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Agricultural Trade in COMESA

- 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



	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	H	L	L	H	H	H	T	T	T	P	P	T	P
Malawi	L	L	L H	H	T H	T H	H	T	T	T	T	P	P	P
Zambia	L	L	L	T	H	H	H	T	T	T	P	P	P	
Zimbabwe	L	L	H	H	H	H	H	T	T	P	P	P		
Ethiopia	H	T	T	T	P	P	P	L	L	L	L	H	H	

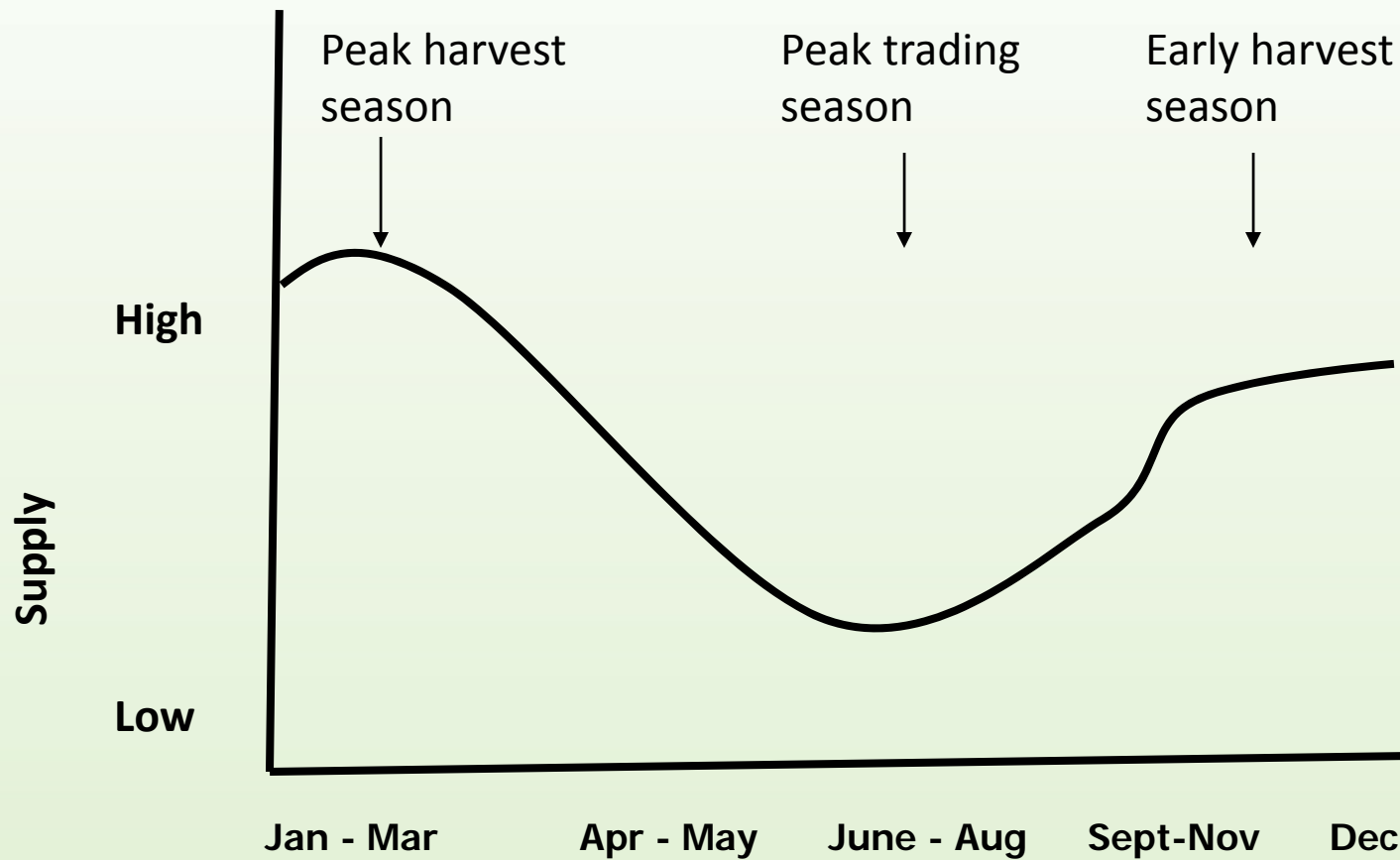
H	Harvest
P	Planting
T	Trading
L	Lean (Low availability)

Market Challenges in Africa

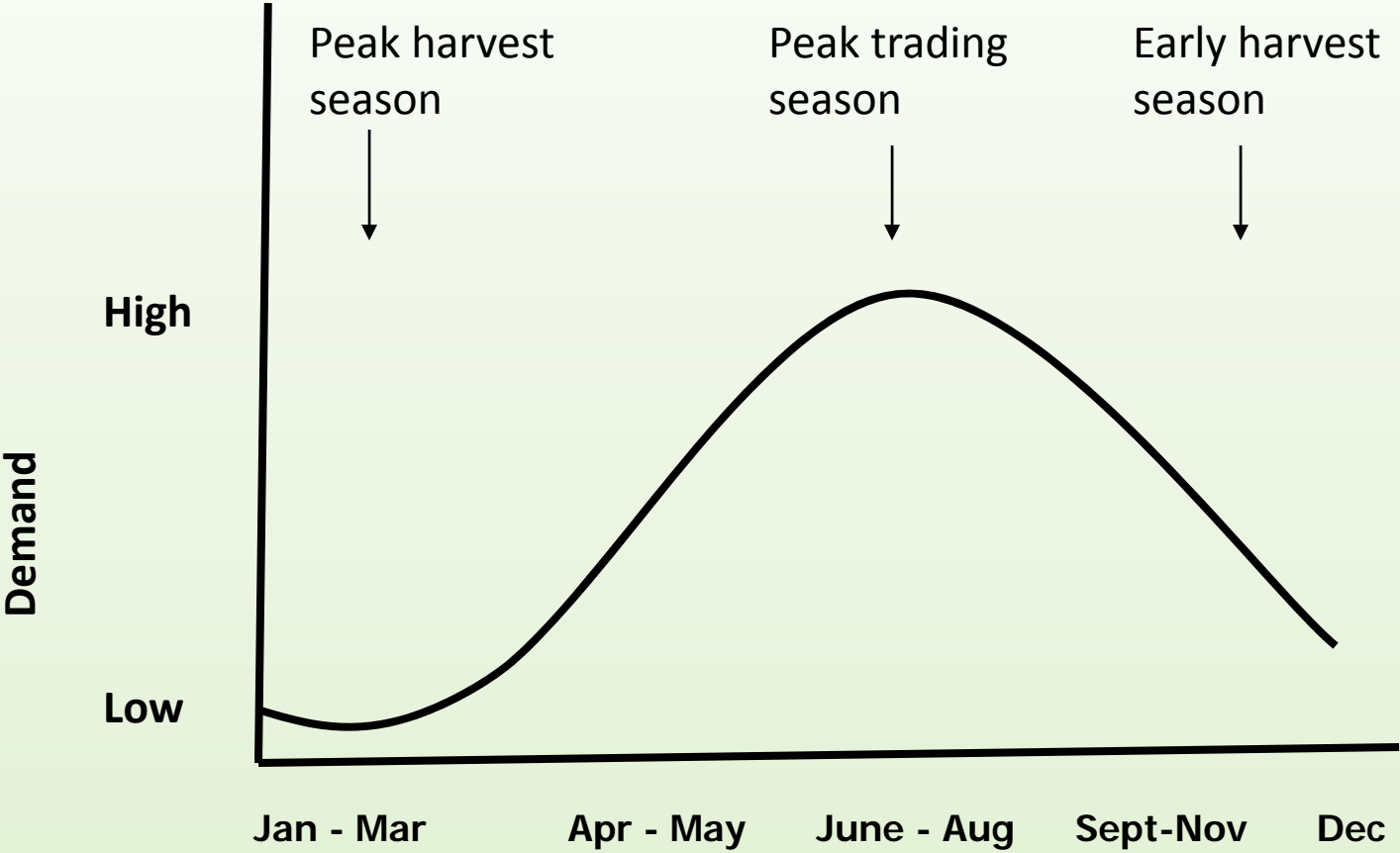


- Traders, Processor and Consumers are seeking dependable supplies of grain and processed food of high quality at competitive prices throughout the year;
 - Price volatility leads to price risk
 - “Boom and burst” production cycles
 - Quality
 - produce deteriorates while stored (post harvest losses)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

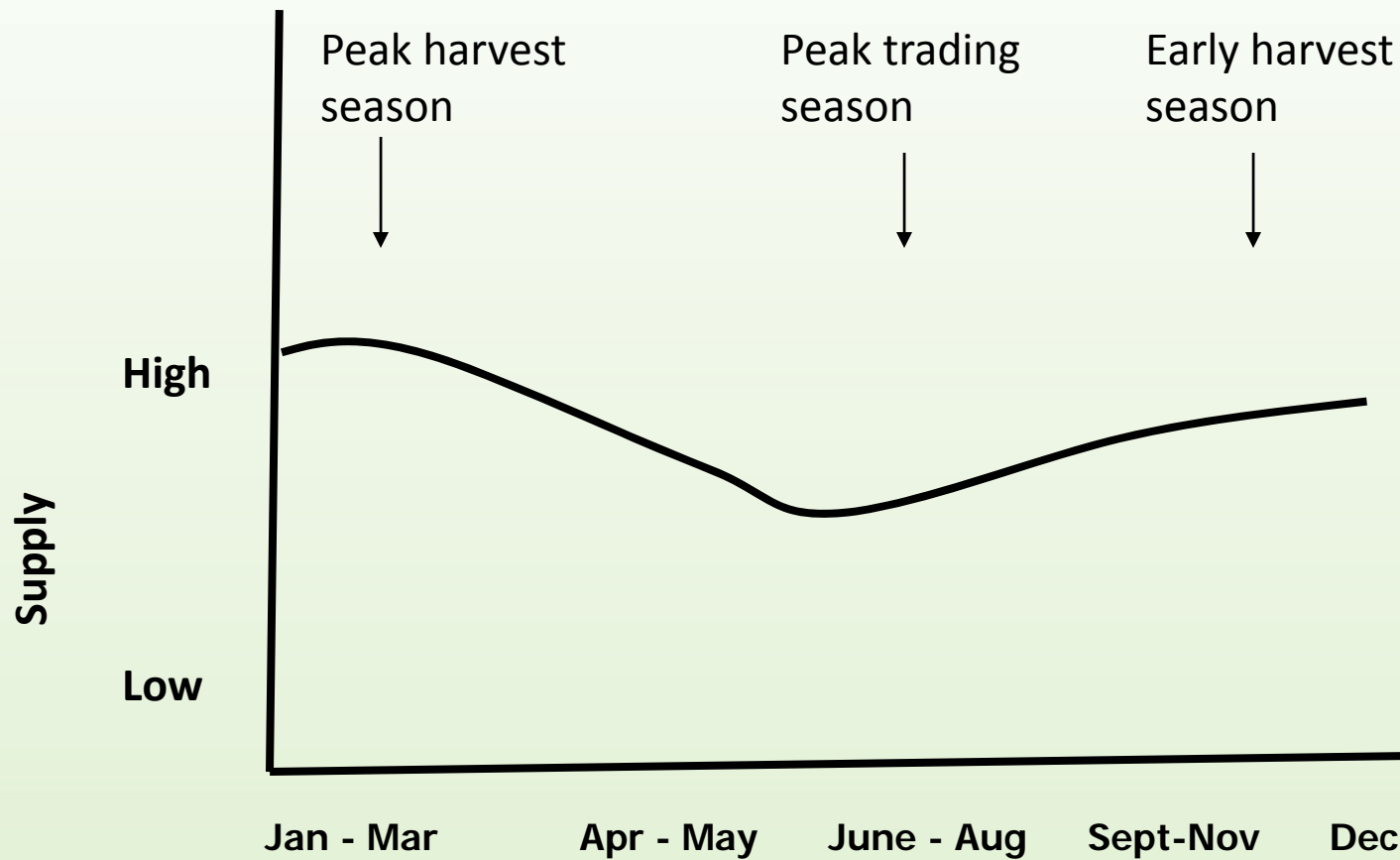
Typical Kenya Maize Supply Cycle



Kenya Maize Demand Cycle



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

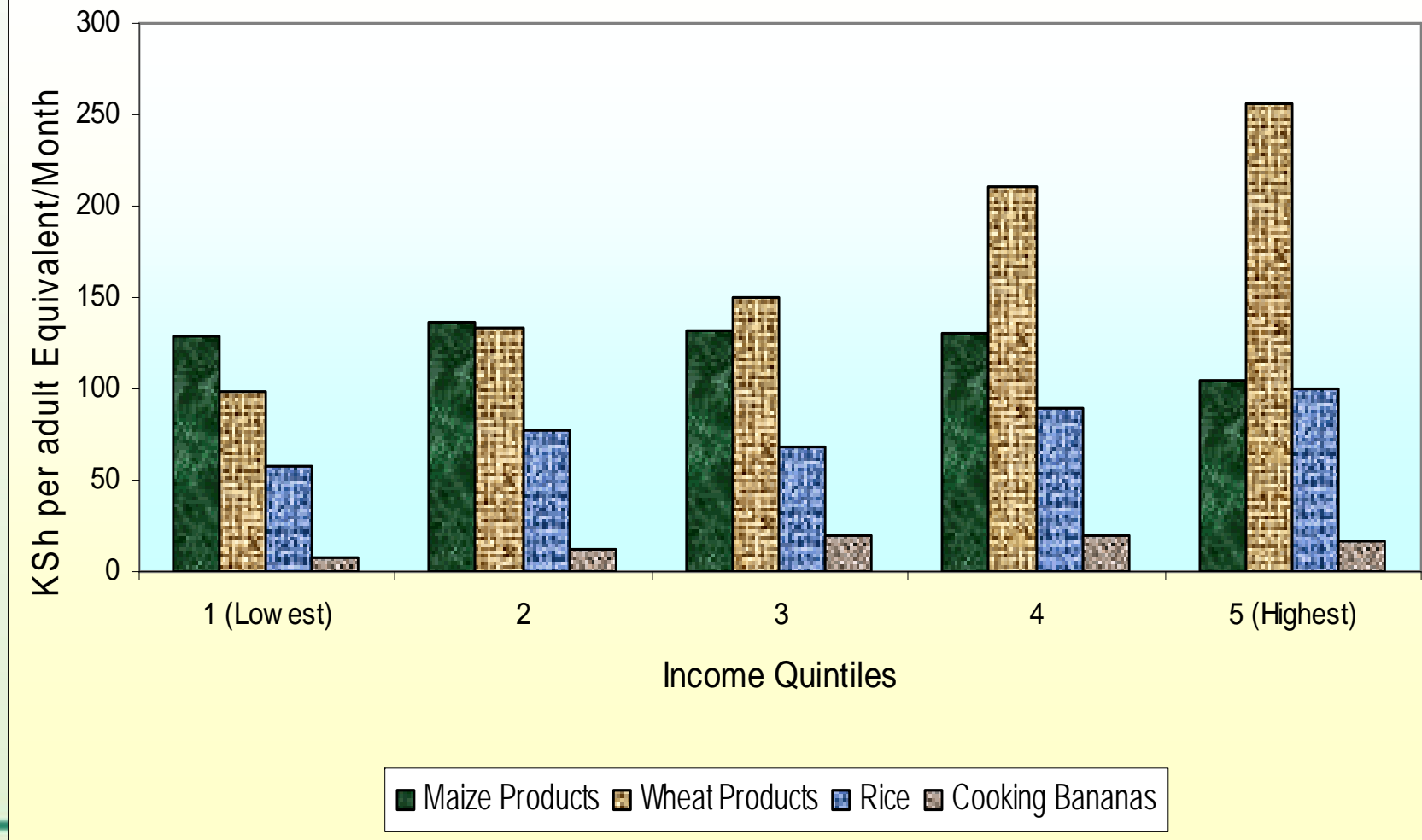
Export ban;- Malawi, Ke, Tz, Zambia.

Trading ban; Malawi 2008, Kenya 2008

7. Low productivity – Yield per hectare

Food Staples Expenditure Patterns in Nairobi

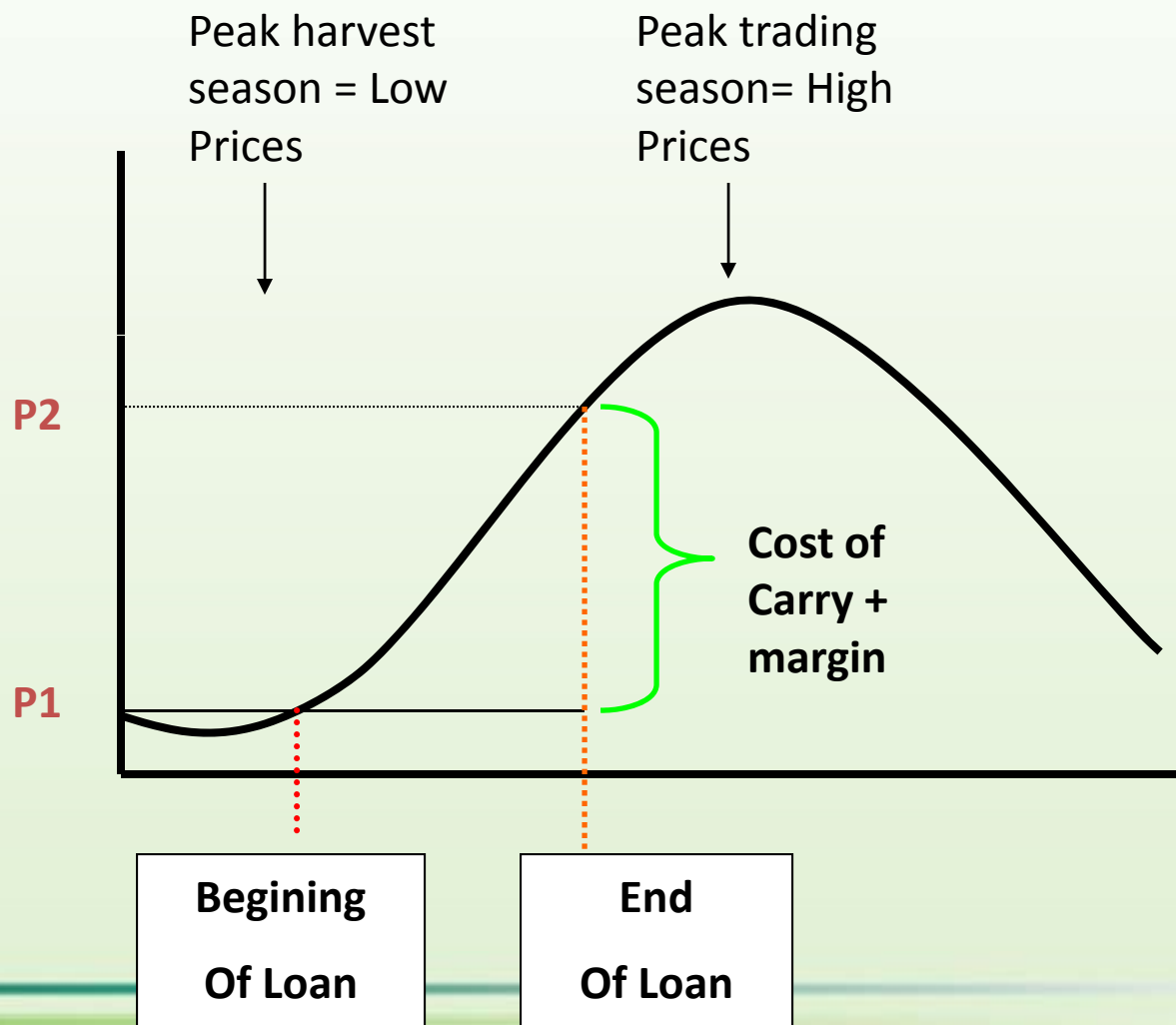
Figure 7: Expenditure on Primary Staples (KSh per a.e./month)



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)

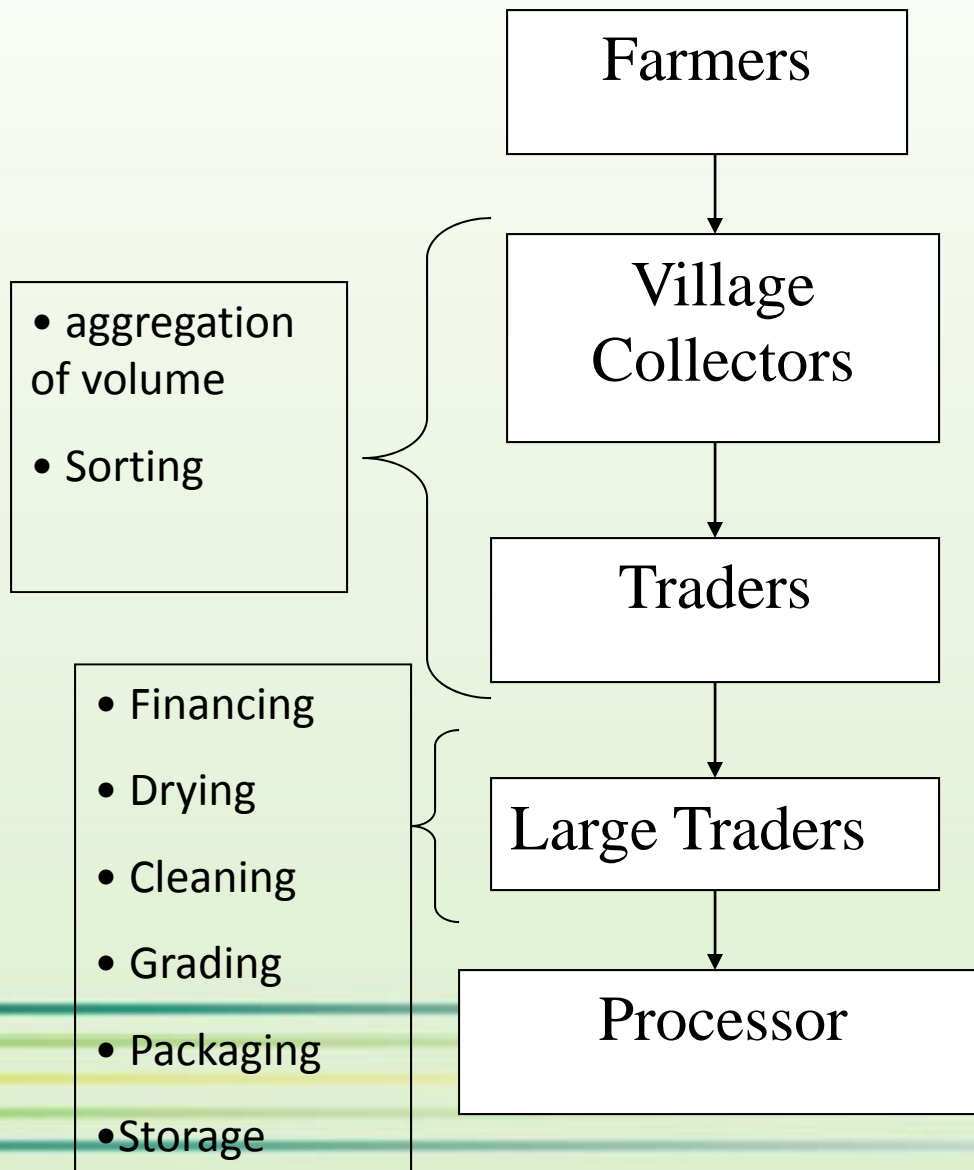


- Create choice – producers do not have to sell immediately after harvest
- Get funds through loans for a crop without selling
- Processors do not have to buy and store all commodity at once
- Reward for storing crop well
- Liquidity in local economy
- Creation of a new type of collateral in a single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

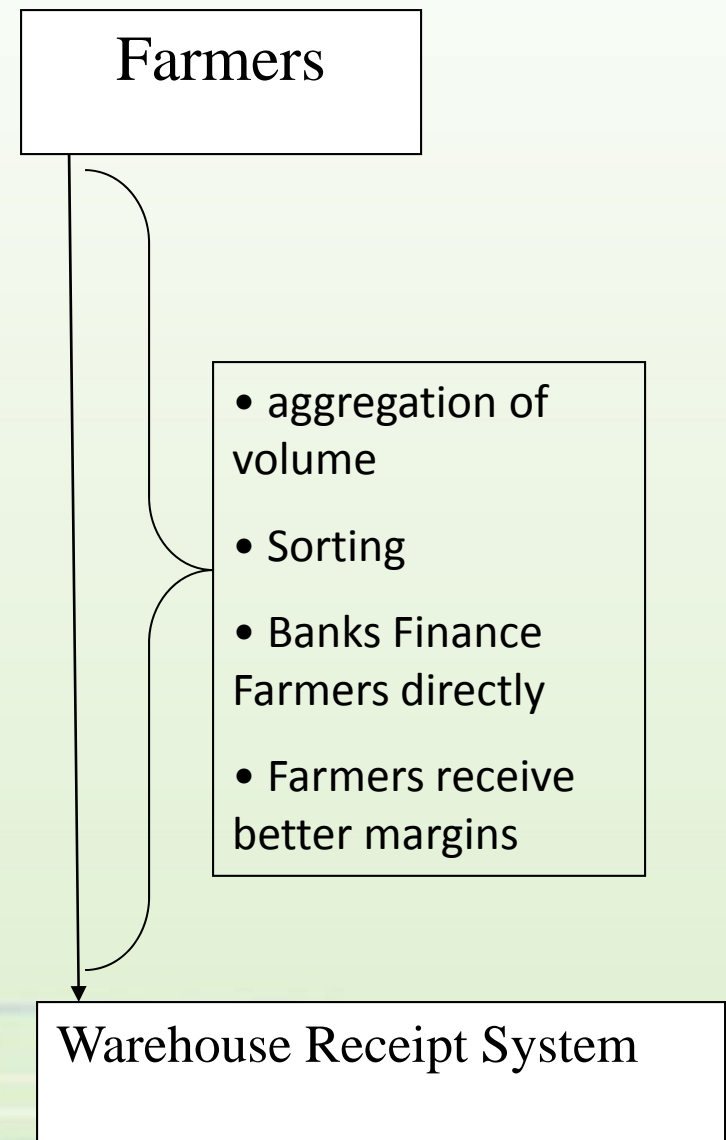
Cereals value chain; Kilombero Tz

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Traditional Trading Model



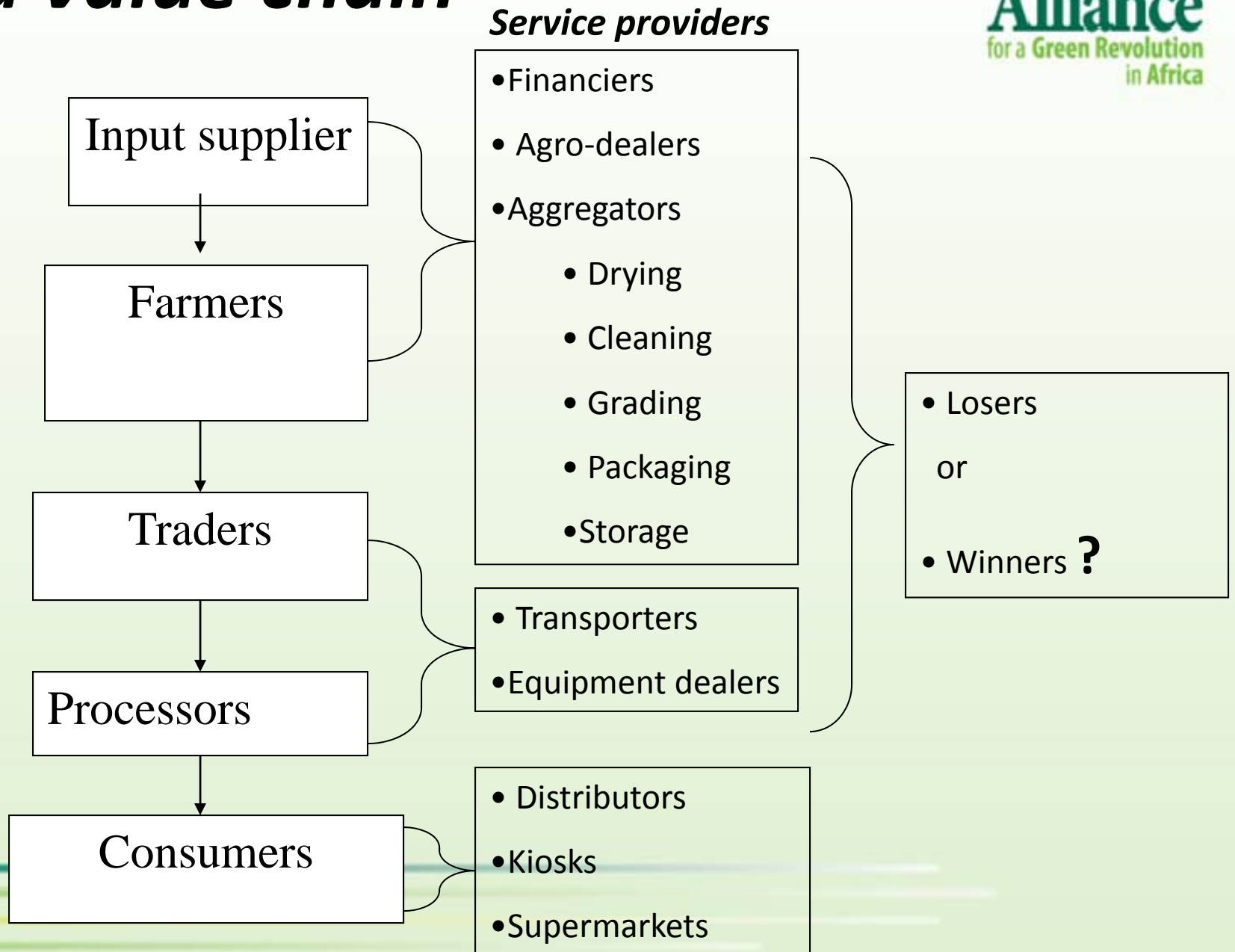
Kilombero Rice WRS



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



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
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- 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

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for a Green Revolution
in Africa

