
HIGHLIGHTS:

- ❖ **Crop production update.**
- ❖ **Duty waiver boosts Kenya's maize importation as Tanzania stay firm on maize export ban.**
- ❖ **Regional maize wholesale prices are still high.**

Crop production update

World view: World cereal production is set to decrease in 2009 by 3% from the 2008 record according to Food and Agriculture Organization (FAO). The impact of the decline in production could be the expected increase in carryover stocks from the previous season coupled with unknown level of utilization in 2009 and the current economic downturn which has pushed up the input prices. FAO's forecast for 2009 world cereal production stands 2.29 billion tonnes. Reduced wheat harvest is expected in 2009 due to a decline of 7% in winter wheat growing area in USA and expected small plantings in Canada. In Europe, the wheat growing area is down in major producing countries. However, the winter wheat crop in Asia is expected to be good. In South America sowing of wheat started in early May'09.

In South America, harvesting of the main season **maize** crop is in progress and output is expected to decrease sharply from last year's record levels due to drought and high input prices. In South Africa, the national white maize yield is expected to be normal compared to 5 years average. A potential 7 million MT surplus is available for export.

The production of **rice** is expected to increase according to FAO's first forecast of world paddy production which stands at 692 million tonnes (462 million tonnes in milled terms). This is 0.7% above the 2008 level.

Uganda: The late start and poorly distributed rainfall in southern Uganda has affected the first cropping season which has reached its mid-point. Due to low rainfall in this bimodal region, crops are at different stages. Reliable sources indicate that a large proportion of maize, millet and sorghum crops are at knee high length, while others grown in low-lying swampy areas, are already tussling or being harvested.

The bean crop in this region is expected to mature well in most bean-growing districts due to adequate rains and favorable weather conditions. However, the crop in parts of western Uganda was affected by water stress.

The cropping season in unimodal northern and eastern Uganda which normally begins in late March to early April received below normal rainfall. Despite sporadic rains in Karamoja, it was a relief for farmers since they were able to plant crops viz; sorghum, maize, pigeon peas and other pulses. This region therefore requires sufficient rainfall until August'09 to achieve a normal crop development and a good harvest.

Tanzania: In unimodal areas, rainfall was normal to above normal in most areas. An excellent maize crop in the southern region is therefore expected. It has been projected that some commercial farmers in this region will harvest about 8MT/hectare, while small holder farmers will achieve their average yields. However, in bimodal areas, FEWS NET reported that the *masika* season rains delayed in northern, northeastern highlands and northern coastal regions but towards the end of March, a few areas in the northern coast (Dar es Salaam, Pwani and Morogoro) received normal rainfall which enhanced planting activities.

Kenya: Maize crop in North Rift region is doing well despite a delay in onset of rains for a couple of weeks. The crop is above knee high level .About 80-90% of the crop is expected. In South Rift region, farmers have started selling the green maize. Considerable amounts of maize in this region will be eaten as green maize and very little supplies will get to the markets. Rains in Central Rift have been erratic and the maize crop is at different levels but most of it is below knee high. Rice production in Western Kenya is expected to rise in the coming planting seasons due to initiatives aimed at boosting the farmers to plant the crop. Reports from the national Irrigation Board (NIB) revealed that the output will rise by 50%. Farmers have been advised to ensure that they benefit from new initiatives. For instance the government in partnership with the donors is planning to assist rice farmers access loans to buy inputs, and the Purchase for Progress (P4P) project undertaken by UN WFP meant to link farmers to markets. The agency bought 40 MT of rice from small farmers in Ahero Scheme in the last season.

Market Analysis

Trade: The world cereal trade in 2009/10 is expected to go down by nearly 4% from the estimated trade volume of 2008/09. According to first forecast by FAO, this is due to a drop in wheat import volumes caused by reduced production in wheat producing countries. However, an increase in maize imports would cushion the declines in other grains. International trade in rice is forecast to increase marginally in 2009.

Regionally, Kenya has been relying on duty free imported maize mainly from South Africa. A duty waiver was put in place until 16th July 2009, but the President of Kenya recently directed the concerned ministries to extend the duty free period until end the year 2009. Current maize imports stand at approx. 744,148 MT. A further 223,500 MT is expected in the month of July '09. Kenya will have imported approximately 1.1million MT of white and yellow maize by the middle of June since Nov 08. About 223,500 MT of maize is expected by end of June. Approximately 116,800MT of wheat and 36,300 MT of sorghum for WFP are also expected in the same period. Importers were rushing to meet the government's deadline of 16th July on the duty waiver. This means importers are paying higher prices to source the maize along with the guarantee of demurrage costs – currently, there is congestion at the port of Mombasa with vessels having to wait for upto 7 to 10 days to secure berths. Grain Bulk Handlers Ltd in Mombasa has been discharging around 7,000 MT per weather working day. Around 40% of the vessels are now discharging conventionally. The port is struggling to handle more than 250,000 MT a month which is 20,000 MT below monthly maize consumption demand and does not take into account additional reductions when wheat and other grains are discharged.

Millers report that they have no maize stocks at the moment, as the milled product is immediately sold. Importers report that they are having to ration sales of maize to traders in Mombasa and cannot keep up with the demand. The duty free maize was meant to reduce the maize flour prices but the prices are still high due to demurrage costs caused by congestion at the port.

Tanzanian government is still firm on not allowing formal exports to its neighbours in particular Kenya and therefore it is expected that the export ban will remain in force for the foreseeable future. Regardless of the export ban, a substantial quantity is still trading across the border into Kenya. RATIN statistics indicates that 3174MT of Maize crossed from Tanzania to Kenya in May'09 through informal cross-border trade. The large surplus crop in Malawi might put a strong downward pressure on the prices of maize in southern Tanzania. Lifting the export ban would increase the price that the farmers in this region would receive for their grain after harvest.

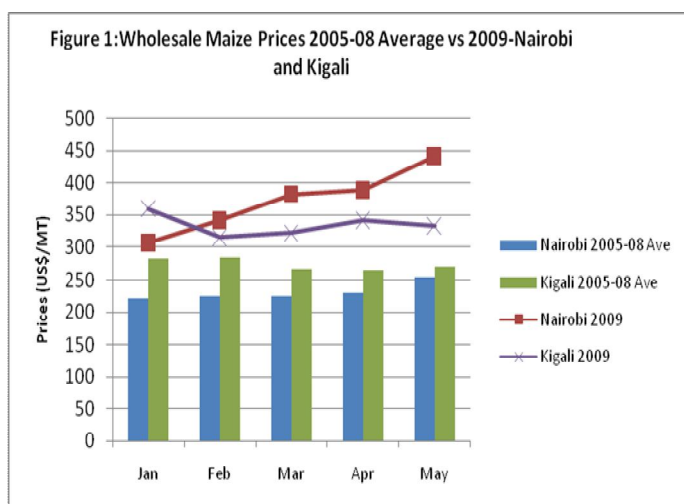
On wheat, Tanzanian farmers have been putting pressure on government to come up with incentives to increase the production of wheat in the country. Nuisance tax and poor support from the government has contributed to low performance of the wheat crop forcing the country to import from Russia, Argentina, Brazil, Poland, Australia, Gydnia and Lithuania. Imports into Tanzania through the port of Dar Es Salaam currently stand at 265,689MT. More incentives to wheat farmers will help them get a better crop and market the produce at a competitive price.

Uganda's grain has been getting a good market in Kenya and Southern Sudan. According to the cross border statistics maintained by RATIN, Kenya received a total of 9978MT maize and 12189MT beans from Uganda in May'09, compared to 5279MT maize and 11264MT beans in April'09.

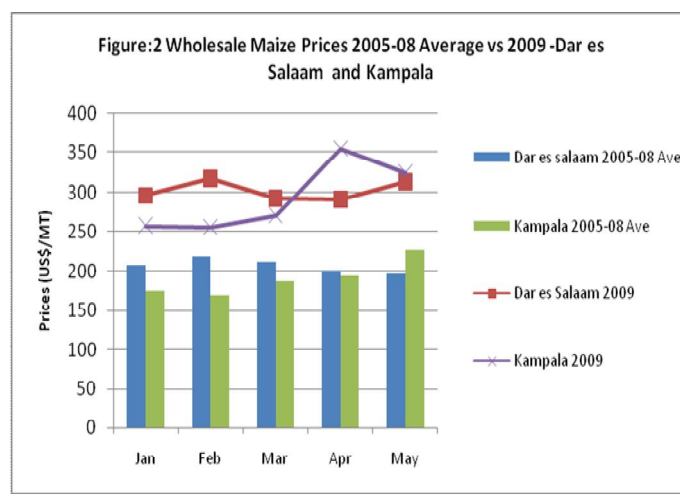
Although supplies to the markets in Uganda have declined, some are available from the traders stocks. The Kenyan market will be affected by the rising demand in Southern Sudan and relief requirement to feed 1.945 million food insecure people in northeastern and northern Uganda (including refugees) until December 2009. In this regard, UN World Food Program (WFP) requires 87,883 MT of combined foodstuffs (or USD 77.6 million).

Prices: According to FAO Cereal Price Index, cereal prices in May'09 rose by 4% from April but down 32% from April 2008. The international prices eased considerably during the 2008/09 season due to the 2008 cereal crop and recovery in export supplies. Prospects for another good crop this year, bringing with it stable supplies, weakening US dollar and external developments, including the recent surge in oil prices also contributed to the ease of prices in recent months. Even though international food prices fell, they did not drop as fast, if at all, in developing countries, especially those of sub-Saharan Africa. In Malawi, for example, the price of maize is still 100 percent higher now than it was last year.

The regional price analysis shows that wholesale maize prices are still high. For example, the 2009 average price of maize is higher than the 4-year average by 62 and 22 percent in Nairobi and Kigali respectively, while in Dar es Salaam and Kampala were higher by 46 and 54 percent (Figures 1 and 2).



Source: EAGC-RATIN



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According to RATIN price statistics, Kampala maize prices escalated in April'09 with a relief in May'09. The high April prices were caused by large-volume purchases for schools (as they opened for 2nd term) institutional needs and relief requirements for Uganda and the Great Lakes region which pushed prices to US\$355/MT in April'09 from US\$271/MT in March'09. Maize prices are expected to further drop in Kampala once maize is harvested from Bimodal areas. Prices in Dar es Salaam and Kigali markets have been firm since Jan.'09. Based on the large surplus crop in Malawi there will be strong downward pressure on the prices of maize in southern Tanzania during the harvest period. Despite the duty waiver on imported maize in Kenya, prices in Nairobi have been rising since Jan.'09.

Bean prices remained stable since Jan.'09 in Kigali and Kampala markets while in Dar es Salaam and Nairobi, prices increased in May to US\$ 888 and US\$ 749/MT from US\$ 741 and US\$ 678/MT respectively. There has been rigidity in rice prices since Jan'09 in Kigali, Dar es Salaam and Kampala.

RATIN started monitoring Sorghum and Millet prices in March'09 and statistics show that sorghum prices in Dar es Salaam were higher by 24% in May '09 compared to April which recorded US\$ 419/MT. However, they were stable in Nairobi and Kampala while in Kigali, they dropped to US\$ 408/MT from US\$550/M.

Millet prices experienced mixed reactions in Dar es Salaam but they remained stable in Kigali, Nairobi and Kampala.



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.