

Intra-regional Grain Trade in Eastern Africa.

Africa is on the right path of intra-regional trade, but lags behind other global regions. Exports from Africa increased significantly and continuously especially in the last 8 years. But they have not kept a pace with trade flows in the rest of the world which roughly tripled between 1990 and 2006. During this same period, intra-regional trade within emerging Asia increased 8 fold. By 2007, intra-regional trade accounted for more than 50 percent of total trade in East Asia. However, intra regional trade in Africa remains low and accounts for less than 10% of total (global) trade.

The EAC has also gone further to protect regional markets in a bid to encourage investments in the production of grain by adopting an external tariff structure on grain at about 75% for rice to 50% for maize. Accordingly, Intra-Regional agricultural trade flow within the region which is dominated by trade in maize, rice, beans, pulses, millet and wheat and in an effort to ensure structured trade and increased investments within the grain sub-sector, most governments and stakeholders have eliminated commodity price fixing.

This has led to increased intra-regional trade over the last few years. However, the fundamental question is, "are there market intelligence or structures facilitating the movement of agricultural produce from the farms to the consumer through various channels at the lowest possible price and improved economic value in order to harness and exploit the benefits accrued from a favorable environment for intra-regional trade?" In an effort to answer these questions, the paper highlights some of the emerging key impediments that continue to hamper the exploitation of eastern Africa potential in intra-Regional trade. Some of the impediments that hamper the exploitation of the regional

These impediments include seasonal export /import ban or restrictions geared towards protection of the grain sector, lack of a policy on regional food balance sheet, lack of a regional integrated market information system, linking the various players in the value chain through a credible price discovery mechanism. Therefore this has led to the need for rethinking the current market intelligence mechanisms to tap into the potential for structured intra-regional trade within the Eastern African Region.

THE EASTERN AFRICA GRAIN COUNCIL

- EAGC's role is to promote free trade in grain under a harmonized trade regime providing small farmers with improved market access. Expansion and harmonization of agricultural market information systems;

- Harmonization of agricultural trade policies;
- Building capacity for trade and farmer organizations and;
- Promoting structured trading systems - rules of trade, standard contracts, collateral management, sound trade policies and enabling environment where warehouse receipts systems and commodity exchanges can emerge.

Expected Outcomes

- Agricultural market institutions established and strengthened that induce production response;
- Enhanced capacity of stakeholders especially Farmer-Based Organizations (FBOs), to participate and implement structured trading programme activities;
- Better access to marketing/trading post-harvest infrastructure along the supply/value chain;
- Regional market/fully liberalized trade regime that facilitates cross-border trade in grains; and
- Harmonized grain trade policies and standards.

3. The Regional Agricultural Trade Intelligence Network (RATIN).

RATIN was developed in 2004 to help reduce regional food insecurity and improve structured intra-regional trade within the Eastern African Region. This was after the realization that there is unexploited potential for enhancing food security and economic growth through intra-regional agricultural trade within the region. It was further informed by the realization that although there are households among the food insecure that are structurally poor and are heavily dependent on food donations, there are also market-dependent households who are able to purchase food if it is available at the right time, price and quantity in both local and intra-regional markets through enhanced effective competition.

RATIN is a trade intelligence structure, hosted as a web portal as www.ratin.net that promotes structured grain trading in Eastern Africa. RATIN gathers data from producers, traders, and processors and other market information sources, after which it analyses the data and further relay the information to the users. Some of the data relayed through RATIN is to help identify new opportunities for trade and production,

support early warning mechanisms for grain trading, assists in analysis to minimize investors risks, improves trade interactions among its members and users, while enhancing more efficient and cost effective intra-regional trade within the Eastern Africa region.

RATIN was also formed on the premise that there is a great need for improvement on market linkages that encompass the private sector and the various government initiatives. It was noted that governments alone would not deliver on the African dream of prosperity for all especially considering that development is still agriculture driven. That is why public private partnership (PPP) efforts to leverage on new technologies for the benefit of whole value chains are what inform the establishment and strengthening of private sector led market information channels like the RATIN. Some of the market intelligence provided by RATIN with the eastern Africa region include price reporting, production forecasts and supply, monthly price data analysis, regional food balance sheets, and regional trade flows among others.

3.1 Price reporting system

Price discovery and information is one of the key components of RATIN and as at current, five regional borders are covered:

Border	Location
Busia	Kenya/Uganda
Isebania	Kenya/Tanzania
Namanga...	Kenya/Tanzania
Mutukula	Uganda/Tanzania
Katuna	Uganda/Rwanda

The Regional Food Balance Sheet

The EAC and COMESA region have been proved to have tradable surplus in products such as maize, rice and beans. The region also has potential for producing tradable surplus for other cereals. Despite this reality, the region remains a net importer from

extra regional sources. Movement of products from surplus to deficit regions is restricted by policies motivated by food security concerns. These policies assume the form of export/import restrictions/bans and seasonal pricing and marketing controls.

These policies are motivated by food security concerns that are premised on lack of credible information on available food stock in the region. Thus each country plans with what is available within its borders instead of the regional food availability situation. Studies done recently show that these policies distort production and discourage investment in the value chains. They consequently tend to perpetuate food shortage.

Information of regional food availability is therefore critical in helping countries and in the EAC and COMESA combat food insecurity through trade. Availability of this information will be pivotal to the region's policy reforms in the grain sector. Eastern Africa Grain Council (EAGC), in collaboration with COMESA and EAC is working towards development of a regional food balance sheet by building on various initiatives at the national and regional level.

Presently, food balance sheet at national level is pooled by Governments as part of food security programs. Private sector input is never sought or if sought is never integrated into the pooling of the food balance sheet data. Private sector relies on guess work and firm level estimates (usually for well established firms) for data necessary in guiding projections and business decisions. At regional level, there is no single source the stock of available food for purposes of guiding national and regional level policies. The region requires this in order to forge ahead with policies that support Structured Trading System (STS).

EAGC is working in collaboration with EAC, COMESA (ACTESA) to facilitate the region to build a regional food balance sheet that presents a comprehensive picture of the pattern of the region's food supply for given specific periods. This will be used as pillars to address food security in the region as well work as a foundation for development of a regional trade policy framework for structured trading system.

COMPETE is supporting this exercise in the following countries: Burundi, Ethiopia, Malawi, Rwanda and Zambia. EAGC through support from SIDA is covering Kenya, Uganda and Tanzania.

Scope

The food balance sheet will focus on the following commodities – maize, rice, wheat, millet, sorghum and beans.

Tasks

The following activities/steps will be taken towards development of the balance sheet: -

- i) Assessment of the current practice of constructing food balance sheet at national level, the use into which the food balance sheet is put, institutional structure and views of the public and private sector on the quality of data/information that is assembled into the food balance sheet.
- ii) Identify gaps in the food balance sheets that are currently being pooled at national level and recommend measures to take care of the gaps.
- iii) Facilitate formation of an all inclusive National Food Balance sheet consultative forum. Where a committee already exists, the task will be to expand it in order to include any institution that the stakeholder may perceive as necessary in building credibility of the food balance sheet. Draft Terms of Reference and modus operandi of the committee as an EAC/COMESA regional cell for pooling of the food availability on monthly basis and submission of the same to the RATIN by 15th of every month.
- iv) Facilitate construction of an all stakeholder food balance sheet through the National Forum using the attached template of food balance sheet.
- v) Submit the National Food Balance Sheet, after its validation, to the regional focal point. EAGC is the current focal point. The national food balance sheet will be posted to the RATIN, which will also be linked to COMESA and EAC websites.

The stakeholders will agree on periodicity of national and regional consultative forums and linkage of the food balance sheet to registered warehouses and other initiatives that are geared towards development of the STS.