

EAST AFRICA CROSSBORDER TRADE BULLETIN

FSNWG Food Security & Nutrition Working Group

January 2021

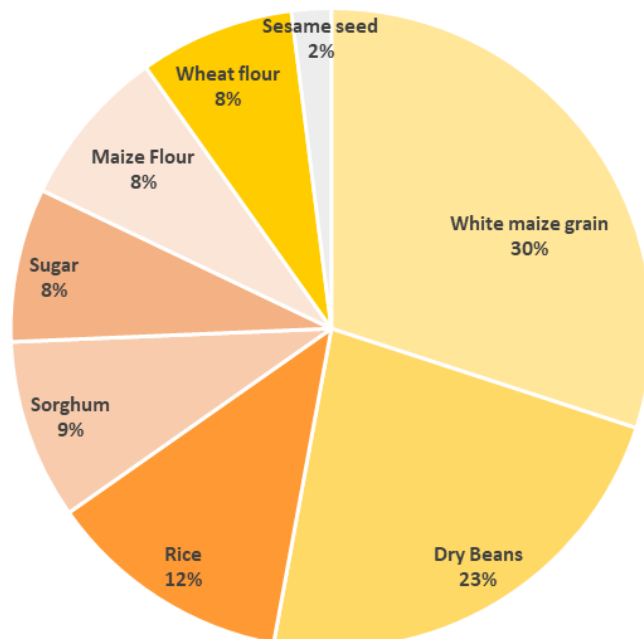
MAS Market Analysis Subgroup

Volume 32

SUMMARY POINTS

Figure 1: Main Staple Food Commodities Informally Traded Across Selected Borders in Eastern Africa in the Fourth Quarter of 2020.

Source: FEWSNET and EAGC



- Maize grain was the main commodity traded in the region between October and December 2020 (fourth quarter of 2020) followed by dry beans, rice and sorghum as shown in Figure 1.
- Regional cross border trade for most commodities increased between the third and fourth quarters of 2020 and driven by trader adaptations to operating under COVID-19 movement restrictions, increased demand in South Sudan due to relative calm, and increased import demand in Kenya in anticipation of increased import requirements later in 2021.
- Livestock exports from East Africa to the Middle East declined in 2020 due to reduced demand linked to COVID-19. Livestock trade declined more than usual along all trading corridors following the end of the September high season, when trade often persists following the conclusion of Hajj religious festivities in the Middle East.
- Staple food commodity parity price trends (expressed in US dollars per MT) followed seasonal trends during the fourth quarter of 2020. Prices remained high in Ethiopia, Sudan and South Sudan relative to historical levels because of insecurity and high inflation. Prices trends are expected to vary across the region in the next nine months, trending seasonably.

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. Cross-Border trade and price data is provided by, the Famine Early Warning Systems Network (FEWS NET), the Eastern Africa Grain Council (EAGC), the Food and Agricultural Organization of the United Nations (FAO), the National Bank of Rwanda (NBR), the World Food Program (WFP), Farmgain (Uganda), FAMIS (Sudan), FSNAU (Somalia), MoA (Kenya and Burundi), RATIN all of East Africa, Tanzania Trade Development Authority.

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

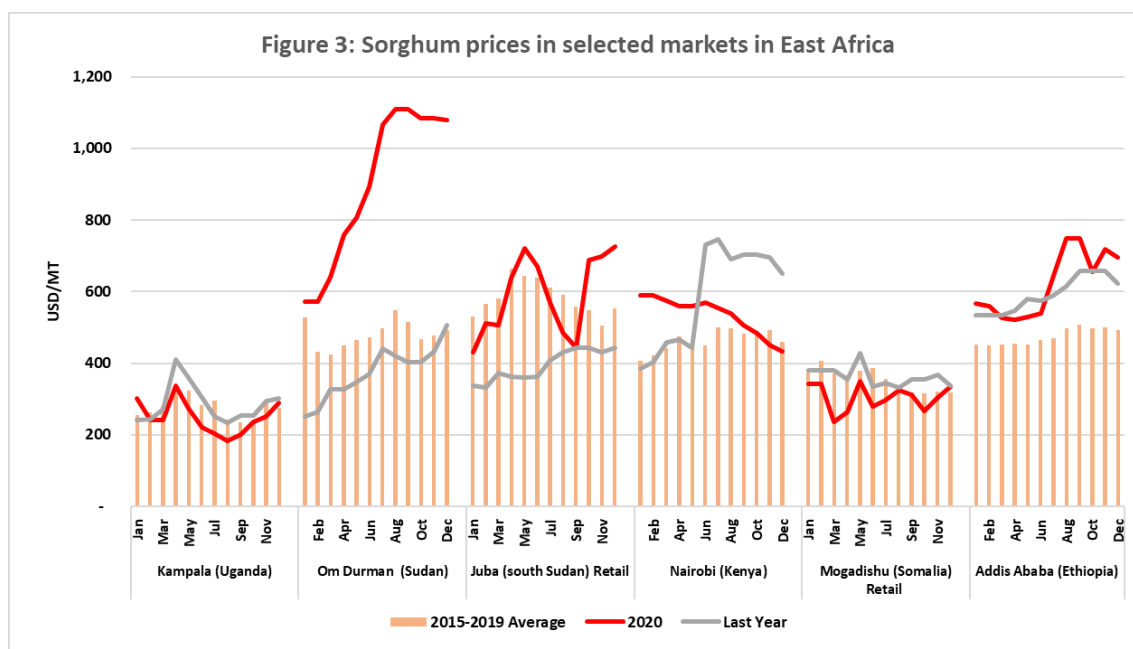
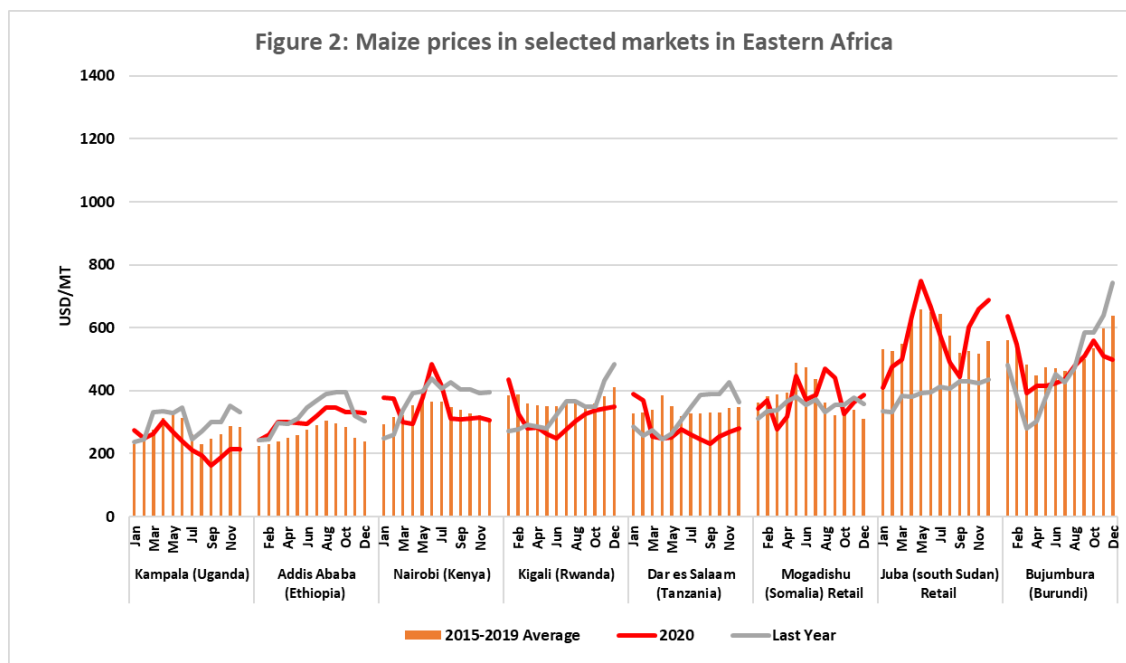
	Maize & Maize Flour: Ethiopia, southern Somali, South Sudan, Kenya, Uganda and Tanzania
	Beans: Consumed throughout East Africa
	Wheat & Wheat Flour: Consumed throughout East Africa and is particularly important in urban areas
	Rice: Consumed throughout East Africa
	Sorghum & Sorghum Flour: Sudan, South 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.



PRICES FOR SELECTED COMMODITIES IN EAST AFRICA IN FOURTH QUARTER 2020

In the East African region, maize prices standardized to dollar terms followed seasonal patterns across most markets increasing between October and December towards the main December-to-January harvest. See Figure 2. Prices increased in Tanzania as supplies tightened before the next May-to-August main harvest. Prices declined steadily following seasonal trends in most markets in Kenya and Ethiopia due to ongoing October-to-January harvest. In Burundi, maize prices declined atypically because of reduced informal exports to Democratic Republic of Congo due to COVID-19 restrictions. Sorghum prices also followed seasonal trends but remained elevated due to insecurity and high inflation in Sudan, South Sudan and Ethiopia. See Figure 3.

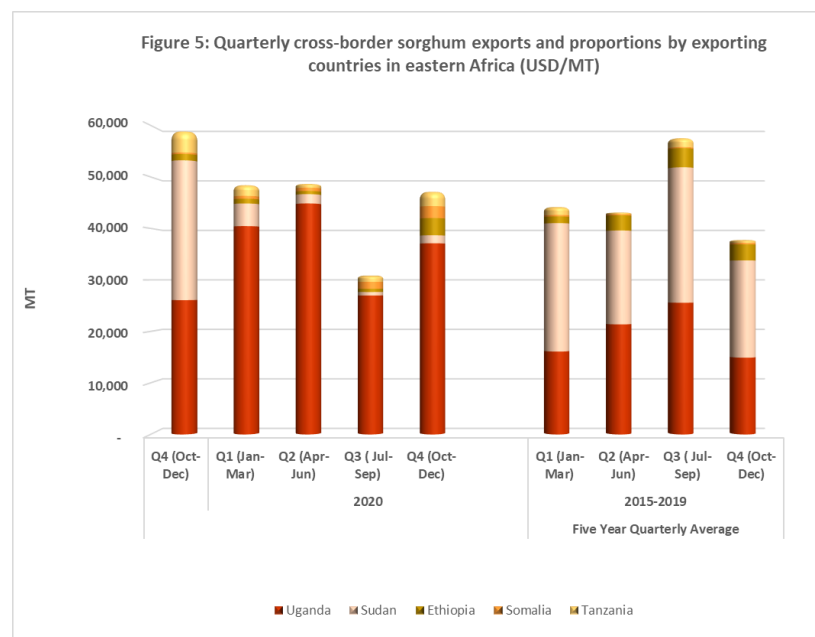
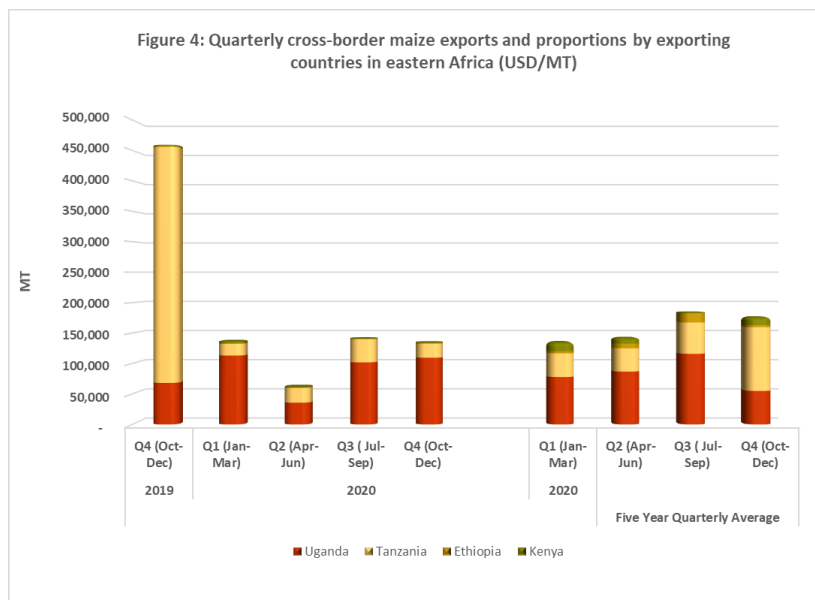


THE STATUS OF CROSS BORDER TRADE IN THE THIRD QUARTER (OCT-DEC) OF 2020

The effects of measures to contain COVID-19 infections enacted at the end of the first quarter of 2020 persisted during the fourth quarter of 2020. These include border screening measures, among others, and their lagged effects include trucking delays and increased transportation costs along key marketing corridors.

Maize

In the fourth quarter (October-to-December) of 2020, approximately 134,000 MT of maize was traded in the East African region. The volume was similar to the previous third quarter, 71 percent lower than the fourth quarter of 2019 which was exceptional, and slightly above recent five-year average of the fourth quarters. See Figure 4. Uganda and Tanzania accounted for 82 and 17 percent of the exports respectively, while Kenya, South Sudan, and Rwanda represented 61, 29 and eight percent of the imports respectively. Recorded exports from Uganda to Kenya were above average partly because COVID-19 border restrictions that have forced informal trade flows into formal channels with more comprehensive monitoring. Exports from Uganda to Kenya were also supported by increased availability from the December-to-January harvest. Furthermore, Kenyan traders are expecting below average 2021 rainfall and have begun purchasing maize for storage in anticipation of higher prices in June 2021 onward. Increased exports to South Sudan was a continuation of recovery of cross-border trade as relative calm continued to prevail in most areas of the country, opening up trade routes and improving market functionality. This is despite localized insecurity, ad hoc clashes and intercommunal conflicts especially in Jonglei, Warrap, parts of Lakes and Unity, and Central Equatoria States. Tanzanian exports to neighboring countries declined due to tight domestic supplies and relatively high availability in typical export destinations such as Burundi and Rwanda.



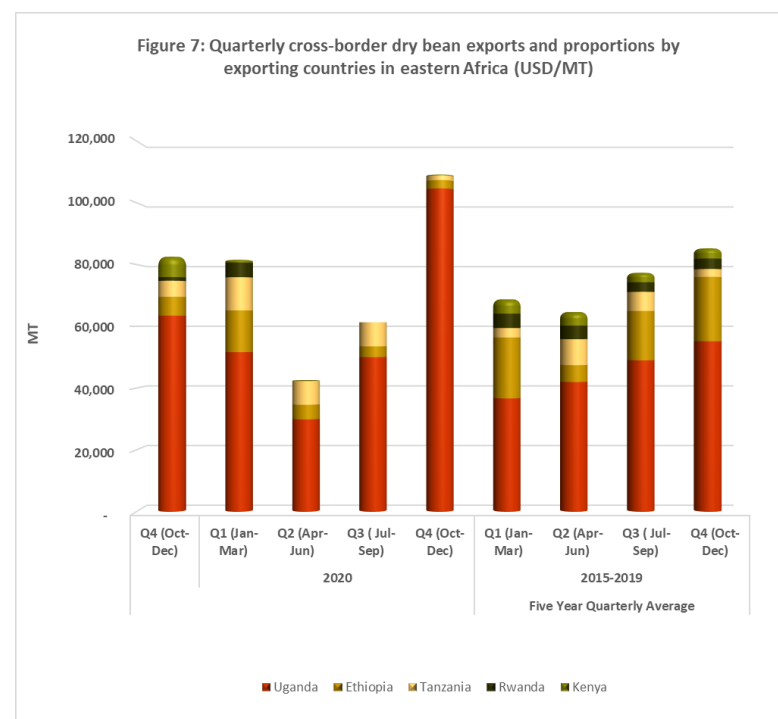
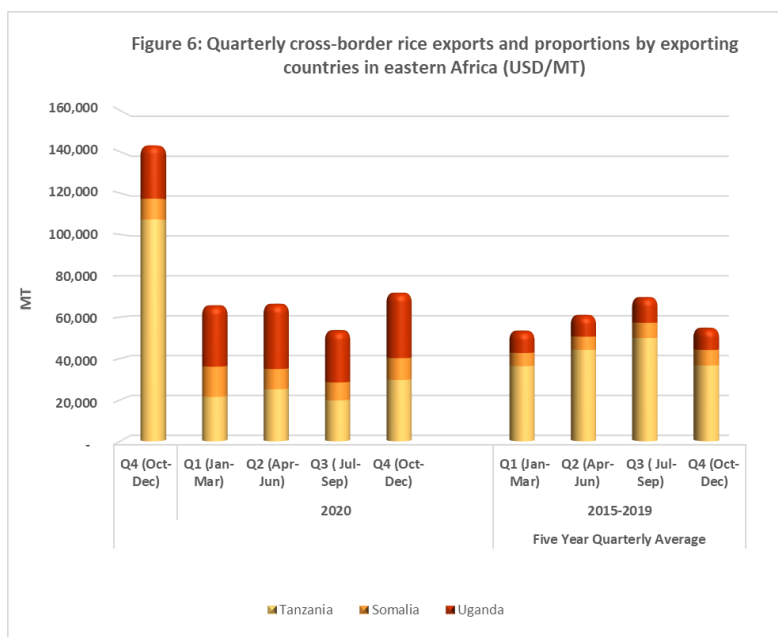
Sorghum

Approximately 47,000 MT of sorghum was traded in the East African region in the fourth quarter of 2020. The volume was 53 and 17 percent higher than the third quarter and recent five-year average level respectively but 20 percent lower than the fourth quarter of 2019 which was exceptional. See Figure 5. Uganda, Ethiopia and Tanzania accounted for 79, nine and seven percent of the total exports respectively. Around 86 and eight percent of the exports were destined for South Sudan and Kenya correspondingly. Sorghum exports from Ethiopia to

northwestern and central Somalia was above average because of below average October-to-December production. The effect of the conflict in Tigray region in Ethiopia has shifted some trading patterns. Tigray is structurally deficit and relies on supplies from other areas of Ethiopia to meet local requirement. The progression of the conflict there has disrupted market and trade activities and Ethiopia traders have found other regional market outlets. Exports from Ethiopia to Sudan was above average during the fourth quart of 2021 as high prices and increased demand by Ethiopia refugees across the border in Sudan attracted imports, in addition to reduced prices in northwestern Ethiopia because of conflict-related curtailed supply to eastern and central Tigray region of Ethiopia. Below average harvest, high and volatile prices, and the ban on sorghum exports by the Sudanese government reduced exports to South Sudan. Those trade flow reductions were offset by increased imports from Uganda as cross-border trade between the two countries continued to recover as relative calm endured in most areas of the country. Traders in South Sudan are also pre-stocking in advance of the 2021 rainy season. Sorghum exports from Tanzania to Rwanda was above average as Tanzania entrenches itself as the main supplier of primary grains to Rwanda, following a diplomatic feud that resulted in the February 2019 closure of borders between Rwanda and Uganda which used to be the main source of staple food commodities.

Rice

An estimated 72,000 MT of locally produced rice and some international re-exports from Somalia were traded in the region in the fourth quarter of 2020. The amount was 34 percent high than the previous third quarter, 50 percent lower than the fourth quarter of 2019 which was exceptional, and 11 percent above the recent five-year average fourth quarter level. See Figure 6. Tanzania, Uganda and Somalia accounted for 45, 44 and 15 percent of the exports respectively, while South Sudan, Uganda, Kenya, Ethiopia and Rwanda represented 44, 18, 14, 13, and eight percent of the imports correspondingly. The above average exports were driven by exports from Tanzania to Uganda and from Uganda to South Sudan. Most of the Tanzanian rice imported to Uganda was then re-exported South Sudan where demand continues to grow as result of relative calm. Exports from Tanzania to Burundi also increase attracted by higher prices. Exports from Somalia to eastern Ethiopia surged following below average rainfall performance in riverine areas in 2020, in anticipation of probable supply constraints following government and Tigray clashes. Regional rice price trends generally did not track the volatility on international markets experienced in 2020.

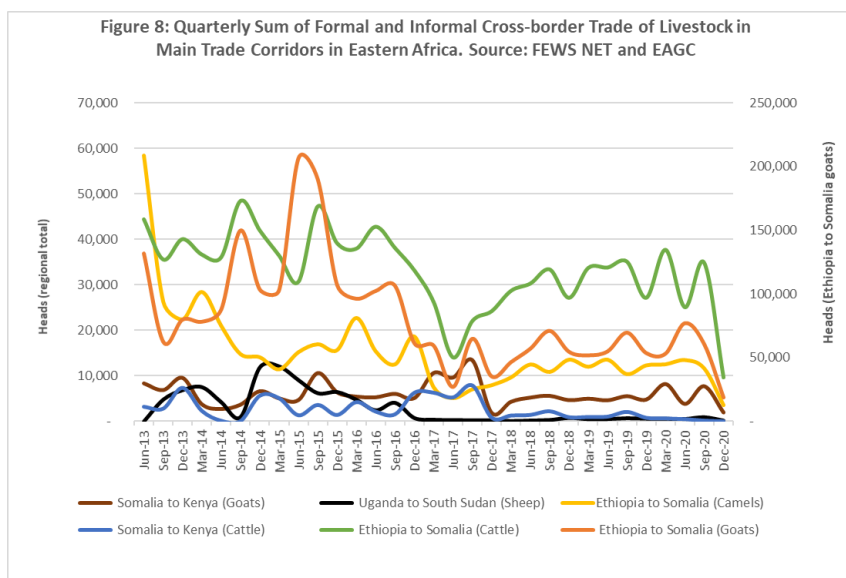


Dry beans

An estimated 109,000MT of dry beans were traded in the East African region during fourth quarter of 2020. This amount was 78, 32 and 17 percent higher than the last quarter, fourth quarter of 2019, and the recent five-year average for the fourth quarter respectively. See Figure 7. Uganda accounted for 96 percent of the exports, while Kenya and South Sudan imported about 82 and 18 percent of the beans correspondingly. The exceptional imports of dry beans by Kenya from Uganda was occasioned by below average opening stocks because of excessive March-to-October 2019 and March-to-June 2020 rains that resulted in below average production, while the October-to-December 2020 rains in the eastern and coastal areas had poor temporal performance reducing production. Increased exports to South Sudan was a continuation of recovery of cross-border trade as relative calm continued to prevail in most areas of the country, as mentioned earlier. Conflict between Sudan and Ethiopia curtailed cross-border trade in broad beans. Domestic harvest reduced import demand in Rwanda and Burundi.

Livestock

Livestock exports from East Africa to the Middle East declined in 2020 due to reduced demand linked to COVID-19. Livestock trade declined more than usual along all trading corridors during the fourth quarter of 2020 following the end of the September high season, when trade often persists following the conclusion of Hajj religious festivities in the Middle East. Consequently, exports from Ethiopia to Somalia for fattening and re-exports to the Middle East declined. Also exports to Kenya from Somalia for domestic use and re-exports decreased. See Figure 8.



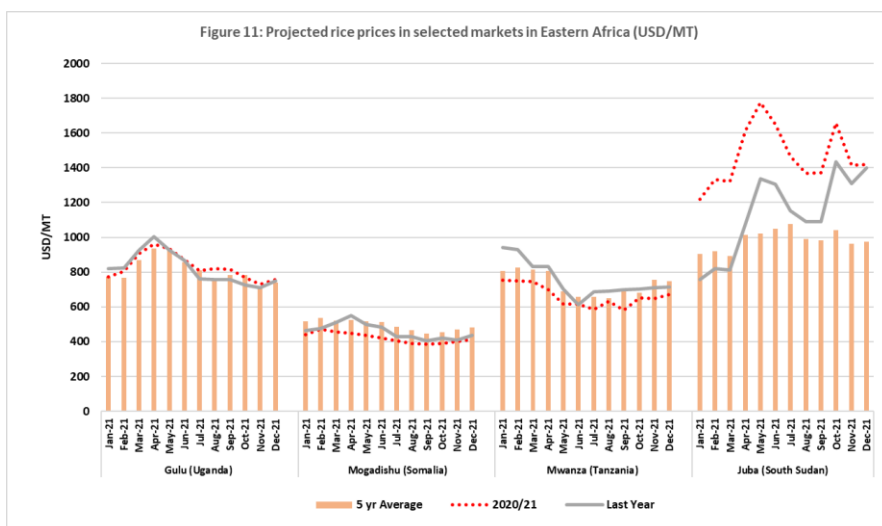
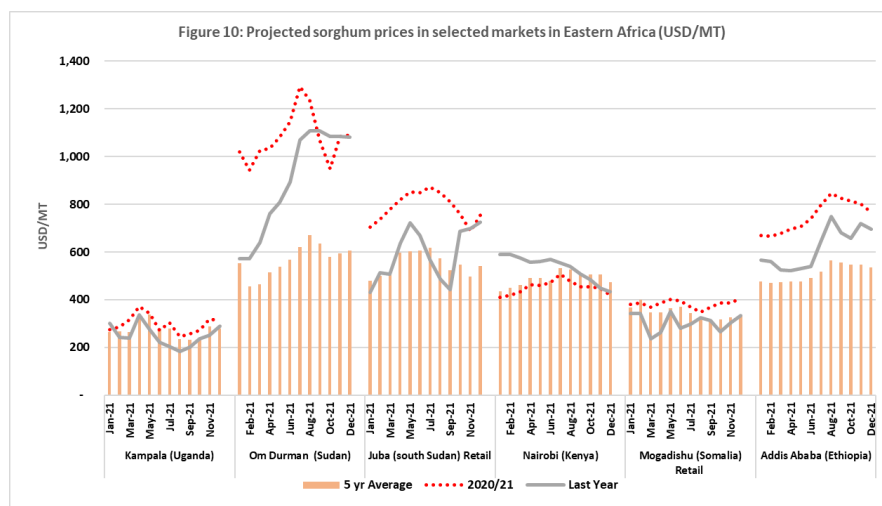
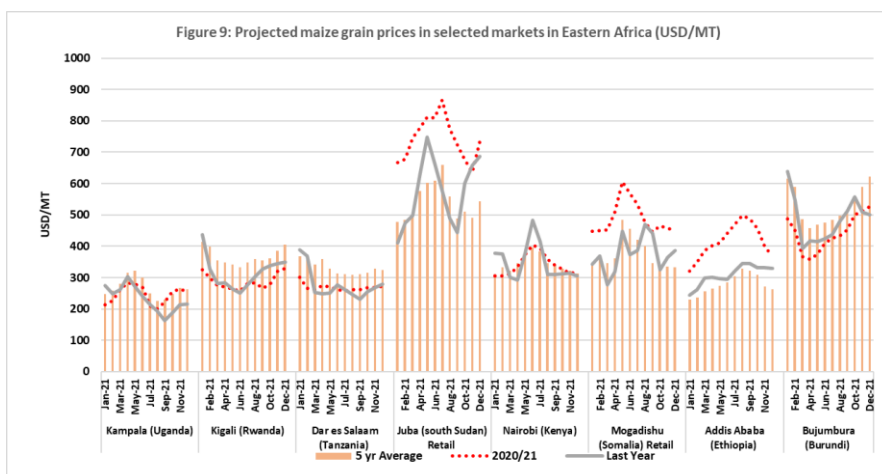
CROSS BORDER TRADE OUTLOOK DECEMBER 2020 TO SEPTEMBER 2021

Analysis in this section uses staple food commodity parity price trends (expressed in US dollars per MT) the results of which may be different when analyzed in local currencies. Some cross-cutting expectations include:

- The consensus climate forecast released in late August by the Greater Horn of Africa Climate Outlook Forum (GHACOF56) indicates an elevated likelihood of below-average to average rainfall across Somalia during the October to December 2020 rainfall season.
- COVID-19 restriction measures at cross border points is likely to be relaxed, thus expected further facilitate trade activities and supply in the region.
- Local currencies are likely to continue depreciating in several countries as macro-economic conditions worsen in South Sudan, Sudan, Ethiopia and Burundi, increasing import inflation and sustaining above average prices.

Maize grain prices in East Africa are expected to follow seasonal trends in 2021 but will likely be elevated in South Sudan, Ethiopia, and Somalia because of expectations of below average harvest due to La Niña, compounded by macro-economic issues including insecurity and or high inflation. See Figure 9. Prices will likely be slightly above average in Kenya because of expectations of below average harvest, although expected upward pressure on prices will probably be moderated by prospects overseas imports with lower duty fee. Elsewhere in the region, the prices will likely remain below average because of availability of maize although at lower levels, in addition to substitute grain, tuber and root commodities.

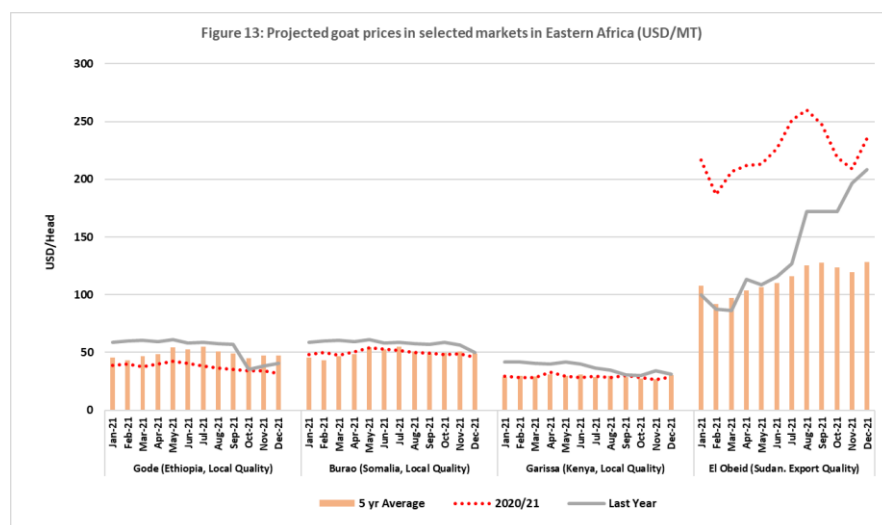
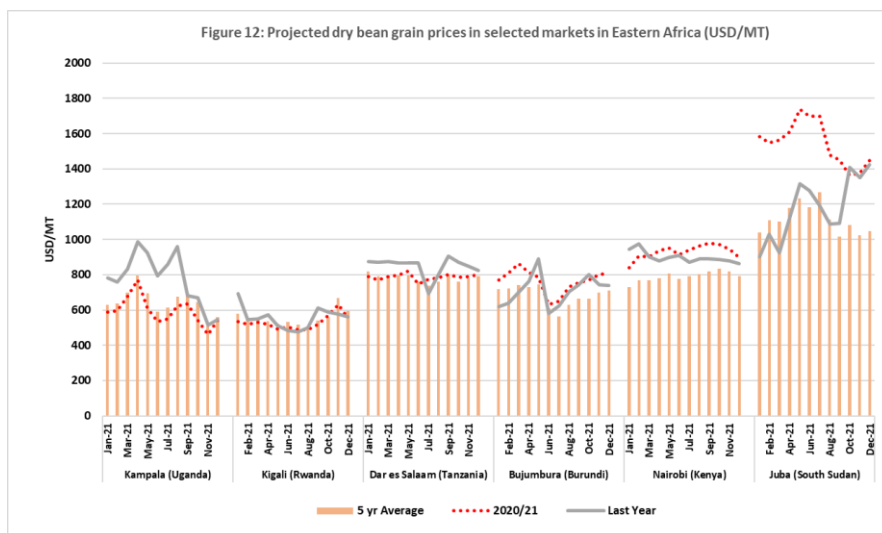
Prices of sorghum are expected to follow seasonal patterns through June 2021. Figure 10. However, they will likely be above last year and recent five-year average level in Sudan because of exceptionally high and increasing inflation, and in Ethiopia because of relatively high inflation, resulting in increased costs of production and marketing. Outflows from Sudan will likely remain very low because of expectations of extension of the existing export ban. Exports from Uganda to South Sudan are expected to continue to increase due to prevailing relative calmness as the peace agreement is implemented. However, persistent currency depreciation and high volatility will likely moderate the volumes traded. The below average June-to-July and expectations of below average 2021 harvests in Somalia will likely sustain elevated prices across key reference markets in Somalia and encourage more exports from Ethiopia to central and northern Somalia.



Prices of locally produced rice are projected to trend seasonably and will likely be similar to recent five-year average levels because of ample supply from within the region and some re-exports of rice from international markets in the eastern parts of Ethiopia and Somalia. See Figure 11. Still prices in South Sudan will be significantly higher than the recent five-year average because of persistent currency depreciation even against the currencies of neighboring source countries like Uganda.

Dry bean prices are expected to follow seasonal trends in the next nine months but will remain near or above recent five-year average levels due to high regional and domestic demand amidst some reduced production following heavy rains in 2019 and 2020 reducing carryover stocks into July 2020 and June 2021 production and marketing season. See Figure 12. Prices will likely remain significantly above average because of expected below average dry bean domestic production following excessive rains and flooding in parts of South Sudan.

Livestock prices will likely remain stable and below-to-near recent five-year average levels when compared to last year because of expected below average rainfall that will degrade rangeland conditions compromising livestock body conditions. Also, uncertain demand in the Middle East due to COVID-19 restrictions will reduce demand, exerting downward pressure on prices. Prices will continue to follow seasonal trends in Sudan, although high inflation and concomitant high costs of feed and water, drugs etc. are expected to sustain elevated price levels. See Figure 13.



ANNEX

Table 1: Cross-borders trade between October and December 2020 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	5 Year Average	Last Quarter	Last Year	Average
Maize	Uganda - South Sudan	39,333	18%	27%	156%	▲	▲	▲
	Uganda - Kenya	70,224	3%	229%	154%	►	▲	▲
	Tanzania - Kenya	11,321	-65%	-65%	-65%	▼	▼	▼
	Tanzania - Rwanda	11,169	132%	-97%	-84%	▲	▼	▼
	Ethiopia - Kenya	33	-72%	-86%	-98%	▼	▼	▼
	Ethiopia - Somalia	1,538	118%	100%	38%	▲	▲	▲
	Kenya - Tanzania	100	-64%	-97%	-99%	▼	▼	▼
Sorghum	Uganda - South Sudan	32,789	44%	40%	242%	▲	▲	▲
	Uganda - Kenya	4,309	5%	64%	-24%	►	▲	▼
	Uganda - Rwanda	3	0%	0%	-100%	►	►	▼
	Ethiopia - Djibouti	2	-24%	0%	-20%	▼	►	▼
	Ethiopia - Somalia	967	57%	77%	21%	▲	▲	▲
	Somalia - Djibouti	2,326	72%	658%	1682%	▲	▲	▲
	Sudan - South Sudan	286	-22%	-99%	-97%	▼	▼	▼
	Sudan - Eritrea	3	318%	169%	-84%	▲	▲	▼
Rice	Uganda - South Sudan	31,535	26%	21%	161%	▲	▲	▲
	Tanzania - Kenya	8,943	-8%	-43%	-60%	▼	▼	▼
	Tanzania - Rwanda	5,392	106%	-94%	-82%	▲	▼	▼
	Somalia - Kenya	1,161	18%	-18%	-56%	▲	▼	▼
	Somalia - Ethiopia	9,396	22%	9%	12%	▲	▲	▲
	Tanzania - Burundi	2,601	153%	180%	130%	▲	▲	▲
Beans	Uganda - South Sudan	19,190	-54%	105%	289%	▼	▲	▲
	Uganda - Kenya	85,371	1031%	87%	85%	▲	▲	▲
	Uganda - DRC	3	0%	-100%	-100%	►	▼	▼
	Tanzania - Kenya	1,510	-76%	-35%	-20%	▼	▼	▼
	Ethiopia - Kenya	2,347	-32%	-53%	-68%	▼	▼	▼
	Ethiopia - Sudan	363	17602%	-68%	-96%	▲	▼	▼
Camels	Somalia - Kenya	384	-54%	-39%	-67%	▼	▼	▼
	Ethiopia - Somalia	8,550	-26%	-31%	-29%	▼	▼	▼
Cattle	Somalia - Kenya	6,576	3343%	714%	85%	▲	▲	▲
	Ethiopia - Somalia	33,392	-4%	23%	-4%	►	▲	►
Goats	Somalia - Kenya	3,494	-54%	-26%	-59%	▼	▼	▼
	Ethiopia - Somalia	59,020	-3%	10%	-42%	►	▲	▼
Sheep	Somalia - Kenya	835	-43%	10%	-24%	▼	▲	▼
	Uganda - South Sudan	3,310	-6%	71%	57%	▼	▲	▲

Figure 14: cross-borders points monitored by FEWS NET and East Africa Grain Council in Eastern Africa by December 2020

