EAST AFRICA CROSSBORDER TRADE BULLETIN

FSNWG Food Security & Nutrition Working Group

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MAS Market Analysis Subgroup

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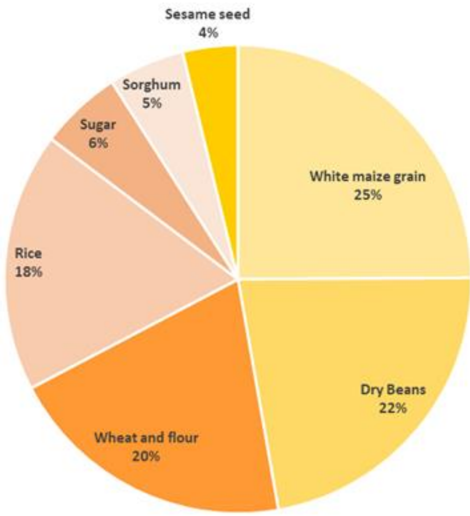
SUMMARY POINTS

Figure 1: Main Staple Food Commodities Informally Traded Across Selected Borders in Eastern Africa in the fourth quarter of 2018. Source: FEWSNET and EAGC



- Regionally-produced maize grain, dry beans, and rice, and re-exported wheat and wheat flour were the most traded commodities in the region between October and December (fourth quarter) of 2018 (Figure 1).
- Staple food commodity prices expressed in US dollars remained below last year and five-year average levels because of modest carryover stocks from the past marketing year in some countries, average-to-above average harvest, and currency depreciation.
- Regional trade in staple food commodities was mixed between the third and fourth quarters of 2018. Trade in maize and sorghum remained unseasonably stable compared to the previous quarter because of increased sales at lower prices to avoid long storage costs, and persistent demand, respectively. Trade in dry bean and locally produced rice increased seasonably but reached exceptionally high levels because of improved availability in Uganda and Tanzania respectively.
- Regional trade in livestock declined seasonably with the end of the rainy season across most pastoral areas but prices remained elevated in most markets because of good rangeland conditions.
- Regional trade in sorghum, maize, rice, and dry beans are expected to increase seasonably as supplies tighten in the first and second quarters of 2019. Both domestic and cross-border livestock trade is anticipated to increase with increased demand during the May-to-August religious festivities.

ABOUT THIS REPORT

The Market Analysis Sub-group of the Food Security and Nutrition Working Group (FSNWG) monitors informal cross-border trade of 88 food commodities and livestock in eastern Africa in order to quantify the impact on regional food security. This bulletin summarizes informal trade across selected borders of Tanzania, Burundi, Rwanda, Uganda, Kenya, Somalia, Djibouti, Ethiopia, Sudan, and South Sudan and DRC. Data is provided by the Eastern Africa Grain Council (EAGC), the Famine Early Warning Systems Network (FEWS NET), the Food and Agricultural Organization of the United Nations (FAO), the National Bank of Rwanda (NBR) and the World Food Program (WFP).

Informal trade represents commodity flows outside of the formal system, meaning that activity is not typically recorded in government statistics or inspected and taxed through official channels. These flows vary from very small quantities moved by bicycle to large volumes trucked over long distances. This report does not capture all informal cross-border trade in the region, just a representative sample.

Key Commodities & Cash Crops by Country

Maize & Maize Flour: Ethiopia, southern Somali, South Sudan, Kenya, Uganda and Tanzania

Beans: Consumed throughout East Africa

Wheat & Wheat Flour: Consumed throughout East Africa and is particularly important in urban areas

Rice: Consumed throughout East Africa

Sorghum & Sorghum Flour: Sudan, South Sudan, Northern Ethiopia, Central and Northern Somalia

Sesame: An important cash crop for certain livelihoods in Ethiopia and Sudan

*Additional products may be covered in the annexes.

SUMMARY OF PRICE MAIZE AND SORGHUM TRENDS IN EASTERN AFRICA BETWEEN IN 2018

The staple food commodity prices including maize and sorghum followed seasonal patterns across most markets in Eastern Africa. See Figures 2 and 3. The prices remained below last year and five-year average levels in most markets in Kenya, Uganda, Tanzania, and Ethiopia because of average-to-above average harvests and carryover stocks from the previous harvest. In Rwanda, Burundi and South Sudan the main drivers for the lower prices were availability of other substitutes including grains, roots and tubers, in addition to regional imports. The prices were under upward pressure towards the end of the year in Somalia because of expectations of below average January-to-February harvest, and in Ethiopia because of civil unrest related trade disruptions and high inflation. Maize prices remained highest in South Sudan and Burundi because of the lingering effects of domestic conflict and poor economic situation. Livestock prices across most reference markets remained stable at elevated level because of good animal body conditions as a result of prolonged good rangeland conditions. The charts shown in USD terms (Figures 2 and 3) are useful to showing incentives for trade, using market and the official exchange rates. The nominal trends of prices facing consumers and or traders may be different.

Figure 2: Maize prices in selected markets in Eastern Africa (USD/MT)

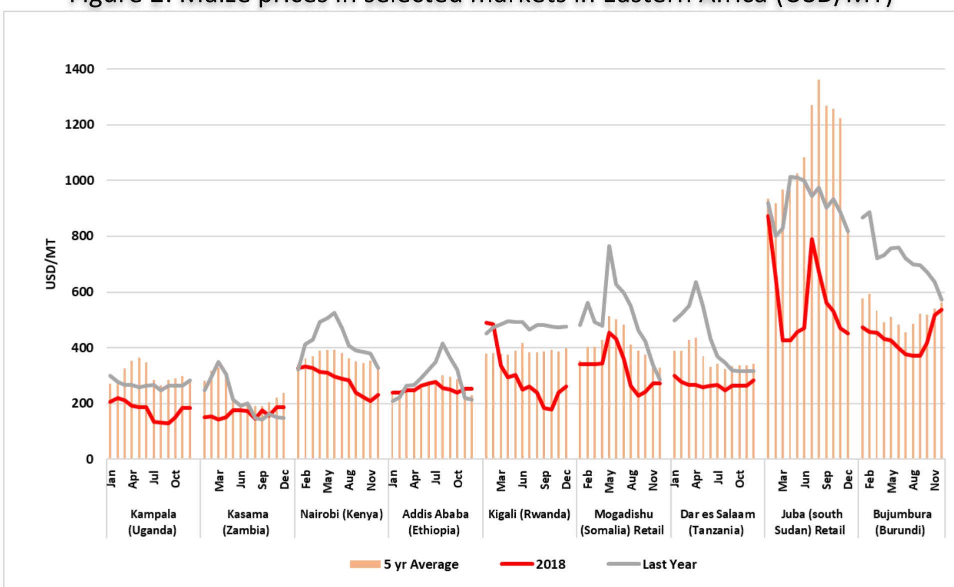
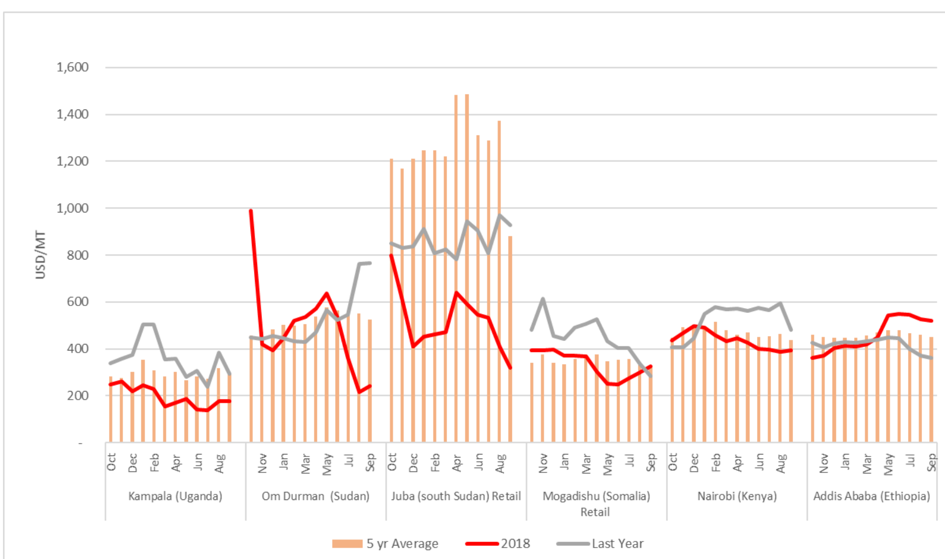


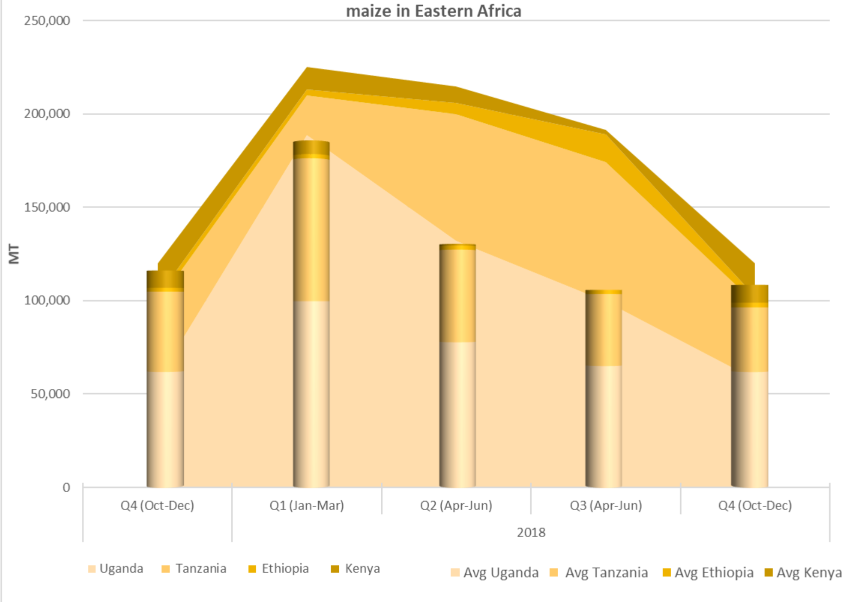
Figure 2: Sorghum prices in selected markets in Eastern Africa (USD/MT)



THE STATUS OF CROSS BORDER TRADE IN THE FOURTH QUARTER (OCT-DEC) OF 2018

Maize: The estimated volume of maize grain traded in the region in the fourth quarter of 2018 (October-to-December) was 111,000 MT, which was similar to the previous third quarter (July-to-September), but seven and eight percent lower than the respective quarters in 2017 and five-year average level. See Figure 4. The seasonal decrease in maize trade was attributed to high maize availability among most countries in the region following the October-to-December harvest. Uganda, Tanzania and Kenya accounted for 57, 32 and nine percent of the total exports respectively.

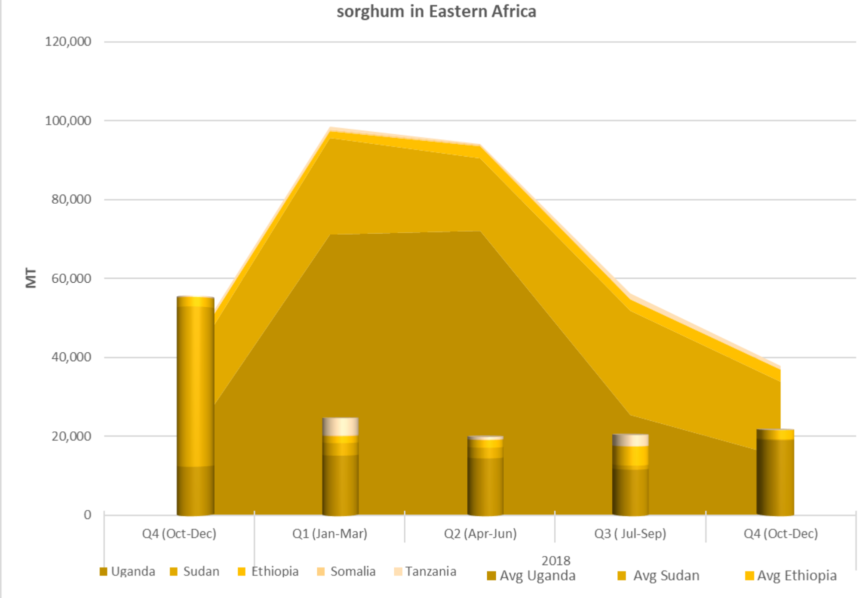
Figure 4: Quarterly and five year average volumes (background) of cross-border trade of maize in Eastern Africa



The main destinations for the regional exports were Kenya, South Sudan, Rwanda and northwestern Tanzania which accounted for 56, 17, 15 and nine percent of the total respectively. The seasonal reverse flow of maize from Kenya to northwestern Tanzania including the major markets of Musoma and Mwanza, attracted a seven percent price premium because the Kenyan maize was well-dried, sorted, and packed in standard 90kg bags, thus reducing costs to Tanzanian millers.

Maize exports from Uganda to South Sudan surged by 167 percent above recent five-year average level, as staple food businesses started expanding in Juba in expectation of implementation of the 2018 Peace Agreement. Still traders were capitalizing on high turnovers with minimum storage due to high risks in the market. Exports to Rwanda from Uganda and Tanzania was also above average because of structural deficit in production amidst growing demand for maize and flour for domestic consumption and re-exports to eastern Democratic Republic of Congo (DRC).

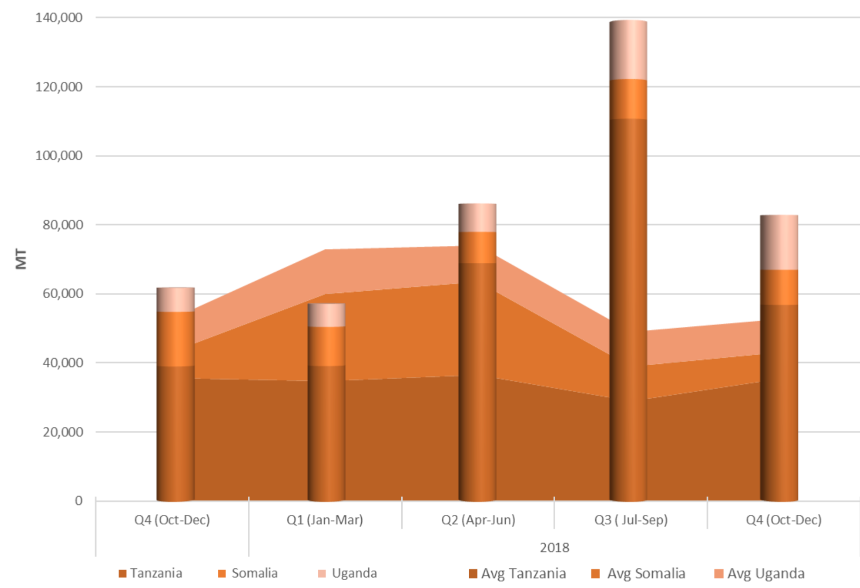
Figure 5: Quarterly and five year average volumes (background) of cross-border trade of sorghum in Eastern Africa



Sorghum: Around 21,000 MT of sorghum was traded in the region in the fourth quarter of 2018. The volume was six percent higher than the previous third quarter because of increased availability in Uganda from the previous above average harvest, and relatively lower prices; growing demand in South Sudan and Rwanda for reasons explained earlier. See Figure 5. Nevertheless, the volumes traded regionally were 61 and 44 percent lower than the same quarter last year and recent five-year average volumes respectively, mainly because of drastic reduction in exports from Sudan to South Sudan and Eritrea following worsening economic situation including shortages of hard currency, persistent currency depreciation, and high inflation, that has increased the costs of grain production and marketing. Exports from Uganda and Ethiopia represented 88 and 10 percent of the total regional exports, while South Sudan, Rwanda and Kenya accounted for 54, 23 and 18 percent of the imports respectively. Exports from Ethiopia to southeastern South Sudan was also above average because of expectation of implementation of the 2018 Peace Agreement and attendant business opportunities.

Rice: Regional trade in locally produced rice and some international re-exports from Somalia were estimated at 83,000 MT in the third quarter of 2018. While the volume traded declined seasonably by 40 percent from the previous quarter which was exceptional, it was still 34 and 52 percent above the same quarter in 2017 and recent five-year average levels respectively. See Figure 6. The increased regional trade was attributed to high availability in Tanzania, that lead to above average exports to Rwanda and Uganda; increased exports and re-exports of Tanzanian rice from Uganda to South Sudan for reasons explained earlier; and slightly higher re-exports of overseas rice to eastern Ethiopia following liberalization of domestic and regional trade in staple food commodities by the new Ethiopian government, that has increased the number of traders and competition.

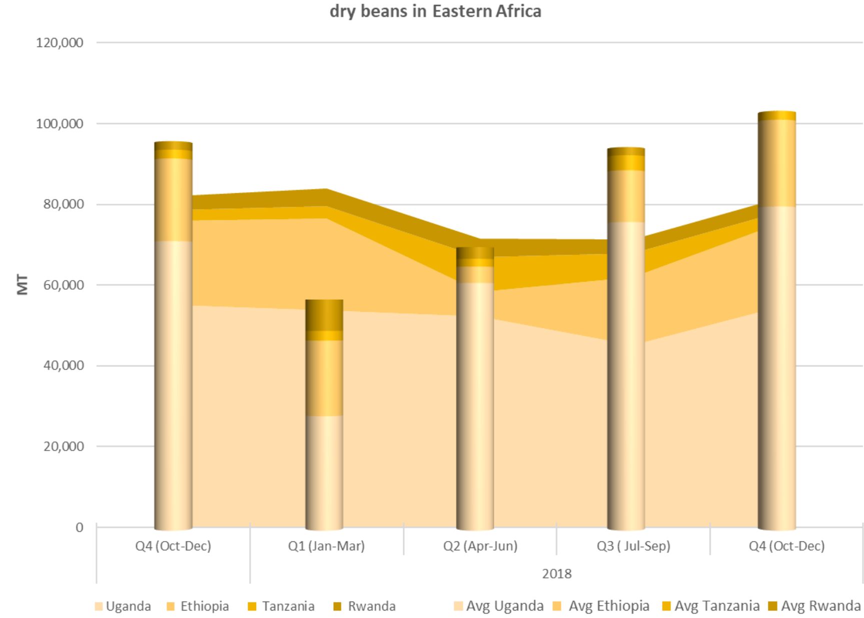
Figure 6: Quarterly and five year average volumes (background) of cross-border trade of rice in Eastern Africa



Tanzania, Uganda and Somalia represented 69, 19 and 12 percent of the total exports, while Rwanda including re-exports to DRC, Kenya, South Sudan, Uganda, including re-exports to South Sudan, and Ethiopia accounted for 53, 28, 19, 15, and seven percent of the total imports respectively.

Beans: An estimated 92,000 MT of dry beans was traded in the region in the fourth quarter of 2018 which was 11 percent higher than the previous quarter that was also exceptional; eight and 13 percent higher than the respective quarter in 2017 and recent five-year average level. See Figure 7. The high regional trade in dry beans was attributed two consecutive seasons of above average production in Uganda, and better harvest in Ethiopia resulting in high domestic availability at lower prices. On the other hand, production in other areas especially in parts of Kenya was adversely affected by the heavy rains. Kenya, Sudan, Tanzania, South Sudan and DRC accounted for 66, 13, nine, six and five percent of the total imports, while Uganda, Ethiopia and Kenya accounted for 71, 19 and nine percent of the exports respectively. Kenya dry bean exports

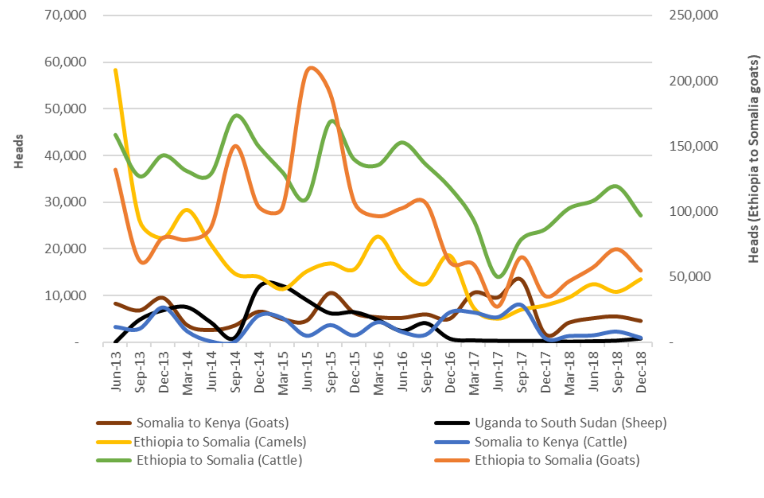
Figure 7: Quarterly and five year average volumes (background) of cross-border trade of dry beans in Eastern Africa



were destined for northwestern Tanzania experiencing the October-to-January rains. Broad beans are harvested in Ethiopia between October and January, and exports to Sudan in the fourth and following first quarters are seasonal.

Livestock: Regional trade in livestock declined seasonably with the end of the rainy season across most pastoral areas in Kenya, Uganda, and Ethiopia; below average and erratic rainfall in central and northern parts of the Somalia. Still livestock prices were generally stable at higher levels across most markets in the region because of different reasons in diverse parts of the region. In central and northern Somalia, and parts of Somali region in Ethiopia, the increase was due to low supply following recent droughts that reduced herd sizes, as well as high demand for local consumption. In other parts of the region, prices were elevated by improved livestock body condition and increased value following recent rains which improved rangeland resources.

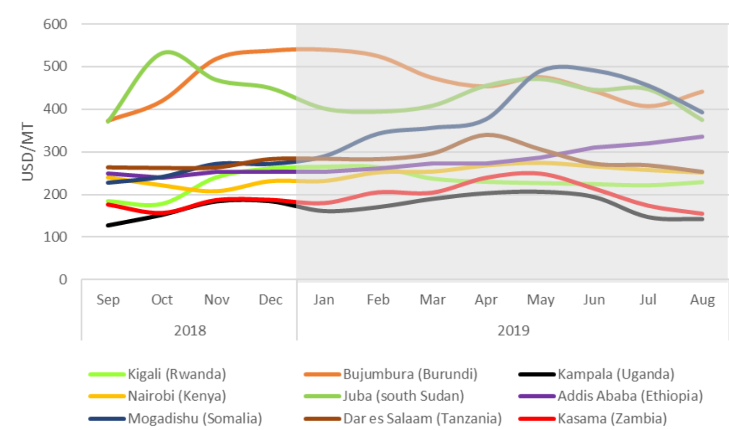
Figure 8: Quarterly Sum of Formal and Informal Cross-border Trade of Livestock in Main Trade Corridors in Eastern Africa. Source: FEWS NET and EAGC



CROSS BORDER TRADE OUTLOOK JANUARY TO AUGUST 2019

Maize: Maize grain prices have been below USD 300 MT in most countries in the region and Kasama in Zambia, except for the deficit producing countries of South Sudan and Bujumbura which are in poor economic situation (see Figure 9). The prices are expected to follow seasonal trends and enhance more exports from Uganda to other regional markets because of lower prices and surplus availability from two seasons of production every year. Exports from Uganda to Kenya, South Sudan and Rwanda are expected to increase seasonally. Reverse exports from Kenya to parts of southwestern Tanzania is expected to come to an end by March when early supplies from Tanzania's May-to-August harvest start reaching markets, exerting downward pressure on prices. Conflict and or higher inflation will likely sustain higher prices in Bujumbura, Mogadishu, South Sudan and Ethiopia. Hence supplies from Ethiopia to Kenya's eastern region will most likely be limited, while exports from Uganda to South Sudan will likely increase, as are exports from Tanzania to Burundi. Exports from Tanzania to Kenya especially from the main producing southern regions where prices are lower, are expected to increase in the first quarter and peak in the second quarter of 2019.

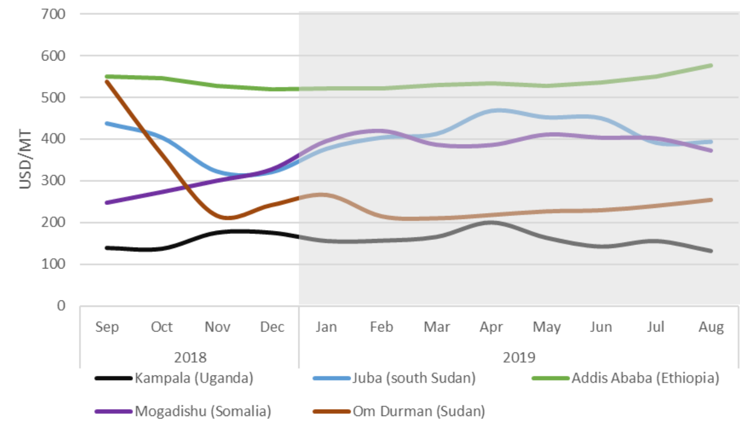
Figure 9: Maize prices and projections (shaded) in selected markets in Eastern Africa



Sorghum: Sorghum prices in the main producing Uganda and Sudan are the lowest in the region (See Figure 10). Inflation and unrest-related market disruptions have sustained higher sorghum prices in Ethiopia, another main producing country. Hence exports from Ethiopia to other regional markets is expected to be restrained because of lack of competitiveness except for localized cross border trade

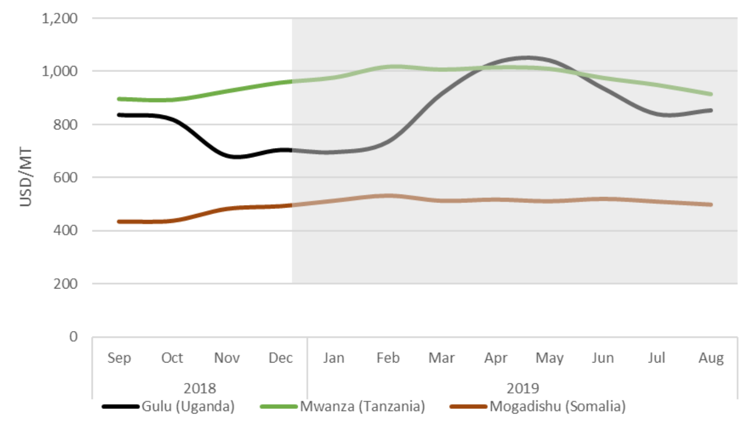
Exports from Uganda to South Sudan will likely increase as the calm before the implementation of the Peace Agreement in South Sudan pulls more supplies into the country. However, these Uganda sorghum exports to South Sudan and Kenya will likely be curbed by increasing demand for sorghum in domestic alcohol production. Sudan sorghum exports to the regional markets will likely increase because of competitive prices but be dampened by high transport costs.

Figure 10: Sorghum prices and projections (shaded) in selected markets in Eastern Africa



Rice: Locally produced rice prices in Tanzania are expected to remain high because of a premium it attracts on its qualities and high demand in Kenya, Uganda, Rwanda, Burundi, DRC and South Sudan. Rice re-exports from Somalia are expected to remain the lowest in the region. See Figure 11. Exports and re-exports from Uganda to South Sudan will likely increase as continuation of calmness in South Sudan slowly improves economic activities and demand. Re-exports of overseas rice from Somalia to eastern Ethiopia is anticipated to increase towards the May-to-June Ramadhan period supported by liberation of both domestic and regional trade in eastern Ethiopia by the government.

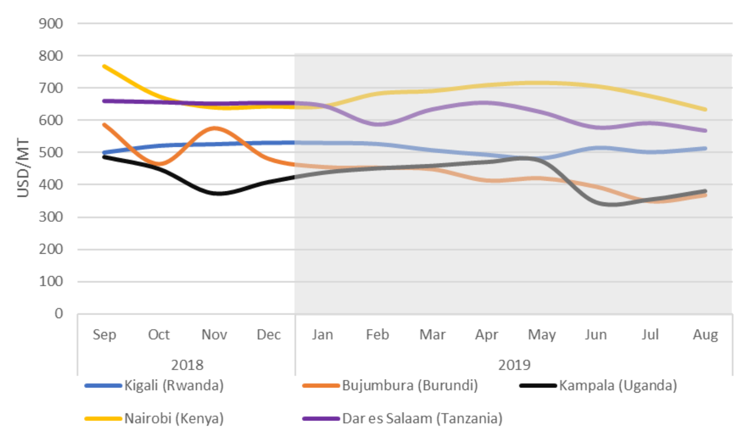
Figure 11: Rice prices and projections (shaded) in selected markets in Eastern Africa



Dry beans: Dry bean prices in Uganda and Burundi are expected to remain among the lowest in the region because of consecutive seasons of above average harvest amidst high carryover stocks. See Figure 12. While exports from Burundi to Rwanda are banned, exports from Uganda to Kenya, Rwanda, and South Sudan, in the first half of 2019 are expected to remain exceptional because of abundant availability and lower prices.

Exports of the small bean variety from Rwanda to Uganda is expected to increase seasonally in the second quarter of 2019 following the January 2019 harvest. Exports from Ethiopia to Kenya and Sudan are expected to increase from October 2018 through

Figure 12: Dry bean prices and projections (shaded) in selected markets in Eastern Africa



Livestock

Livestock prices and trade in the region are expected to start picking up early in the first quarter of 2019 as livestock keepers and traders start restocking for domestic and export markets to meet high demand during the May-to-August Ramadhan and Haj 2019 festivities.

ANNEX

Table 1: Cross-borders trade between October and December 2018 among selected pairs of countries for some staple food commodities.

Commodity	Trade Flow Corridors (source destination)	Trade Volumes in MT	% Change			Historical Comparison		
			Last Quarter	Last Year	5 Year Average	Last Quarter	Last Year	Average
Maize	Uganda - South Sudan	18,980	11%	89%	167%	▲	▲	▲
	Uganda - Kenya	29,752	-36%	-37%	-26%	▼	▼	▼
	Tanzania - Kenya	31,963	-14%	-27%	-14%	▼	▼	▼
	Tanzania - Rwanda	1,782	168%	59296%	85%	▲	▲	▲
	Ethiopia - Kenya	7	-93%	-94%	-100%	▼	▼	▼
	Ethiopia - Somalia	1,278	-3%	-8%	24%	▶	▼	▲
Sorghum	Uganda - South Sudan	9,879	49%	139%	110%	▲	▲	▲
	Uganda - Kenya	3,764	-3%	-43%	-44%	▶	▼	▼
	Uganda - Rwanda	4,967	470%	276%	43%	▲	▲	▲
	Ethiopia - Djibouti	3	0%	0%	-49%	▶	▶	▼
	Ethiopia - Somalia	687	-18%	-50%	-1%	▼	▼	▶
	Somalia - Djibouti	268	205%	194%	-2%	▲	▲	▶
	Sudan - Eritrea	3	-100%	-100%	-100%	▼	▼	▼
	Sudan - South Sudan	117	-63%	-99%	-99%	▼	▼	▼
Rice	Uganda - South Sudan	15,807	-7%	129%	115%	▼	▲	▲
	Tanzania - Kenya	21,291	-4%	-14%	0%	▶	▼	▶
	Tanzania - Rwanda	20,754	-72%	59%	86%	▼	▲	▲
	Somalia - Kenya	1,987	9%	-65%	-25%	▲	▼	▼
	Somalia - Ethiopia	8,119	-15%	-20%	4%	▼	▼	▶
	Tanzania - Burundi	1,878	-10%	179%	65%	▼	▲	▲
Beans	Uganda - South Sudan	5,929	-40%	74%	79%	▼	▲	▲
	Uganda - Kenya	60,036	34%	8%	23%	▲	▲	▲
	Uganda - Rwanda	1,158	-65%	38500%	67%	▼	▲	▲
	Rwanda - Uganda	3	-100%	-100%	-100%	▼	▼	▼
	Uganda - DRC	5,164	-53%	75%	192%	▼	▲	▲
	Tanzania - Kenya	1,818	-28%	-5%	-28%	▼	▼	▼
	Ethiopia - Kenya	5,851	166%	-33%	-12%	▲	▼	▼
	Ethiopia - Sudan	13,492	45%	39%	-5%	▲	▲	▼
Camels	Somalia - Kenya	538	-19%	72%	-14%	▼	▲	▼
	Ethiopia - Somalia	13,560	25%	71%	-14%	▲	▲	▼
Cattle	Somalia - Kenya	2,230	0%	173%	-48%	▶	▲	▼
	Ethiopia - Somalia	27,200	-19%	12%	-24%	▼	▲	▼
Goats	Somalia - Kenya	4,567	-17%	158%	-22%	▼	▲	▼
	Ethiopia - Somalia	54,628	-23%	55%	14%	▼	▲	▲
Sheep	Somalia - Kenya	934	-32%	32%	-5%	▼	▲	▼
	Uganda - South Sudan	784	133%	206%	-85%	▲	▲	▼

Figure 13: cross-borders points monitored by FEWS NET and East Africa Grain Council in Eastern Africa by December 2018