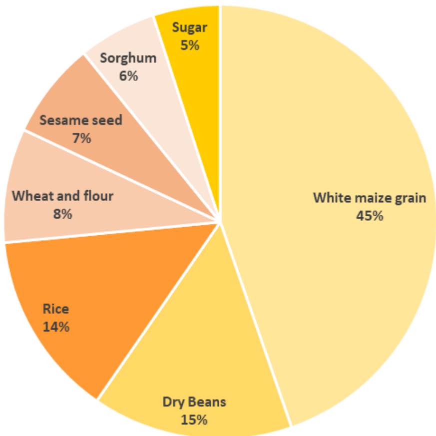
EAST AFRICA CROSSBORDER TRADE BULLETIN

FSNWG Food Security & Nutrition Working Group — **MAS** Market Analysis Subgroup

April 2018 — Volume 21

SUMMARY POINTS

Figure 1: Main Staple Food Commodities Informally Traded Across Selected Borders in Eastern Africa in the first quarter of 2018.
Source: FEWSNET and EAGC



- In Eastern Africa, staple commodity prices generally followed seasonal trends in Uganda, Kenya, and Somalia, but atypical price trends were observed in Sudan, South Sudan, Ethiopia, and Tanzania (FEWS NET Price Watch, March 2018). Prices are expected to follow seasonal trends through June 2018, remaining below last year and five year USD prices due to a combination of currency depreciation, better production than 2017, and regional imports.

- Regional trade in staple food commodities between January and March (first quarter) was mixed. Maize remained the most traded commodity in the region (see Figure 1), with trade higher than 2017 first quarter but still below the five year average. Sorghum trade was largely affected by policy-induced price fluctuations in Ethiopia and Sudan that generated uncertainties in the market. Maize and rice trade in the region is expected to increase significantly with the main destination market being Kenya where prices are higher.

- Livestock trade between Ethiopia, Somalia and Kenya started to increase in the first quarter of 2018, supported by early start of the March-to-May rains, early Ramadhan and Hajj religious festivities during which domestic and export livestock demand soars. The volumes were however below the five year average as the pastoral regions recover from past droughts.

ABOUT THIS REPORT

The Market Analysis Sub-group of the Food Security and Nutrition Working Group (FSNWG) monitors informal cross-border trade of 88 food commodities and livestock in eastern Africa in order to quantify the impact on regional food security. This bulletin summarizes informal trade across selected borders of Tanzania, Burundi, Rwanda, Uganda, Kenya, Somalia, Djibouti, Ethiopia, Sudan, and South Sudan and DRC. Data is provided by the Eastern Africa Grain Council (EAGC), the Famine Early Warning Systems Network (FEWS NET), the Food and Agricultural Organization of the United Nations (FAO), the National Bank of Rwanda (NBR) and the World Food Program (WFP).

Informal trade represents commodity flows outside of the formal system, meaning that activity is not typically recorded in government statistics or inspected and taxed through official channels. These flows vary from very small quantities moved by bicycle to large volumes trucked over long distances. This report does not capture all informal cross-border trade in the region, just a representative sample.

Key Commodities & Cash Crops by Country

Maize & Maize Flour:	Ethiopia, southern Somali, South Sudan, Kenya, Uganda and Tanzania
Beans:	Consumed throughout East Africa
Wheat & Wheat Flour:	Consumed throughout East Africa and is particularly important in urban areas
Rice:	Consumed throughout East Africa
Sorghum & Sorghum Flour:	Sudan, South Sudan, Northern Ethiopia, Central and Northern Somalia
Sesame:	An important cash crop for certain livelihoods in Ethiopia and Sudan

*Additional products may be covered in the annexes.

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REGIONAL MAIZE, SORGHUM, AND LIVESTOCK PRICE TRENDS

Maize prices in **Tanzania** declined atypically instead of remaining stable or increasing marginally because of the imminent start of the May-to-April harvest, but reinforced ample domestic availability and low prices, the lingering effects of the maize export ban early last year that was lifted in the second quarter of 2017. See Figure 2. Maize prices in **Uganda** continued to decline seasonably in February and March across most markets with the exception of a few because of increased supply from the above average November-to-December harvest. In both Uganda and Tanzania, the prices remained lower than last year and five-year average prices. Maize prices in **Kenya** continued to decline seasonably in the main producing markets due to increased supply, heightened by increased regional imports from Uganda and Tanzania. The prices were seasonably stable across most consumption markets as demand was matched by ample supplies. Maize prices were stable in southern and southwestern regions of **Ethiopia** because of increasing supplies, and in the southeastern pastoral markets due to humanitarian assistance, supported by duty free food commodity imports limited to this region only.

Figure 2: Wholesale maize prices in selected markets in Easten Africa

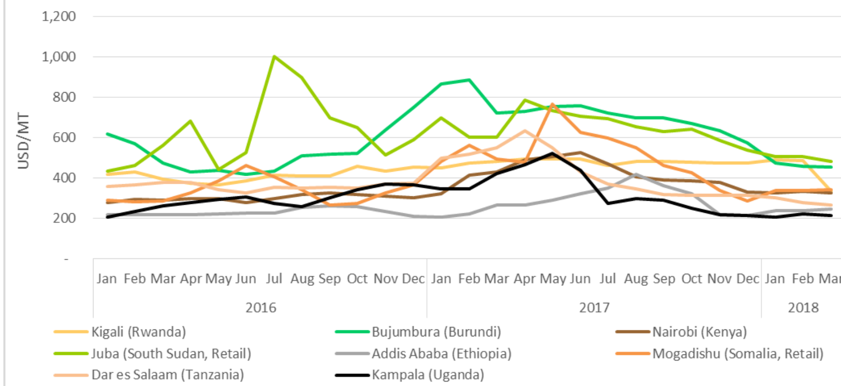
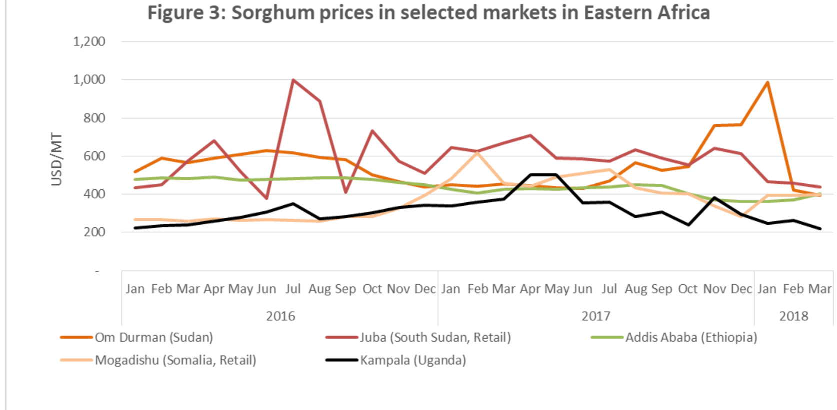


Figure 3: Sorghum prices in selected markets in Eastern Africa



The prices of sorghum, maize and imported staple food commodities in **Somalia** remained seasonably stable across most reference markets due to increased market supply from the January-to-February harvest, in addition to humanitarian assistance including food vouchers for more preferred food such as rice and wheat flour.

Sorghum price trends in **Ethiopia** were mixed. The prices increased marginally in the main consumption market of Addis Ababa (See Figure 3) and northeastern Amhara and Tigray markets as ample supplies were yet to reach the markets; in the main producing northwestern markets due to increased demand, and in the northeastern pastoral markets due ongoing humanitarian assistance and Productive Safety Net Program (PSNP). **Sudan** sorghum prices declined typically mostly in the main producing eastern markets due to increased supply from the November-to-January harvest. The prices remained seasonably stable across most consumption markets supported by government intervention. In March, the Strategic Reserve Corporation (SRC) continued to provide subsidy at 46 and 50 percent of market price to government employees and through direct sales respectively, to mitigate upward pressure on prices brought about by double currency devaluation between January and February 2018 that has affected consumer prices. In **South Sudan**, sorghum prices continued to converge towards Uganda prices and market in USD as the South Sudan Pound continued to depreciate.

Livestock prices remained stable across most markets in the region because of improved livestock body conditions emanating from better rangeland and livestock body conditions as a result of October-to-December rains, short-lived unseasonable rains between January and February, and or early onset of the March-to-May rains.

THE STATUS OF CROSS BORDER TRADE IN THE THIRD QUARTER (JAN-MAR) OF 2018

Maize: Between July 2017 and March 2018, a total of 400,166 MT of maize was imported from the region into Kenya, reinforcing lower seasonal prices in most markets in Kenya between January and March 2018 when the domestic supply is usually high. The January-to-February 2018 (first quarter) regional maize trade (189, 742 MT) was 54 percent higher than in the first quarter of 2017, and only 16 percent lower than the five year average, as opposed to 45 percent in January-to-March 2017. See Figure 4. The increased regional maize trade was attributed to improved production in Uganda and policy-related lower prices in Tanzania with the two countries accounting for 54 and 41 percent of total exports to Kenya respectively. Relatively higher prices in Kenya was also a min driver for the increased regional trade. See Figure 5. Exports from Tanzania to Kenya have been on an increasing trend following the removal last year of an export ban by Tanzania that had depressed domestic prices enhancing Tanzanian maize competitiveness in Kenya. First quarter maize exports from Ethiopia to Kenya declined seasonably due to increased availability in Kenya from the October-to-January and January-to-February harvests, but the decline was enhanced by uncertainty in production levels, excessive speculative trade in the third quarter of 2017; and enduring high inflation in Ethiopia following the devaluation of the currency in October 2017, all of which elevated Ethiopia maize prices above Uganda and Tanzania maize prices.

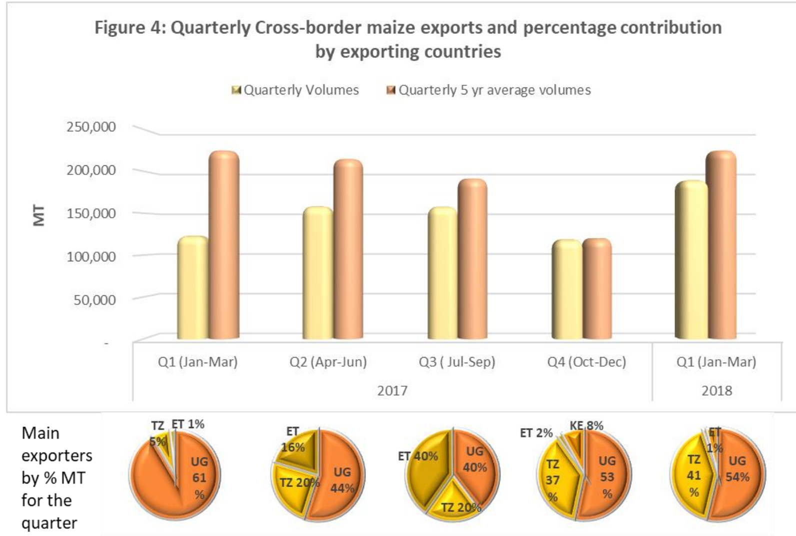


Figure 4: Quarterly Cross-border maize exports and percentage contribution by exporting countries

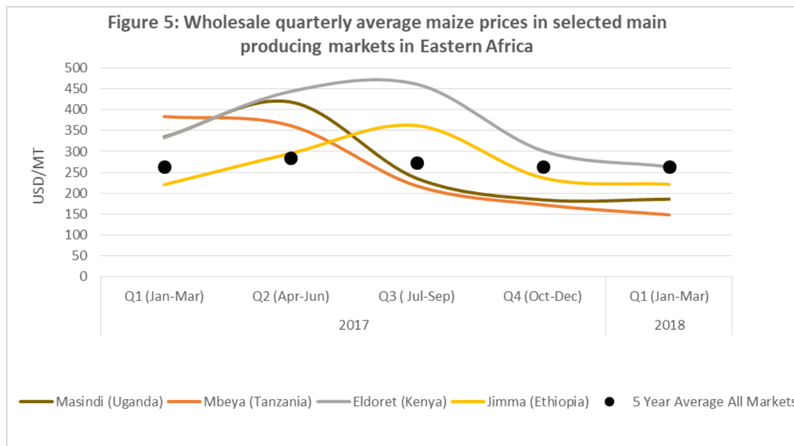


Figure 5: Wholesale quarterly average maize prices in selected main producing markets in Eastern Africa

Sorghum: The 2018 first quarter regional trade in sorghum declined precipitously and was 33 and 70 percent lower than the respective 2017 first quarter and five-year average levels. See Figure 6. Exports from all the main exporting countries was low attributed to various factors. In Uganda, exports declined following increased domestic demand for human consumption and brewing of beer as the country started recovering from below average production in the previous seasons. While Sudan sorghum prices in foreign currency including regional currencies declined, making sorghum exports to the northern markets of South Sudan, and to Eritrea more attractive (See Figure 7), exports remained depressed because of: the removal of wheat subsidies in Sudan enhanced domestic demand for sorghum; uncertainties over currency trends in Sudan; closure of border with Eritrea by Sudan; increasing tensions in South Sudan's Northern Bahr El Ghazal, and sporadic

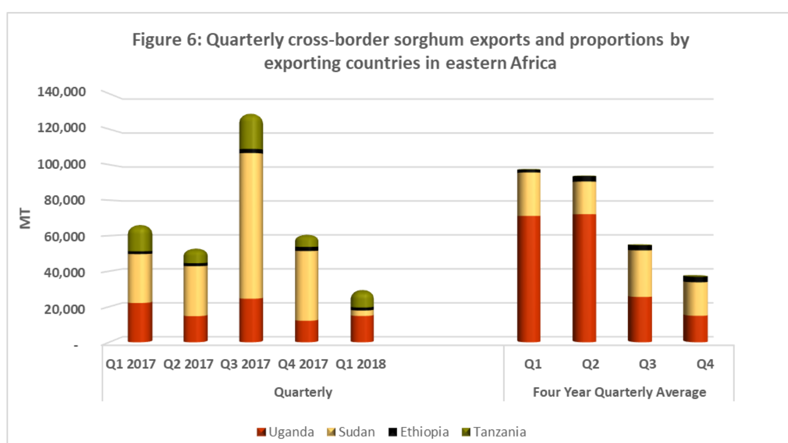


Figure 6: Quarterly cross-border sorghum exports and proportions by exporting countries in eastern Africa

armed clashes in Upper Nile regions. First quarter exports from Ethiopia were seasonably low but uncertainties in currency exchange rates also held back exports. Uganda, followed by Tanzania were the main exporting countries in the region. South Sudan, Rwanda and Kenya were the main importing countries. See Annex for more details.

Rice: The first quarter 2018 regional trade in rice was similar to first quarter 2017 but 12 percent lower than the five year average volumes. See Figure 8. Tanzania, Somalia and Uganda accounted for 69, 20 and 12 percent of the total regional exports. Most of the rice from Somalia, were international rice imports, re-exported to the eastern Somali regions of Kenya and Ethiopia. Exports from Tanzania increased by 47 percent above the four year average enhanced by unseasonably large off-loads into the markets by traders due to imminent start of the May-to-August harvest, gradually reducing domestic prices. See Figure 9. Trader's stocks were atypically higher because of the lingering effect of a ban on maize grain exports which brought uncertainty into the rice market. The export ban was removed last year by the government. Re-exports from Somalia to eastern Ethiopia and Kenya increased modestly as a result of enduring lower prices in Somalia brought about by increased availability of imports and food aid, mostly as result of poor sorghum and maize production in 2017; better but still lower January 2018 harvest when compared to the five year average.

Dry beans: Dry bean regional trade in the first quarter of 2018 was similar to 2017 first quarter but still 28 percent below the five-year average. See Figure 10. This was attributed to increased dry bean availability across the region following the October-to-February harvests, and declining prices across most markets. See Figure 11. However the reduction in regional trade was enhanced by reduced exports from Uganda because of high domestic demand by households, restocking by traders as stocks had been depleted by high exports in 2017, traders holding on stocks in anticipation of earning higher prices later on in the year. Exports of broad beans from Ethiopia remained similar to first quarter 2017 level, but exports from Rwanda to Uganda increased

Figure 7: Wholesale quarterly and average sorghum prices in selected main producing markets in Eastern Africa

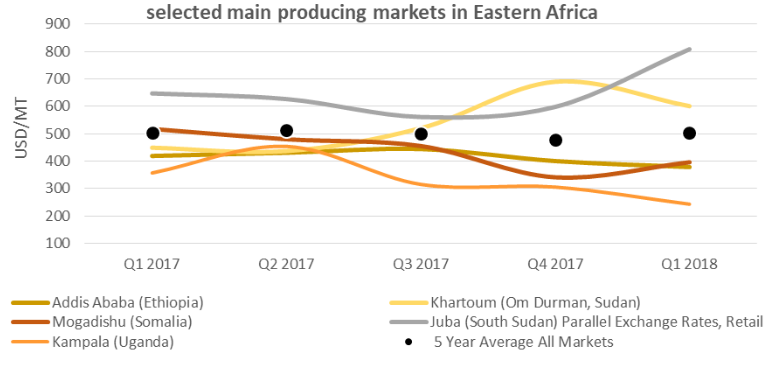


Figure 8: 2017 Quarterly and 2013/2017 quarterly average cross border local rice exports by main exporting countries in Eastern Africa

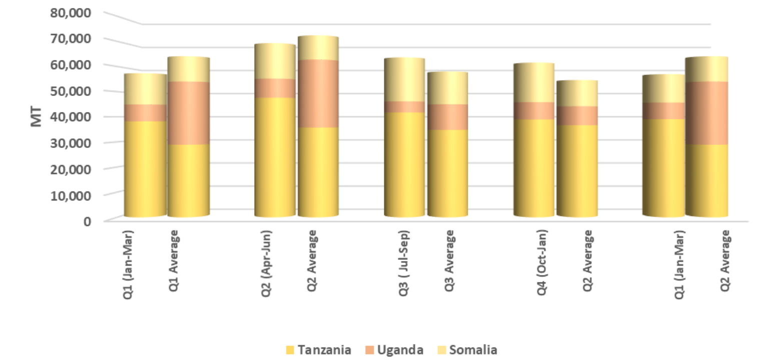


Figure 9: Wholesale quarterly average prices for local rice in selected main producing markets in Eastern Africa

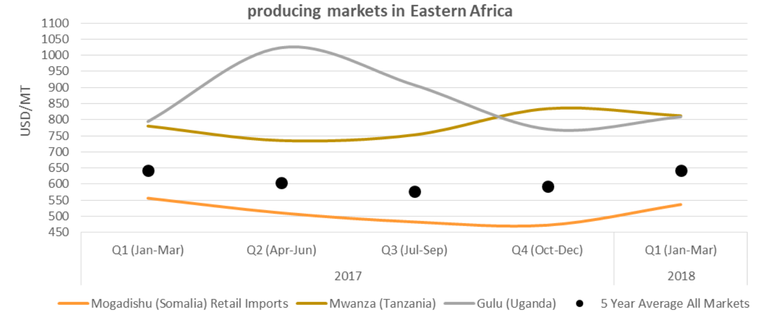
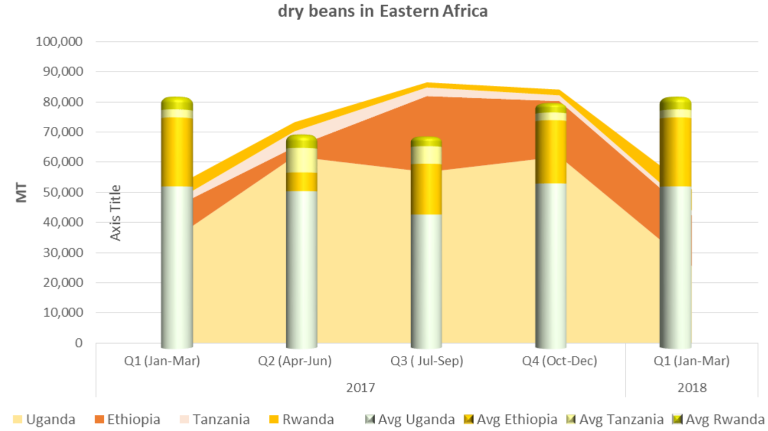
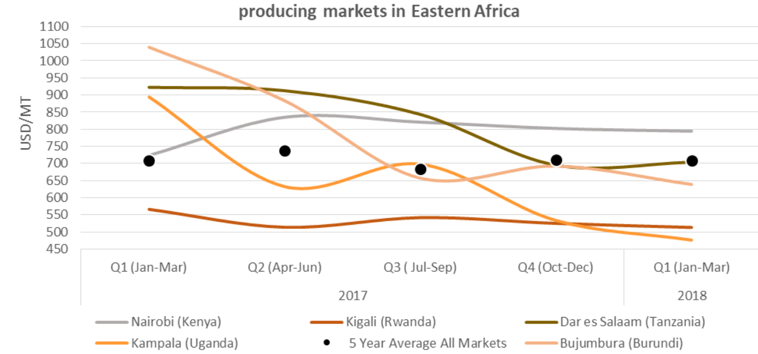


Figure 10: Quarterly and four year average volumes of cross-border trade in dry beans in Eastern Africa



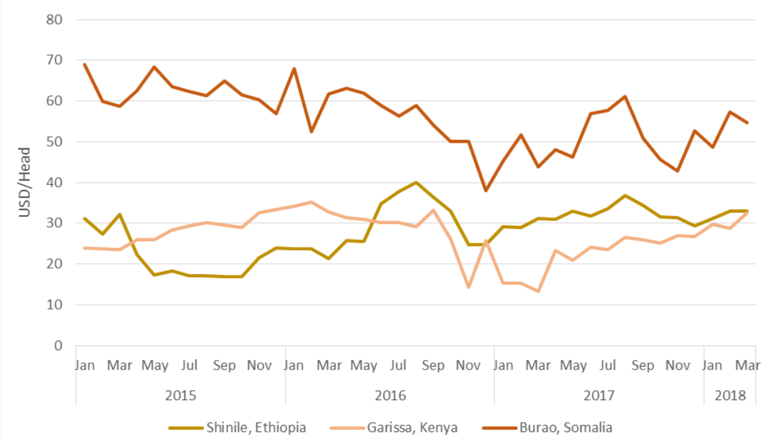
because of high demand and prices for the small variety of beans. The prices of other bean varieties declined seasonably in Uganda. Uganda, Ethiopia and Rwanda accounted for 50, 33 and 14 percent of the total regional dry bean exports.

Figure 11: Wholesale quarterly average dry bean prices in selected main producing markets in Eastern Africa



Livestock: Regional livestock trade increased in the first quarter of 2018 from the previous quarter except for exports from Uganda to South Sudan. See Figure 12. The volumes were below the respective five year average as the pastoral regions of Somalia, Ethiopia and Kenya recover from past poor rainfall performance and rangeland conditions. The increased trade between Ethiopia and Somalia, Somalia and Kenya, was attributed to a better October-to-December rainfall performance that sustained good rangeland conditions during the January-to-March dry season, and early start of the March-to-May rainfall especially in Somalia that improved pasture, browse, and water availability across the pastoral rangelands, improving livestock border conditions, stimulating trade for restocking, fattening and slaughter. Exports increased from Ethiopia to Somalia due to availability of export quality livestock at lower prices as the sector recovers from the previous dry season. Figure 12 shows a price differential between source market in Shinile and Burao market where some goats are fattened in preparation of being moved to Berberra port in northern Somalia for exports to the Middle East. Prices remained relatively low in Kenya because of the usual high supply from a wider catchment area that includes northern and eastern Kenya, and southeastern areas of Somalia. Livestock exports especially of sheep from Uganda to South remained low and flat because of conflict-related insecurity and reduced purchasing power.

Figure 12: Goat prices in selected markets in Eastern Africa



CROSS BORDER TRADE OUTLOOK APRIL TO DECEMBER 2018

Maize: Regional maize exports from Uganda between July 2017 and June 2018 will likely reach 380,000MT. Between April and June 2018 a further 60,000 MT would likely be exported to Kenya alone attracted by high prices. See Figure 13. Uganda maize exports to Kenya between July 2017 and June 2018 will likely total 250,000 MT. Between July and December 2018 maize exports from Uganda to Kenya would likely be exceptional, enhanced by the March business deal between the Grain Council of Uganda and the Kenya Cereal Millers Association (CMA) for 600,000 MT to be exported to Kenya at $225 per MT. Uganda exports to South Sudan will likely remain depressed because of security-related trade disruptions, low purchasing power, and reduced size of the South Sudan market.

Figure 13: Maize prices and projections (shaded) in selected markets in Eastern Africa

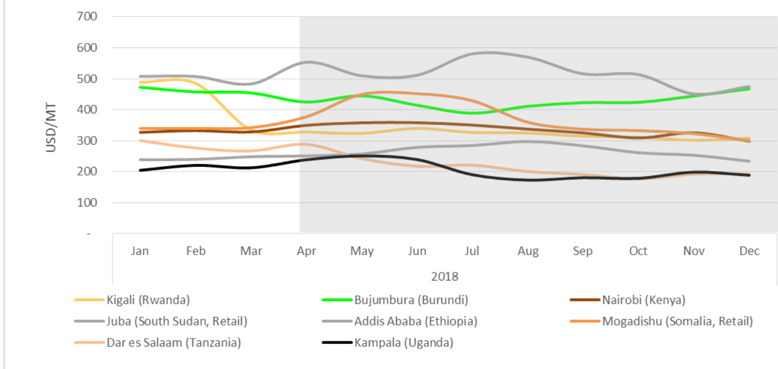
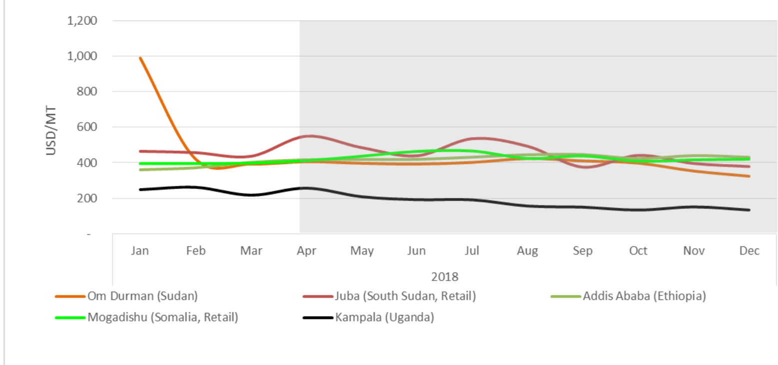


Figure 14: Sorghum prices and projections (shaded) in selected markets in Eastern Africa



Regional maize exports from Tanzania between July 2017 and June 2018 will likely reach 250,000MT. Between April and June 2018 a further 50,000 MT would likely be exported to Kenya alone. Tanzania maize exports to Kenya between July 2017 and June 2018 will likely total 215,000 MT, but then increase through December because of a second consecutive year in which production would be above the previous year. Exports to Burundi from Tanzania are also expected to be high.

Between April and December 2018, maize exports from Ethiopia to deeper markets in Kenya is expected to be lower than last year due to increased supplies from nearby sources in Uganda and Tanzania. Maize imports to Rwanda between April and December will likely be higher than last year, and dominated by Uganda and Zambia.

Sorghum: Despite the high demand in Eritrea, a structural sorghum deficit country, the continued closure of borders and restricted trade flows between it and Sudan, will likely reduce formal flow of trade from Sudan between April and December 2018, while informal trade is likely to continue with high risk as price differences are very attractive. Exports from Uganda to South Sudan between April and December 2018, will likely remain dismally low (16,000 MT) despite lower prices in Uganda (See Figure 14)due to frequent conflict-related trade disruptions, reduced purchasing power and constricted market.

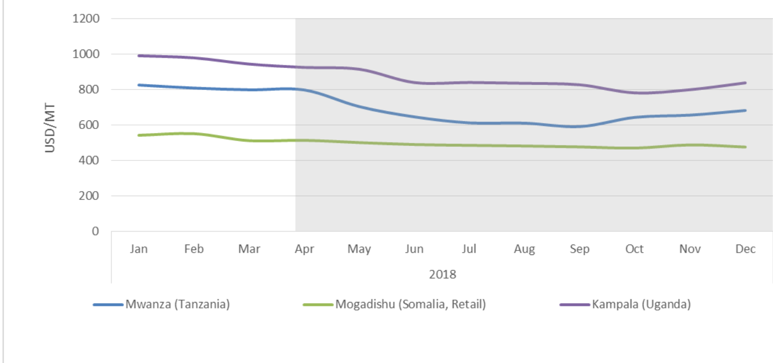
Exports to South Sudan would likely be around 25,000MT despite currency devaluation and opening of borders by Sudan because of increasing tensions in South Sudan's Northern Bahr El Ghazal, and sporadic armed clashes in Upper Nile regions. Sudan sorghum exports to Ethiopia's border regions are expected to reduce following near-average harvests in western Ethiopia. Uganda's exports to Kenya will likely increase through December 2018 following production recovery after the previous below average production.

Ethiopia exports to Somalia mostly is expected to be higher than last year but still significantly below average as production in the main and nearby source for exports in the eastern Haraghe areas was below average.

The impact of currency devaluation in Sudan and Ethiopia may take time to have effect. In the short term, demand may be inelastic resulting in low quantities exported, but over time demand may become more price elastic and have a bigger effect on exports.

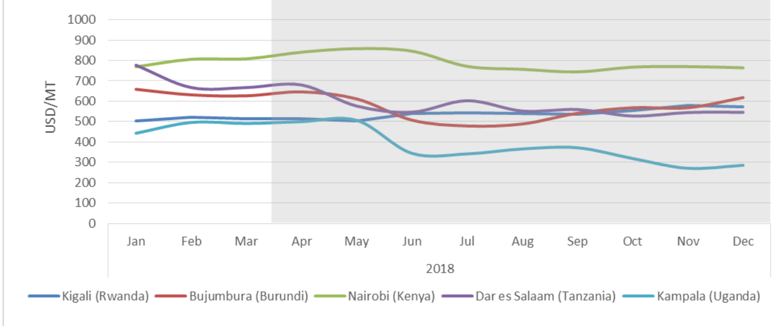
Rice: Between April and June 2018, rice exports from Tanzania to Kenya, Uganda, and Rwanda, would likely reach 25,000, 5,000 and 20,000 MT respectively, spurred by expected better production in Tanzania together with certainty in trade policy that allows rice exports. Regional trade in rice is then expected to remain high through December when compared to 2017. Exports from Uganda to South Sudan would likely be 18,000 MT Re-exports from Somalia to the eastern Somali regions of Ethiopia and Kenya will likely increase, reaching 5,000 and 10,000 MT respectively as the regions continue to recover from the past seasons of below average rainfall and also because of lower prices in Somalia (See Figure 15).

Figure 15: Rice prices and projections (shaded) in selected markets in Eastern Africa



Dry beans: Regional dry bean exports from between July 2017 and June 2018 from Uganda, Ethiopia and Rwanda will likely reach 210,000, 75,000 and 16,000 MT respectively because of better production prospects. Exports from Uganda, Ethiopia and Rwanda between April and June 2018 alone are expected to be 33,000, 7,000 and 4,000 MT respectively due to higher prices (See Figure 16). Dry bean exports from Uganda to Kenya will likely reach 30,000MT; 5,000 MT from Ethiopia to Kenya; and 4,000 MT from Rwanda to Uganda.

Figure 16: Dry bean prices and projections (shaded) in selected markets in Eastern Africa



Livestock: Livestock trade between Ethiopia, Somalia and Kenya is expected to continue increasing in the second through the third quarters of 2018. This is attributed to expected increase in demand and prices during the May Ramadan and August Hajj related religious festivities in the region and in the export market of the Middle East. Livestock exports from Uganda to South Sudan will most likely remain subdued because of conflict-related trade disruptions and low demand in South Sudan as a result of depreciating purchasing power. The regional trade in livestock is then expected to decline seasonably in the fourth quarter of 2018 as demand wanes seasonably.

Price Volatility: Staple commodity price volatilities in between April and December 2018 will likely be high in the main producing markets in the region (Uganda, Tanzania, Ethiopia and Sudan). See Figures 17 to 20.

Higher maize and sorghum production than last year will likely reduce price volatility significantly in Uganda but the volatility will likely remain the highest in the region, because of limited quality storage, high seasonal domestic and regional demand, and excessive speculative purchases for disposal at high prices in the domestic and regional markets later.

Volatility in Tanzania is expected to be higher than last year as farmers and traders replace old with fresh stocks to mitigate storage losses, but with trading hedged on a high likelihood of the government discouraging regional exports to sustain high domestic food availability and low prices.

In Ethiopia, volatility is expected to be slightly lower than in Uganda and Tanzania but driven by widening balance of payments and enduring effects of currency devaluation last October; and high political risks.
The expected relatively high sorghum price volatility in Sudan is attributed to high susceptibility to trade policies including export bans, closure of borders, and currency devaluation.

While South Sudan is a main consumption market, it has a high exposure to enduring currency depreciation and conflict related trade disruptions. Imports from the region, southern Africa and probably overseas (Mexico and Ukraine) will likely dampen price volatility in the main consuming markets (Kenya, South Sudan, Rwanda, Burundi and Somalia).

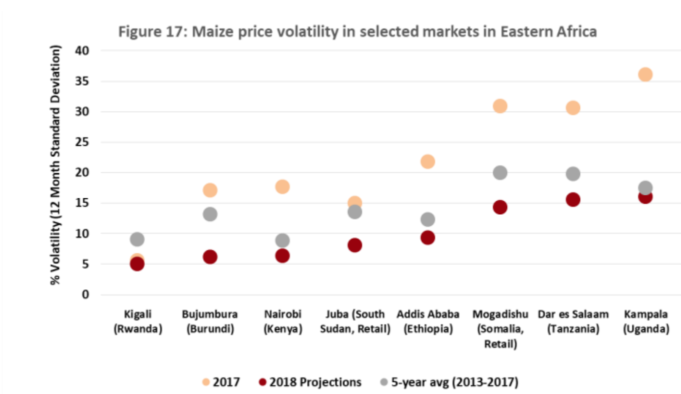


Figure 17: Maize price volatility in selected markets in Eastern Africa

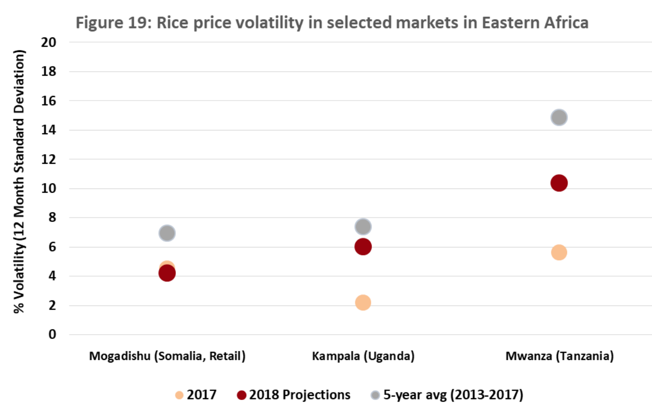


Figure 19: Rice price volatility in selected markets in Eastern Africa

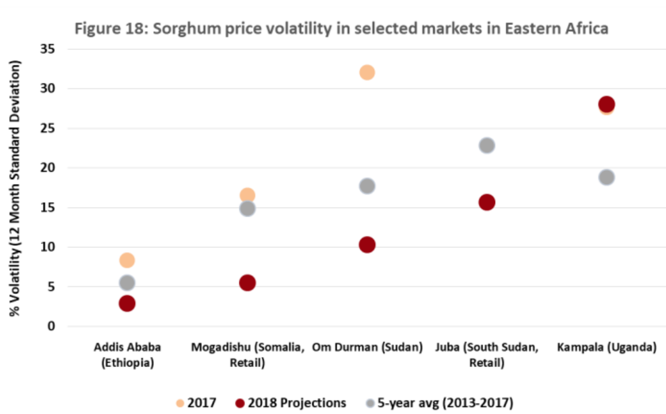


Figure 18: Sorghum price volatility in selected markets in Eastern Africa

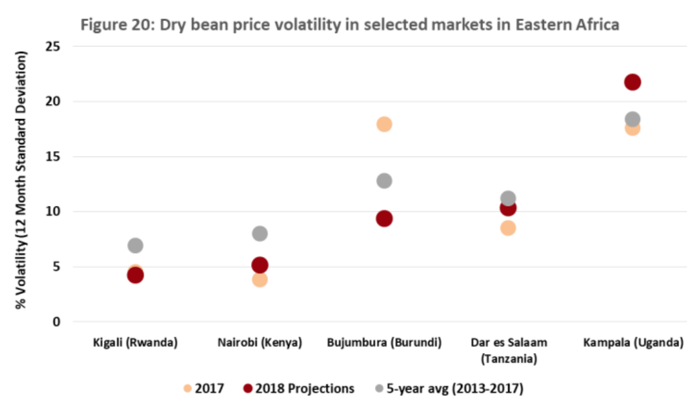


Figure 20: Dry bean price volatility in selected markets in Eastern Africa

ANNEX

Table 1: Cross-borders trade between January and March 2018 among selected pairs of countries for some staple food commodities.

Commodity	Trade Flow Corridors (source destination)	Trade Volumes in MT (Livestock in Heads)	% Change			Historical Comparison		
			Last Quarter	Last Year	4 Year Average	Last Quarter	Last Year	Average
Maize	Uganda - South Sudan	7,123	-29%	-24%	-93%	▼	▼	▼
	Uganda - Kenya	87,283	84%	243%	32%	▲	▲	▲
	Tanzania - Kenya	76,723	76%	1302%	313%	▲	▲	▲
	Tanzania - Burundi	1,254	516%	1041%	14%	▲	▲	▲
	Ethiopia - Kenya	461	316%	-94%	-79%	▲	▼	▼
	Ethiopia - Somalia	1,408	1%	57%	81%	►	▲	▲
Sorghum	Uganda - South Sudan	4,803	16%	-9%	-92%	▲	▼	▼
	Uganda - Kenya	5,849	-12%	-60%	-15%	▼	▼	▼
	Uganda - Rwanda	4,177	216%	107%	8%	▲	▲	▲
	Ethiopia - Djibouti	9	193%	129%	-32%	▲	▲	▼
	Ethiopia - Somalia	704	-49%	1%	52%	▼	►	▲
	Somalia - Djibouti	245	169%	773%	-35%	▲	▲	▼
	Sudan - South Sudan	2,704	-74%	-83%	-68%	▼	▼	▼
	Sudan - Eritrea	62	-99%	-97%	-98%	▼	▼	▼
Rice	Uganda - South Sudan	6,625	-4%	-2%	-74%	►	►	▼
	Tanzania - Kenya	22,792	-8%	16%	47%	▼	▲	▲
	Tanzania - Rwanda	13,738	5%	-7%	20%	►	▼	▲
	Somalia - Kenya	1,568	-72%	-57%	-11%	▼	▼	▼
	Somalia - Ethiopia	9,702	-4%	11%	17%	►	▲	▲
	Tanzania - Burundi	1,658	147%	130%	75%	▲	▲	▲
Beans	Uganda - South Sudan	3,704	8%	53%	-77%	▲	▲	▼
	Uganda - Kenya	20,383	-63%	-25%	-42%	▼	▼	▼
	Uganda - Rwanda	3	0%	-100%	-100%	►	▼	▼
	Rwanda - Uganda	7,003	271%	40%	82%	▲	▲	▲
	Uganda - DRC	1,429	-52%	73157%	244%	▼	▲	▲
	Tanzania - Kenya	1,578	-18%	1%	-41%	▼	►	▼
	Ethiopia - Kenya	7,318	-16%	-1%	24%	▼	►	▲
	Ethiopia - Sudan	9,547	-2%	155%	-43%	►	▲	▼
Camels	Somalia - Kenya	400	138%	-87%	-61%	▲	▼	▼
	Ethiopia - Somalia	9,670	22%	29%	-55%	▲	▲	▼
Cattle	Somalia - Kenya	1,301	59%	-79%	-70%	▲	▼	▼
	Ethiopia - Somalia	28,730	18%	10%	-27%	▲	▲	▼
Goats	Somalia - Kenya	4,217	138%	-60%	-45%	▲	▼	▼
	Ethiopia - Somalia	46,493	32%	-22%	-28%	▲	▼	▼
Sheep	Somalia - Kenya	685	-3%	-12%	5%	►	▼	▼
	Uganda - South Sudan	111	-57%	-71%	-98%	▼	▼	▼

Figure 21: cross-borders points monitored by FEWS NET and East Africa Grain Council in Eastern Africa by March 2018