

# Geographical Snapshot: Africa Grains and oilseeds market opportunities

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# Outline



1. Introducing EAGC
2. Grain markets overview in Africa
3. The Grain Trade Policy environment in Africa
4. EAGC interventions
5. Recommendations to improve the grain trade environment



# ABOUT EAGC



- Regional, non-profit, membership based organization for the **Grain** value chain in the Eastern and Southern Africa. Established in 2006

**Vision:** To be the leading Voice for the grain Industry in Africa

**Mission:** To advocate for an enabling environment and promote structured grain trade for optimum stakeholder benefit





## 2. Grain markets overview in Africa



### MAIN GRAINS/CEREALS ACROSS AFRICA

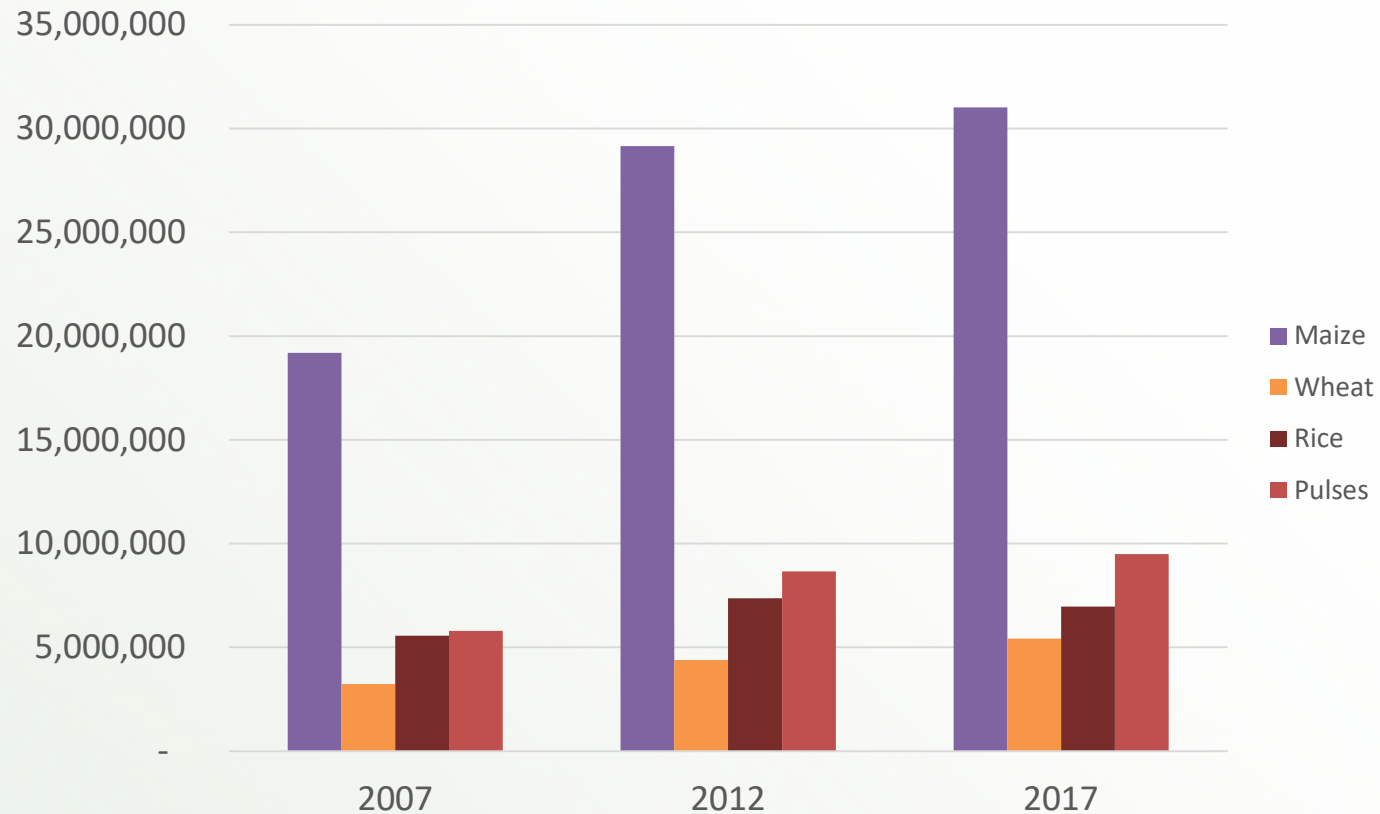
- Maize
- Wheat
- Rice
- Beans
- Sorghum
- Millet



# Grain Production trends



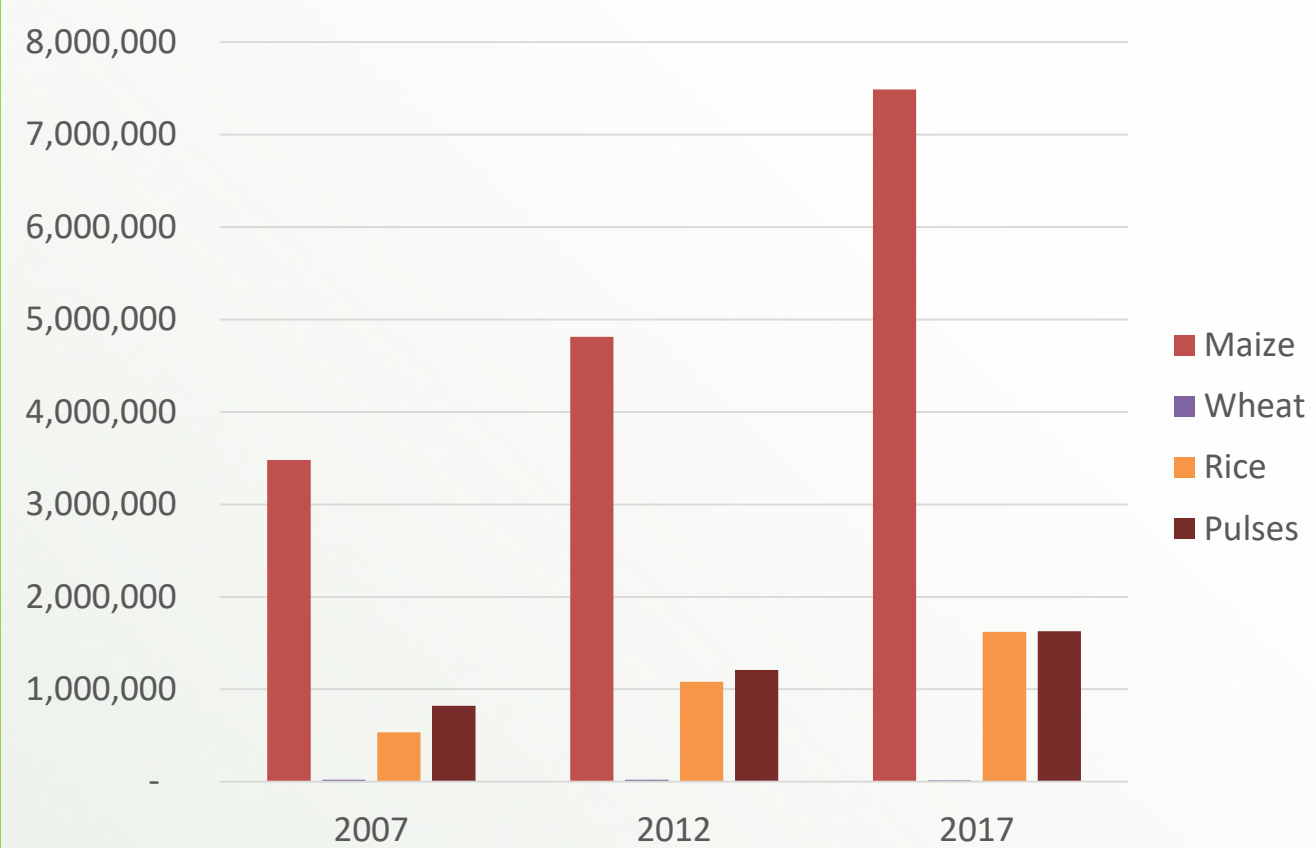
Grain Production in Eastern Africa (MT)



Source: FAOSTAT

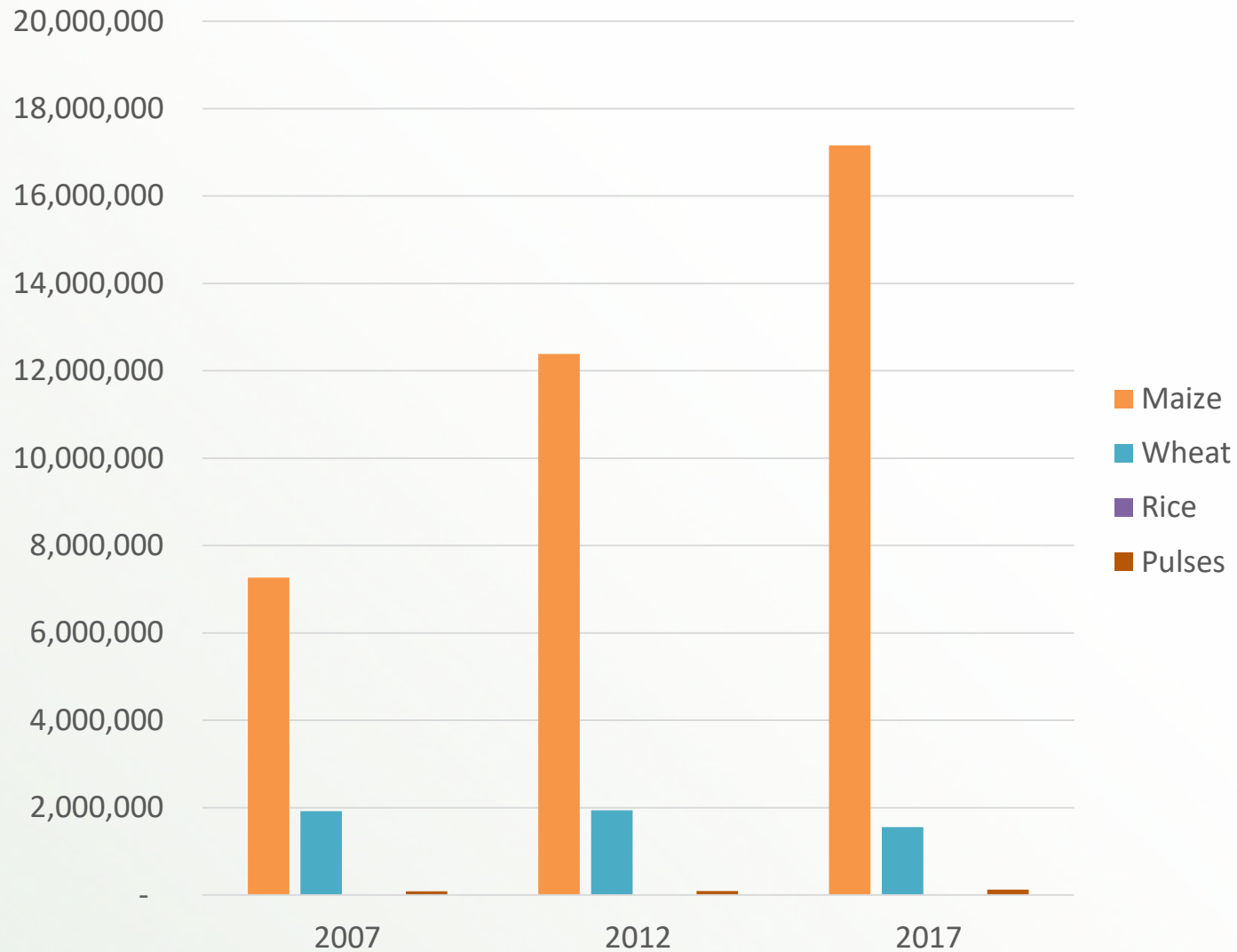


Grain Production in Central Africa (MT)





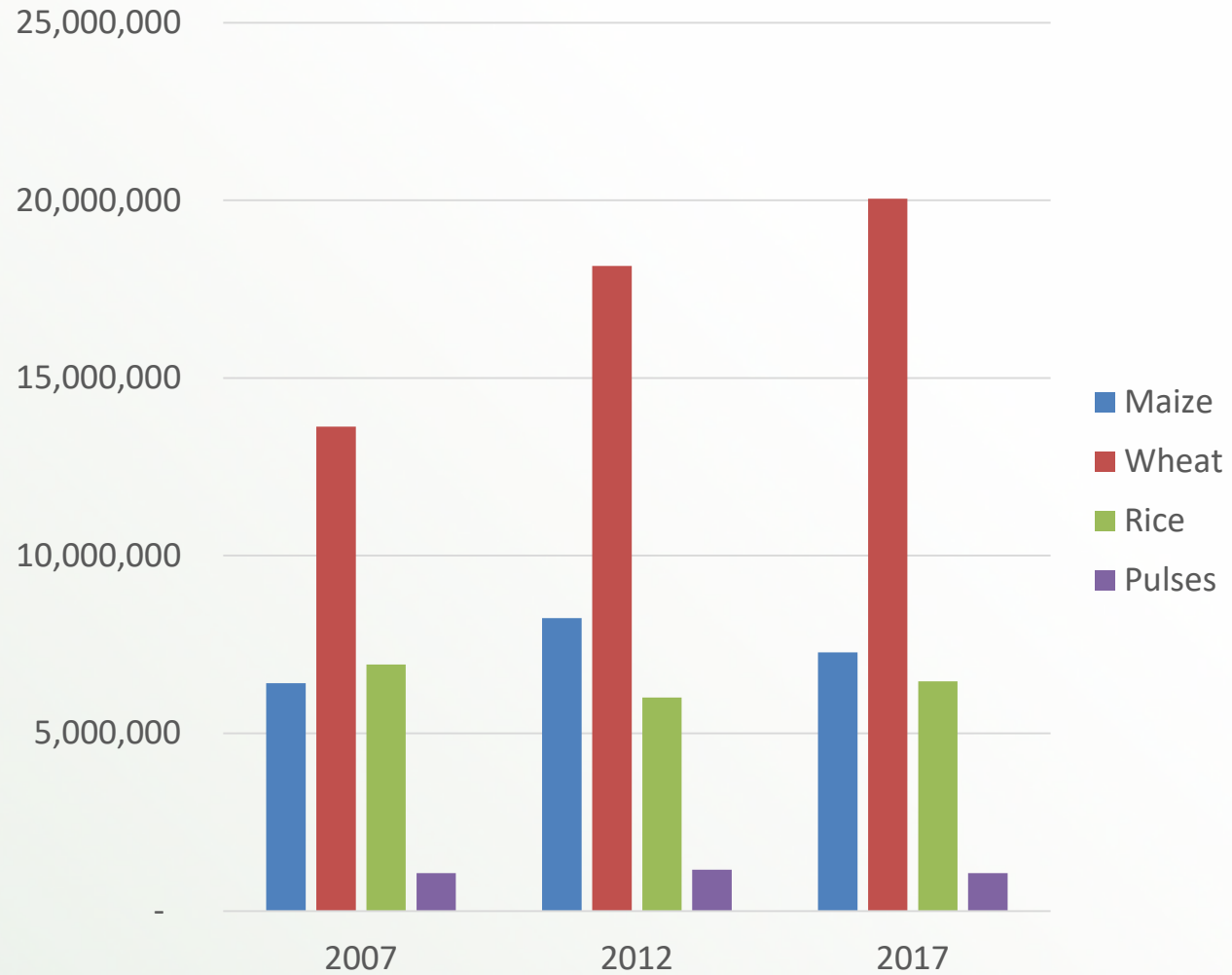
## Grain Production in Southern Africa (MT)



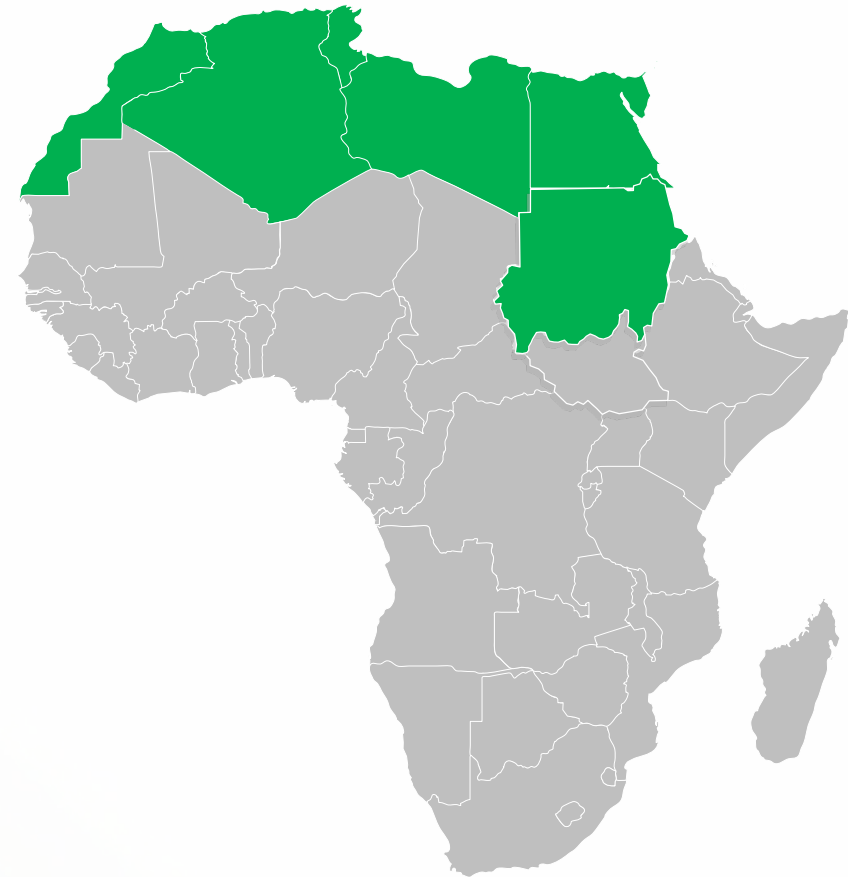
Source: FAOSTAT



## Grain Production in Northern Africa (MT)

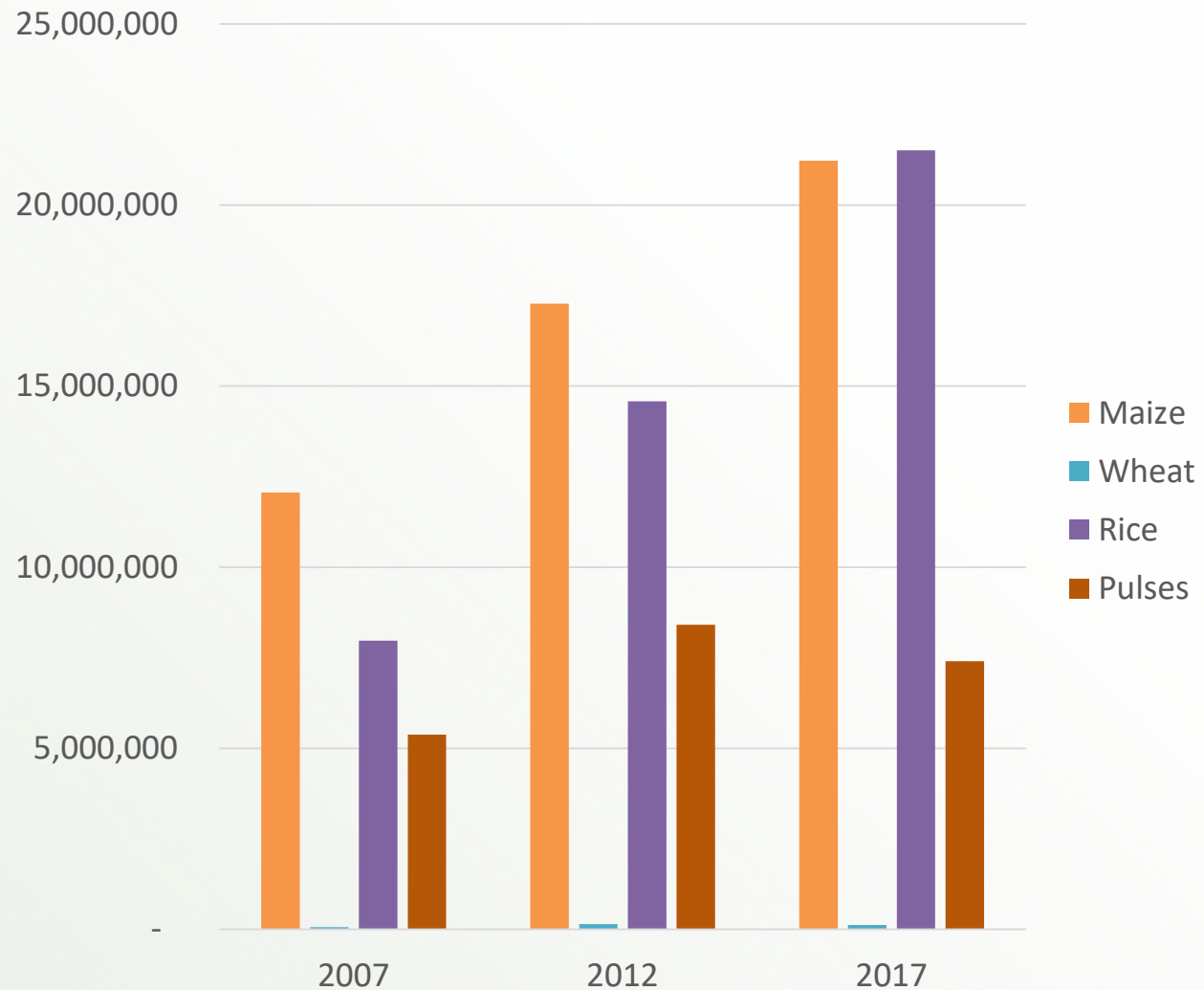


Source: FAOSTAT





## Grain Production in Western Africa (MT)

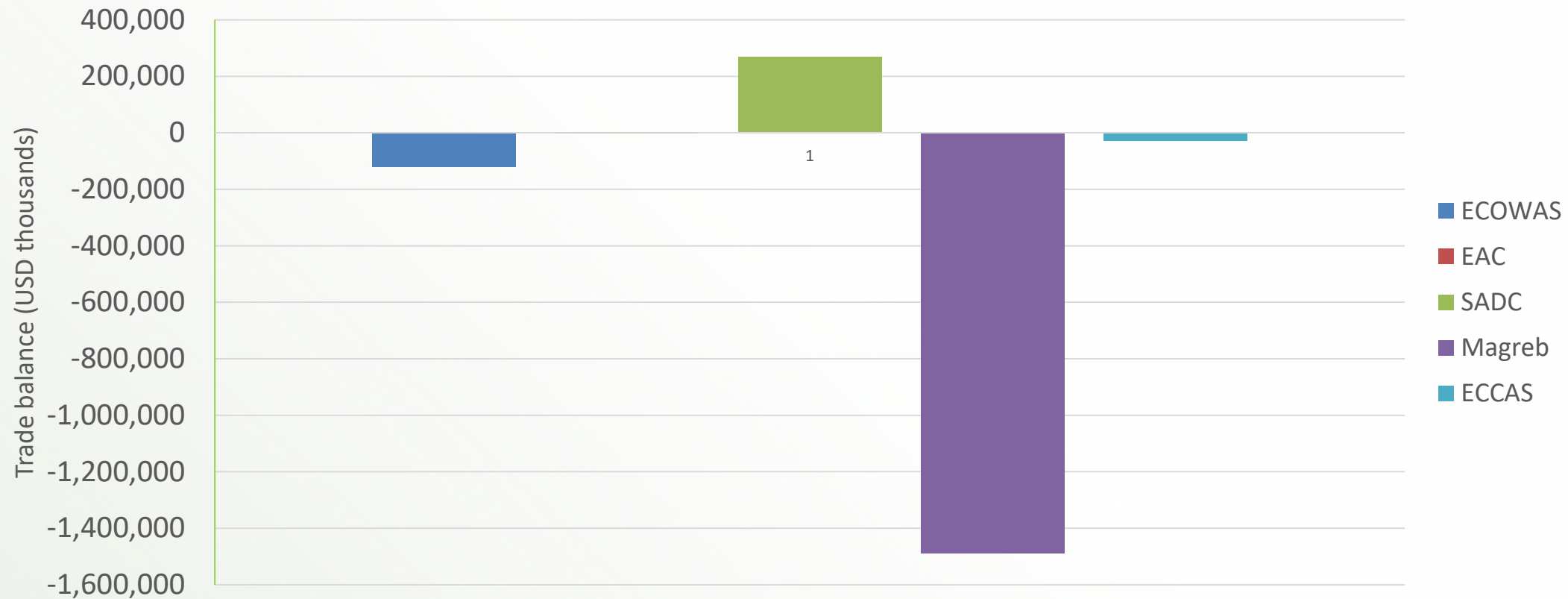


Source: FAOSTAT



# Trade balances per commodity across Africa

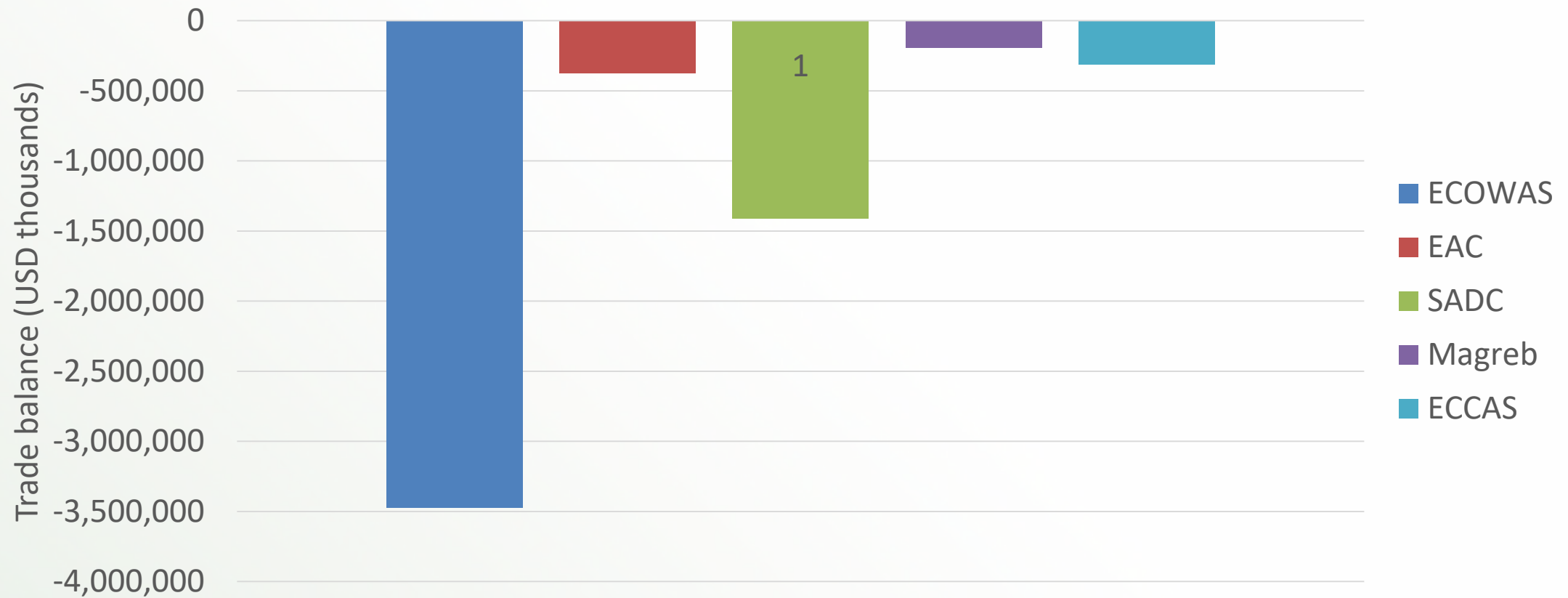
Maize trade balance, 2018 (USD thousands)



Source: ITC



Rice trade balance, 2018 (USD thousands)

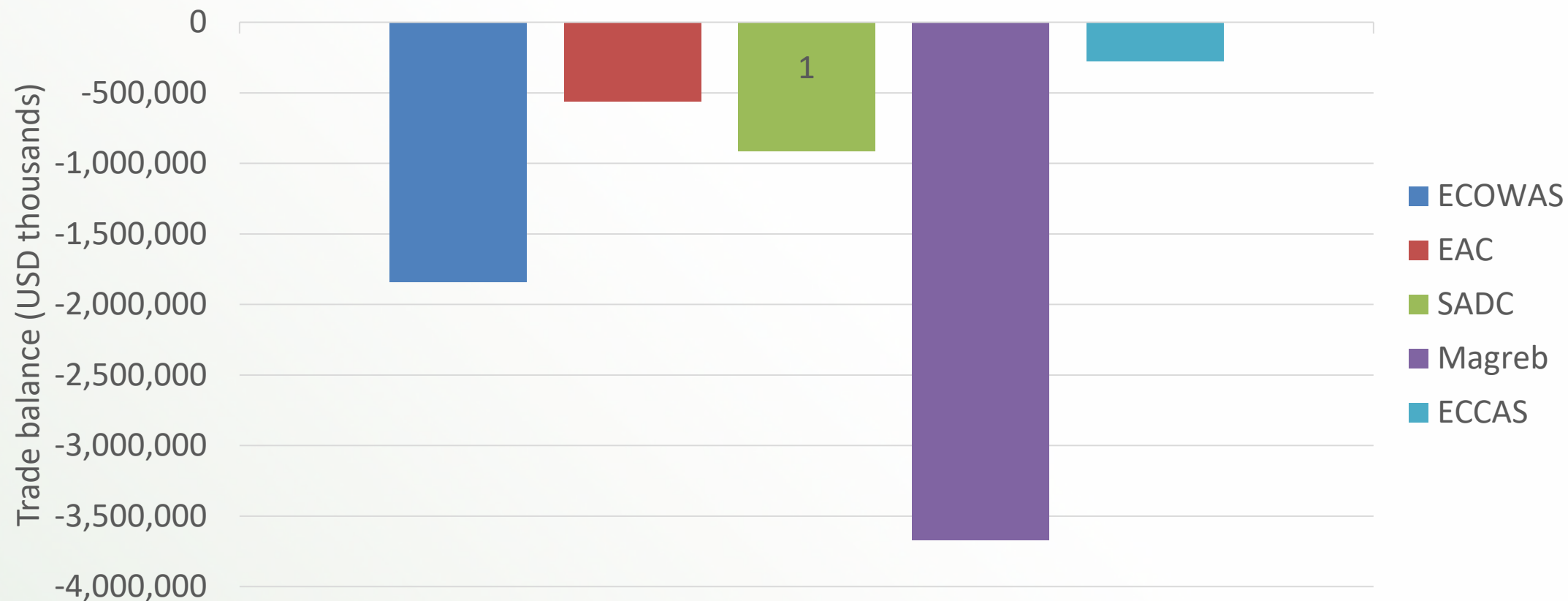


Source: ITC



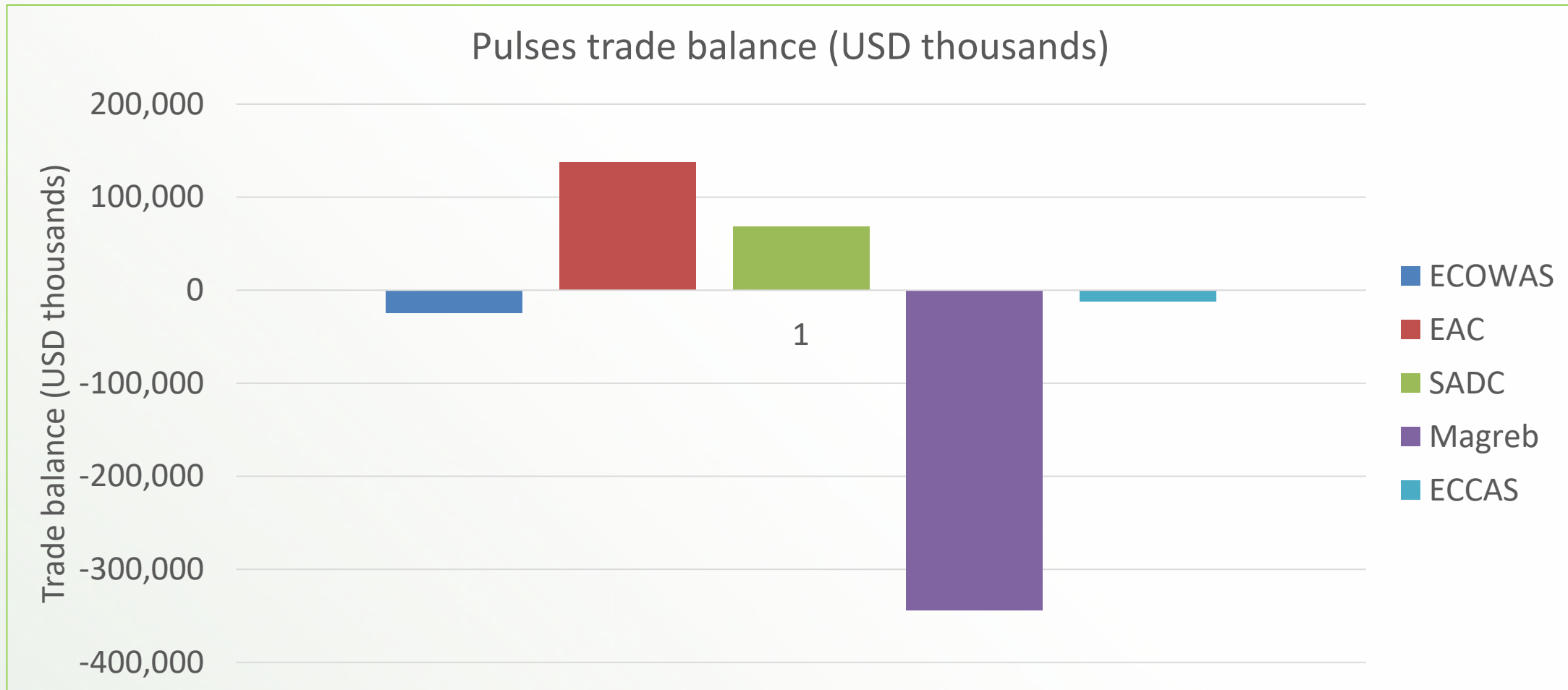


Wheat trade balance (USD thousands)



Source: ITC

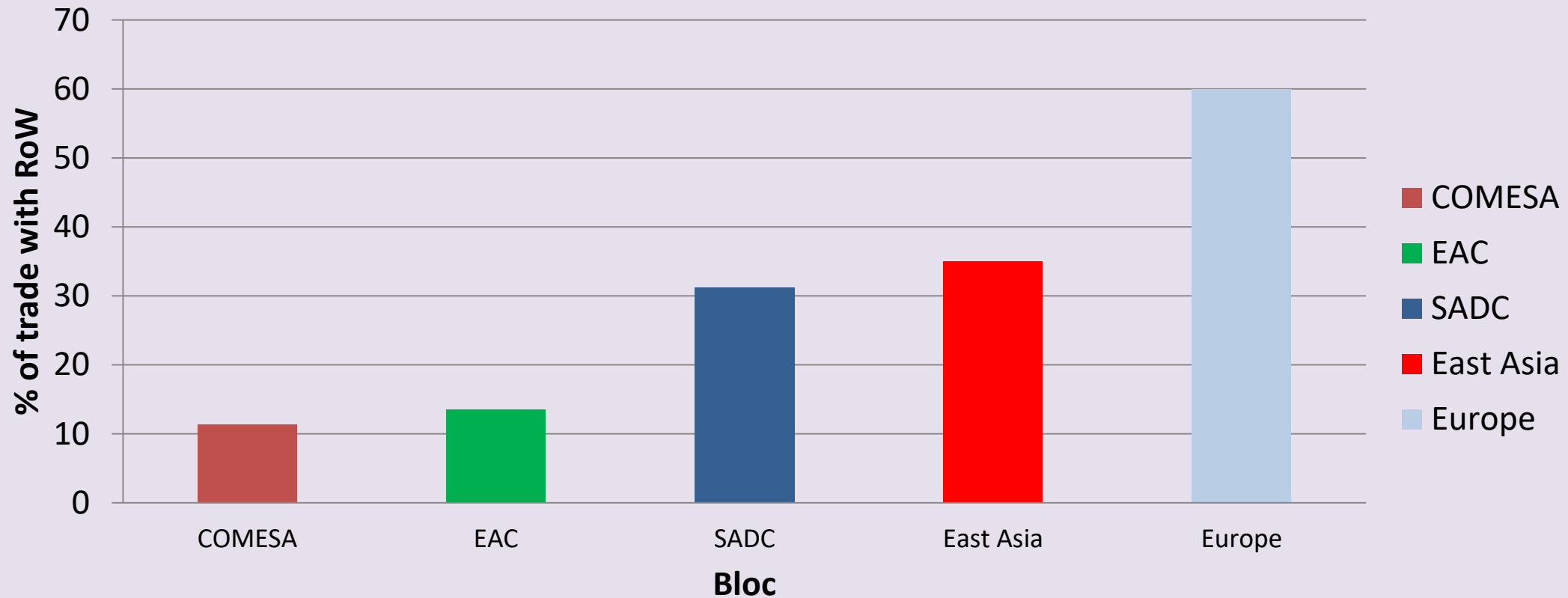




Source: ITC



## Intra-regional trade in agric & food commodities

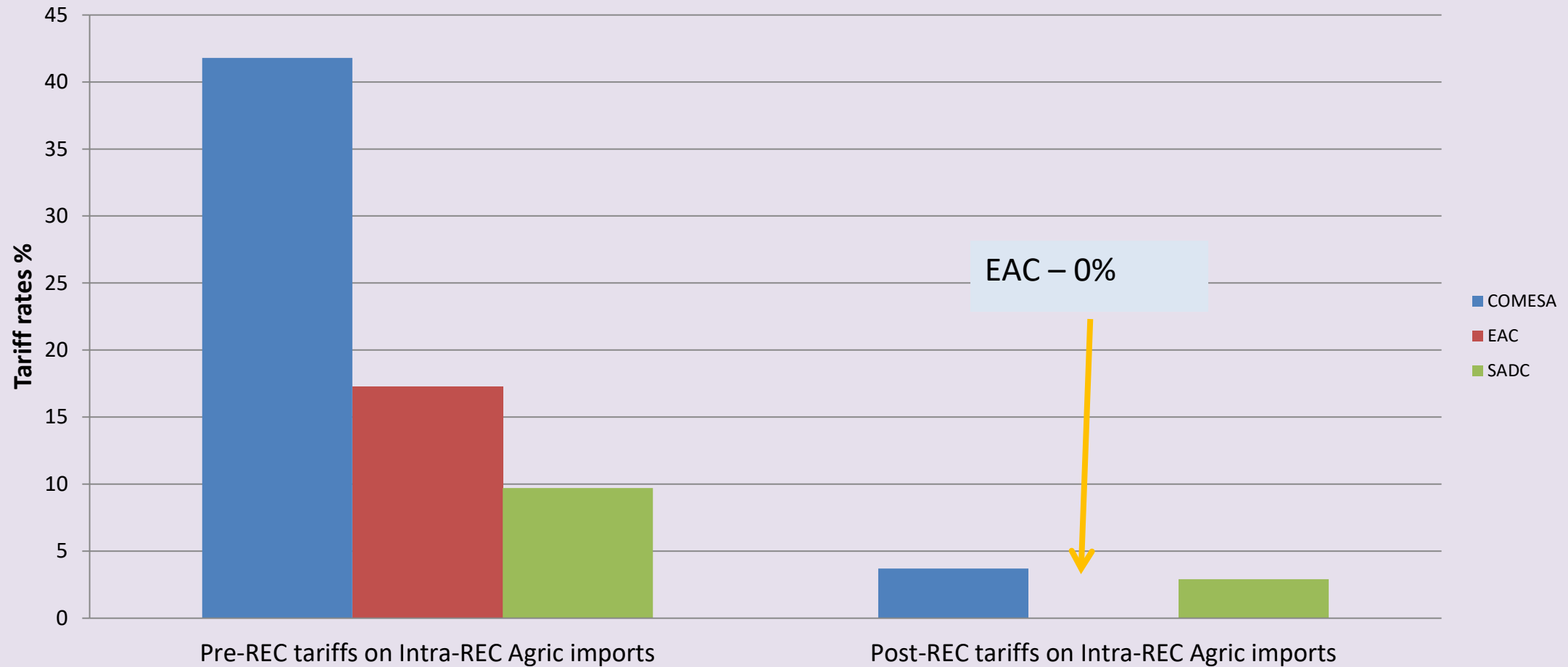


- **Formal** Intra-regional trade is still very low compared to other parts of the world
- SADC skewed by South Africa





### 3. The Grain Trade Policy environment in Africa



- Tariffs have declined but have been replaced by NTBs. NTBs are now the biggest barriers to grain trade in Africa



# Grain trade Outlook for Africa



## 1. Food imports into Africa expected to increase

- From USD 35 billion to USD 110 billion by 2025

## 2. Import growth caused by:

- Urbanisation and changing consumer patterns
- Rapid population growth (Africa is the youngest continent with highest fertility rate)
- Food production growth slower than consumption growth
  - Inefficient, smallholder-driven production systems
- Changing consumer patterns in key producing regions (e.g. Asia) leaving more exportable surpluses to Africa (especially in rice)
- Export-oriented trade policies of key grain producers (e.g. rice producers in Asia)



### **3. Stagnant or declining agricultural exports from Africa to rest of the world**

- Market access challenges due to restrictive international trade policies
- Increasing trend towards nationalistic trade policies (e.g. Brexit)
- Limited value addition within Africa





# Major grain trade policy challenges



## i. NTBs such as:

- Lengthy import/export licensing procedures
- Administrative barriers – roadblocks, weighbridges
- Import/export bans
- Cess and other local govt charges
- SPS and TBT provisions
- Rules of origin



## ii. State control/intervention in grain markets

- Multiplicity of state institutions regulating and/or directly manipulating grain markets (multiplicity of fees, licenses, permits and certifications)
- Government failure: price-setting (minimum/maximum prices) that disrupt markets
- Ad-hoc policy changes create uncertainty

## iii. Taxes

- Agriculture remains a highly protected sector; tariffs still high for trade beyond RECs (e.g. maize imports from COMESA into EAC attract 50% import duty); sensitive products lists
- VAT and import duty on agric-related services, machinery and equipment



#### **iv. Smallholder-centric policies**

- Misconception that smallholder farmers can realise agric potential, despite being inherently inefficient production units
- Market-led approaches to agric. sector development not mainstreamed in policy (hence regular govt intervention in markets)

#### **v. Data and information gaps**

- Lead to misinformed policies





# The Consequences



- Prevalence of informal trade over formal trade
  - More than two-thirds of intra-regional grain trade in ESA is informal
- High transaction costs, leading to higher food prices relative to incomes
- Preference to import from international markets that trade regionally (thus growing wheat and rice imports)
- Thin and volatile grain markets (volatile supply, price fluctuations)
- Food quality and safety risks



## 4. EAGC interventions



Our goal: Efficient, structured, inclusive and ultimately profitable grain trade that benefits all value chain players



# 1. Policy interventions

- Regional policy harmonisation (e.g. EAC grain standards harmonisation)
- Government advisory on market dynamics
- Public sector capacity building (learning visits for legislators and government)
- Informing policy and legislative reforms (e.g. WRS legislation, Food Reserve reforms)





# The 8<sup>th</sup> African Grain Trade Summit

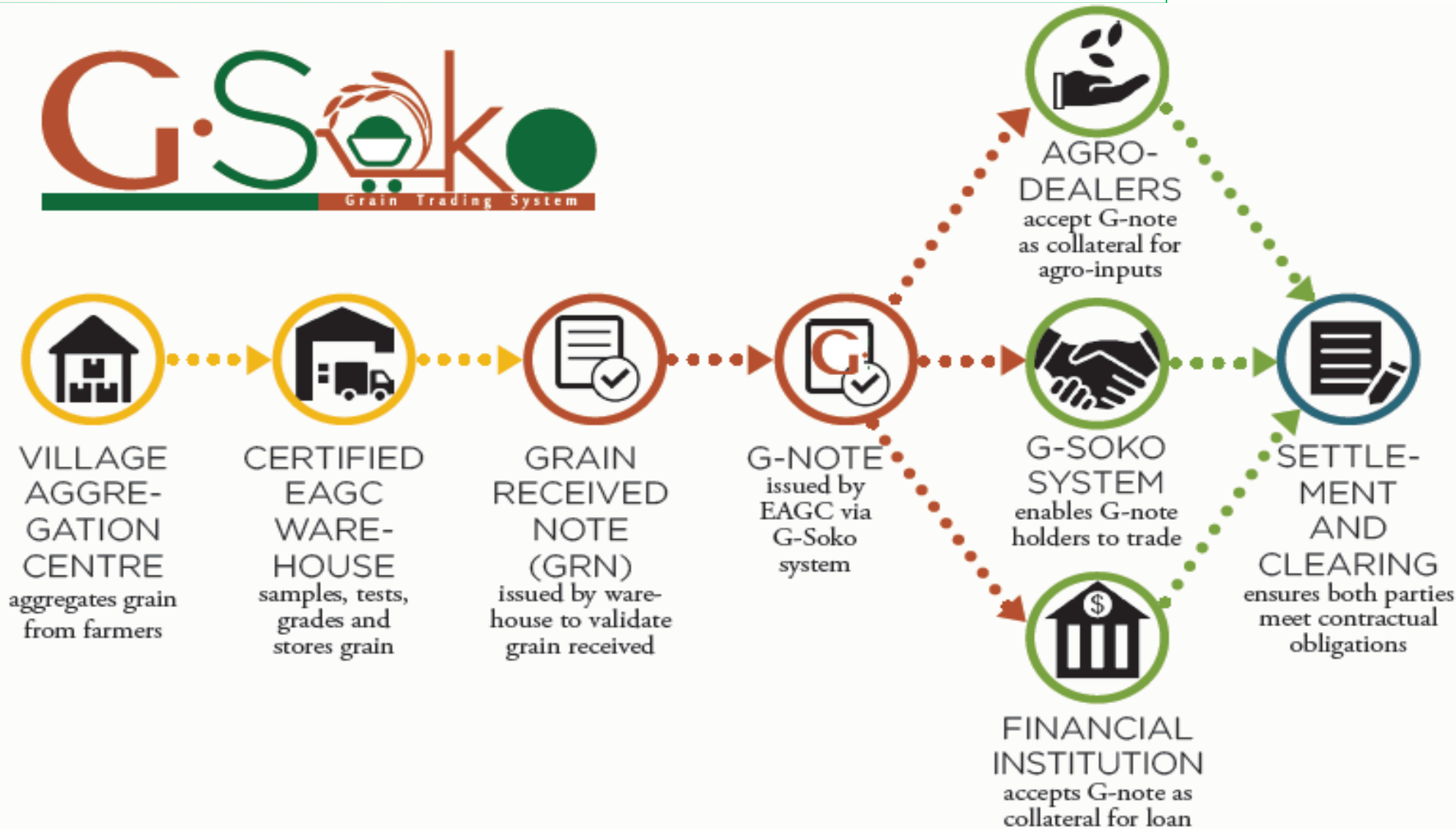


- Biennial high-level grain industry event for grain sector in Africa
- Interested to all stakeholders with interest in the African grain sector
  - As Delegates, Speakers, Exhibitors and Sponsors
- Aims to provide thought leadership on grain trade matters
- **Dates:** 3<sup>rd</sup> to 5<sup>th</sup> October 2019
- **Location:** Mombasa, Kenya

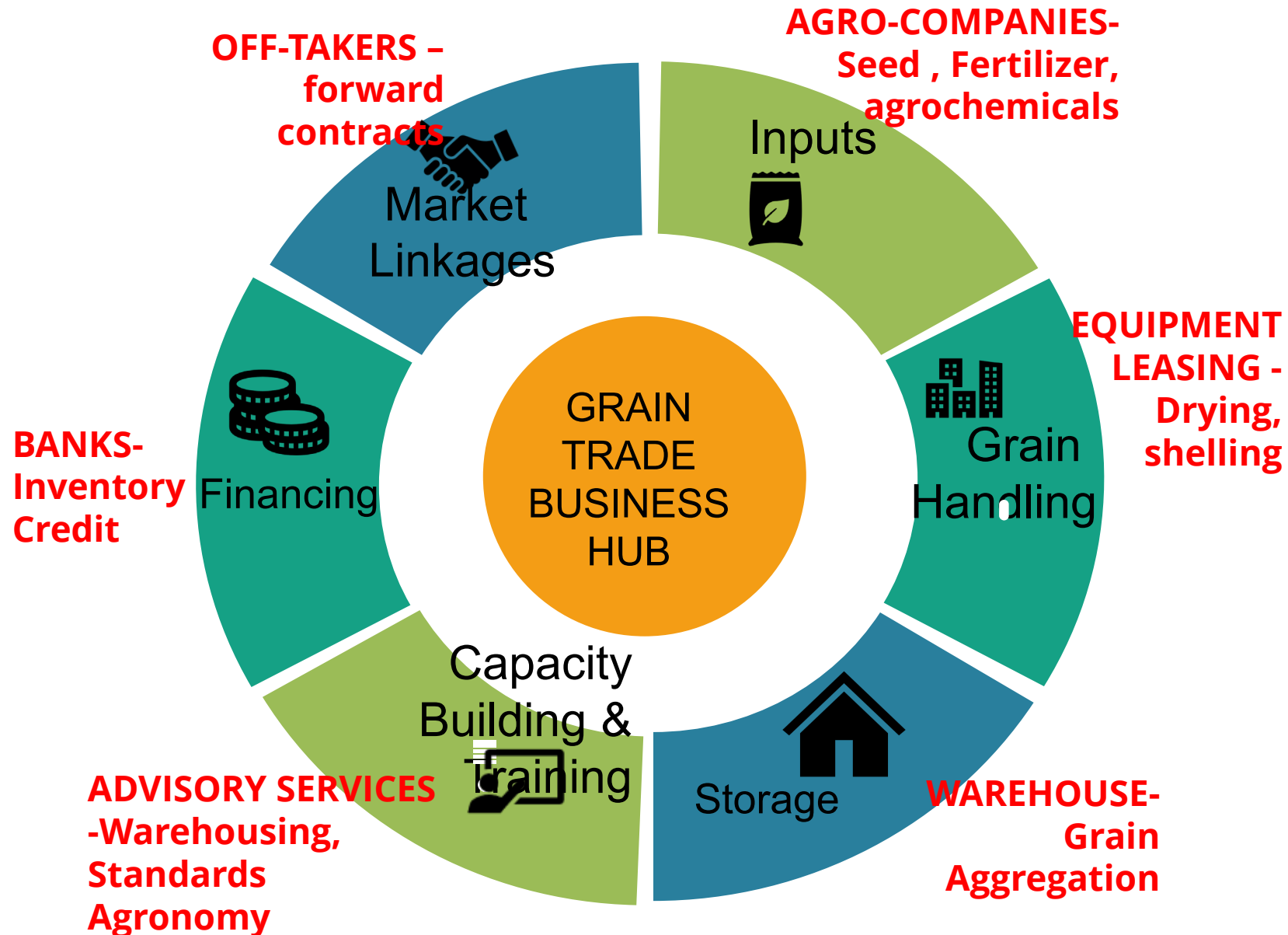




## 2. Building structured trading systems: EAGC-GSOKO and Grain Trade Business Hubs



# The Grain Trade Business Hub



### 3. Market Information for better business and Policy decision-making



- Web-based system for monitoring grain markets
- Daily market and cross-border trade data
- Daily Grain Sector news
- Monthly and Quarterly Market Analysis reports
- Monthly Crop Monitor reports

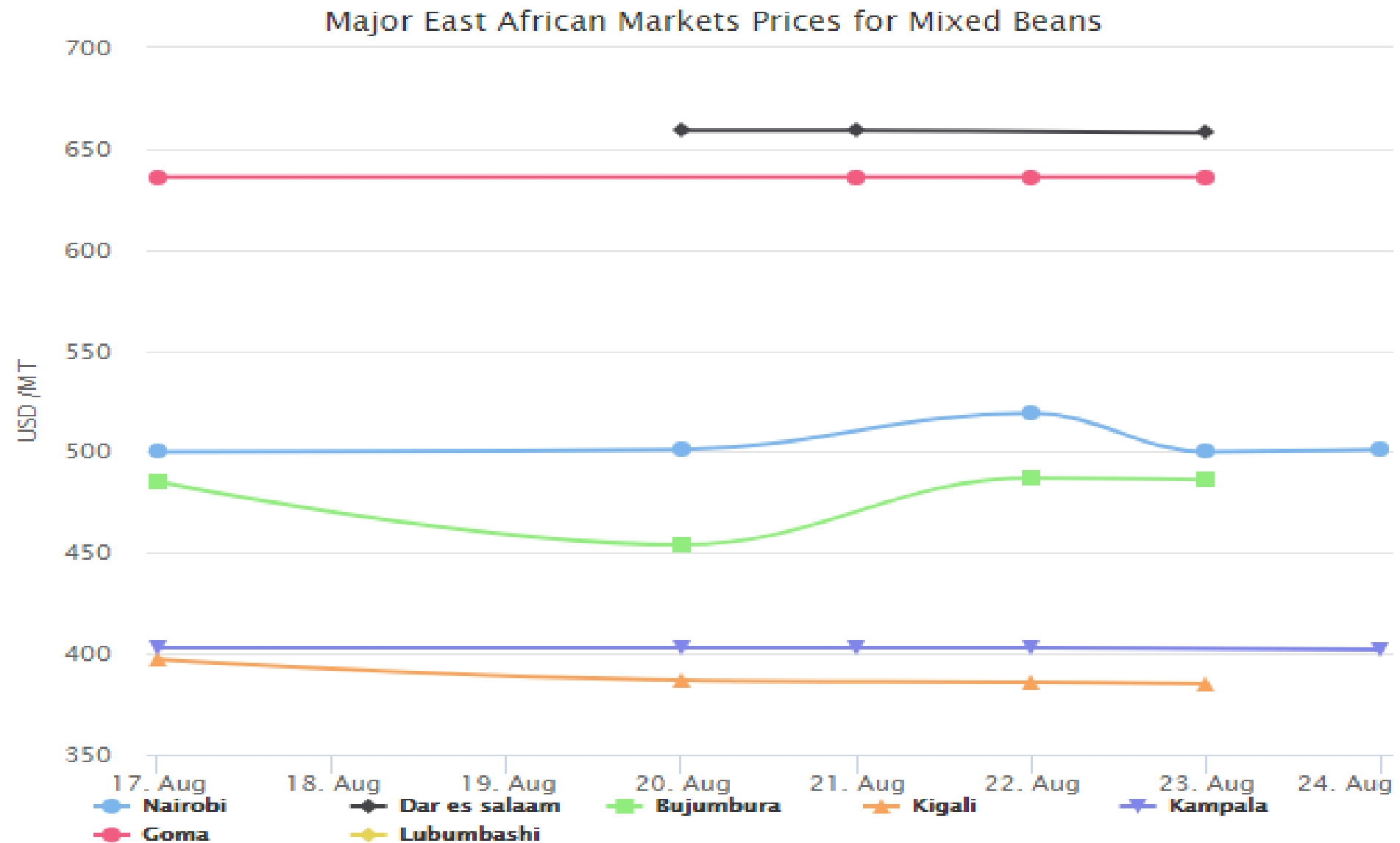


- Monitors Food stocks in the region
- Shows surplus/deficit situation per country and at regional level
- Useful for informing policy decisions





## Major East African Markets Prices for the Last 7 days





## EAST AFRICA GRAIN MARKETS AND TRADE Highlights

In the second quarter, prices of grain staples eased marginally as stocks in the markets were adequate owing to harvest from the main seasons of Tanzania and Uganda and carry overstocks from the previous marketing year. In **South Sudan**, the protracted conflict continued to disrupt trade with high inflation and fuel prices pushing prices upwards. **Burundi** and **Rwanda**, prices gained marginally in the second quarter as the countries were in the lean season. However, cross border trade eased demand pressure. In **Kenya**, imports from the region pushed prices of grain staples below the five-year average with harvest realized from the previous long rains season still in stock due to cheaper imports from the region. In **Tanzania**, prices decreased towards the end of the quarter as stocks improved with the Msimu crop harvest. **Uganda** supply was on an upward trend following the main season harvest. There were no far reaching trade restriction in the region in the quarter. The main seasons in Tanzania, Uganda, Rwanda and Burundi were above average with improved yields compared to last year as a result of adequate and well-distributed rainfall.

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### 1.0 East Africa Trade

Trade in the second quarter decreased seasonally in most countries within the region following improved domestic stocks from the main season harvest hence, Burundi and Rwanda had short-term self-sufficiency as harvest commenced the end of the second quarter with Tanzania and Uganda harvesting from the month of May.

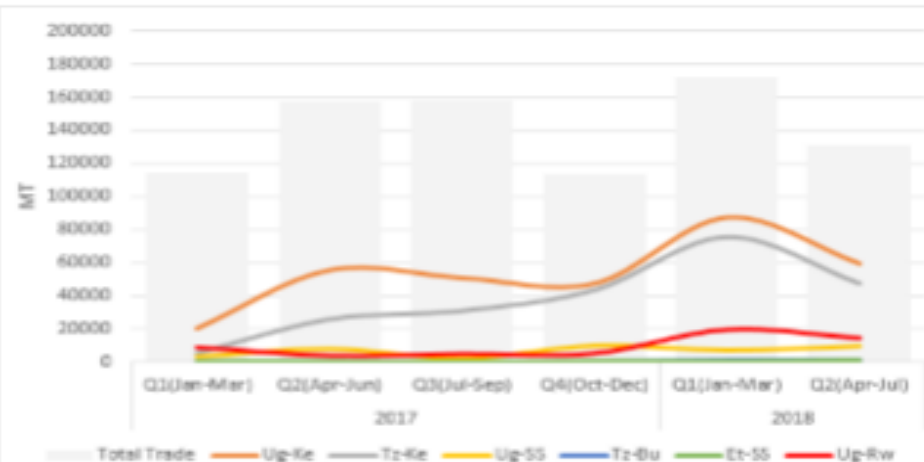
2nd Quarter Report, Issued on 20th July 2018.

Issue no. 0007

eastern markets (Mbale, Tororo and Busia) were lower than domestic prices, therefore, traders preferred buying from Uganda.



**Maize:** In the second quarter, a total of 130,651.6MT was traded in the region. This was a 24% decrease from the previous quarter volumes and a 16% decrease compared to the same period last year. A look at the seasonal trend shows that exports from Tanzania into Kenya have increased steadily since last year as restrictions on trade were relaxed late 2017. Tanzanian exports increased atypically in the first quarter as result of higher carry-over stocks occasioned by the ban on trade, however, decreased in the second quarter as stocks tightened seasonally. With the inbound Msimu crop in late May from the southern highlands, exports to Kenya, Burundi and Rwanda are expected to increase in the third quarter. Uganda on the other hand was the top regional exporter of the commodity accounting for 60% of the trade. Prices were noted to be lower in the Ugandan



## 4. Capacity building



- The EAGC Grain Business Institute provides:
  - Training
  - Technical Advisory Services
  - SMEs Business Mentorship and Coaching





# EAGC results/successes



- **On structuring grain trade:**
  - US\$ 238,269,691 worth of grain trade facilitated by EAGC in 2018 (592,609 MT of grains)
  - Benefitted approx. 215,111 farmers in 2018
- **On policy advocacy:**
  - Removal of export bans by Tanzania (2017)
  - Legislation for Warehouse Receipt System (Kenya)
  - Reforms for food reserves (Kenya)
  - Development of Standards for HSTs (KE and EAC, 2018 to date)
  - Harmonisation of EAC Staple foods Standards (2013, 2017 and 2019); development of regional training curriculum





- On partnerships and institutional strengthening:
  - COMESA CAADP Signatory
  - Partnerships with EAC, COMESA, IGAD, African Union, research institutions within and outside Africa
  - Partnerships with governments in Mandate Countries
  - Outreach in West Africa (capacity building on structured grain trade)
  - Partnerships with development institutions (UKAid, USAID, CTA, UN Agencies – WFP and FAO),



## 5. Recommendations to improve the grain trade environment



- For international trade:
  - Greater policy harmonisation to support trade (more utilisation of international standards under Codex)
  - Coming up with trade-enabling solutions (least trade disruptive measures) in cases of policy divergence
  - Adherence to WTO provisions: the Agreement on Agriculture, SPS and TBT Agreements



- For intra-Africa trade:
  - Market-led approaches to agric/grain sector development
  - More policy harmonisation
  - Greater transparency and clarity in policy formulation and implementation
  - Greater investment in data and information systems (through collaborations with private sector)





# THANK YOU

