By
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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 the whole region had a surplus of 550,000 MT.

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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<th>Sept</th>
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<td><strong>Ethiopia</strong></td>
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- **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

- **Peak harvest season**: Jan - Mar
- **Peak trading season**: Apr - May
- **Early harvest season**: June - Aug
- **Low supply season**: Sept - Nov, Dec

Prepared by Steve Njukia
Kenya Maize Demand Cycle

- Peak harvest season: Jan-Mar
- Peak trading season: Apr-May
- Early harvest season: June-Aug
- High season: Sept-Nov
- Low season: Dec

Prepared by Steve Njukia
Ideal Supply Cycle through Regional trade

- **Peak harvest season**
- **Peak trading season**
- **Early harvest season**

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan-Mar</th>
<th>Apr-May</th>
<th>June-Aug</th>
<th>Sept-Nov</th>
<th>Dec</th>
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<tbody>
<tr>
<td>Supply</td>
<td>High</td>
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<td>Low</td>
<td>Low</td>
<td>High</td>
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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 of 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.

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

Traditional Trading Model

- Farmers
  - Village Collectors
    - Traders
      - Large Traders
        - Processor

- aggregation of volume
- Sorting
- Financing
- Drying
- Cleaning
- Grading
- Packaging
- Storage

Kilombero Rice WRS

- Farmers
  -aggregation of volume
  - Sorting
  - Banks Finance Farmers directly
  - Farmers receive better margins

Warehouse Receipt System
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

Service providers

• Financiers
• Agro-dealers
• Aggregators
  • Drying
  • Cleaning
  • Grading
  • Packaging
  • Storage
• Transporters
• Equipment dealers

• 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