

East Africa Crossborder Trade Bulletin

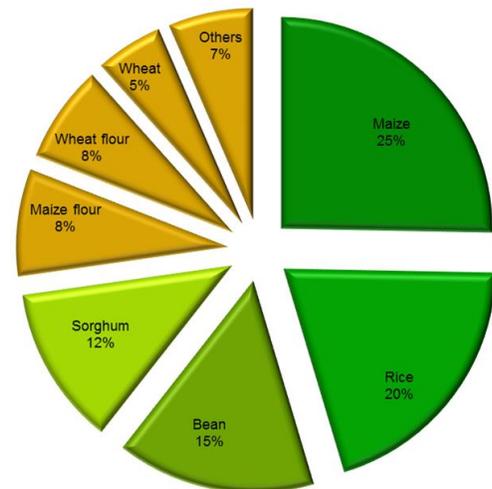
January 2014

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 informal cross-border trade to food security in the region. This Bulletin provides an overview of informal cross-border trade across selected border of Tanzania, Burundi, Rwanda, Uganda, Kenya, Somalia, Djibouti, Ethiopia, Sudan and South Sudan and DRC. Additional data was sourced from the National Bank of Rwanda (NBR).

Summary

- Informal staple food trade in eastern Africa is estimated to have increased by 10 percent between 2012 and 2013.
- Maize, rice, beans, and sorghum accounted for 64 percent of informal staple food trade flows in 2013.
- Uganda was the region's largest informal staple food exporter in 2013 (accounting for 72 percent informal exports), followed by Tanzania and Ethiopia.
- South Sudan was the region's most important informal staple food importer in 2013 (accounting for 57 of total informal imports), followed by Kenya and Rwanda (accounted for 15 and 11 percent, respectively).
- Informal rice and wheat flour re-exports from Somalia into eastern Ethiopia and Kenya declined due to conflict-related trade restrictions and enforcement of customs collection by the governments of Ethiopia and Kenya.

Figure 1: Main commodities exported in Eastern Africa (MT) in 2013
Source: FEWS NET, EAGC and NBR



Main staple commodities traded informally in eastern Africa

At least three million metric tons of staple food commodities were traded in 2013 when compared to 2.8 million metric tons in 2012¹. Maize, rice, beans and sorghum represented 72 percent of the trade as shown in Figures 1 when compared to 2012 when the same commodities represented 78 percent of the trade. The relative importance of this group of commodities declined slightly in 2013 mainly due to increased informal wheat grain exports and or re-exports which will have to be monitored in 2014 to ascertain if this was a one off phenomenon or an emerging trend. The proportion of sorghum, sugar, wheat, maize and wheat flours informally traded across borders increased in 2013, while trade in sesame declined. In addition, there was an assortment of other staple foods including millet (flour), cassava (chips and flour), groundnuts, potatoes, other tubers and roots, that were traded in the region and together accounted for around six percent of the informal trade in the region.

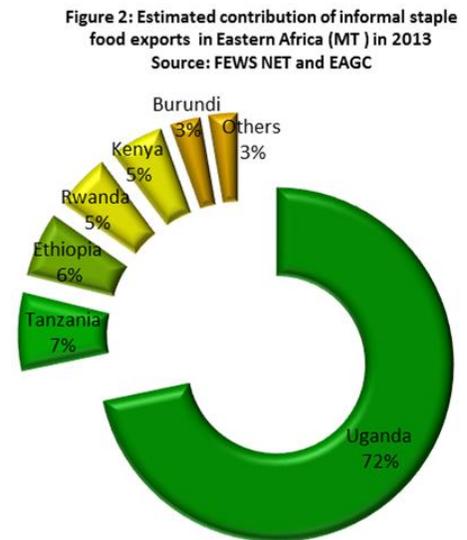
Informal sesame trade from Ethiopia to Sudan declined in 2013 with adverse economic situation in Sudan, and increased export and more lucrative opportunities to China and Europe.

¹ It should be noted that MAS also improved and widened monitoring of informal cross border trade in the region in 2013.

Uganda remained the main source of informal staple food commodities exports in eastern Africa, accounting for 72 percent of the total informal exports (Figure 2 and Table 1 in the Annex). In 2013, Uganda exported staple crop food commodities to Kenya, South Sudan, Tanzania, Rwanda and Democratic Republic of Congo (DRC). Other informal exporters were Tanzania (mainly to Kenya), Ethiopia (to Kenya, Djibouti, Somalia, and South Sudan), Rwanda (to DRC and Uganda), Kenya (mostly flours and wheat grain re-exports to Tanzania and Rwanda) and Burundi (to DRC and Rwanda).

Uganda's regional competitiveness in staple food exports is attributed to:

1. Conducive agro-climatic conditions. Relatively good rainfall intensity, spatial and temporal distribution together with high soil fertility across most of the country resulting in high yields with minimal use of expensive fertilizer;
2. Low production costs due to relatively low wage rates;
3. Engagement by high proportion of small to medium scale farmers in diversified production of both cash and staple crops when compared to other regional countries where agro-climatic conditions limits crop diversification such that producers in Uganda and shift into other crops when necessary;
4. Proximity and relatively good road infrastructure to markets in neighboring countries.
5. A more relaxed trade policy on staple food commodities in which there is very little government intervention on domestic trade, exports are encouraged, and trade bans are discouraged.
6. Strong small and medium scale traders' associations whose members are well informed about regional market dynamics and able to respond to new trade opportunities.
7. Low value of currency vis-à-vis other currencies in the region.
8. High market demand in neighboring countries where production has been disrupted by conflict in recent times (e.g. South Sudan and DRC).



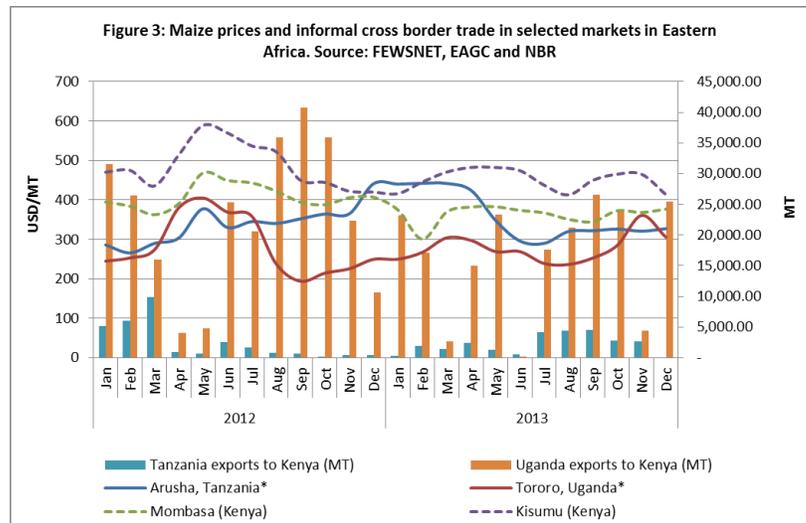
South Sudan was the main informal importer of staple food commodities accounting for 57 percent of total imports. Kenya and Rwanda accounted for 15 and 11 percent of the informal imports. See Table 2 in the Annex.

Maize: Uganda supplied 91 percent of the informally traded maize in 2013. Around 54 percent of Uganda's maize was exported to South Sudan including Juba market and Aweil market in the north as depicted in Table 2 in the Annex. Approximately 31 percent was exported to Kenya mostly to southwestern markets including Luanda and Kisumu. Seven percent of the exports flowed to northwestern lake region in Tanzania and another seven percent to Kigali, north and northeastern parts of Rwanda.

Total maize exports from Uganda to South Sudan increased by around one and half times between 2012 and 2013. Most of the maize from Uganda destined for South Sudan is traded between January and May when prices in most markets in south Sudan are rising and roads to other towns apart from Juba are passable in the dry season. However, the flow to South Sudan has been erratic due to conflict related trade disruptions.

Total maize exports from Uganda to Kenya were 27 percent lower than in 2012 as exports to South Sudan continued to increase. Exports to Kenya followed a seasonal pattern increasing after harvest between January to March and July to September as shown in Figure 3.

There was unseasonal increase in exports to Kenya between April and May 2013 to replenish diminished stocks stemming from atypical reduction in exports between January and March. The atypical low export volume between January and March was attributed to traders fearing a repeat of conflict-related losses similar to what happened in 2007 elections in Kenya.



Tanzania was the second major exporter of maize in the region (see Annex 1) with about 98 percent of maize exports destined for southwestern, southeastern and coastal regions of Kenya. Maize exports to Kenya reduced significantly by 87 percent between January and March 2013 when compared to January-March 2012 as shown in Figure 3. This was attributed to reduction in transactions by traders and transporters to cut any potential losses stemming from election violence similar to what happened in 2007 during which traders lost stocks and missed payments. However, maize exports to Kenya between July and December 2013 was five times higher than the second half of 2012 due to below normal harvest in Kenya, and above normal harvest in Tanzania especially in the main grain basket southern highlands. It is estimated that in the production period of 2012/2013, Tanzania produced a total of 5,173,666 MT of maize against a demand of 4,819,651 MT. The tradable surplus is estimated at between 350,000 to 500,000MT. As shown in Figure 3, exports surged between July and September as prices decreased in the main collection market of Arusha². Increased imports from Tanzania together with local production (though small) led to a reduction in maize process in the main consumption southwestern and coastal regions of Kenya including the main market of Mombasa. Maize exports to Kenya then reduced seasonally between October and December with intensification of harvest in Kenya's grain basket North Rift region. By October, maize from Uganda was no longer competitive in southeastern Kenya market when compared to supplies from Tanzania.

Approximately 66, 20 and 12 percent of maize exports from Ethiopia were destined for South Sudan (Nasir), Somalia (central) and northern Kenya (Moyale) respectively. The rest were exported to Djibouti.

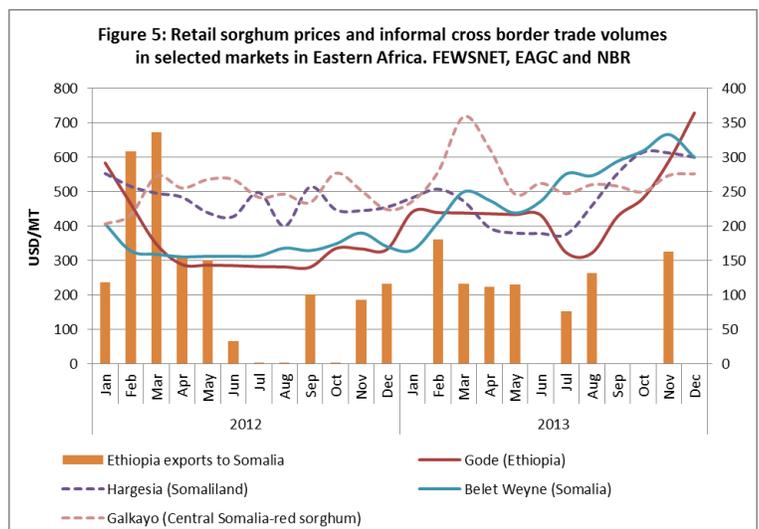
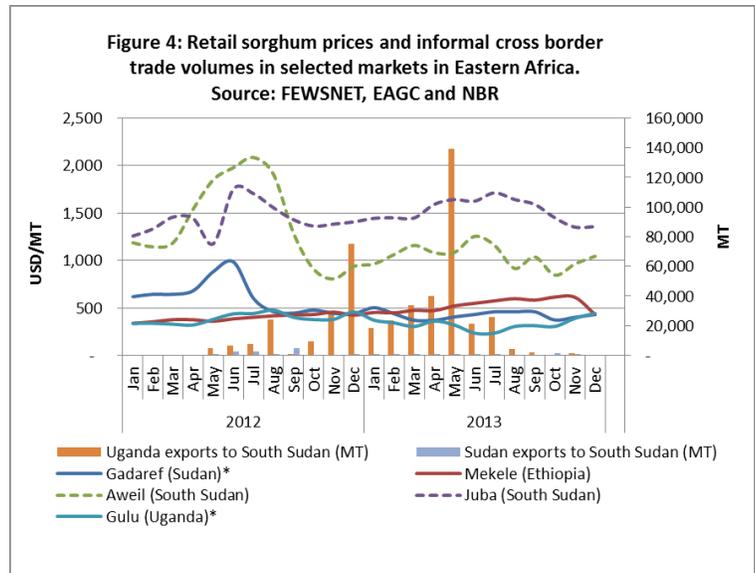
Sorghum: In 2013, Uganda accounted for 95 percent of informal white and red sorghum exports in the Greater Horn of Africa (GHA). Ethiopia was second and Sudan third. Most of Uganda's exports were destined for South Sudan which originally relied on imports from Sudan. However as a result of tensions with Sudan, exports to Sudan were banned in 2012. Although informal trade between Sudan and South Sudan continues, it is constricted, expensive and widely dispersed across many border crossing points to circumvent the ban, making it impractical to monitor the trade credibly. Markets in northern markets of South Sudan continue to adjust to unreliable supplies from Sudan due to trade ban. There is anecdotal evidence of increased substitution of relatively cheaper local and imported red sorghum, maize and maize flour for white sorghum from Sudan. Sorghum exports from Uganda flowed to South Sudan's markets of Juba, Wau and Aweil between January and May when prices are rising and roads are passable. After May, Uganda sorghum imports reduced due to start of green consumption and concomitant decrease in staple food commodity prices in some areas that grow

² Arusha-Himo (Tanzania)-Voi-Mombasa (Kenya) marketing corridor

short-maturing crops; and poor road conditions during the rainy season. Sorghum imports from Uganda to South Sudan declined precipitously in the second half on 2013 when compared to the first half because of below average June to July harvest in Uganda, near average harvest in South Sudan, improved security that resulted in a high number of households in northern States of South Sudan accessing land for crop production and consequently depending more on their own production, and eruption of conflict and disruption of trade in some markets in South Sudan. Similar to maize prices (see Figure 3), sorghum prices in South Sudan were persistently the highest in the region (see Figure 4). Causes of persistence high prices of staple food commodities in South Sudan include among others:

1. Relatively low tradable production necessitating imports.
2. Relatively thin markets due to high dependency on own production resulting in erratic price trends.
3. High transport costs due to poor roads linking production hinterland to main retail markets.
4. High risk premium on transport due to random insecurity.
5. Relatively few large to medium wholesale traders and or transporters due to high investment costs.
6. High costs of circumventing trade ban with Sudan.
7. Disconnect between micro and macro levels of price dispersion probably due to sticky information and prices (upwards) where firms adjust to shocks (the above) in their specific industry rather than common macroeconomic shocks (deflation, improving/stable foreign exchange).

Most of the sorghum exports from Ethiopia’s eastern producing region were destined for Eritrea, Djibouti, central and northern Somalia. Sorghum export to Somalia was intensive between November and May, encompassing the main pastoral and part of the agricultural lean seasons. See Figure 5. Even though sorghum from the main producing Bay region in southern Somalia, and Gode and or other markets in Ethiopia Somali region seemed competitive in central Somalia, poor road infrastructure and frequent conflict-related trade disruptions favored imports from Ethiopia rather than from the domestic main producing Bay region. However, trade in sorghum distributed as food aid also reduced the price differentials between source (Belet Weyne, Gode and Dire Dawa) and consumption markets (Djibouti and Galkayo).



Dry Beans: Dry bean exports from Uganda accounted for 75 percent of the total informal trade in 2013 with 68 and 31 percent destined for South Sudan and Kenya respectively. The total dry bean import from Uganda into Kenya declined by around 38 percent in 2013 when compared to 2012 because of below average June-July harvest, and competition with South Sudan where bean export increased by 40 percent attracted by relatively higher prices. Ethiopia accounted for 14 percent of bean exports with 72 and 28 percent destined for northern Kenya and Sudan (mostly fava beans) respectively. Almost all of the beans exported from Burundi were destined for Rwanda. About 61 percent of bean exports from Rwanda were destined for Uganda and a significant portion of this is believed to have been re-exported to Kenya. Another 29 percent was exported to eastern DRC and the rest to western Tanzania.

Rice, Sugar, maize and wheat flour: Rice trade increased by 12 percent in 2013 when compared to 2012. Most of this trade was driven by exports from Tanzania which is the largest producer of rice in the region. Although Uganda was the biggest exporter of rice accounting for 42 percent of total exports (see Table 1 in the Annex), some of this rice is believed to be re-exports of rice from Tanzania as were most rice exports from Rwanda and Burundi to DRC. Most of Tanzania's rice exports were destined for Kenya, Rwanda, Burundi, DRC and Uganda while exports from Uganda were destined for South Sudan, Rwanda, and DRC. Rice re-exports from Somalia to Somali region of eastern Ethiopia and eastern Kenya, declined marginally in 2013 due to conflict-related trade restrictions, and enforcement of custom payments by the government of Ethiopia.

Informal exports and re-exports of maize flour in the region increased by 60 percent in 2013 when compared to 2012. Most of the flour flowed from Uganda and Rwanda to South Sudan and DRC respectively. Informal exports and re-exports of wheat flour increased by about 36 percent in 2013 when compared to 2012. Most of the flour flowed from Uganda to South Sudan; Ethiopia to South Sudan; Somalia to eastern Ethiopia and Kenya; Tanzania to Rwanda; and Rwanda to Burundi and DRC. Wheat flour re-exports to eastern Ethiopia and Kenya from Somalia decreased by almost 70 percent for reasons mentioned above. However, sugar re-exports from Somalia to eastern Ethiopia and Kenya increased by one and half times in 2013 when compared to 2012 despite high consumer prices stemming from tax payments and higher marketing costs especially on security along trading routes. This is attributed to high demand, inelasticity of demand, and limited substitutability.

Outlook

Maize: Maize export from Tanzania to southeastern and coastal regions of Kenya is expected to increase seasonally between January and March. However, the volume of export to Kenya will likely be high due to expected below average February to March harvest in southeastern and coastal regions of Kenya; and competitiveness of surplus production in Tanzania vis a vis supplies from Kenya's grain basket North Rift region and Uganda.

Uganda's maize export is expected to be competitive in southwestern Kenya. It is estimated that the ongoing December to January harvest will be average and prices will likely follow a seasonal pattern, stabilizing in January and then rising thereafter. Trade disruptions with South Sudan will probably increase Uganda maize exports to Kenya resulting in relatively lower prices in southwestern Kenya between January and April 2014. Maize prices will likely be atypically high instead of steady in markets such as Juba in South Sudan due to limited and erratic cross-border maize trade with Uganda stemming from the conflict between the government and anti-government forces. With the current conflict in South Sudan, it is estimated that Uganda is poised to lose about USHS 2 trillion worth of investment³ including the lucrative trade in staple food commodities.

Also, tribal conflict in the northern Kenya will likely disrupt maize flow from Shashamene (Ethiopia) and other markets to the frontier thin market of Moyale in Kenya resulting in high and volatile prices.

³ Dr. Gabriel Ajedra Aridru, the Minister of State for Investment. Uganda Media Center, January 9 2014.

Sorghum: Sorghum imports from Uganda are expected to be competitive in South Sudan up to Aweil (Northern Bahr El Ghazal), Wau (Western Bahr El Ghazal), and Kwajok (Warrap) as most roads will be passable during the January to April 2014 dry season. However, sorghum trade may be restrained by expected increase in insecurity following the recent eruption of conflict within South Sudan. Informal sorghum exports from Sudan to South Sudan are also expected to continue between January and March 2014 despite the trade ban but will likely be mitigated by:

- Higher prices in source markets (at least SDP 250/90kg in Gadaref by June 2014) than in the same period in January 2012 due to expected below normal production, and high costs of production as result of high inflation that raised input prices.
- Tacit collaboration between large traders that will likely intensify in this period of scarcity.
- Higher transport costs due to partial withdrawal of fuel subsidy and continued depreciation of the Sudanese Pound.
- Insecurity and conflicts which have intensified with the mushrooming of several insurgent groups in Sudan, and in some destination markets in South Sudan especially Unity, Upper Nile and Bor which have been affected by recent conflict between the government and anti-government forces.

Informal white sorghum exports from Ethiopia to Djibouti and Somalia is expected to continue in line with seasonal trends.

Dry beans: Dry bean trade between Uganda, Rwanda, DRC, Burundi and Tanzania is expected to follow seasonal trends following harvest between December and February. However, below average harvest in the previous period (June to August 2013) resulted in early depletion of stocks. Consequently trading prices across most markets between January and March 2014 will likely be high when compared to the same period in 2013.

Rice: Estimates indicated that Tanzania had a bumper rice harvest of rice from the 2012/2013 production period. This tradable surplus together with imported rice stocks before June 2013 has significantly increased the amount of stock available for trade. Hence prices have been declining uncharacteristically since October 2013. It is expected that rice prices will continue to decline across most markets in Tanzania between January and April 2014 as traders and farmers release stocks into the market in expectation of fresh supplies from April. These stocks will likely reach most markets in eastern Africa especially in DRC, Burundi, Rwanda and Kenya, exerting downward pressure on prices of rice from the region. Disrupted trade between Uganda and South Sudan especially the big markets of Bor and Bentiu will also avail more Ugandan rice for trade with Rwanda, DRC and western Kenya which will likely reinforce price decline in these markets.

However, re-exports of rice sourced from international markets from Somalia to eastern Ethiopia and Kenya will likely remain constricted due to reduced profits from high costs of marketing and customs payments.

Sugar, maize and wheat flour: Sugar re-exports from Somalia to eastern Ethiopia and Kenya will likely continue to increase for reasons mentioned earlier. However, wheat flour re-exports will likely be constricted for the same reasons mentioned above for rice.

Maize flour exports and re-exports from Uganda to South Sudan will likely decline precipitously between January and March 2014 due to destruction of supply chain, insecurity and reduced demand following the eruption of conflict in South Sudan. This will likely adversely affect milling production in Uganda, reducing economies of scale, and resulting in higher domestic flour prices.

Export and re-export of maize flour from Rwanda to DRC is expected to increase following relative stability in eastern DRC after UN intervention in the third quarter of 2013.

ANNEX

Table 1: Main informal exporters of various staple food commodities in 2013

Commodity	Uganda	Tanzania	Sudan	South Sudan	Somalia	Rwanda	Rwanda	Kenya	Ethiopia	DRC	Djibouti	Burundi	Grand Total
Maize	654,261	30,592	2,147	221	1,420	357	3,540	18,424	7,727	1,194	1	4,270	724,155
%	90%	4%	0%	0%	0%	0%	0%	3%	1%	0%	0%	1%	100%
Rice	238,783	128,034	2,631	36	16,076	97	113,909	8,389	797	341	3	63,416	572,510
%	42%	22%	0%	0%	3%	0%	20%	1%	0%	0%	0%	11%	100%
Bean	325,652	6,626	1,801	94	266	974	21,697	13,979	68,811	570	0	668	441,139
%	74%	2%	0%	0%	0%	0%	5%	3%	16%	0%	0%	0%	100%
Sorghum	328,788	1,244	4,973	195	1,379	57	816	86	7,694	29	1	274	345,537
%	95%	0%	1%	0%	0%	0%	0%	0%	2%	0%	0%	0%	100%
Sugar	248,875	1,578	6,074	367	16,840			550	374		2,012		276,670
%	90%	1%	2%	0%	6%	0%	0%	0%	0%	0%	0%	0%	100%
Maize flour	219,054	2,347	3,283			885	6,961			11		25	232,566
%	94%	1%	1%	0%	0%	0%	3%	0%	0%	0%	0%	0%	100%
Wheat flour	181,359	3,419	2,458	179	3,343	374	3,612	10	6,238	1		12,118	213,110
%	85%	2%	1%	0%	2%	0%	2%	0%	3%	0%	0%	6%	100%
Sesame	46,161	0	157	19					120,403				166,740
%	28%	0%	0%	0%	0%	0%	0%	0%	72%	0%	0%	0%	100%
Wheat	6,557	19,537	17		142	3	101	117,887	1,640	0		7	145,890
%	4%	13%	0%	0%	0%	0%	0%	81%	1%	0%	0%	0%	100%

Source: FEWSNET, EAGC and NBR

Table 2: Main informal importers of various staple food commodities in 2013

Commodity	Uganda	Tanzania	Sudan	South Sudan	Somalia	Rwanda	Kenya	Ethiopia	DRC	Djibouti	Burundi	Grand Total
Maize	1,193	65,336	201	360,890	1,424	53,502	232,589	395	5,581	1,164	1,879	724,155
%	0%	9%	0%	50%	0%	7%	32%	0%	1%	0%	0%	100%
Rice	84,475	7,756	36	238,257	795	134,403	27,048	14,616	21,353	1	43,770	572,510
%	15%	1%	0%	42%	0%	23%	5%	3%	4%	0%	8%	100%
Bean	9,661	14,582	55,995	221,762	0	1,887	117,782	0	7,615	266	11,589	441,139
%	2%	3%	13%	50%	0%	0%	27%	0%	2%	0%	3%	100%
Sorghum	1,547	441	4,379	317,114	895	4,954	14,315	201	397	1,200	94	345,537
%	0%	0%	1%	92%	0%	1%	4%	0%	0%	0%	0%	100%
Sugar	6	550	361	254,772	2,338	108	11,009	7,518			8	276,670
%	0%	0%	0%	92%	1%	0%	4%	3%	0%	0%	0%	100%
Maize flour	139	18		221,643		474	0		7,452		2,839	232,566
%	0%	0%	0%	95%	0%	0%	0%	0%	3%	0%	1%	100%
Wheat flour	46	12,113	164	188,907	213	975	1,025	3,038	3,259	120	3,249	213,110
%	0%	6%	0%	89%	0%	0%	0%	1%	2%	0%	2%	100%
Sesame			120,422	46,276				41			0	166,740
%	0%	0%	72%	28%	0%	0%	0%	0%	0%	0%	0%	100%
Wheat	84	0		195		135,888	7,959		3	145	1,616	145,890
%	0%	0%	0%	0%	0%	93%	5%	0%	0%	0%	1%	100%

Source: FEWSNET, EAGC and NBR

Figure 6: Border Monitor points in Eastern Africa (as of December 2013)

