

East Africa Crossborder Trade Bulletin

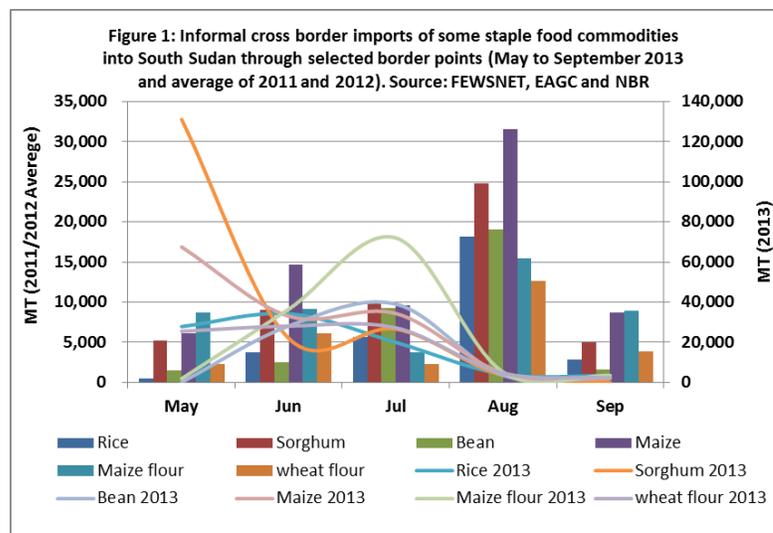
October 2013

The Market Analysis Sub-group of the Food Security and Nutrition Working Group (FSN WG) 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 DR Congo. Additional data was sourced from the National Bank of Rwanda (NBR).

Summary

- There is evidence of increased re-exports of imported rice and wheat flour from Somalia into Ethiopia's Somali region with progression of the June-to-October lean season.
- Cross-border trade between Sudan and South Sudan remained low despite improving consultations between the two countries. Uganda remained South Sudan's main source of sorghum, maize, beans, maize and wheat flour despite a below average June-to-July harvest.
- Sorghum and maize exports from Ethiopia to Djibouti (directly or transiting through Somalia) were likely limited by widespread food aid distribution in Djibouti.
- Bean imports into Rwanda were about fifty five times higher when compared to 2011 and 2012 July to the September quarterly average due to higher demand and relatively higher prices across most markets due to below average June to July harvest.
- Seasonal flow of maize from Tanzania into Kenya's southeastern and coastal areas continued in the third quarter of 2013 and was above average when compared to the average between the cumulative July to September volumes for 2011 and 2012 due to above average July to August harvest in Tanzania particularly in the southern unimodal regions.

South Sudan Imports: Staple food imports into South Sudan declined in line with seasonal trends with imminent and start of harvest as shown in Figure 1. The decline in imports were accentuated by expected high local production as more households in the northern States were engaged in own production due to better security situation, accessibility to markets due to delayed flooding in northern markets, and tight supplies from Uganda especially of maize due to below average production. However, bean imports from Uganda increased by 50 percent at the expense of exports to Kenya, attracted by

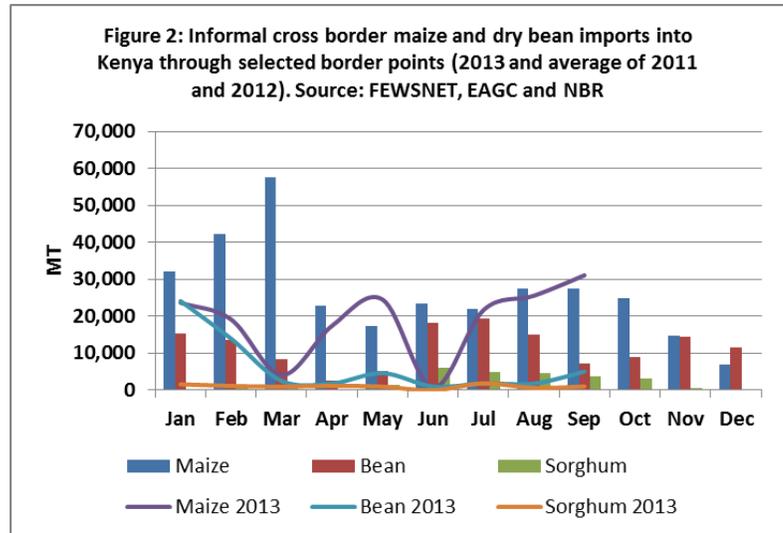


USAID
FROM THE AMERICAN PEOPLE

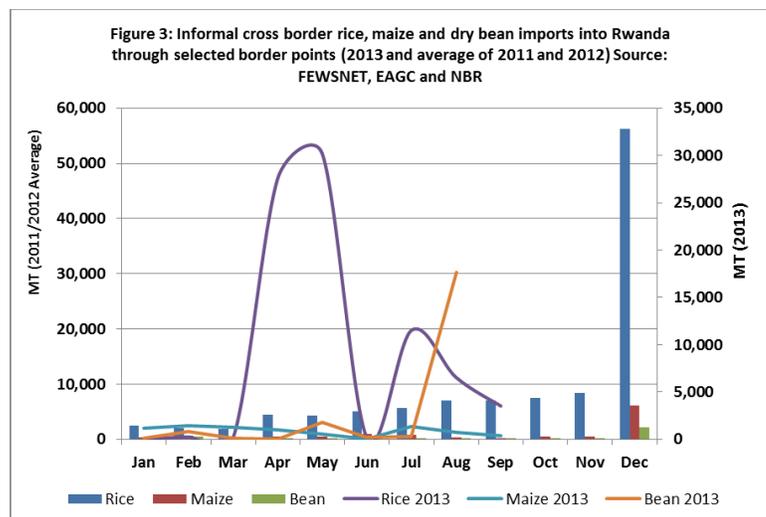


relatively higher prices. Wheat and maize flour import from Uganda and Kenya to Juba in particular increased by up to two times as East Africa remains the main source of staple food imports following trade disruptions between South Sudan and Sudan since 2011. Rice imports were normal for the quarter when compared to 2012 July to September quarter.

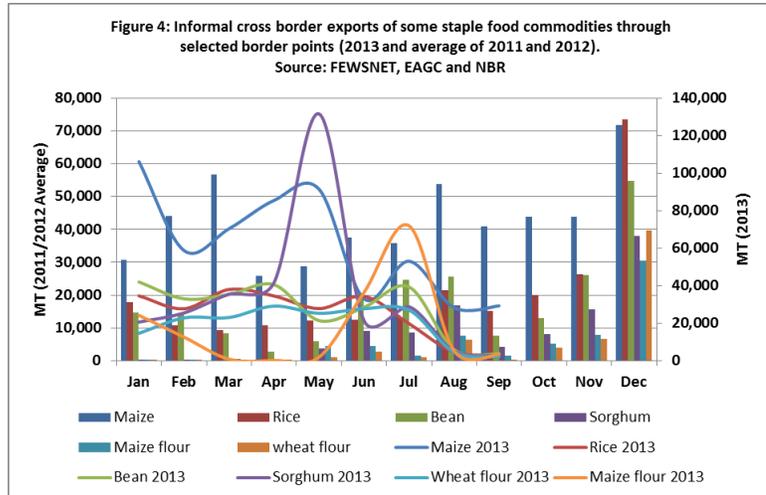
Kenya Imports: Maize, sorghum and bean imports increased by 83, 62 and 16 percent respectively between April to June quarter and July to September quarter. The 2011 and 2012 average increase in imports of maize, sorghum and bean between the two quarters is 21, 83 and 59 percent respectively. See Figure 2. The relatively low increase in bean imports between the two quarters is attributed to below average June to July harvest in both Uganda and northern Tanzania areas that lead to atypical increase by up to 12 percent in wholesale bean prices in the urban markets of Kisumu and Mombasa between August and September. Sorghum imports were also relatively low because of high demand by the brewing industry especially in Uganda. Seasonal flow of maize from Tanzania into Kenya’s southeastern and coastal areas continued in the third quarter of 2013 and was above average when compared to 2011 and 2012 average of the same period due to above average July to August harvest in Tanzania. Uganda maize imports were mostly competitive in the south-western markets of Migori, Kisumu and Luanda bordering Lake Victoria and not in Mombasa. Tanzania maize including maize from Zambia was very competitive in Mombasa in September.



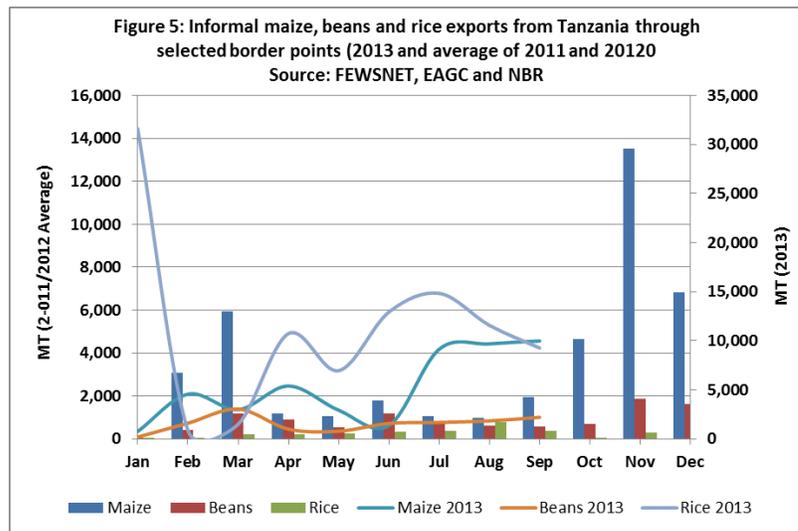
Rwanda Imports: Informal imports of maize and rice in July to September quarter were 68 and 10 percent respectively higher than 2011 and 2012 July to September quarterly average attributed to below average June to July harvest. See Figure 3. Dry bean is the main staple source of proteins across most of Rwanda. Bean imports were about fifty five times higher when compared to 2011 and 2012 July to September quarterly average due to higher demand and relatively higher. Bean prices increased by -an average of 25 percent increase between August and September across most markets as opposed to a two year average decline of two percent in the same period. Although rice imports were up 10 percent in the third quarter of 2013, the volume imported was less than in the previous March to June quarter due to more intense enforcement of rules of origin by Rwanda, Kenya and Uganda tax authorities to ensure that only rice produced within East Africa is charged the lower East Africa Community taxes.



Uganda Exports: Staple food commodity exports from Uganda to Kenya and South Sudan declined unseasonably due to declining stocks in Uganda following below normal June to July harvest. Rice, maize, and bean exports declined by 38, 44 and 22 percent in the third quarter of 2013 when compared to 2011 and 2012 July to September quarterly average. Kenya and South Sudan accounted for 59 and 37 percent of the total maize exports while the rest were destined for Rwanda and northwestern lake region of Tanzania. Nevertheless, maize and wheat flour exports were two and ten times respectively higher, and sorghum exports 14 percent higher than 2011 and 2012 July to September quarterly average. Hence Uganda remains the leading exporter of staple foods to South Sudan after border closures and trade sanctions disrupted trade with Sudan beginning in 2011. Relatively higher prices of beans in South Sudan attracted most of the beans from Uganda.

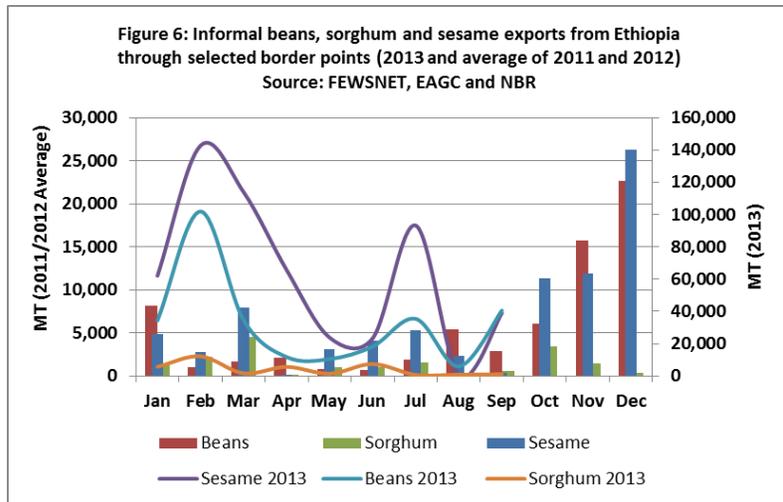


Tanzania Exports: Maize, bean and rice exports increased by 198, 70 and 24 percent between the second and third quarters of 2013 due to above average harvest in southern and central regions of Tanzania, and the absence of trade-inhibiting policies. See Figure 5. Maize exports were twice 2011 and 2012 July to September quarterly average with most destined typically for Kenya’s southeastern and coastal marginal areas where prices remained stable between July and September. Rice exports were 22 times higher when compared to 2011 and 2012 July to September quarterly average attributed to increased production at competitive regional prices. Rwanda and Kenya accounted for 60 and 37 percent of the rice imports from Tanzania while Uganda, DRC and Burundi imported the rest. Consequently, rice prices in Tanzania, Kenya (southeastern, coastal and southwestern regions), Rwanda and Burundi have either been declining or stable at a lower level. Although the June to July bean harvest in northern areas was below average, fresh supplies from the June to August harvests from the southern and central regions boosted exports by 31 percent when compared to 2011 and 2012 July to September quarterly average.

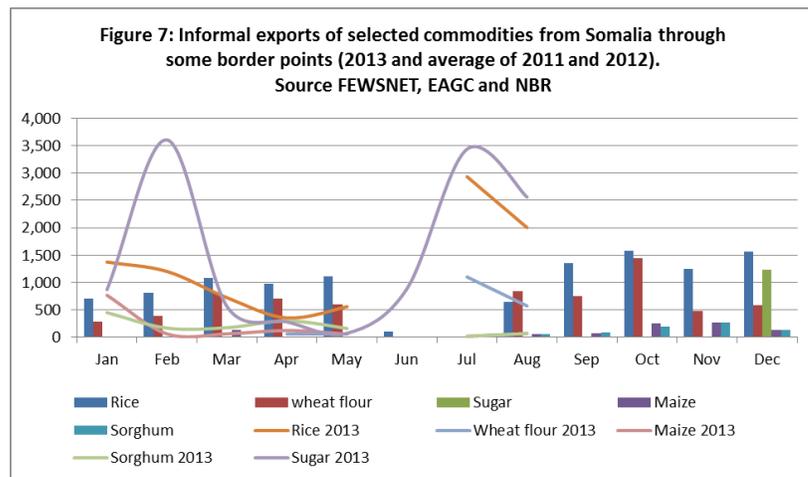


Ethiopia Exports: Exports of Fava and other beans to Sudan and Kenya continued seasonably with progression of the May to September lean season in Sudan and August to October dry season in northern Kenya including Moyale market. Bean exports to the two countries were 51 percent higher than 2011 and 2012 July to September quarterly average attracted by higher prices with most of the Fava beans going to Sudan. However, sorghum exports to Somalia and Djibouti were erratic and low by 81 percent when compared to 2011 and 2012 July to September quarterly average due to expected below normal production in northwestern parts of

Ethiopia, limited purchasing power in Djibouti, and unpredictable transportation through parts of Somalia as result of conflicts. See Figure 6. Sesame exports to Sudan also declined by around 42 percent when compared to 2011 and 2012 July to September quarterly average due to depreciation of the Sudanese Pound, relatively high inflation that has increased costs of production, eroded the purchasing power of households, and decreased demand for sesame-based products.



Somalia Exports: The borders between Somalia and its neighbors are relatively porous, characterized by insecurity and seasonal-change in road conditions. Hence there are many routes through which trade takes place and it is a challenge to monitor informal cross-border trade from and to Somalia. Nevertheless, there are indications that despite being erratic, informal cross border re-exports of sugar, rice and wheat flour to Ethiopia and Kenya increased in the third quarter compared to the second quarter of 2013 in line with June to October lean season in the main destination markets in the Somali regions of Ethiopia and Kenya. See Figure 7. Despite export limitations due to border closure, security operations and high formal taxes, rice exports increased by 146 percent when compared to 2011 and 2012 quarterly average with about 93 percent going to Ethiopia and the rest to Kenya. Sugar imports increased significantly with about 57 and 43 percent destined for Kenya and Ethiopia respectively. Most of the wheat flour was re-exported to Ethiopia. Exports of sorghum from Ethiopia and food aid maize to Djibouti were limited during the quarter probably by widespread food aid distribution in Djibouti.



Outlook

Kenya: Seasonal inflows from Tanzania are expected to continue into southeastern and coastal regions resulting in prolonged stable prices between October and December and then gradual decline in prices as local supplies come into these markets.

South Sudan: Uganda is expected to remain the main source market for imported staple food commodities including red sorghum, millet and maize in the third quarter of 2013. Uganda's inflow will likely be supported by anticipated 50 to 60 percent decline in Sudan national sorghum harvest when compared to 2012/2013 production due poor performance of the season in the surplus-producing areas of eastern Sudan, limited and erratic informal and formal cross-border trade between Sudan and South Sudan despite improving consultations between the two countries.

Tanzania: Relatively higher maize prices in East African markets will likely continue to attract supplies from Zambia through December. Rice exports are also expected to continue to flow into Rwanda and Kenya due to above average production from the just concluded season.

Somalia: Re-exports of rice and wheat flour to the Somali region of Ethiopia are expected to continue typically in the next third quarter of 2013 but will likely be erratic due to security operations along the border.

Ethiopia: Exports of sorghum especially to Djibouti and Somalia are expected to increase seasonally with the start of harvest in October and continue through December.

Rwanda: Imports of maize from Uganda and Tanzania are expected to increase seasonally between October and December with progression of the September to December lean season. High demand for beans is expected to attract inflows from Burundi and DRC.

Uganda: Despite tightening supply from the June to July below average harvest, export parity prices are still low for Uganda staple foods including sorghum, maize and beans. The country expects average to above average October to December harvest and will therefore remain the main exporter of staple foods in the region with most commodities destined for South Sudan, Kenya, and Rwanda.

Burundi: Imports of staple foods is expected to remain low due to high dependency on own production by most households. However, seasonal trade among communities living along the borders is expected to continue especially that of beans with Rwanda. Rice and wheat flour imports from Tanzania and Rwanda are expected to continue seasonally due to structural deficit in production.

