FSNWG
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MAS
Market Analysis Subgroup

East Africa Cross-Border Trade Bulletin

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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 26 cross-border markets in eastern Africa in order to quantify the contribution of formal and informal cross-border trade to food security in the region.
This issue provides an overview of cross-border trade across 21 of the 26 monitored markets between January and June 2011.

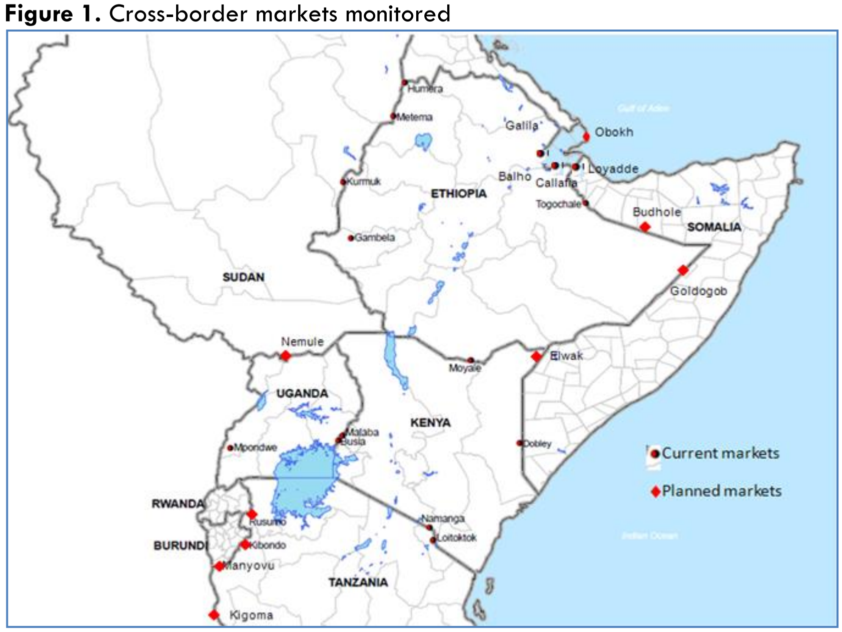
Summary

- The main staple foods traded in the region in the first six months of 2011 were beans (39,215Mt), maize (30,525Mt), sorghum (17,131Mt), millet and teff (10,664 Mt), and sugar (6,935Mt). Other commodities were lentils, green grams, fish, vegetable oil, and honey, totaling about 21,291Mt. There was a general decline in volumes traded compared to the last six months of 2010. Maize had the largest decline of 80%, followed by millet and teff (57 %), sorghum (28%), and beans (19%). This decline has been attributed to limited stocks in surplus areas and export bans by Ethiopia and Tanzania, two key source countries.
- Despite a decline in trade volumes at the regional level, the volume of maize and sorghum imported into Somalia from Ethiopia has shown a marked increase. Imports into Somalia are driven by a strong import demand there following a failed 2010 *deyr* crop and very poor prospects for the 2011 *gu* harvest.
- The proportion of informal maize trade in total cross-border trade has increased ostensibly due to stricter control of cross-border trade by Tanzania and Ethiopia, but marginally improved in informal trade as traders try to maintain their turn-over volumes.
- There was a significant increase in the volume of livestock traded, by over 200 percent compared to the last six months of 2010, most likely driven by livestock keepers increased sales to finance cereal purchases and also to cut down on potential losses that could results from drought-related mortalities. This increase occurred despite this being not the peak livestock trading season in the region.

1. Introduction

The magnitude of cross-border trade recorded across monitored markets (Figure 1) has shown a downward trend in volumes but marginal increase in diversity in the first six months of 2011 compared to the last six months of 2010. This has been attributed to poor regional food stocks following failed 2010 short rains season in eastern Kenya, northern Tanzania, southern Somalia and a below normal 2010 second season harvest from the bimodal areas of western, northwestern and central Uganda. Below normal crop production has also been experienced in the central, Lake Victoria and northeastern parts of the Tanzania in the first half of 2011. In addition, the prospects for realizing any harvest from the February to July 2011 *belg* cropping season in Ethiopia are very low, further putting pressure on regional food stocks.

Figure 1. Cross-border markets monitored



Source: FEWS NET/WFP/FAO

In response to current and projected production shortfalls, the governments of Tanzania and Ethiopia have put a freeze on any cross-border trade until after the next harvesting season, while the government of Kenya has resorted to commercial imports from souther Africa to augment national stocks.

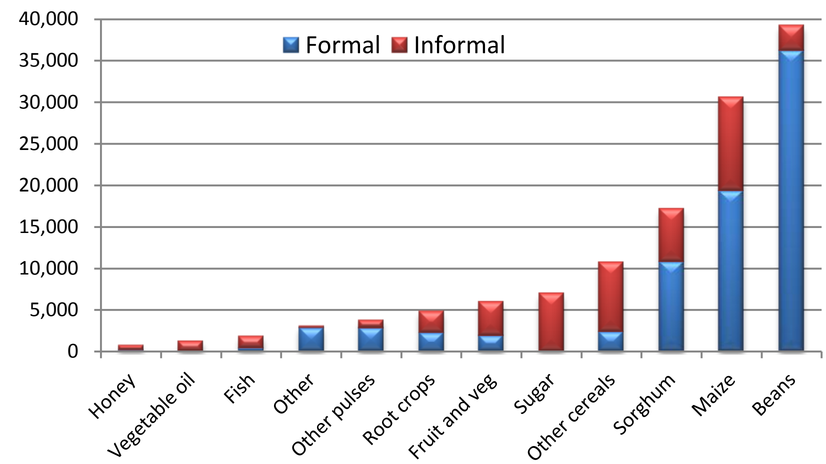
Besides the reduced regional stocks, the high rate of inflation and weakening local currencieswith respect to the dollar. In most countries in the region has seen significant price increases in the hitherto surplus and low priced countries (Ethiopia, Tanzania and Uganda) compared to the deficit and high priced countries (Kenya, Sudan and Somalia) thereby diminishing the propensity for cross-border trade. The situation has further been aggravated by the increasing marketing costs due to high fuel prices further diminishing the margins of those engaged in cross-border trade.

2. Main commodities traded in the region

In the first half of 2011, a total of 65 different food commodities and livestock were traded across the 21 border markets monitored in eastern Africa. This shows a marginal improvement in diversity of trade portfolio that comprised of 63 commodities in the last six months of 2010.

In terms of volume, beans was the most traded food commodity (39,215 MT) followed by maize (30,525 MT) and sorghum (17,131 MT) (Figure 2). Sesame a crop produced in northwestern Ethiopia for the Sudan market was the most traded item in the region with 69,680 MT being exported. Once in Sudan, the sesame is re-exported to Asia and Europe, with China being the largest importer. It is not surprising that more beans than maize were traded in the first half of 2011, most likely due to the fact that the export ban imposed by Ethiopia and Tanzania has focused more on cereals than other staples.

Figure 2. Proportion of formal vs informal trade by food commodity (MT), January-June 2011



Source: FEWS NET/WFP/FAO

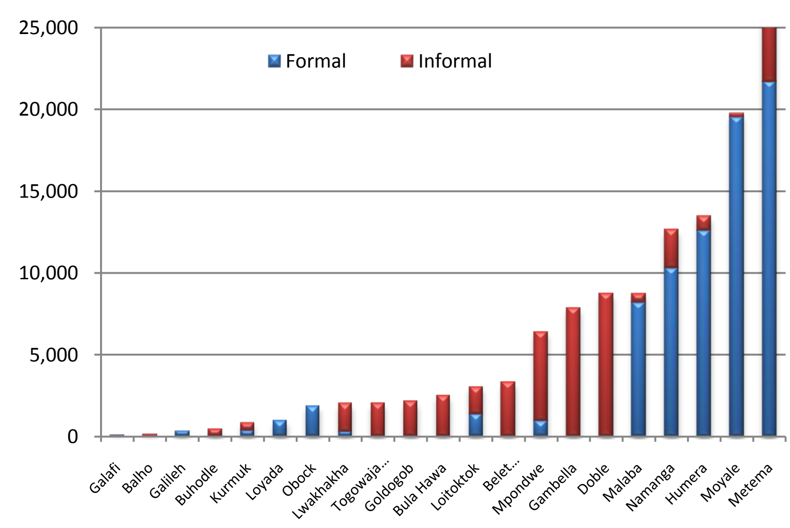
*Other cereals include rice, wheat and wheat products; Other pulses include lentils and green grams

Overall, about 63 percent of food commodities were traded through formal channels. This is a reduction from 76 percent observed in 2010, explained perhaps by restrictions on cross-border trade by some of the key surplus countries. The impact of trade restrictions is observed in the trade of beans, which remains predominantly formal as it is not covered by the ban from Tanzania. Commodities faced by the short term ban (i.e. maize and sorghum) have seen increase in proportion traded as informal from about 25 percent in last half of 2010 to about 37 percent presently. Those commodities that attract taxation (like sugar and vegetable oils) have largely been traded informally. Sesame was traded formally.

Trade across all markets on the Somalia border and its neighbors (i.e. Doble, Bula Hawa, Togwajale, Goldogob, Buhodle, Belet Weyne) is informal for all commodities. This is attributed to lack of functional customs offices in these markets. Other markets without effective customs services and in which informal trade dominates include Lwakhakha on Kenya-Uganda border, Gambele on Ethiopia-South Sudan border and Mpondwe on Uganda-DRC border (**Figure 3**).

Another important observation is the emerging importance of the nontraditional imports of maize and sorghum into Somalia. For example, in 2010, the inflows of maize and sorghum into Somalia through Tog Wajaale Increase to 1,250 MT in the first six months of 2011 compared to about 595 Mt for the nine months monitored in 2010. This represents an increase in monthly inflows of 215 percent (from 66 MT/month to 208 MT/Month). Inflows of maize and sorghum into Somalia between April and June amount to 4760 MT, driven largely by traders reliance on cross-border inflows in furnishing their stocks following

Figure3. Proportion of formal and informal trade of food commodities by market (MT), January-June 2011



Source: FEWS NET/WFP/FAO

Monitoring of Belet Hawa, Belet Weyne, Budhole and Goldogob started in April, 2011 a failed 2010 short rains crop and poor prospects for the 2011 long rains crop. These inflows are quite significant realizing they are happening against export trade restrictions (from Kenya and Ethiopia), a very poor market infrastructure between Somalia and its neighbors and high civil insecurity and restricted trade flows within Somalia.

3. Sources, destination, seasonality and trends in food commodities traded

Table 1 indicates the source and destination of the key staple commodities traded in the region. The seasonality of trade of the commodities is given in Figure 4. A comparison of the volumes traded in the first half of 2011 as a proportion of the volumes traded traded in the last six months of 2010 is given in Figure 5.

Table 1. Cross-border trade flow volumes (MT) through FEWS NET/FAO/WFP monitored markets, January to June 2011

Cross-border market	Direction of flow	Duration of monitoring in 2011	Cereal traded(MT)	Other commodities traded (MT)*	Pulses traded (MT)	Livestock (Heads)
Loitoktok	Tanzania→Kenya	Jan to June	2,395.00	623.59	11.40	Ψ
Namanga	Tanzania→Kenya	Jan to June	6,576.62	2,091.00	3,994.50	Ψ
Lwakhakha	Uganda→Kenya	Jan to June	493.20	756.12	741.60	Ψ
Malaba	Uganda→Kenya	Jan to June	6,760.41	238.20	1,360.28	Ψ
Moyale	Ethiopia→Kenya	Jan to June	7,666.25	1.12	12,082.87	13,416
Togwajale	Somalia →Ethiopia	Jan to June	851.90	197.84		0
	Ethiopia → Somalia	Jan to June	951.00			55,553
Dobley	Somalia →Kenya	Jan to June	3,779.45	4,943.50	0	27,974
Mpondwe	Uganda →DRC	Jan to June	351.05	5,088.65	955.40	32,417
Metema	Ethiopia →N. Sudan	Jan to June	9,469.80	4,823.78	14,617.54	66,092
Humera	Ethiopia →N. Sudan	Jan to June	4,171.80	938.09	8,380.30	26,045
Kurmuk	Ethiopia →N. Sudan	Jan to June	239.00	261.96	322.67	9,952
Gambella	Ethiopia →S. Sudan	Jan to June	7,301.80	364.29	193.30	Ψ
Galafi	Ethiopia →Djibouti	Jan to June	12.95	2.75	74.95	35,088
Galileh	Ethiopia →Djibouti	Jan to June	174.75	63.37	90.30	0
Obock	Ethiopia →Djibouti	Jan to June	-	1,872.56	-	1,170
Balho	Ethiopia →Djibouti	Jan to June	69.48	69.03	2.85	35
Loyada	Ethiopia →Djibouti	Jan to June	867.90		103.50	0
Bula Hawa	Ethiopia → Somalia	April to June	1,915.00	0	0	0
	Somalia →Ethiopia	April to June	0	587.50	0	1,989
Belet Weyne	Ethiopia → Somalia	April to June	908.00	0	42.00	19,026
	Somalia → Ethiopia	April to June	1,380.00	837.00	0	0
Goldogob	Somalia → Ethiopia	April to June	1,663.60	449.70	0	0
	Ethiopia → Somalia	April to June				29,980
Buhodle	Somalia → Ethiopia	April to June	321.18	137.46	0	0
	Ethiopia → Somalia	April to June				8,200
Gross Total January – June 2011			**58,320.14**	**24,347.51**	**42,973.46**	**318,737**

*Other commodities include vegetable oil, sugar, fruits and vegetables, fish, Bananas, honey and root crops
ΨNot monitored.

The following can be observed from Table 1 and Figures 4 and 5:

i. The most important source countries of the regionally traded food commodities, in order of importance were Ethiopia, Tanzania and Uganda[1], while Sudan and Kenya were the key destination markets
ii. While the trade in beans has shown a downwards trend in volumes transacted between January and June in line with stock, the seasonal trend of maize and sorghum traded has exhibited mixed trends, perhaps being a result of the export ban

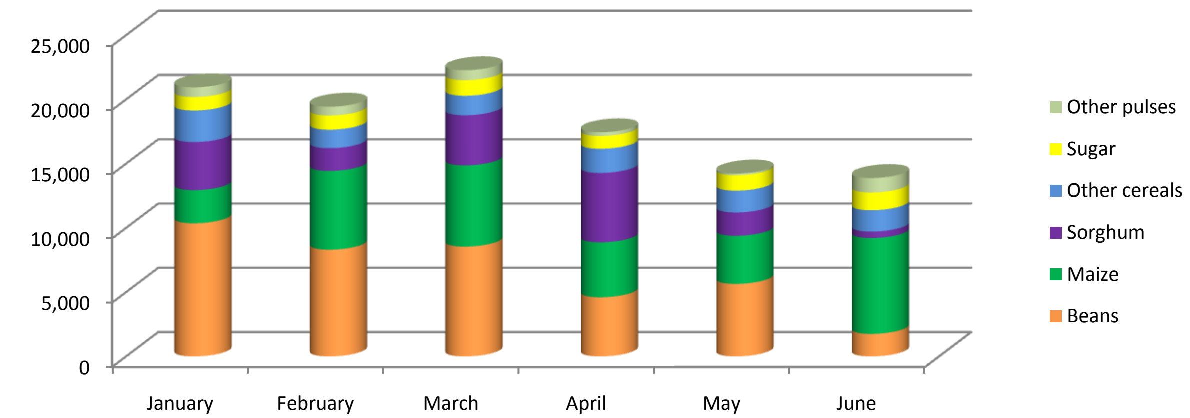
[1] Data from Busia, Isabenia and Mutukula collected by RATIN was not available at the time of compiling the report.

imposed by two of the main source countries, Ethiopia and Tanzania. The ban was targeted more towards cereals than pulses

iii. There has been a general decline in traded volumes for all key staples driven by low regional stocks, trade restrictions and declining value of most regional currencies. The decline has caused prices in surplus countries to increase thus reducing the traders margins

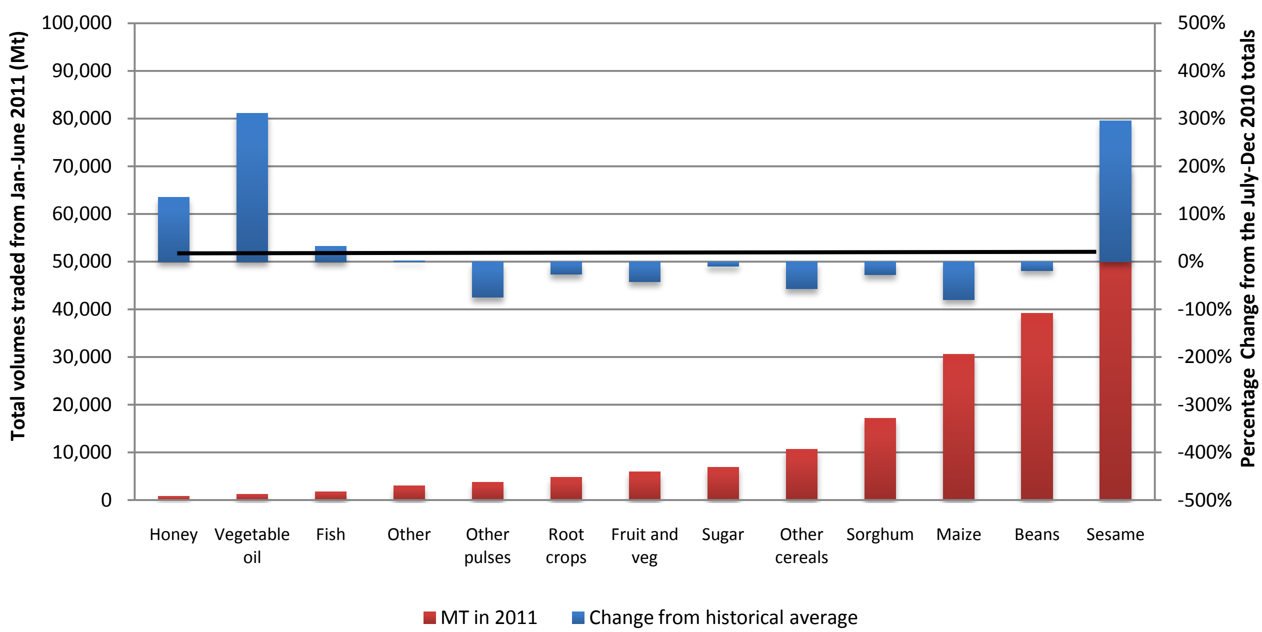
iv. The numbers of livestock traded has increased significantly in the first six months of 2011 compared to last six months of 2010 (from below 100,000 heads to over 380,000 heads). This is most likely driven by increased sales by livestock keepers to purchase cereals and also cut down on potential losses due to mortality arising from the effect of on-going drought. It will be important to monitor the livestock volumes transacted during the peak September to November peak trading window.

Figure 4. Monthly trends in volumes of key food commodities (MT)



Note: Other cereals include millet, pasta, rice, teff, wheat; Other pulses include: peas, lentils, ground nuts, and green grams.

Figure 5. Volumes traded in first half of 2011 and percent changes from July-December 2010 totals



Source: FEWS NET/WFP/FAO. (Livestock not included since four more markets were included in the monitoring. Despite the increase in markets being monitored, volumes of other commodities declined significantly.)