East Africa Crossborder Trade Bulletin — April 2011

The Market Analysis Sub-group of the Food Security and Nutrition Working Group (FSNWG) monitors cross-border trade of 88 food commodities and livestock in eastern Africa in order to quantify the contribution of formal and informal cross-border trade to food security in the region. This Bulletin provides an overview of cross-border trade in 2010.

- Sixty-three food commodities and livestock were traded across the borders of eastern Africa countries in 2010.
- Approximately 330,000 MT of cereals and 109,000 MT of pulses were traded. Seventy-six percent is this trade was formal, and 24 percent informal.
- Uganda and Ethiopia were the key export countries while Kenya and Northern Sudan were the main importers.
- August and December were the peak trading months following the main harvesting season in the source countries.

1. Introduction

Extensive, complex and multi-directional cross-border trade of staple foods and livestock exist in the East Africa region. However, there is limited accurate data on volumes, seasonality, and directions of cross-border trade for these commodities to indicate their contribution to regional food security. In addition, there is scarce information on the contribution of informal trade to overall cross-border trade.

Against this background, a joint initiative by FEWS NET, WFP and FAO was set up in 2008 to collect information on food commodities moving across the borders of Eastern Africa countries through formal and informal trade. Under this initiative, formal trade is declared and formally documented by the customs officers at the border while informal trade is unrecorded and does not pass through customs offices.

Monitoring of 15 key markets began at different dates in 2010 and an additional six markets are planned for monitoring in 2011 (Figure 1). This report presents information obtained from monitoring the existing 15 markets in 2010.

Figure 1. Cross-border markets being monitored

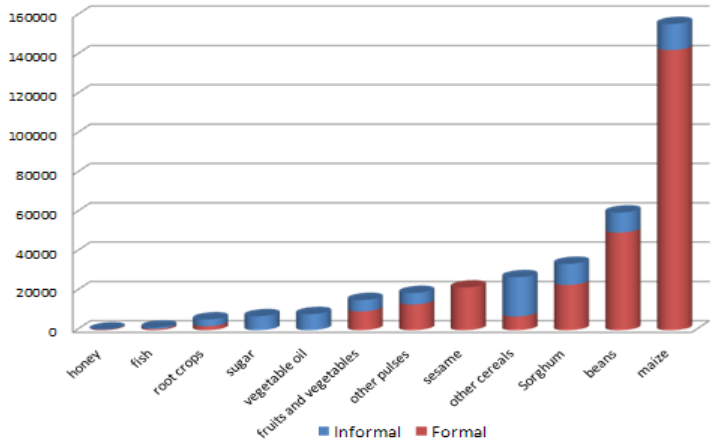
Source: FEWS NET/WFP/FAO

2. Main commodities traded in the region

A total of 63 food commodities and livestock were traded across the 15 border markets monitored in eastern Africa in 2010. Maize was the most traded in terms of volume, with 155,719 MT crossing the borders between May and December 2010 (Figure 2), accounting for 44 percent of total transactions in volume. This was followed by beans (17 percent) and sorghum (10 percent).

Most (76 percent) of the volumes were traded through formal channels, except for sugar and vegetable oil, which were all traded informally. Most of the informal sugar and vegetable oil trade was recorded at Dobley, a market on the border between Kenya and Somalia where there is limited marketing infrastructure and supervision of the traded commodities.

Figure 2. Commodities traded across the monitored markets in 2010: Formal and Informal trade (MT)



Source: FEWS NET/WFP/FAO

3. Importance of different cross-border markets

Table 1 summarizes the volumes of trade transacted through each of the monitored borders. Malaba and Busia on the Kenya-Uganda border recorded the highest transactions, followed by Meteme on the Ethiopia-North Sudan border. Large proportions of these commodities were transacted through formal channels (Figure 3).

Table 1: Start months of monitoring and volumes traded through each market in 2010

Market	*Border Location*	*Start Month of monitoring in 2010*	*Cereal (MT)*	*Pulses (MT)*	*Others (MT)*	*Cattle (Heads)*
Markets monitored by FEWS NET/FAO/WFP						
Loitoktok	Kenya and Tanzania	February	259	266	811	0
Lwakhakha	Kenya and Uganda	February	2,016	2,370	956	0
Malaba	Kenya and Uganda	February	126,020	8,213	565	0
Namanga	Kenya and Tanzania	February	1,493	6,308	1,419	0
Moyale	Kenya and Ethiopia	March	6,672	17,930	0	19,664
Togwajale	Somalia and Ethiopia	May	1,168	0	0	66,332
Dobley	Somalia and Kenya	July	13,025	0	0	29,650
Mpondwe	Uganda and DRC	August	411	998	2,221	14,561
Metema	Ethiopia and N. Sudan	May	41,801	28,046	24,956	39,887
Humera	Ethiopia and N. Sudan	May	12,760	12,753	10,013	19,066
Kurmuk	Ethiopia and N. Sudan	May	4,264	521	1,612	7,319
Gambella	Ethiopia and S. Sudan	May	3,627	78	23	0
Galafi	Djibouti and Ethiopia	January	570	336	0	0
Gelila	Djibouti and Ethiopia	January	105	396	0	0
Loyada	Djibouti and Somalia	January	2,221	569	0	0
Sub Total			*216,412*	*78,784*	*42,576*	*196,479*
Markets monitored by EAGC						
Busia	Kenya and Uganda	January	88,362	29,611	n/m	n/m
Gatuna	Uganda and Rwanda	January	11,910	145	n/m	n/m
Isebenia	Kenya and Tanzania	January	536	0	n/m	n/m
Mutukula	Uganda and Tanzania	January	3,711	0	n/m	n/m
Sub Total			*104,519*	*29,756*	-	-
Gross Total			**320,931**	**108,540**	**42,576**	**196,479**

n/m= commodity not monitored in the market

It can be intuitively concluded that informal trade dominates in markets whose catchment area is afflicted by civil insecurity. Examples are Dobley (Kenya-Somalia border) and Gambella (Ethiopia-South Sudan border) markets, where all of the transactions are through informal channels.

Among the cross-border commodities traded, cereals are traded at the highest proportion (61 percent) among the staples followed by pulses (22 percent).

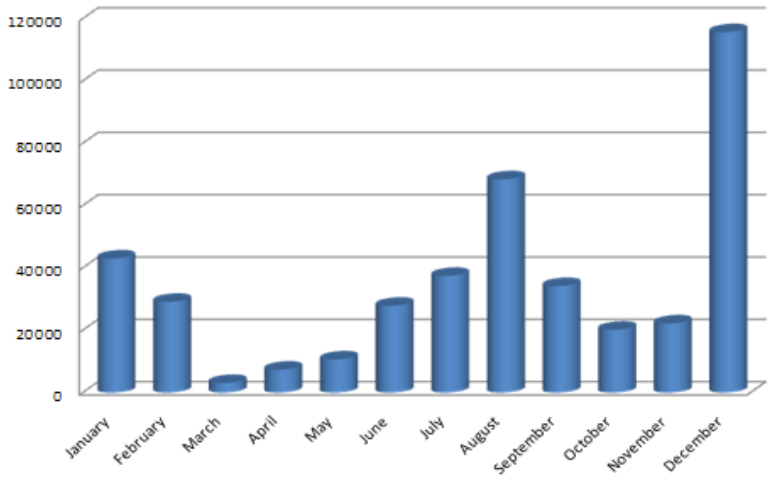
Cross-border trade in livestock was recorded in the eastern Horn (between Ethiopia-Somalia; Ethiopia-Kenya; Ethiopia-Sudan and Somalia-Kenya borders). About 34 percent of this trade was through Togwajale, an important market through which livestock from Ethiopia transit en-route for export to the Gulf States.

4. Seasonality of trade and commodity trade flow

Most of the cross-border trade took place in December and August (Figure 4). These are the months following the main season harvest in key surplus countries (Ethiopia and Uganda) – see seasonal harvest calendar below. Most of the cereals traded originate from Uganda and Ethiopia (for local produce) and Somalia (for imported commodities, like rice and pasta) (Table 2).

The December peak trading window follows the second season harvests from the bimodal areas of western, northwestern and central Uganda which are the typical areas that supply maize to Kenya. Similarly, the *meher* harvest, which accounts for 90 to 95 percent of total production in Ethiopia, occurs between October and January, preceding trade between Ethiopia and Sudan and Ethiopia and Kenya.

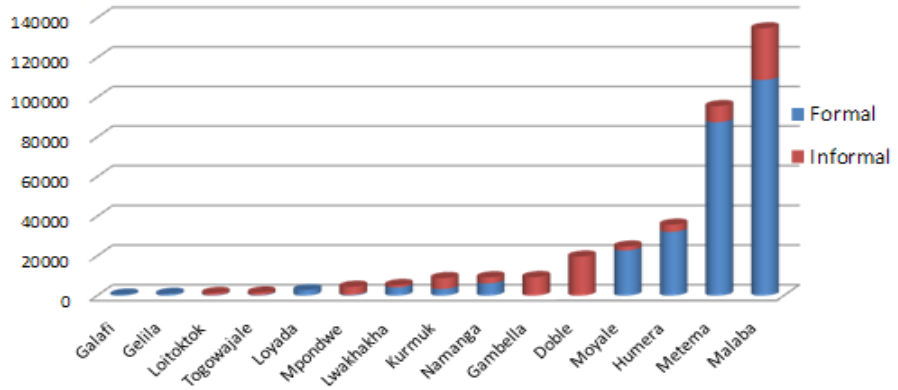
Figure 4. Seasonal trends in volumes of all commodities traded (MT)



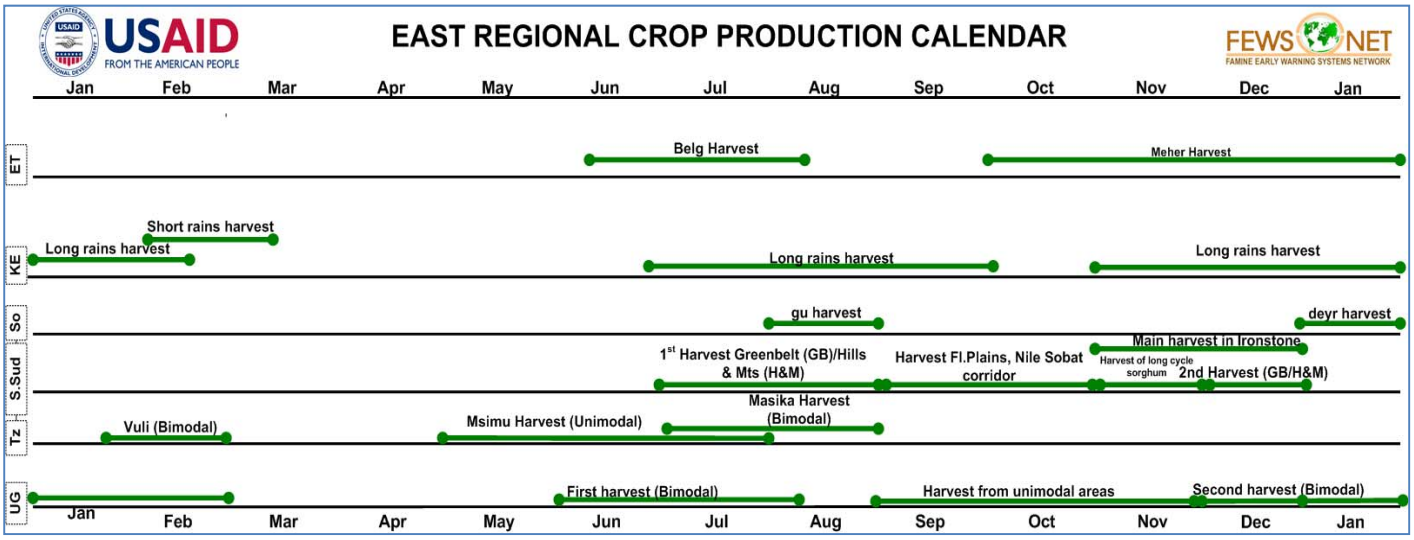
Source: Source: FEWS NET/WFP/FAO

Djibouti, Kenya and Sudan are the main destination of these staples[1]. In 2010, both Uganda and Ethiopia had good harvests that partly contributed to high cross-border trade.

Figure 3. Proportion of formal and informal trade in FEWS NET/WFP/FAO monitored markets



[1]It is however important to note that as of now, trade data between Tanzania and DRC, Rwanda and Burundi is still being processed



Source: FEWS NET

The peak trade in August on the other hand follows the first season harvest from Uganda's bimodal areas and to some extent, from the main crop harvest from southern Tanzania (*msimu* rains crop) and the main crop from northern Tanzania (first *vuli* rains crop). Although there was a good *msimu* harvest in 2010, there is anecdotal evidence that the *msimu* harvest is traded across Tanzania borders with DRC, Rwanda, Burundi and other southern Africa countries due to their proximity and perhaps low marketing costs. Monitoring of markets along these borders is slated to begin in 2011. The 2010 *vuli* harvest from northern Tanzania was however poor and may partly explain why trade volumes between Kenya and Tanzania were low.

Table 2: Cross-border trade flow volumes (MT) through FEWS NET/FAO/WFP monitored markets

COMMODITY	DIRECTION OF FLOW	TRADED VOLUMES IN 2010 (MT)								
		Ethiopia	Kenya	Tanzania	Uganda	Somalia	Djibouti	N.Sudan	S.Sudan	DRC
Cereals	IN	573	160,667	0	11.2	595	2,896	58,826	3,627	400
	OUT	62,453	0	1,752	128,435	13,598	0	0	0	11
Pulses	IN	29	35,005	0	533	0	1,301	33,452	78	460
	OUT	33,529	82.9	6,573	11,047	0	0	0	0	538
Fruits & Vegetables	IN	4,952	1,332	0	1,084	0	0	7,772	14	181
	OUT	7,786	0	377	1,137	0	0	0	0	1084

Most of the imports into Kenya are undertaken by large traders and millers. This may partly explain why imports peak in December, a period when most traders and millers are building their stocks but households have sufficient stocks from the long rains harvests. This may also partly explain why most of the trade is formal. Most traders procure supplies from surplus countries that have low production costs and hence low wholesale prices. For example, in 2010, prices of maize were much lower in Uganda compared to Kenya and Tanzania (Figure 6), perhaps explaining why Uganda was the dominant net exporter in this year. There is anecdotal evidence that the pressure from cross-border demand led to the increase of prices of maize in Uganda in the last quarter of 2010.

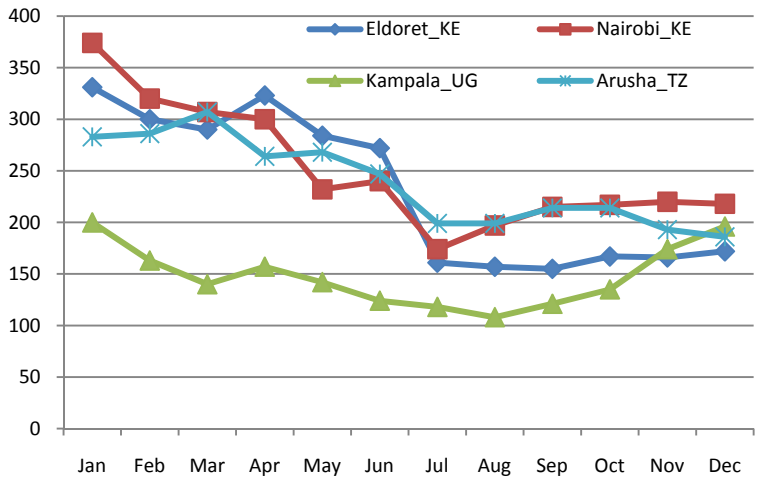
Most of the commodities crossing into Kenya originate from Uganda (maize, beans, sorghum and millet), Ethiopia (pulses), Somalia (rice and wheat products) and Tanzania (rice). However, this trade is dominated by maize since maize is the key staple in Kenya and this flow is augmented by higher prices in Kenyan markets.

6. Conclusion

Good harvests throughout the region in the main cropping season of 2010 contributed to adequate availability of staples and significant cross-border trade. The good harvests led to lifting of export trade bans that had been imposed by some governments (Kenya, Tanzania and Ethiopia) in 2009. About 320,000 MT of cereals were traded across the borders, signifying the importance of cross-border trade in contributing to regional food security by stabilizing prices in key markets.

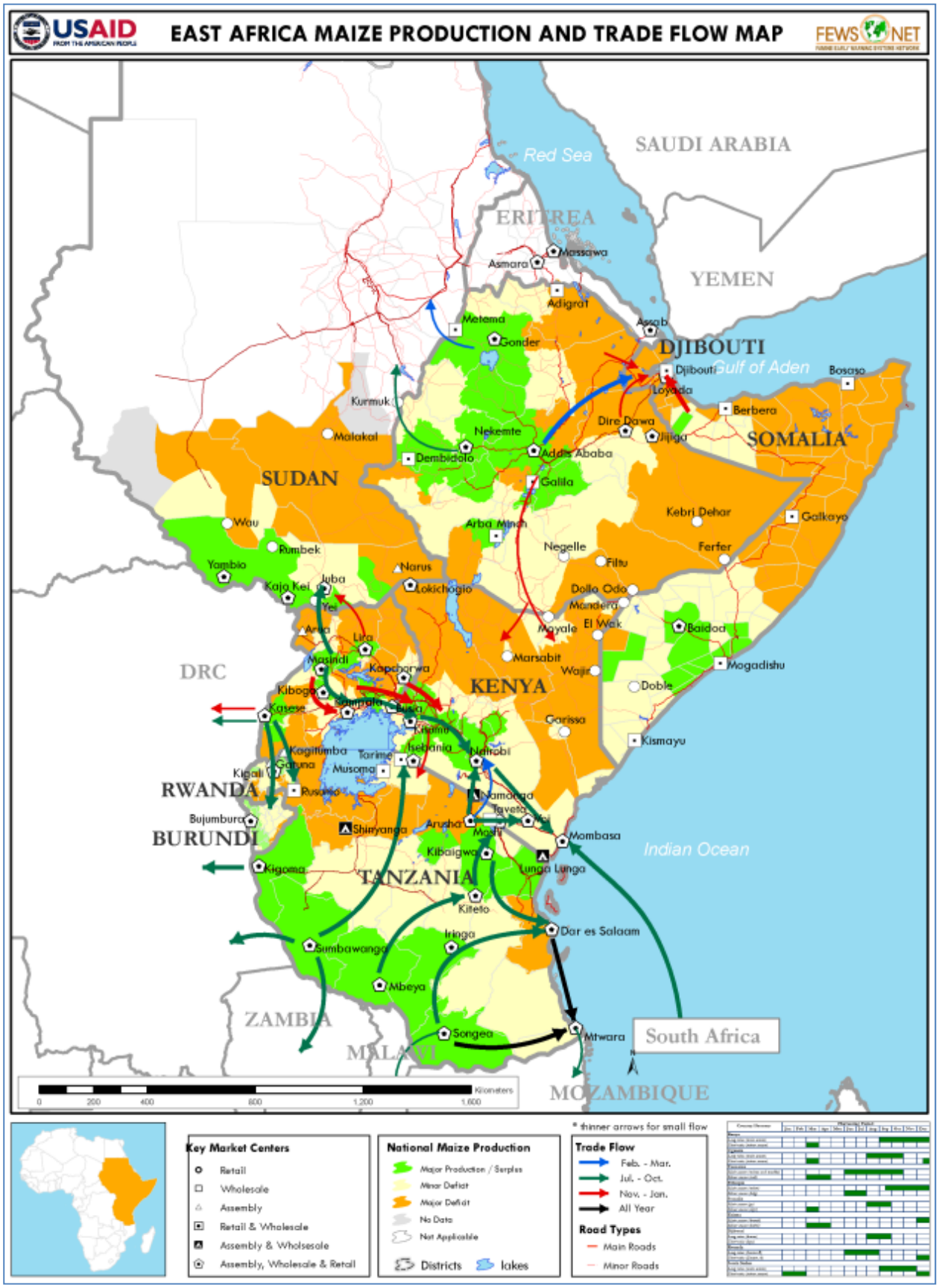
Uganda and Ethiopia were the key sources of most of the traded commodities with Kenya, Sudan and Djibouti being the major destination markets. Wholesale prices in the surplus markets of the source countries were significantly lower, offering sufficient incentives for traders to engage in arbitrage. For example during the August 2010 peak trading window, prices of maize in Kampala were USD108/MT compared to USD173/MT in Nairobi. Even though the cost of transport is significantly higher in sub-Saharan Africa due to a combination of poor roads, high fuel prices and administrative procedural delays (estimated at US$0.04 – 0.10 per km per ton), the wide price differences still offered sufficient incentives to engage in trade, especially for large-scale traders.

Figure 6. Maize wholesale price trends in selected markets in 2010 (USD/MT)

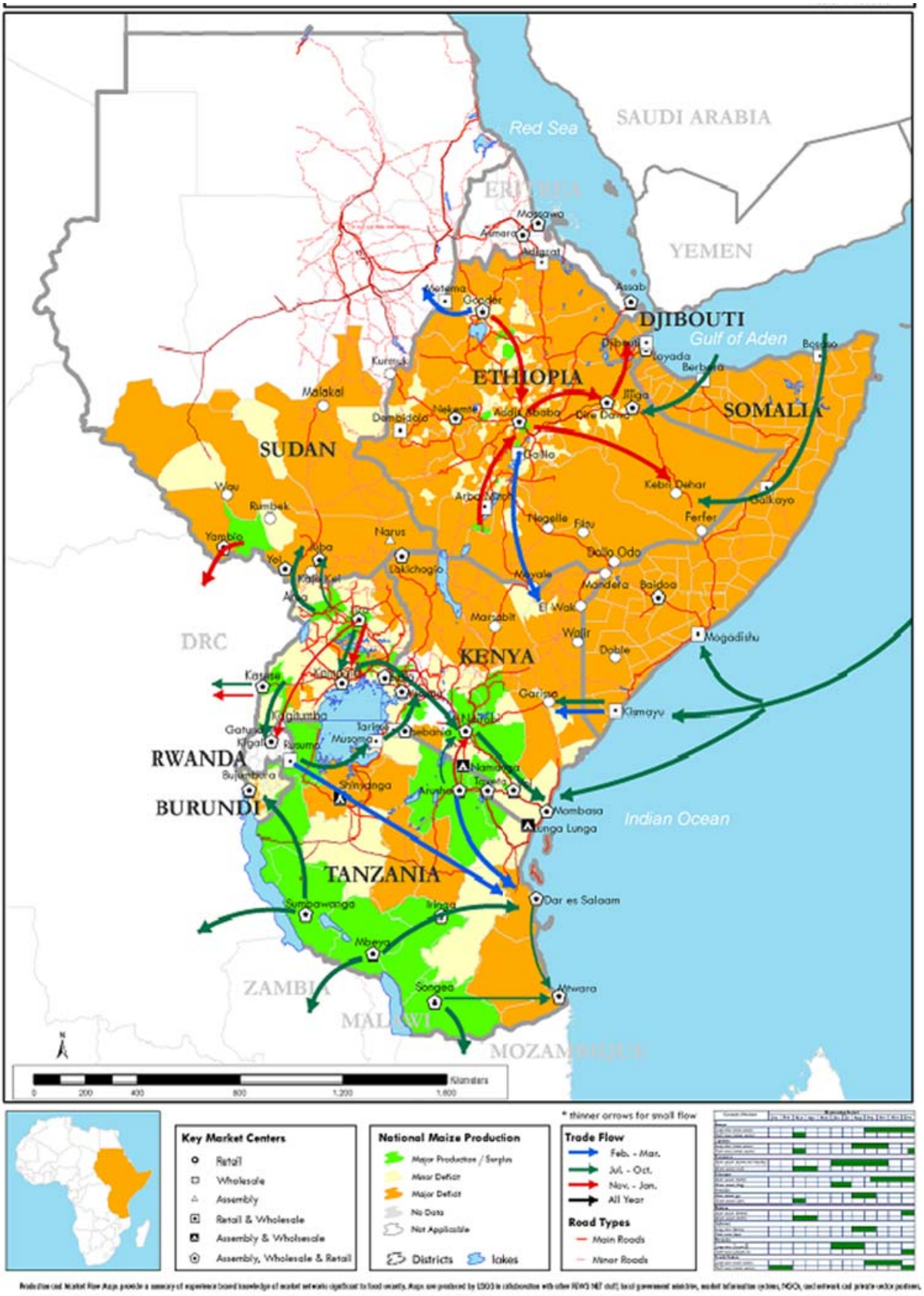


Source: FEWS NET

Annex 1: Maize Production and Trade Flow Map



Annex 2: Beans Production and Trade Flow Map



Annex 3: Sorghum Production and Trade Flow Map