

Cross Border Commodity Trade on an Upward Trend:

The just ended year 2009 saw a remarkable rise in the volumes of informal trade across the Eastern African borders as shown by statistics from the Regional Agricultural Trade Intelligence Network (RATIN), a think-tank that is run by the Eastern African Grain Council. There is even greater optimism for more trade as regional governments move to ratify and put in place systems that will support the Customs Union adopted by regional governments to fully liberalize trade in the region. Hand in hand with this are efforts by the EAC and COMESA to implement the Simplified Trade Regime that is aimed at spurring cross border trade for Small and Medium Enterprises (SMEs).

The EAC director-general in charge of Customs, Mr. Peter Kiguta has been quoted in the press asserting that there is certainly going to be an increase in intra-EAC trade as there now exists an environment that supports free circulation of goods in the region. The region is also poised to attract an even greater level of foreign direct investment estimated at \$1763million in 2007. Uganda and Tanzania have especially been the main beneficiaries of this form of investment. The East African Business Council-the apex body of the private sector among other players in the region welcomed the development saying it will greatly improve trade, in an economic block that boasts of about 126million people.

It is envisaged that agriculture will continue to play an important role especially in ensuring food security in a region that has persistently suffered from hunger and other crises including political instability. A number of players have in recent times been pushing for a policy environment that not only supports an increase in agricultural productivity but one that will also ensure the free movement of commodities across the region to address food insecurity. The Eastern Africa Grain Council (EAGC) for instance, in partnership with a host of other stakeholders is currently spearheading efforts to establish a regional food balance sheet (FBS). This exercise will cover the five Eastern African countries of Kenya, Uganda, Tanzania, Rwanda and Burundi but will also include Zambia, Malawi and Ethiopia.

According to Ms Constantine Kandie, the Executive Director of EAGC, the EAC and COMESA region 'have been proved to have tradable surplus in products such as maize, rice and beans. The region also has potential for producing tradable surplus for other cereals. Despite this reality, the region remains a net importer from extra regional sources. Movement of products from surplus to deficit regions is restricted by policies motivated by food security concerns. These policies assume the form of export/import restrictions/bans and seasonal pricing and marketing controls.'

She said these policies are motivated by food security concerns that are premised on lack of credible information on available food stock in the region. Thus each country plans with what is available within its borders instead of the regional food availability situation. Studies done recently show that these policies distort production and discourage investment in the value chains. They consequently tend to perpetuate food shortage.

Information on regional food availability is therefore critical in helping countries and especially in the EAC and COMESA blocs to combat food insecurity through trade. Availability of this information will be pivotal to the region's policy reforms in the grain sector. Eastern Africa Grain Council (EAGC), in collaboration with COMESA and EAC is working towards development of a regional food balance sheet by building on various initiatives at the national and regional level.

Presently, food balance sheet at national level is pooled by Governments as part of food security programs. Private sector input is never sought or if sought is never integrated into the pooling of the food balance sheet data. Private sector relies on guess work and firm level estimates (usually for well established firms) for data necessary in guiding projections and business decisions. At regional level, there is no single source that indicates the stock of available food for purposes of guiding national and regional level policies.

The region thus requires this in order to forge ahead with policies that support Structured Trading System (STS).

EAGC is working in collaboration with EAC, COMESA (ACTESA) to facilitate the region to build a regional food balance sheet that presents a comprehensive picture of the pattern of the region's food supply for given specific periods. This will be used as a pillar to address food security in the region as well work as a foundation for development of a regional trade policy framework for structured trading system.

The EAGC, which is the regional regulatory body for the grain sector, has been working with governments and other stakeholders in the region to improve the lot of the grain farmers. It is noteworthy that this sub sector holds great potential for improving food security, trade and boosting the economies of the region. EAGC through its think-tank the Regional Agricultural Trade Intelligence Network (RATIN), monitors informal cross border trade and statistics show that there is an increasing level of trade across the region despite the barriers that have been in place.

In December 2009 for instance, traded maize volume reached an estimated high of 11060MT, rising from about 8800MT in November. The prices of maize and indeed the other commodities monitored (beans, rice, sorghum, millet and wheat) remained significantly stable during this month clearly because of the harvesting season that has been picking up over the past three months ensuring relative stability in supply. The quantity of beans that changed hands across the borders rose to 17844MT with the bulk of it crossing from Uganda into Kenya. This volume of beans was significantly higher than the total of 2007MT traded in October.

Trade volumes for rice, sorghum and millet were 976, 104 and 147 metric tons respectively over the same period. It is instructive that cross border trade continues to rise despite the odds stacked against the small scale traders, a clear indication that there is urgent need for authorities to help ease transactions by creating an enabling environment. Efforts to implement the simplified trade regime by both EAC and COMESA are thus commendable. A look at the aggregate volumes shows that informal trade now stands at 133977MT for beans, worth about \$90million, 243288MT for maize and 14217MT for Rice. Sorghum and millets now account for 15613 and 8448 metric tons respectively in the past twelve months alone. Total volume of trade over the monitoring period is estimated at over \$200million.

Clearly, by facilitating the movement of commodities from surplus to deficit areas across the eastern African region, even this informal trade has the potential to help reduce food insecurity and generally improve per capita incomes. Studies by Tegemeo-a Kenyan think-tank affiliated to Egerton University show that there is likely to be a food crisis as early as April 2010, this having been occasioned by erratic rains during the long rains season. Kenya is thus set to depend on external supplies especially from her immediate neighbors to feed the populace, thus the need to open the borders and enhance trade.



The analysis and conclusions made in this report are those of the author, you may contact EAGC office, grains@eagc.org, +254 20 3745840/ +254 710 607313
Sources of information used in this report (1) FEWSNET—Uganda & Tanzania (2) Ministry of Agriculture in Kenya, Tanzania and (3) Cross border monitors and private traders.