to sustain trade flows
- Enhanced quality and safety of commodities traded across borders.

Some of the achievements so far include:

- In Kenya, 13 off-takers of various grains were identified among them four (4) women enterprises. A demand 15,334 MT of diverse grains and a spice was established mainly with off-takers in Kenya, Malawi and one in Rwanda. Commodities in demand include green grams, Soybean, assorted common beans varieties, Amaranth grains, Sesame, Ginger, and Pumpkin seeds.
- In Uganda, a total of 16 new G-hubs were identified while EAGC was already working with 6 other G-hubs making a total of 22 G-hubs identified to participate in the project. The farmers are currently in harvest period and will be linked to off-takers in the coming months. In Kenya, EAGC is working with 38 G-hubs but as Kenya is currently off season there is little grain available to link to the market until the months of October-December.
- In Tanzania, 24 farmer organizations have been identified to participate in the project. In regard to business engagements between farmers and local off-takers for domestic trade, 3 trade linkages of 250MT of yellow beans and 300MT of maize were successfully facilitated valued at US$ 192,531 (yellow beans- $140,677, maize-$51,628). One of the trade was from a farmer organization Tuungane AMCOS.

About the Eastern Africa Grain Council

The Eastern Africa Grain Council (EAGC) is a membership-based organization representing the grain sector in Eastern and Southern Africa. The Council exists to facilitate efficient, structured, profitable and inclusive grain trade in its 10 mandate countries, namely Kenya (Regional Headquarters), Uganda, Tanzania, South Sudan, Ethiopia, Burundi, Rwanda, Zambia, Malawi and the Democratic Republic of Congo. EAGC draws its membership from grain sector value chain actors in its Member States, which include farmers, traders and processors. Support service providers and complimentary sectors such as agro-input suppliers, financial services and animal feed manufacturers also form part of the Membership. In facilitating structured grain trade in the Eastern Africa region, EAGC provides trade facilitation services through the EAGC G-Soko Grain Trading System; market and cross-border trade information through the Regional Agricultural Trade Intelligence Network (RATIN – www.ratin.net); pursuing appropriate policy reforms to support growth of structured grain trade through the Agricultural Trade Policy Advisory Forum for Eastern and Southern Africa (ATPAFESA); and capacity building of grain industry stakeholders through the Grain Business Institute (GBI).

Partners

Prepared by members of the GEOGLAM Community of Practice, Coordinated by the IGAD Climate Prediction and Application Center

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