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Agricultural Trade in COMESA

Alliance for a Green Revolution in Africa

- Intra-COMESA trade: US$9 billion;
- Extra-COMESA exports: US$90 billion ;
- Total trade US$160 billion
- US$3.6 billion (about 40%) of intra COMESA-trade is food and agricultural raw materials
- 2004/2005: 11 countries were in food deficit and required imports from outside COMESA
- 2005/2006: 5 countries were in food deficit but whole region had a surplus of 550,000.
- 2006/2007: 2 countries were in food deficit but the region had a surplus of 1,500,000 MT.

Trade Flow Routes

Maize Calendar

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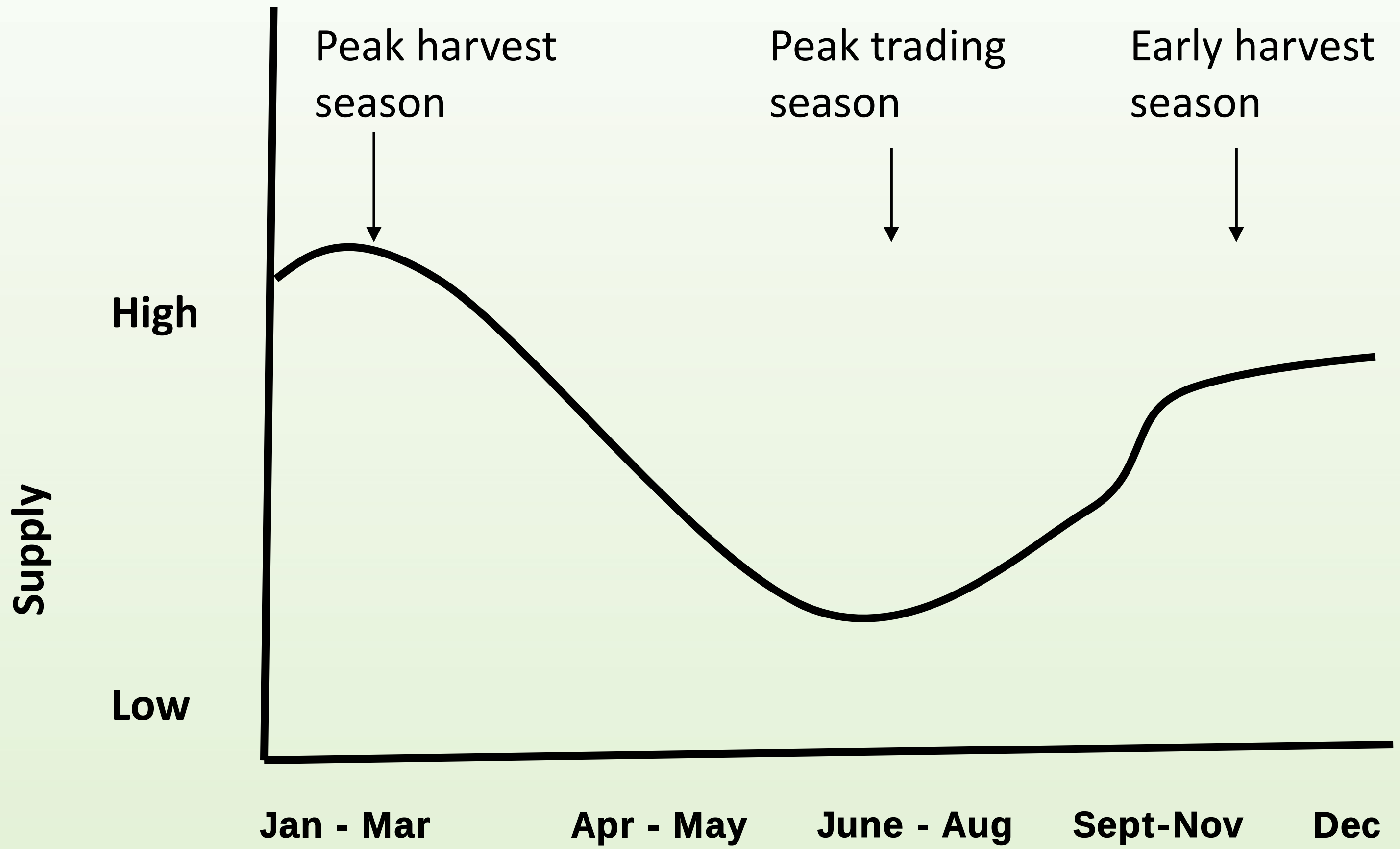
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Uganda	H	H T	P T	P L	T L	T L	H	H	T	T	T H	T H
Kenya	H	H T	P T	P T	T L	T L	T L	L H	L H	H	H	H
Tanzania	H L	H L	L	L	H	H	H T	T	T	P T	P L	T P L
Malawi	L	L	L H	H T	H T	H T	H T	T	T	T P	P L	P L L
Zambia	L	L	L	T H	H	H T	H T	T	T	P T	P T	P T
Zimbabwe	L	L	H	H	H T	H T	H T	T	T	P	P L	P L
Ethiopia	H T	T	T	P T	P T	P T	L	L	L	L	H	H

H	Harvest
P	Planting
T	Trading
L	Lean (Low availability)

Market Challenges in Africa

- Traders, Processor and Consumers are seeking dependable supplies of grain and processed food of high quality at competitive prices throughout the year;
  - Price volatility leads to price risk
    - "Boom and burst" production cycles
  - Quality
    - produce deteriorates while stored (post harvest losses)
  - Economical Volume
    - Limited aggregation of produce
- How do we ensure consistent surplus of produce to market?

Typical Kenya Maize Supply Cycle



Prepared by Steve Njukia

Kenya Maize Demand Cycle

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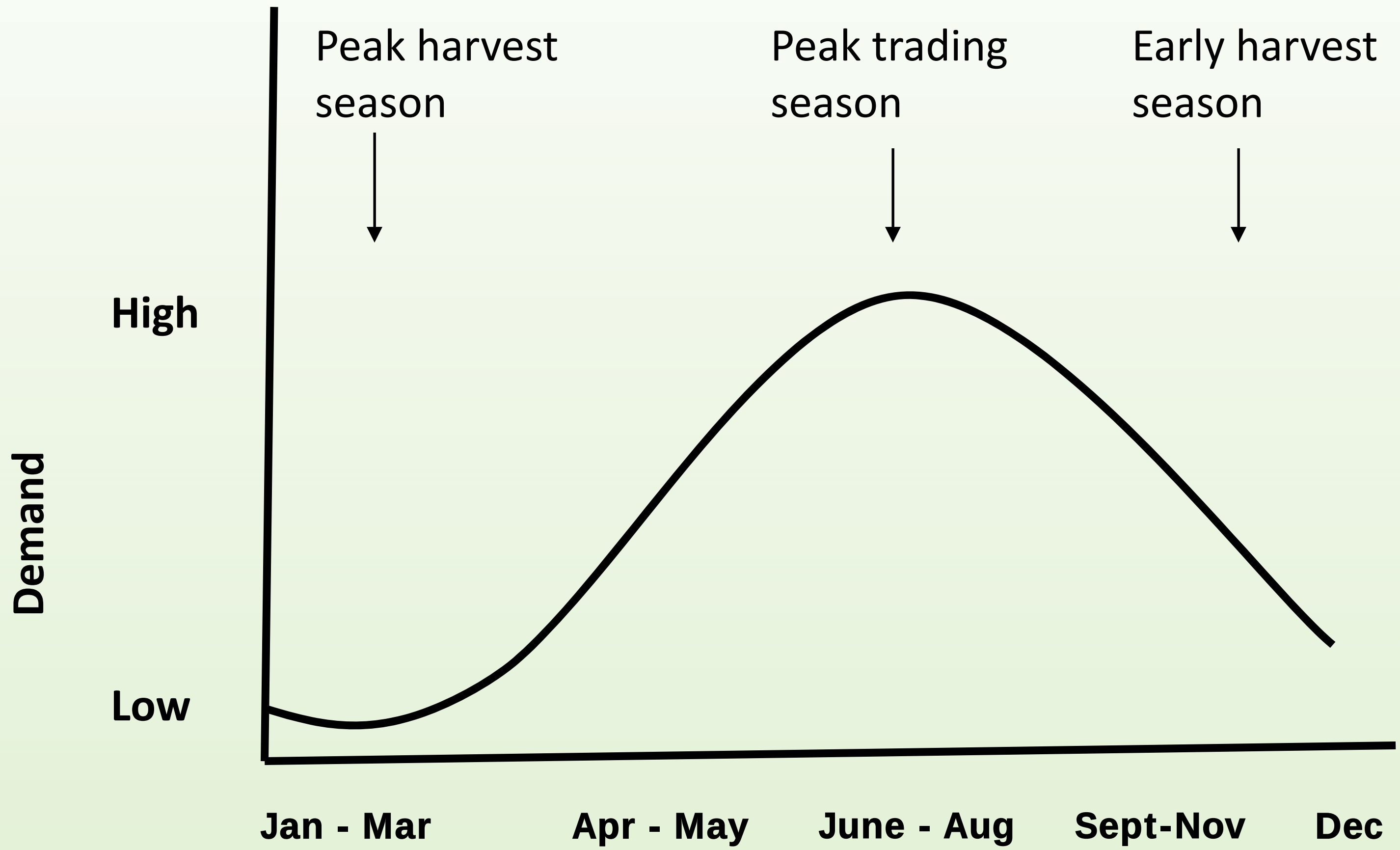
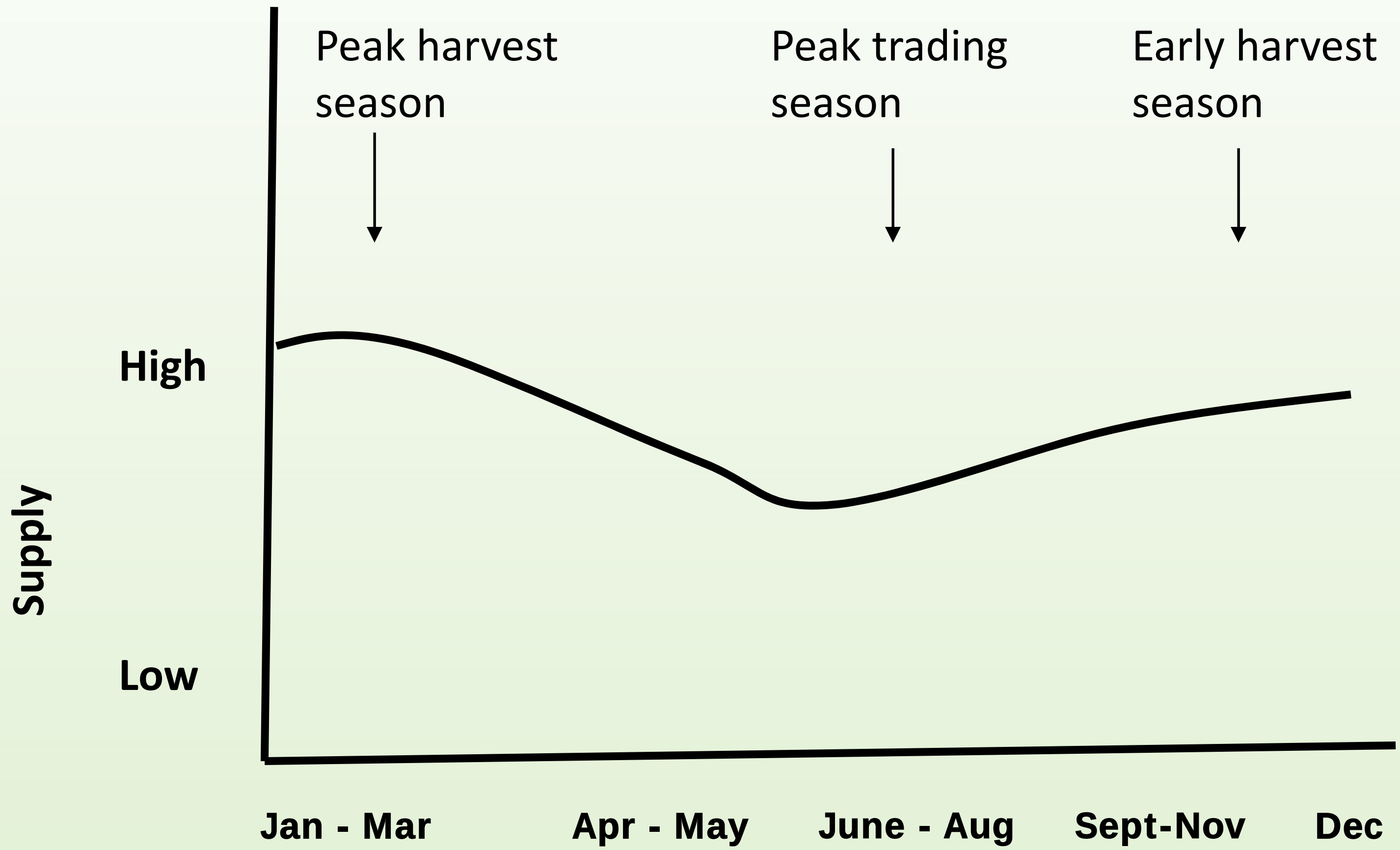


Ideal Supply Cycle through Regional trade



State of play in the staple food sector…

- Problems facing the regional food markets have been known for over 50 years; they include:
  1. High transport costs for both goods and people
     - ➢ Poor infrastructure
     - ➢ Transport costs account for the bulk of all food marketing costs in Africa, reaching as high as 54% in Ethiopia's and 37% for Malawi's grain markets (2003 study)
  2. Inadequate storage facilities
     - ➢ High post harvest losses ;- up to 30%
       - ▪ harvest processes are underdeveloped because of lack of knowledge about proper drying practices and appropriate grading systems.
     - ➢ growth of mycotoxin (aflatoxin in Kenya)

State of play in the staple food sector…

3. Lack of market intelligence
   - traders lack information about the timing, quantity, and location marketable surpluses of grains

5. Limited value addition and lack of non-food uses of staple foods

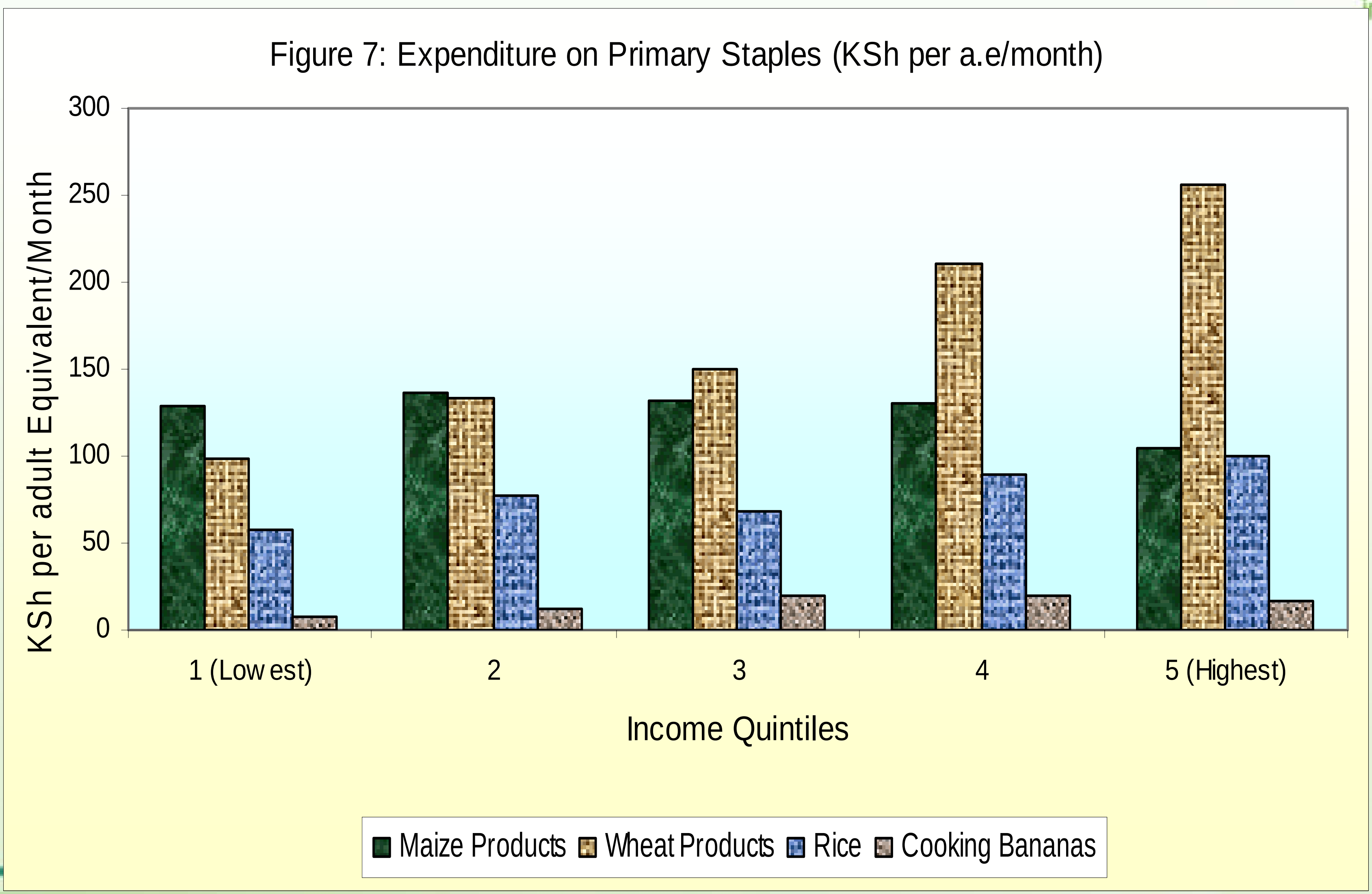
6. Unpredictable policy environment

   Export ban;- Malawi, Ke, Tz, Zambia.

   Trading ban; Malawi 2008, Kenya 2008

7. Low productivity – Yield per hectare

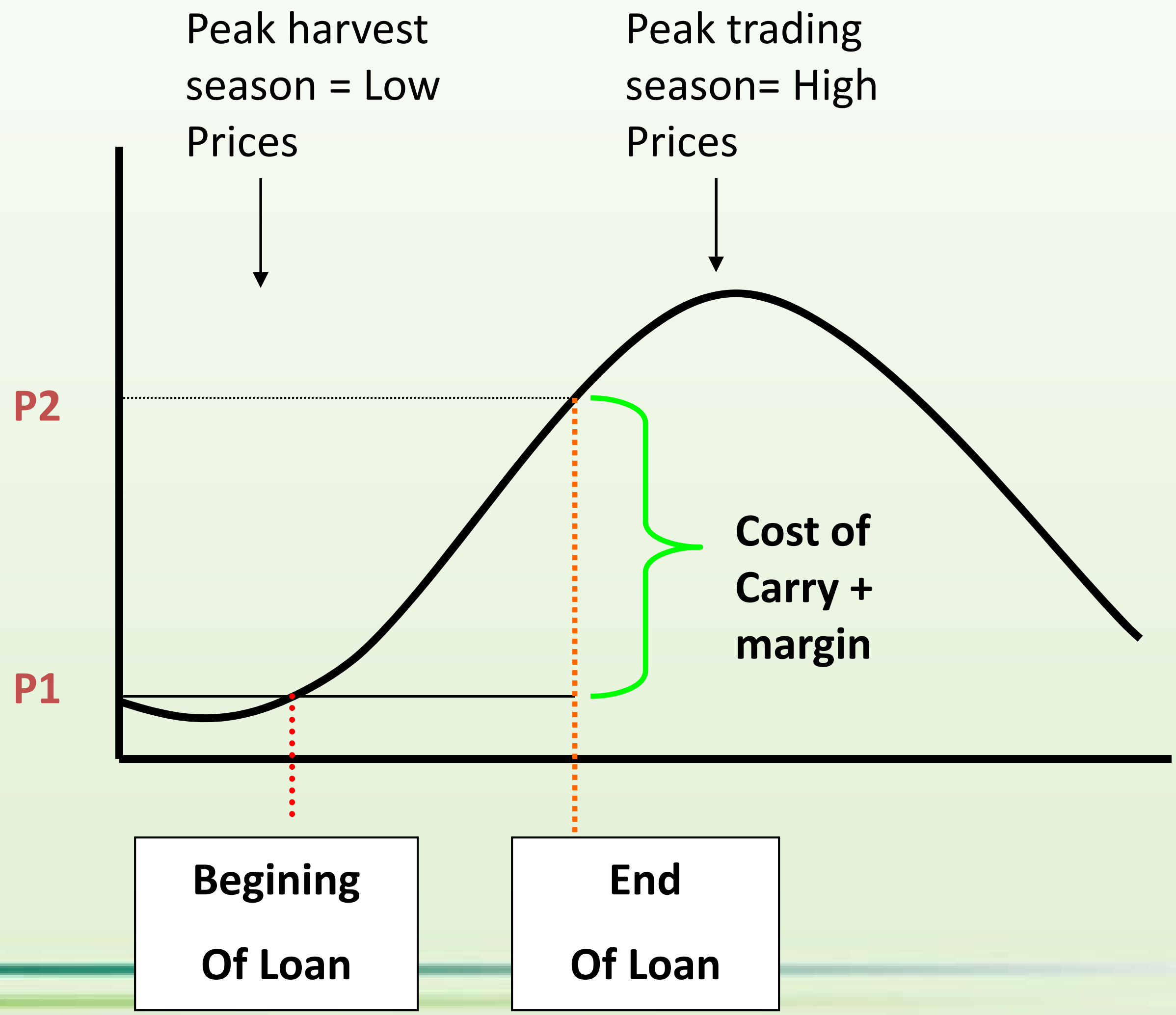
Food Staples Expenditure Patterns in Nairobi



Food Expenditure

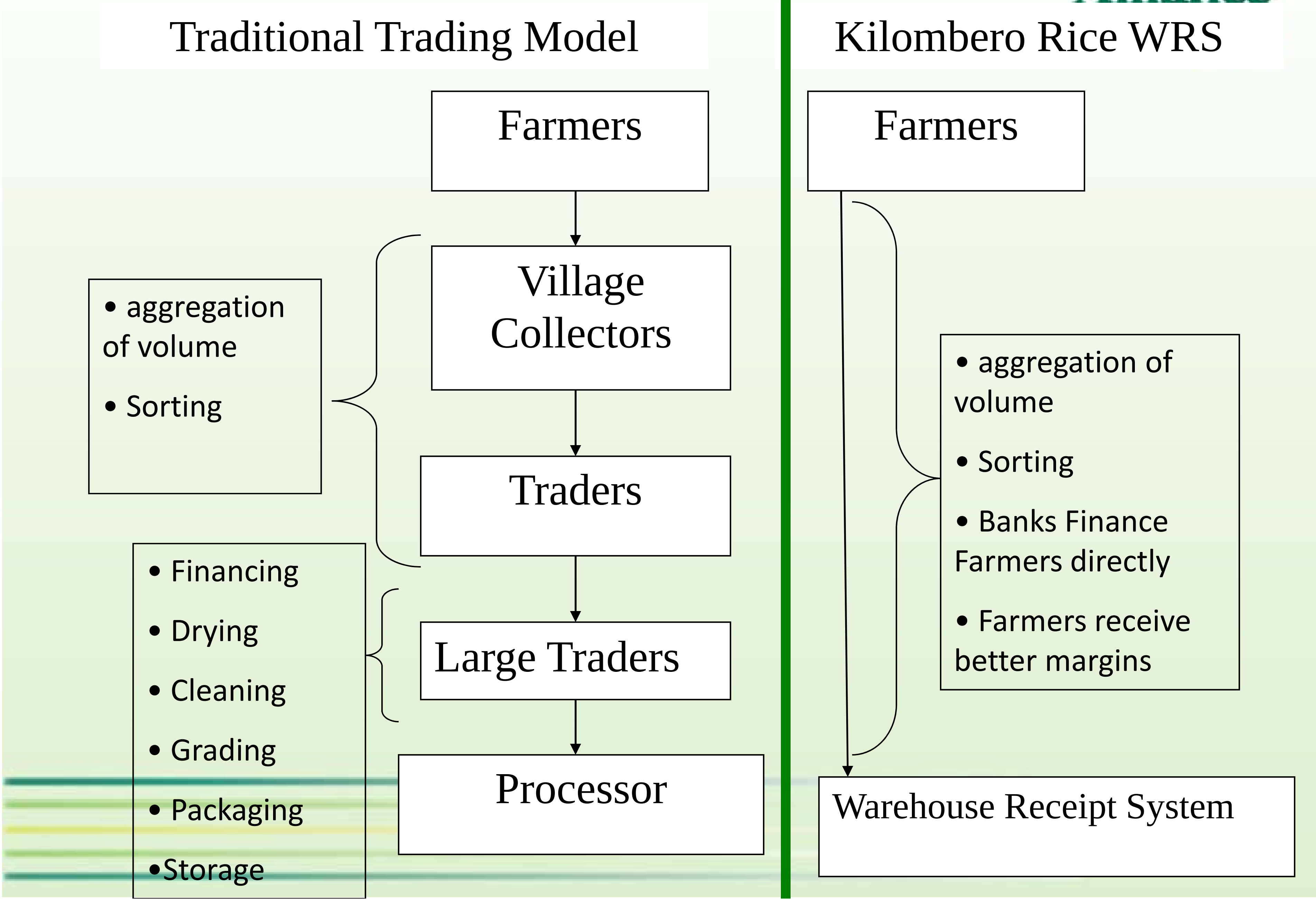
- Percentage of disposable income spent on food;
  - USA 7.2%
  - Canada 9%
  - India 33%,
  - Africa 75%
- Given the above, our goal should be on how to reduce the cost of food through increased productivity and reduced post harvest losses.

Post harvest handling-Warehouse Receipt System (WRS)



- Create choice – producers do not have to sell immediately after harvest
- Get funds through loans for a crop without selling
- Processors do not have to buy and store all commodity at once
- Reward for storing crop well
- Liquidity in local economy
- Creation of a new type of collateral in a single document

Cereals value chain; Kilombero Tz



Policy factors affecting the flow of food staples in the region

- Frequent and unannounced changes in maize import tariff rates
- Export/Import bans
- Government price setting method
- Food Reserves purchasing and selling procedures – payment to farmers
- Regulations affecting private sector cereal marketing
- Reduced investments by private sector in storage due to policy uncertainty

Food value chain

Input supplier

Farmers

Traders

Processors

Consumers

Service providers

- Financiers
- Agro-dealers
- Aggregators
  - Drying
  - Cleaning
  - Grading
  - Packaging
  - Storage

- Transporters
- Equipment dealers

- Distributors
- Kiosks
- Supermarkets

- Losers

  or

- Winners **?**

Losers or winners? Examples

- Kenya has just reduced the import duty on wheat
  - Wheat farmers held demonstrations on Monday 28th
- Tanzania government imposes an export ban
  - Farmers in Kilombero unable to sell their rice at a profit
- Malawi government set high farm-gate prices in 2009
  - Limits the access to regional markets such as Kenya

- Farmers income declines; unable to buy improved seeds and fertilizers
- Food supply drops; consumer prices go up
- Africa receives food aid; more money is spent on food import than would have been invested on improved productivity
- Lack of investments in storage facilities and services reduces the ability for the government to know their food stock position

Conclusion

- Where large increases in agricultural productivity occur without corresponding market access improvements, the outcome is dangerous for farmers:
  - Localized gluts which drive down prices
  - Farmers will as a result abandon new technologies
  - Low production will occur in the next season, driving up food prices
- Our objective should be to boost smallholder farmers income while advancing overall food security by expanding market across multiple farming seasons and regions
  - Start your analyses from the Supply and Demand position at that particular point in time
  - Analyze the price trend
  - Understand the role of each sector player along the value chain
- Create the awareness of a WIN! WIN! situation

Thank you