Panel 1

REGIONAL INTEGRATION

Increasing Food Security and Economic Development within Regional Trade Blocks: Example of the Eastern Africa Grain Council

June 4, 2007
Regional Trade is not organized, WHY:

Millions of dollars lost by Governments Marketing Boards

• E.g USD 40M – 50M needed to purchase Strategic Grain Reserves in Kenya.

• Government cannot sell over and above the buying price of USD 18.5

• Approx. USD 5M lost annually.

• Situation worse in many other countries
Liberalization:

Capacity of Private Companies Low, Example;

- In Kenya Private Co.s need USD 40M – 50M purchase maize annually.
- Storage Capacity Government owned.

Forcing Governments to Intervene.
NEED ORGANIZED TRADING

COMESA and EAC maize production and consumption (2004) - data source - FAO STAT

Production: 21,623
Consumption: 17,701
Maize is the most traded commodity in the region. But we only trade maize valued at less than USD 20 million among ourselves.
What are the Major Issues?

- Infrastructure prohibits food movement
- Harmonization and rationalization of trade policy
- Market information systems
- Integration of food aid and trade
- Structured trade systems
- Linkage systems for more efficient trade
Why do we still have informal trade?

Why do we still have food insecurity?

Lack of a mature trading environment
Un-harmonized grades and standards
No standardized trade rules (arbitration)
Lack of training of custom officials on how to facilitate formal trade
Member States backsliding during food crises (e.g. export bans)
Uncoordinated market information systems between donors, government and the private sector
Upkeep and upgrading of infrastructure slowing down
The Need for Organized Grain Trade

1st Grain Summit General Agreement...

How far have we moved?

mature

integrated

regional trading system
Structured trading Systems in Comesa

- Uganda Commodity Exchange
  - Warehouse Receipt
- EU

- Warehouse Receipt
  - ZACA

- EAGC
  - Rules of Trade
  - Contracts
  - KACE

- Commodity Exchanges
  - ACE
  - MACE

- SAFEX
The Eastern Africa Grain Council (EAGC) is a non profit member-based organization registered in Kenya as a company limited by guarantees and without share capital.
Eligible Membership:

All stakeholders along the grain value chain

- Producers, Processors, Traders
- Service Providers (Whse Keepers, Transporters)
- Financial sector (Banks, Insurance)

Current Members are from UG, KE, TZ, Zambia & RSA
EAGC grain trade facilitation role

Market Intelligence

- Providing market prices
- Cross border trade monitoring
- Short term supply and demand projections

Trade Linkage

- Info. on Inquiries to buy and offers to sell
Role of EAGC Cont’

Promotion of Structured Trading System
  Rules of trade – standard contracts, arbitration procedures
  Warehouse receipt systems
  Commodity exchange

Promotion of enabling policy environment
Role of EAGC Cont’

Regional market information dissemination

Monthly trade bulletins and website

www.ratin.net
Good long rains season progress in East Africa

The long rains season progress is good across East Africa. The crop development is in different stages from past germination to maturity. In the southern highlands which is the grain basket of Tanzania, the crop is at the maturity stage. Consumption of fresh/green maize is reported in some selected areas; however, harvesting is expected anytime after mid May 2007. From the bi-modal production areas, the crop is past the vegetative stage. In Uganda, the season is progressing well. There are reports of isolated fresh bean harvests and the maize crop is past the vegetative stage. In Kenya, long rains season started late due to the late onset of rains.

Maize: Daily Wholesale Prices

Maize: Weekly Wholesale Prices

View the Estimated Maize, Wheat & Rice Balance Sheet

Eastern Africa Food & Trade Bulletin
- May 2007 Eastern Africa food Trade Bulletin
- March 2007 Eastern Africa Food Trade Bulletin

Southern Africa Cross Border Bulletin
- Feb 2007 Southern Africa Food Trade Bulletin
- Jan 2007 Southern Africa food Trade Bulletin

Crops Update
- Kenya: Mixed expectations for long rains production
- Tanzania: Good long rains production predicted
EAGC Activities

• MIS
  ▪ Market prices sms
  ▪ Production update
  ▪ Monthly Bulletin
  ▪ Cross-border

• Rules of Trade, Arbitration

• Co-ordinate Warehouse Receipt initiative

• Training

• Policy…
Regional trade linkage
website www.tradeafrica.biz
Welcome to the TradeAfrica™ Commodity Trade Link
The leading Africa grain trade online market place that provides maize prices, enquiries to buy, and offers to sell maize, beans, rice and other agricultural commodities in the Eastern and Southern African region. Register today to initiate trade linkages!

Maize Spot Prices (Prices in US Dollar / MT)

<table>
<thead>
<tr>
<th>Terminal Market</th>
<th>Price</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi (KE)</td>
<td>213.00</td>
<td>May 7</td>
</tr>
<tr>
<td>Kampala (UG)</td>
<td>174.00</td>
<td>May 7</td>
</tr>
<tr>
<td>Dar-es-Salaam (TZ)</td>
<td>109.00</td>
<td>Apr 30</td>
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<tr>
<td>Lilongwe (Mw)</td>
<td>128.00</td>
<td>May 1</td>
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<tr>
<td>Lusaka (ZM)</td>
<td>158.00</td>
<td>May 7</td>
</tr>
<tr>
<td>Kigali (RW)</td>
<td>229.00</td>
<td>May 1</td>
</tr>
<tr>
<td>Addis Ababa (ET)</td>
<td>158.00</td>
<td>May 3</td>
</tr>
<tr>
<td>Durban (SA)</td>
<td>231.00</td>
<td>Apr 23</td>
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Offers/Enquiries: Maize

<table>
<thead>
<tr>
<th>Grade</th>
<th>Country</th>
<th>Offer</th>
<th>Qty</th>
<th>Indicative Price/MT</th>
<th>Expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Grade 1</td>
<td>Zambia</td>
<td>No: 233</td>
<td>400,000 MT</td>
<td>$187.00</td>
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<tr>
<td>Sell</td>
<td>Grade 1</td>
<td>Kenya</td>
<td>No: 232</td>
<td>54,000 MT</td>
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<td>Zambia</td>
<td>No: 231</td>
<td>15,000 MT</td>
<td>$175.00</td>
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<td>Sell</td>
<td>Grade 1</td>
<td>Kenya</td>
<td>No: 228</td>
<td>54,000 MT</td>
<td>$254.00</td>
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Offers/Enquiries: Beans

<table>
<thead>
<tr>
<th>Grade</th>
<th>Country</th>
<th>Offer</th>
<th>Qty</th>
<th>Indicative Price/MT</th>
<th>Expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy</td>
<td>Grade 1</td>
<td>Zambia</td>
<td>No: 1200.0</td>
<td>1,200.00 MT</td>
<td>$148.00</td>
</tr>
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View Complete listing

More Partners

Market Intelligence

RATIN
Regional Agricultural Trade Intelligence Network

Currency Exchange Rates

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News & Information

Internet
EAGC Role in GWR Program

- Enforce Rules of Trade and coordinate arbitration
- Provide Warehouse Receipts Protocols
  - Commodity Care rules
  - Appoint Inspectors
  - Issue Warehouse Certificate
- Print Warehouse Receipt
- Register Warehouse Receipt
EAGC Role if Borrowing

1. Farmer/Trader deposits produce at the warehouse.
2. Warehouse Keeper applies for inspection.
3. EAGC appoints inspector.
4. EAGC issues certificate.
5. Farmer/Trader presents WR to his bank.
6. Bank contacts EAGC to verify the WR.

Eastern Africa Grain Council (EAGC)
Sustainability

Current Funding from:

- Membership
- Services to members
- Support from donors e.g. USAID Kenya and Regional
- Regional Trade Summits
Potential Partnerships…

- MIS
- GWR
- Financial Institution
- Training
- Policy
- Regional Harmonization (COMESA MOU)
- More organized trade organization
- Region
• Harmonized maize standards; EAC done, COMESA under revision

• Harmonize & rationalize trade policies (import/export bans, duties, levies)
Eastern Africa Grain Council

The Eastern Africa Grain Council (EAGC) is a membership-based organisation registered in Kenya as a Company Limited by Guarantee and without share capital. It will operate as a non-profit, non-political, non-denominational organisation, which will prepare, disseminate, and promote the exchange of information on matters affecting the regional grain industry.

2nd African Grain Trade Summit, 2007
EAGC, in partnership with the Regional Agricultural Trade Expansion Support (RATES) program, is organizing a Regional Grain Trade Summit that will bring all the players in the private and public sectors.

Regional Market Intelligence - RATIN
RATIN was developed to help reduce regional food insecurity by strengthening the ability of markets to provide access to affordable food to poor households and improve food availability.

Eastern Africa Grain Council Partners
Organized Trading for Maize; but need for other commodities in the region.
Do’s to Facilitate Trade

• More investments in market intelligence
  – Earmarked budget for National MIS by Govt.
• More investment in rail & road infrastructure
• Free flow of food from surplus to deficit
• Adopt structured trading systems
  – Use and honoring trade contracts
www.eagc.org

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Thank You