

EAST AFRICA CROSSBORDER TRADE BULLETIN

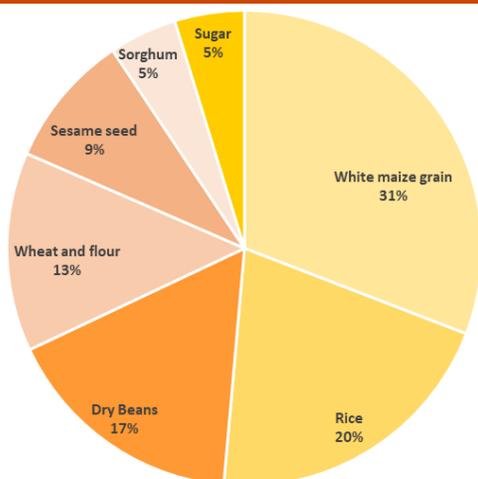
FSNWG Food Security & Nutrition Working Group
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SUMMARY POINTS

Figure 1: Main Staple Food Commodities Informally Traded Across Selected Borders in Eastern Africa in the third quarter of 2018.

Source: FEWSNET and EAGC



- Maize grain, locally produced rice, dry beans, wheat and wheat flour were the most traded commodities in the region between July and September (third quarter) of 2018. See Figure 1.
- The prices of staple food commodities in US dollars remained below last year and were similar or lower than 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 first and second quarters of 2018. Maize and sorghum declined seasonably because of increased supply from the recent and ongoing harvests but exacerbated by above average across most countries. Trade in dry bean and locally produced rice increased atypically and typically because of improved availability in Uganda and Tanzania respectively.
- Livestock trade in the region increased seasonably in the second quarter of 2018 and were enhanced by good animal body conditions from availability of water, pasture and browse, stemming from good rainfall performance; in addition to increased demand from early Idd and Hajj religious festivities.
- Regional trade in maize, rice, and dry beans are expected to increase between October 2018 and June 2019, while sorghum trade is expected to remain restricted because border closure between Sudan and Eritrea.

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.



ESTIMATED REGIONAL MAIZE SUPPLY AND DEMAND BETWEEN JULY 2018 TO JUNE 2019

The estimated amount of regional maize available for trade between July 2018 and June 2019 is 2,146,000 MT. This is an improvement of 35 and 29 percent from last year (July 2017 to June 2018) and recent five-year average respectively. The increased availability is attributed to average to above average rainfall, in addition to favorable spatial and temporal distribution during the production seasons across most maize producing areas especially in Tanzania, Ethiopia and Uganda that account for 37, 32 and 31 percent of the tradable maize respectively.

Table 1: Estimated regional maize supply, demand and surplus

Regional	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2018/2019 % change from last year	July 2014 to June 2018 Average	2018/2019 % change from 2014/2018 average
Supply	20,148,052	21,409,959	21,599,814	22,325,968	20,943,929	20,377,669	20,719,338	23,128,525	12%	21,193,343	9%
Demand	18,469,964	19,812,820	20,092,737	21,291,235	19,547,088	19,676,090	19,996,730	21,435,433	7%	20,120,776	7%
Availability in Surplus Countries	1,830,390	1,955,846	2,041,688	1,851,389	1,544,599	1,287,294	1,588,033	2,145,732	35%	1,662,601	29%
Requirement in Deficit Countries	152,302	358,708	534,610	816,657	147,759	585,715	865,425	452,641	-48%	-590,033	-23%
Surplus/(Deficit)	1,678,088	1,597,138	1,507,078	1,034,732	1,396,840	701,579	722,608	1,693,092	134%	1,072,567	58%

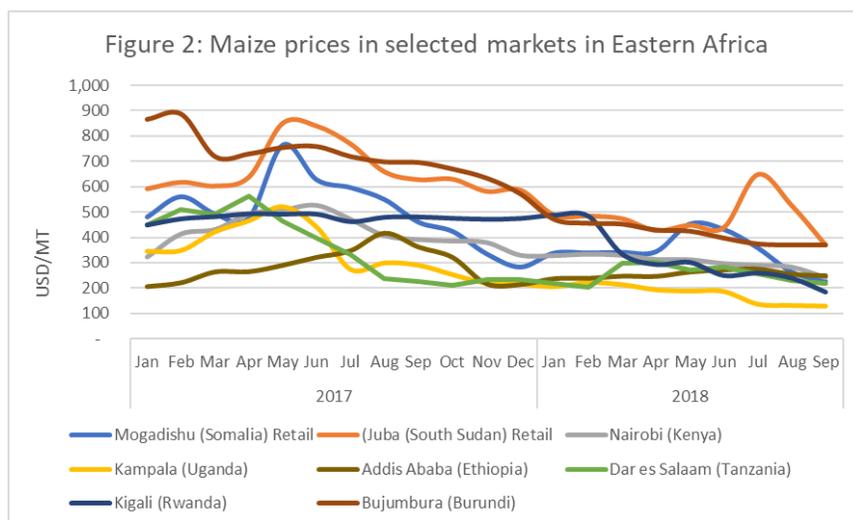
Source: FEWSNET

Notes:

- Supply is carryover stocks plus production between July 2018 and June 2019
- Demand includes human, crop losses, seed, and industrial use.
- Surplus is supply minus demand minus net regional trade.

The amount of maize required by the structural maize deficit producing countries of Kenya, South Sudan, Rwanda, Burundi and Somalia is estimated at 453,000 MT. This amount is 48 and 23 percent lower than last year and recent five-year average due to better rainfall performance that improved production, in addition to higher carryover stocks, a lingering effect from last year's imports from outside the region by Kenya. The deficit is expected to be filled by imports from Uganda and Tanzania mostly because of proximity to the main markets in the deficit countries, and higher market integration. Northern Kenya is expected to get supplies from Ethiopia. Hence the net regional surplus is expected to be 1,690,000 MT, an improvement of 134 and 58 percent from last year and recent five-year average.

The impact of expectations of, and ongoing average to be above average regional supply of maize has been a gradual but consistent decline in prices since July 2017 across most markets. The price decline has been exacerbated by the lingering effects of increased domestic availability due to an export ban in Tanzania that was lifted in October 2017; and expectations of stability and or strengthening of the South Sudan currency as result of ongoing peace agreements. In Ethiopia, the seasonal decrease in prices has been mitigated by ongoing currency depreciation and high inflation. Uncertainty on the amount of the just concluded July-to-August harvest in Somalia, had prices increasing seasonably between April and June and then declining afterwards with increased supply.



THE STATUS OF CROSS BORDER TRADE IN THE THIRD QUARTER (JUL-SEP) OF 2018

Maize

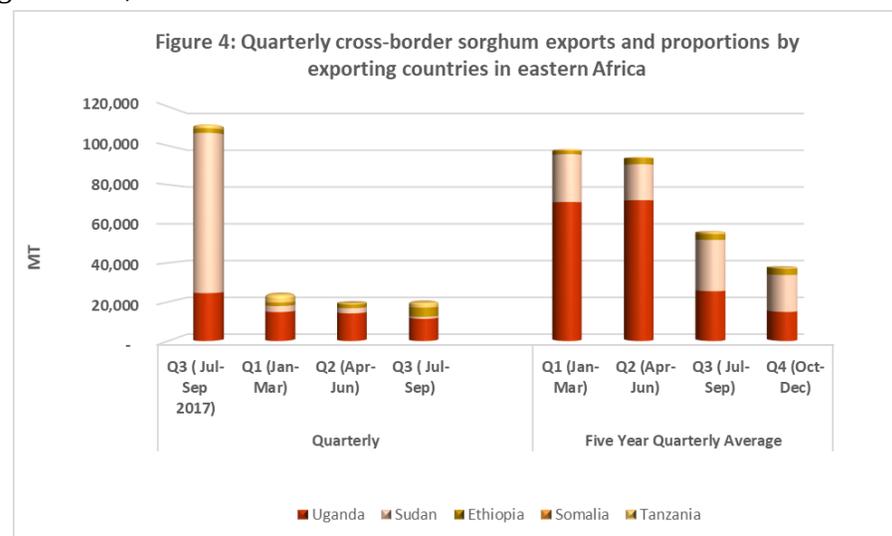
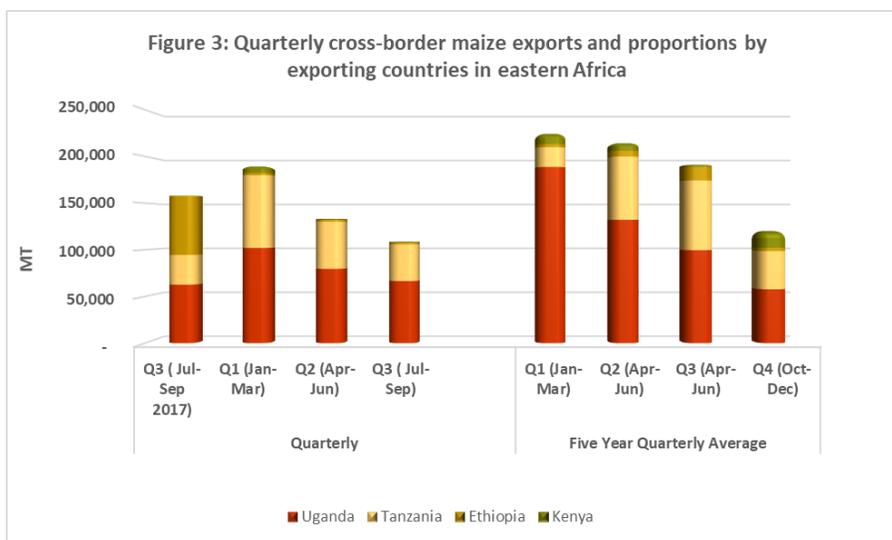
Regional trade in white maize was around 108,000 MT between July and September (third quarter of 2018), and represented 23 percent of the five-year annual (July-to-June) average of 637,000MT. The volume of maize traded was 19, 32 and 44 percent lower than the second quarter of 2018 (April-to-June), the third quarter of 2017, and five-year average of third quarters respectively, see Figure 3. The regional trade in maize decreased seasonably because of increased availability across most countries following rising supplies from the June-to-August harvest, but was deepened by above average harvest following good rainfall performance across most producing areas in the region.

In the main producing Uganda, the decline in prices was exacerbated by expectations of government purchases at USH 500 per kilogram which never came to fruition, yet farmers and traders held on to stocks for this better price. Consequently, the held stocks were released into an already well supplied market, further exerting downward pressure on domestic prices, and partially contributing to regional decline in prices especially in Rwanda and western Kenya.

Prices in the main consumption markets in the region continued to decline through September, although relatively higher prices, continued to attract supplies into southeastern Kenya, South Sudan, and Rwanda which accounted for 78, seven, and six percent of the total imports respectively. Around 62 and 36 percent of the supplies originated from Uganda and Tanzania correspondingly.

Sorghum

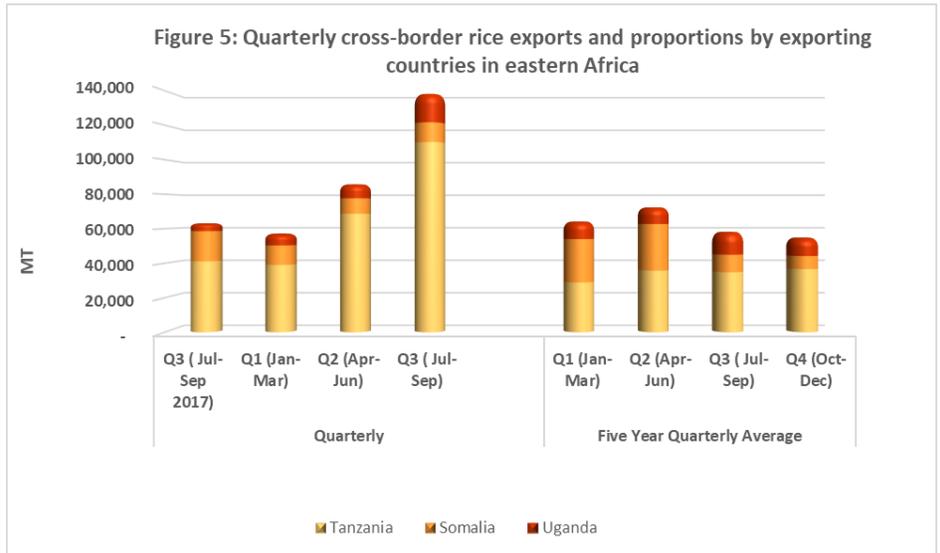
Trade in locally produced sorghum was estimated at 20,000 MT in the third quarter of 2018 which represented 14 percent of the July-to-June annual average of 187,000 MT. The volumes traded were similar to the second quarter of 2018. However, the volumes traded were 82 and 65 percent lower than the third quarter of 2017 and five-year average levels respectively (see Figure 4), attributable to reduced exports to Eritrea due to political-related border closure, and less exports from Uganda to Kenya because of increased domestic availability. However, exports from Uganda to South Sudan increased seasonably because of high demand during the lean season before the October-to-January harvest (See Annex). South Sudan, Kenya, Rwanda and Eritrea accounted for 54, 19, nine, and nine percent



respectively of the total imports, while Uganda, Ethiopia, and Tanzania represented 57, 24 and 14 percent of the total exports.

Rice

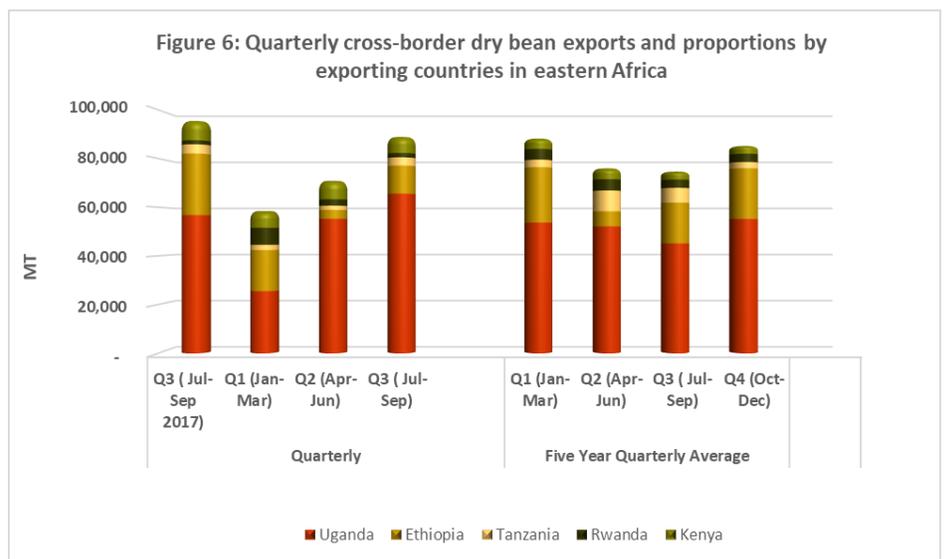
Approximately 139,000MT of locally produced rice, and re-exports of rice imported from overseas by Somalia, were traded in the region in the third quarter of 2018. This amount was 75 percent of the estimated July-to-June annual average of 228,000 MT, and was 61, 120 and 139 percent higher than last quarter, last year’s third quarter and five-year average volumes of third quarters. See Figure 5. The increased trade was attributed to availability of large stocks at relatively lower prices in Tanzania; the absence of punitive tariffs by other East Africa Community countries due to drastic reduction in mixing of locally produced Tanzanian rice with imports from Asia to circumvent East Africa Community common external tariff while re-exporting the Asian rice; and attractive prices in other regional markets where the Tanzanian rice is preferred because of its aroma and high water absorption that makes it swell.



Rice exports and re-exports of Tanzanian rice from Uganda to South Sudan also increased as risk taking traders try to re-enter the market following the peace agreements held recently to stop the domestic conflict in South Sudan. Although rice re-exports from Somalia to eastern Kenya and Somalia was higher than the previous quarter, they were lower than last year and five-year average due to increasing supplies from other markets within these countries including that of substitute flours and grains. Rwanda, Kenya, South Sudan, Ethiopia and Burundi accounted for 53, 17, 12, nine and nine percent of the total imports respectively. Around 80, 12, and eight percent of the exports were from Tanzania, Uganda and Somalia accordingly.

Beans

The region traded around 89,000 MT of locally produced dry beans in the third quarter of 2018 which was approximately 38 percent of the June-to-July annual average of 311,000 MT. The third quarter traded volume was unseasonably 26 percent higher than the previous second quarter because of increased supplies, seven percent lower than last year’s third quarter which was exceptional, and 15 percent higher than the five-year average level. See Figure 6. Regional trade in dry beans increased because of good rainfall performance across most areas that lead to increased production especially in the main producing Uganda, while production

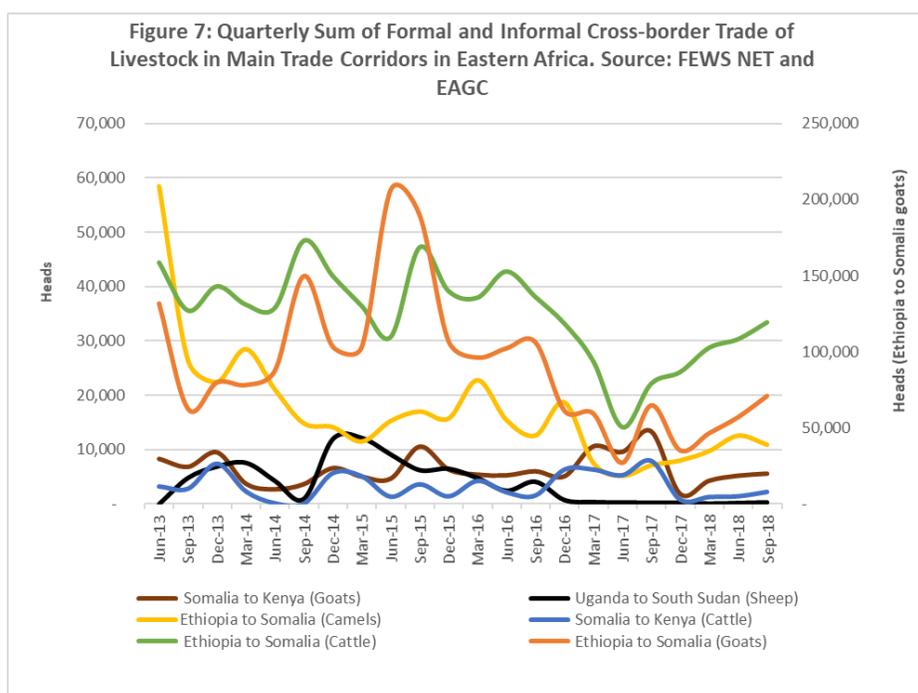


in other areas especially in Kenya was adversely affected by the heavy rains. Hence exports from Uganda to Kenya, South Sudan and eastern Democratic Republic of Congo (DRC) increased despite seasonal decline in bean exports from Ethiopia to Sudan and Kenya; Rwanda to Uganda, and Kenya to Tanzania. There various bean varieties in the region that are produced in specific areas or countries hence it is common to see different bean varieties moving in different directions between border points within the same period.

Kenya, Democratic Republic of Congo, South Sudan, Sudan and Tanzania represented 56, 12, 11, 10 and eight percent of the imports respectively. The main exporting countries were Uganda, Ethiopia and Kenya which accounted for 74, 13 and eight percent of total exports accordingly.

Livestock

Regional trade in livestock in the third quarter of 2018 continued to increase from the second quarter supported by good rangeland conditions across most pastoral areas in the region, following good rainfall performance, and typical increased demand from the Middle East due to Hajj religious festivities that enhanced cross-border purchases, fattening and exports. Exports of cattle, goats and camels from Ethiopia to Somalia for re-exports to the Middle East dominated the regional livestock trade. However, camel exports started to decline earlier but seasonably with the end of Hajj on 21st August. Exports of goats and cattle from Somalia to Kenya was also on an upward trend, but exports of goats from Uganda to South Sudan remained exceptionally low due to conflict-related trade disruptions, and low purchasing power in South Sudan.



CROSS BORDER TRADE OUTLOOK OCTOBER 2018 TO JUNE 2019

Maize

Maize production in Kenya is expected to be above the recent five-year average following favorable rainfall in terms of intensity, spatial, and temporal distribution, especially in the main producing Rift Valley region, and some southwestern and eastern marginal agricultural areas. Hence the gap which is usually filled from regional imports, is expected to be slightly lower than in the 2016/2017 marketing period. Prices are expected to be lower than last year in Kenya and Rwanda as result of better production (see figure 8) but still higher than in most markets in Uganda. Exports from Tanzania into Kenya are expected to be more competitive in the southeastern and coastal markets but not in other markets where Uganda maize will be more dominant. Regional trade in maize will most likely be around 400,000-500,000 MT between October 2018 and June 2019.

Similarly, the June-to-July maize harvest in Uganda is expected to be above average, sustaining lower prices than last year, and encouraging more exports to Kenya. Exports to South Sudan are also expected to increase as the ongoing peace talks increasingly develop positive sentiments among traders, keen on tapping into economic benefits from expected upturn in security, return of internally displaced people and refugees.

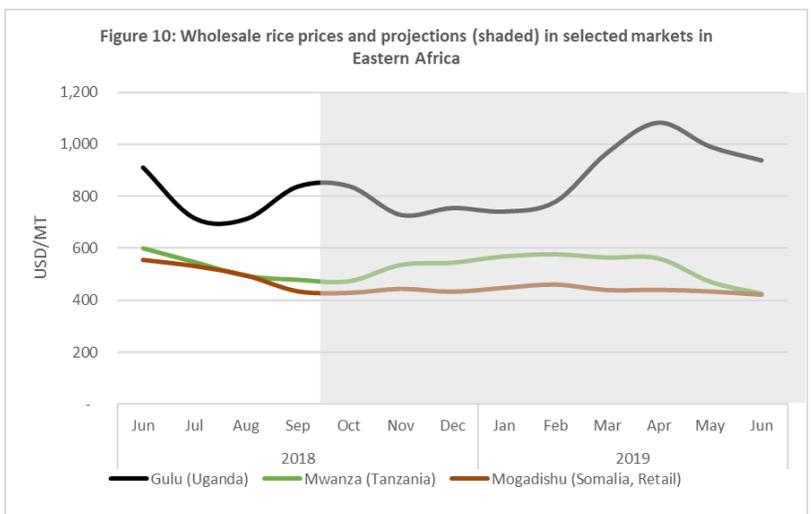
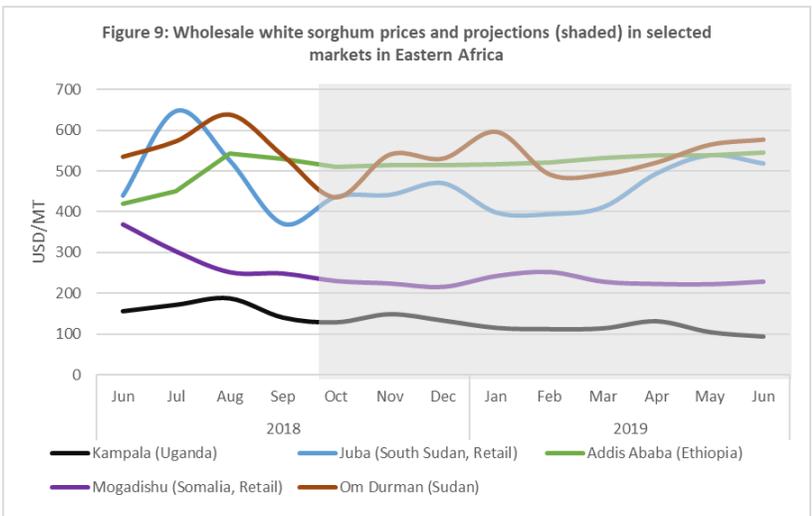
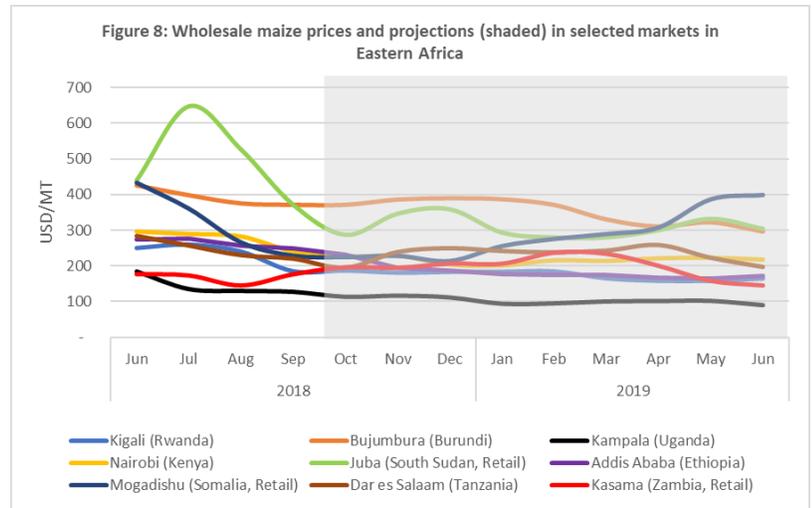
Above average maize production in Tanzania amidst atypically above average carry-over stocks into the 2018/19 marketing year, will likely sustain lower prices in Tanzania vis a vis last year and five-year average prices. Exports to Kenya and Burundi are expected to increase attracted by relatively higher prices in some markets as traders look for better returns.

Maize exports from Ethiopia to Kenya will likely be confined to northern Kenya due to better production in Kenya, and stiff competition from Uganda and Tanzania supplies, whose production areas are relatively closer to the main consumption markets in Kenya, and or connected by comparatively cheaper transport costs.

Sorghum

The June-to-July sorghum harvest in Uganda was above average, while early projections for the October-to-January harvests in Uganda is above average, and average to slightly above average in Sudan and Ethiopia. Nevertheless, regional trade in sorghum is expected to be restrained (60,000-90,000 MT) between October 2018 and June 2019. This is because Uganda’s production is increasingly destined for local household consumption in the north including refugees from South Sudan, but also to Karamoja region where improvements in road conditions are attracting more supplies. In addition, there is increasing use of sorghum for manufacturing beer locally by large firms.

High transport costs due to scarcity and high fuel prices emanating from lack of hard currency in Sudan, will likely restrict sorghum exports to South Sudan in some months because of high prices (see figure 9). Similarly exports to Eritrea will likely be inhibited by politically-related border closure, and likely resumption of trade including that of sorghum between Eritrea and Ethiopia as relations improve. Exports of sorghum from Ethiopia to Eritrea will keep increasing following the opening of borders with limited-to-no customs taxes after 20 years, because of improvement in relations between the two countries.



Rice

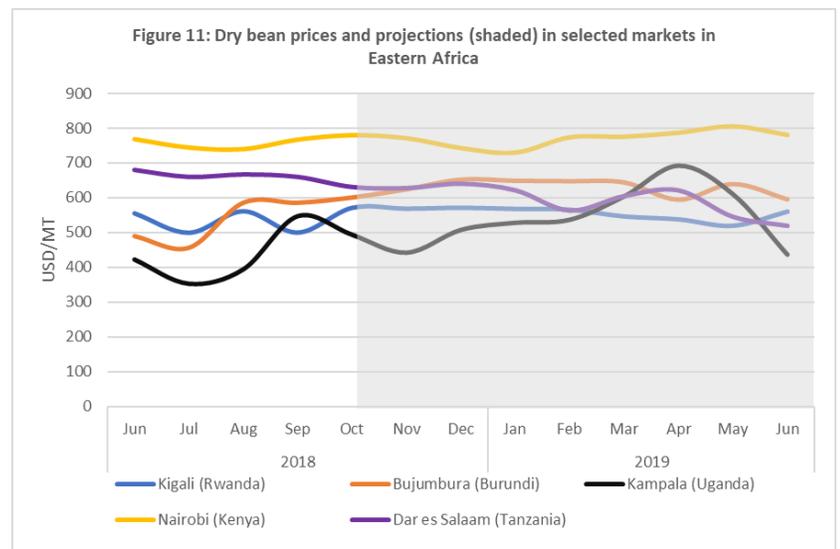
The May-to-August rice harvest in Tanzania was above last year and similar to the five-year average level, while the carryover stock into 2018/2019 marketing year was also high. Hence prices are expected to remain lower than last year (see figure 10), increasing exports estimated at between 80,000-100,000MT to regional markets including Kenya, Uganda, and Rwanda between October 2018 and June 2019.

Still ongoing misunderstandings on taxing regional commodities, may curb exports to Uganda and Kenya if these two countries impose taxes on Tanzanian imports in response to Tanzania taxing imports of sugar, sweets etc. from them.

Dry beans

The June-to-August dry bean harvest in the region was above average despite the crop being destroyed in some areas by above average rainfall. Bean prices declined in the third quarter of 2018 following increased supplies, and are expected to start rising again typically between February and March 2019, peaking in June 2019 as supplies tighten. Dry bean prices will remain comparatively high in the structurally deficit Kenyan market (see figure 11). Hence exports to Kenya are expected to increase between October and December.

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 March 2019 because of increased supply from the October-to-January harvest. Overall bean trade between October 2018 and June 2019 is estimated at 80,000-120,000MT.



Livestock

Livestock trade between Ethiopia and Somalia is expected to decline seasonably following the end of the June-to-August Muslim festivities and exports the Middle East. The prices are expected to start picking up early in the first quarter of 2019 as livestock keepers and traders start restocking for the May-to-August 2019 festivities. Exports from Somalia to Kenya will likely continue to increase because of expected seasonal increase in demand in December through January during the Christmas and new year holidays.

ANNEX

Table 1: Cross-borders trade between July and September 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	17,160	76%	180%	-15%	▲	▲	▼
	Uganda - Kenya	46,674	-22%	-9%	-36%	▼	▼	▼
	Tanzania - Kenya	37,337	-24%	20%	-49%	▼	▲	▼
	Tanzania - Rwanda	666	102%	22103%	7%	▲	▲	▲
	Ethiopia - Kenya	98	-26%	-100%	-99%	▼	▼	▼
	Ethiopia - Somalia	1,324	-16%	49%	63%	▼	▲	▲
Sorghum	Uganda - South Sudan	6,641	-2%	86%	-57%	▶	▲	▼
	Uganda - Kenya	3,877	-33%	-79%	-39%	▼	▼	▼
	Uganda - Rwanda	872	-47%	-63%	-75%	▼	▼	▼
	Ethiopia - Djibouti	3	-1%	0%	-56%	▶	▶	▼
	Ethiopia - Somalia	834	30%	22%	64%	▲	▲	▲
	Somalia - Djibouti	88	-24%	7%	-67%	▼	▲	▼
	Sudan-Eritrea	689	-59%	-99%	-96%	▼	▼	▼
	Sudan - South Sudan	313	-65%	-85%	-88%	▼	▼	▼
Rice	Uganda - South Sudan	17,002	108%	286%	67%	▲	▲	▲
	Tanzania - Kenya	22,064	-5%	2%	25%	▶	▶	▲
	Tanzania - Rwanda	74,119	283%	372%	428%	▲	▲	▲
	Somalia - Kenya	1,823	60%	-76%	-34%	▲	▼	▼
	Somalia - Ethiopia	9,583	22%	-3%	-7%	▲	▶	▼
	Tanzania - Burundi	2,095	52%	1518%	692%	▲	▲	▲
Beans	Uganda - South Sudan	9,906	99%	262%	-41%	▲	▲	▼
	Uganda - Kenya	44,738	10%	-6%	78%	▲	▼	▲
	Uganda - Rwanda	3,289	109533%	247%	1428%	▲	▲	▲
	Rwanda - Uganda	1,801	31%	8%	-44%	▲	▲	▼
	Uganda - DRC	10,898	12%	99%	404%	▲	▲	▲
	Tanzania - Kenya	2,525	79%	-12%	-56%	▲	▼	▼
	Ethiopia - Kenya	2,198	-40%	-56%	-61%	▼	▼	▼
	Ethiopia - Sudan	9,327	70027%	-54%	-17%	▲	▼	▼
Camels	Somalia - Kenya	663	35%	-75%	-35%	▲	▼	▼
	Ethiopia - Somalia	10,870	-13%	5%	-37%	▼	▶	▼
Cattle	Somalia - Kenya	2,237	56%	-72%	-32%	▲	▼	▼
	Ethiopia - Somalia	33,420	10%	51%	-5%	▲	▲	▶
Goats	Somalia - Kenya	5,529	7%	-59%	-32%	▲	▼	▼
	Ethiopia - Somalia	71,045	25%	9%	-14%	▲	▲	▼
Sheep	Somalia - Kenya	1,383	12%	84%	110%	▲	▲	▲
	Uganda - South Sudan	336	56%	22%	-91%	▲	▲	▼

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

