EAGC Grain Watch

Jan-Mar 2024

Quarterly

Eastern Africa grain markets and trade

Q1 | January - March 2024

CONTENT

INTRODUCTION

This report provides a comprehensive overview of the grain landscape in East Africa, focusing on Uganda, Kenya, and Tanzania. It encompasses insights from market dynamics, climate conditions, and crop situations to offer stakeholders a thorough understanding of the region's grain sector.

EASTERN AFRICA GRAIN COUNCIL

CLIMATE INFORMATION FOR THE GRAIN SECTOR

FEWS NET Famine Early Warning Systems Network

IGAD ICPAC

WFP World Food Programme

Regional Climate and Crop Conditions Update

The rainfall forecasts for March-May 2024 indicate a high probability of two consecutive seasons with wetter-than-normal conditions across several regions, including most parts of Kenya, Uganda, and north-western Tanzania.

The anticipated wetter-than-normal conditions raise concerns about potential landslides in hilly areas of Kenya, as well as eastern and western Uganda, Rwanda, and Burundi. Additionally, there is a heightened risk of flooding and flooding-induced displacement in specific areas, such as the Juba-Shabelle basin in Ethiopia and Somalia, along the Lake Victoria basin and Nile in South Sudan, and eastern Uganda.

Country Outlook

UGANDA

In Uganda, farmers are currently engaged in planting first season maize and millet crops. However, there are concerns arising from below-normal rainfall in March, suggesting a delayed onset of the seasonal rains and potentially impacting crop growth. Preparations for crop sowing, especially beans, are in progress amidst unpredictable rainfall patterns. The reopening of schools has contributed to an increase in bean demand. Despite stable staple food prices, there is an observed uptick in grain trading attributed to reduced maize prices. This reduction in prices is driven by households seeking funds for school fees, particularly during January.

KENYA

In Kenya, the harvesting of short rains cereals wrapped up in March, while farmers in the eastern and central regions are currently engaged in planting long rains cereals. However, there are initial concerns due to delayed rainfall onset and unusually high temperatures, which may affect crop growth. During the harvesting season, notable trading activity surges in regions like the North Rift, resulting in decreased grain prices observed particularly in January. In the Lower Eastern region, there is an observed increase in trade volume, albeit accompanied by concerns of exploitation by brokers. The Central Rift region experiences a slight decline in prices due to an increase in supply, while the Coast region faces high demand despite limited supply.

TANZANIA

In the northern bimodal areas of Tanzania, planting and nurturing of Masika season cereals continue, with a harvest expected in May. Simultaneously, planting of Vuli season sorghum has commenced. In the central and southern unimodal areas, Msimu season cereals are currently in the vegetative to reproductive stage, benefiting from favorable weather conditions prevailing across the country.

In the Southern Highlands of Tanzania, maize cultivation resulted in an early harvest, leading to a subsequent decline in prices. Conversely, forecasted above-average rainfall in the Northern Highlands has prompted an increase in maize supply to urban markets. Bean prices have experienced a modest decrease, while stable rice prices faced heightened demand towards the end of March.

Cross Border Trade Outlook

Maize

Kenya had the highest maize prices in the region, contrasting with Uganda, which had the lowest prices. The decline in prices in Uganda is linked to reduced demand from the education sector and neighboring countries (reduced cross-border trade). As planting season approaches, maize prices are expected to rise. Nairobi and Dar es Salaam emerged as regions with the highest maize prices, while Makueni recorded the lowest prices by the end of Q1 2024. This pricing disparity reflects a broader trend of decreased prices across the region compared to th e same period last year, driven by increased production levels.

During the first quarter of 2024, Kenya dominated maize imports in the region, totaling 5,333,848 metric tons. Most of these imports, amounting to **4,656,394 metric tons, originated from Uganda**. This decrease in imports from Uganda coincides with Kenya's favorable harvest due to ample rainfall. Additionally, concerns were raised regarding the quality of maize from Uganda, impacting trade volumes negatively. The Busia border emerged as the busiest border, facilitating the transit of 216,423.647 metric tons of maize, closely followed by Malaba.

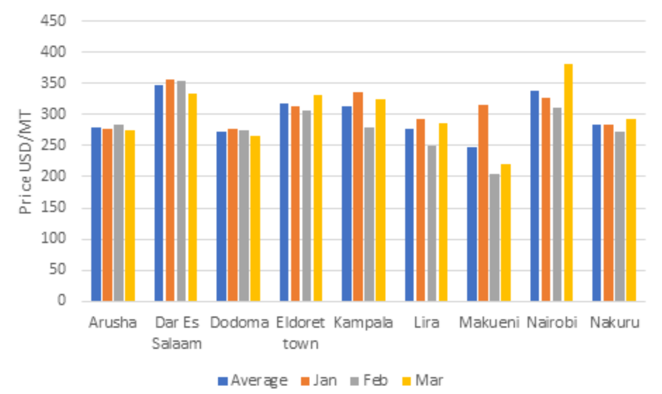

Figure 1: Average Maize Prices Across Various Towns in Q1 2024

Source: EAGC RATIN

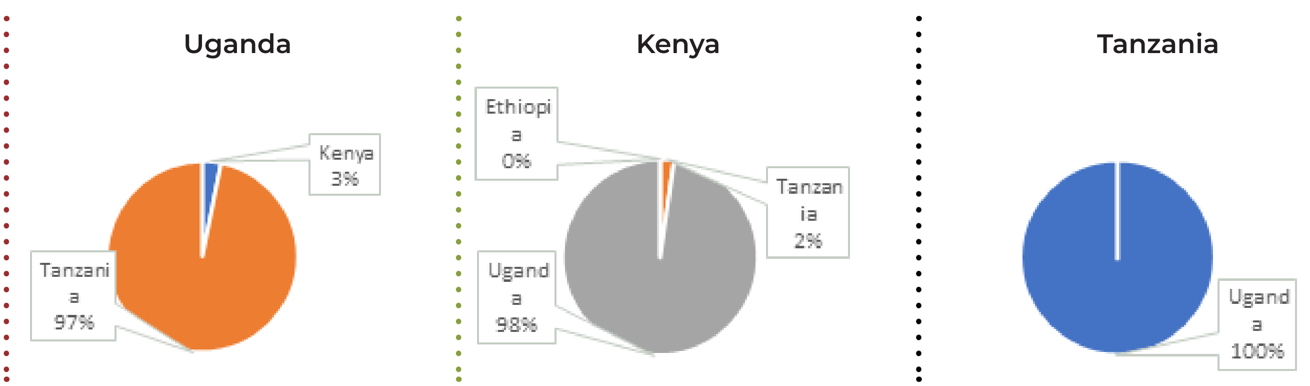

Figure 2: Cross Border Imports | **Source: EAGC RATIN**

Beans

Prices remained stable across various regions, with minor decreases observed. Anticipation of heightened demand was linked to school reopening and preparation for planting activities in Uganda. In January, Kenya saw lower prices due to improved harvests resulting from favorable weather conditions. However, both Kenya and Uganda experienced crop and grain damage due to extended rains during January. Nairobi and Nakuru had the lowest prices, while Dar Es Salaam and Eldoret faced the highest prices in the respective regions.

In the bean trade, Tanzania's cross-border imports mainly came from Rwanda. Kenya, on the other hand, sourced most of its beans from both Uganda and Tanzania. Uganda, similarly, imported the majority of its beans from Tanzania. Mirroring the maize trade pattern, the busiest borders for bean trade were Busia and Malaba. Malaba, in particular, facilitated a substantial flow of beans, totaling **422,570 metric tons** through its border. In terms of trade volumes, Kenya emerged as the region's top importer of beans, while Uganda held the position of the highest exporter. Informal trade made up 28% of the beans trade. Malaba had the highest amount of informal trade.

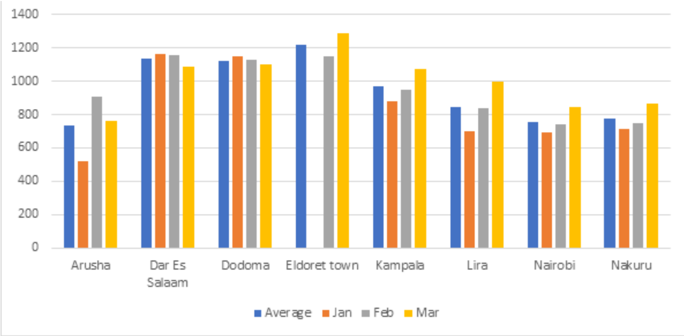

Figure 3: Average Bean Prices Across Various Towns In Q1 2024

Source: EAGC RATIN

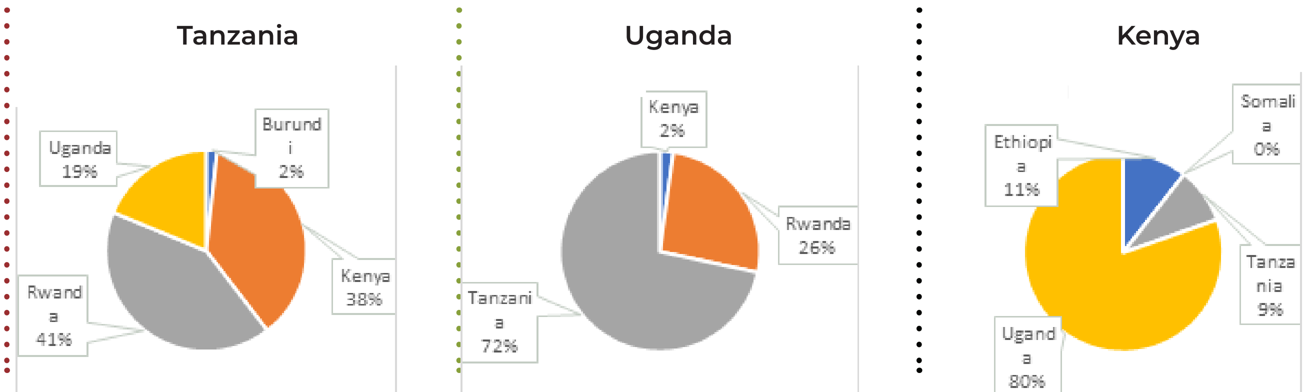

Figure 4: Beans Imports | **Source: EAGC RATIN**

Rice

Tanzania faced high rice prices because of limited supply, while Uganda had the highest prices in the region mainly due to supply constraints. Anticipated increases in supply in Tanzania might cause prices to decrease, whereas Uganda's scarcity of supply continues to drive prices up. Interestingly, Nakuru recorded the highest prices in March, diverging from the trend, while Nairobi had the lowest prices during the first quarter of 2024. Moyale emerged as the busiest border for rice trade, with approximately 53,850 metric tons of rice entering Kenya from Ethiopia through informal trade channels. Taveta recorded the highest volume of formal trade, receiving rice imports from Tanzania into Kenya. Kenya imported 40,033 MT from Tanzania through formal trade. Similarly, Mutukula witnessed significant rice trade activity, serving as the primary entry point for rice imports from Tanzania into Uganda (25,691.5 MT).

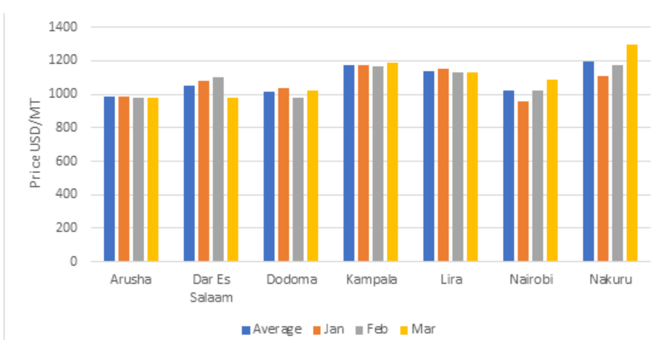

Figure 5: Average Rice Prices Across Various Towns in Q1 2024

Source: EAGC RATIN

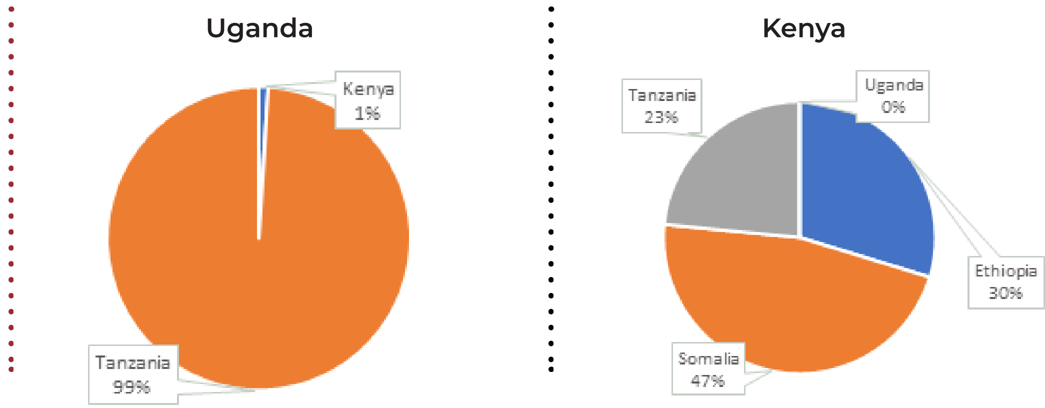

Figure 6: Rice Imports | **Source: EAGC RATIN**

Sorghum

Kenya dominated the sorghum trade, accounting for 99% of total imports, with approximately 145,495.2 metric tons imported into the country.

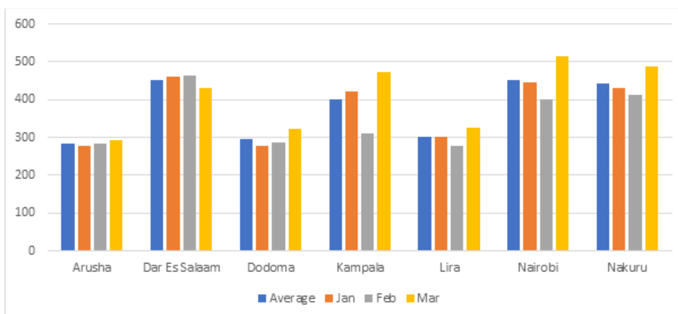

Figure 5: Average Sorghum Prices Across Various Towns

Source: EAGC RATIN

During the first quarter, sorghum prices were highest in Dar Es Salaam, Tanzania, while Uganda had the lowest prices. Tanzania faced some supply shortages, causing prices to rise slightly, especially at the quarter's start. Meanwhile, Uganda was busy getting ready for planting, affecting its prices. Kenya had the region's highest sorghum prices, while Uganda consistently had the lowest. Specifically, Lira in Uganda had the lowest prices, with the lowest prices seen in February in the region. Uganda primarily sourced its sorghum from Tanzania, while Kenya relied heavily on sorghum imports from Uganda, with a significant portion, approximately 74,730 metric tons, coming through informal trade channels.

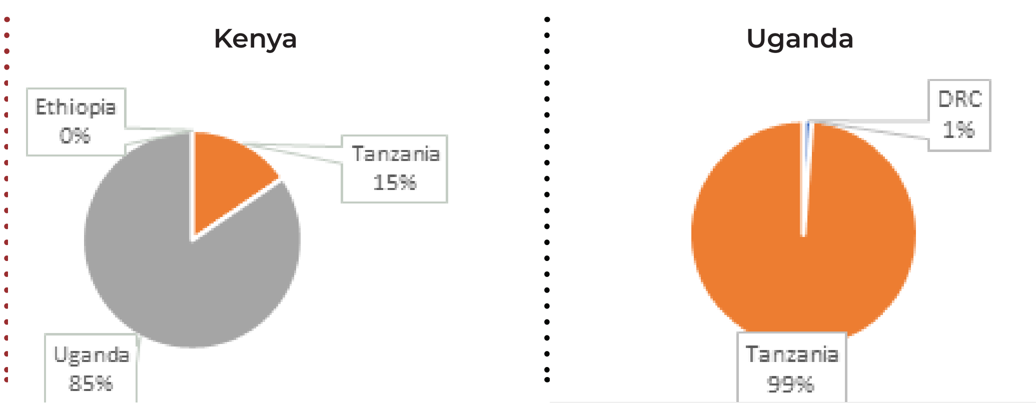

Figure 6: Sorghum Imports | **Source: EAGC RATIN**

Possible Projections

Maize

Deficit-producing nations such as Kenya, South Sudan, Somalia, Rwanda, and Burundi are anticipated to import maize from Uganda, Tanzania, and Ethiopia to address their shortfall, albeit at reduced levels. Competition for available surplus within the region is expected to prioritize trade flows towards Kenya and eastern parts of the Democratic Republic of Congo, where purchasing power and prices are comparatively higher. However, due to their proximity to major maize-producing regions, western and southwestern Uganda are likely to supply Rwanda, while northern Uganda may cater to South Sudan's demand. Similarly, eastern Tanzania is expected to serve Burundi's needs. Maize prices across these countries are forecasted to follow seasonal trends but generally remain lower than last year due to increased domestic supply. Ethiopia, South Sudan, and Somalia may experience higher maize prices due to localized below-average production, disruptions caused by conflict, and persistent inflation. Despite increased domestic production in Uganda and Tanzania, prices are expected to be lower than average due to ample supply and reduced shortfalls in deficit countries. However, overall prices are anticipated to remain higher than average in most countries due to factors such as high production costs, fuel prices, and transportation expenses.

Beans

Uganda, Rwanda, and Kenya are expected to see average cross-border trade and maintain average prices through June due to lower carryover and diminishing dry bean stocks. However, an above-average harvest is anticipated, which could push prices below average as supply increases. Tanzania is likely to experience high domestic demand and prices, leading to reduced exports to Burundi and keeping prices slightly above average.

Rice

Tanzania's significant surplus of tradable rice, coupled with its competitive pricing and well-established supply chain, will continue to drive increased exports to Kenya, Uganda, Rwanda, and Burundi. Additionally, Tanzanian rice, known for its aromatic varieties and high water absorption, is expected to be re-exported to South Sudan. The ban on wetland rice production in Uganda will further bolster the demand for Tanzanian rice, ensuring steady export levels and keeping prices close to the average.

Sorghum

Uganda's above-average sorghum harvests and the subsequent increase in supply are expected to maintain sorghum prices at slightly below-average levels. This surplus is likely to draw demand from neighboring countries like Kenya and South Sudan, despite their own harvests transitioning from above-average to average.

Grain Trade Policy Situation Update

Relief for farmers, small businesses after exemption from eTims invoices

The Kenya Revenue Authority (KRA) has exempted farmers and small businesses with an annual turnover of less than Sh5 million from the requirement to produce electronic invoices under the electronic tax invoice management system (eTims). This move aims to provide relief to micro, small, and medium enterprises (MSMEs) in Kenya. The exemption is part of the Tax Procedures (Electronic Tax Invoice) Regulations, 2023, which outline nine transactions exempted from the electronic tax invoice requirement. These transactions include supplies by resident individuals with annual turnovers below Sh5 million, among others. Additionally, the National Treasury plans to introduce a withholding tax of five percent on farm produce sold to cooperative societies

Read more...

GLOSSARY

FEWSNET :	The Famine Early Warning Systems Network
NFRA :	National Food Reserve Agency
RATIN :	Regional Agriculture Trade Intelligence Network
EAGC :	Eastern Africa Grain Council

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).

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C/o And More Ethiopia Composting plc