

ReSAKSS ^{ECA}
East & Central Africa

Regional Strategic Analysis and Knowledge Support System

FACILITATED BY IFPRI & ILRI | A PROGRAM IN SUPPORT OF CAADP IMPLEMENTATION

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INTERNATIONAL
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POLICY OPTIONS FOR ENHANCING INTRA-REGIONAL TRADE IN FOOD STAPLES FOR FOOD SECURITY

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*Presented at a Breakfast Meeting on 'Managing
Food Prices: Domestic Pricing Policies and Cross
Border Trade'*

Hotel Intercontinental , Nairobi

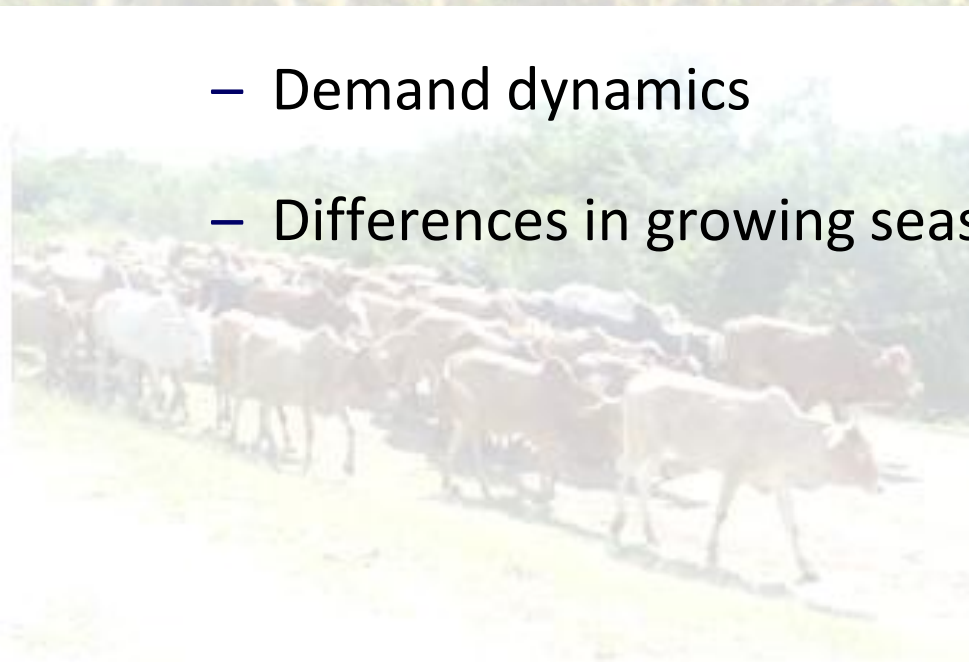
October 31st , 2012

Background..



Introduction

- Intra-regional trade in food staples is important for achieving food security
- Intra-regional trade in food staples is driven by:-
 - Comparative advantage in production
 - Demand dynamics
 - Differences in growing seasons



Basis for regional trade (1)

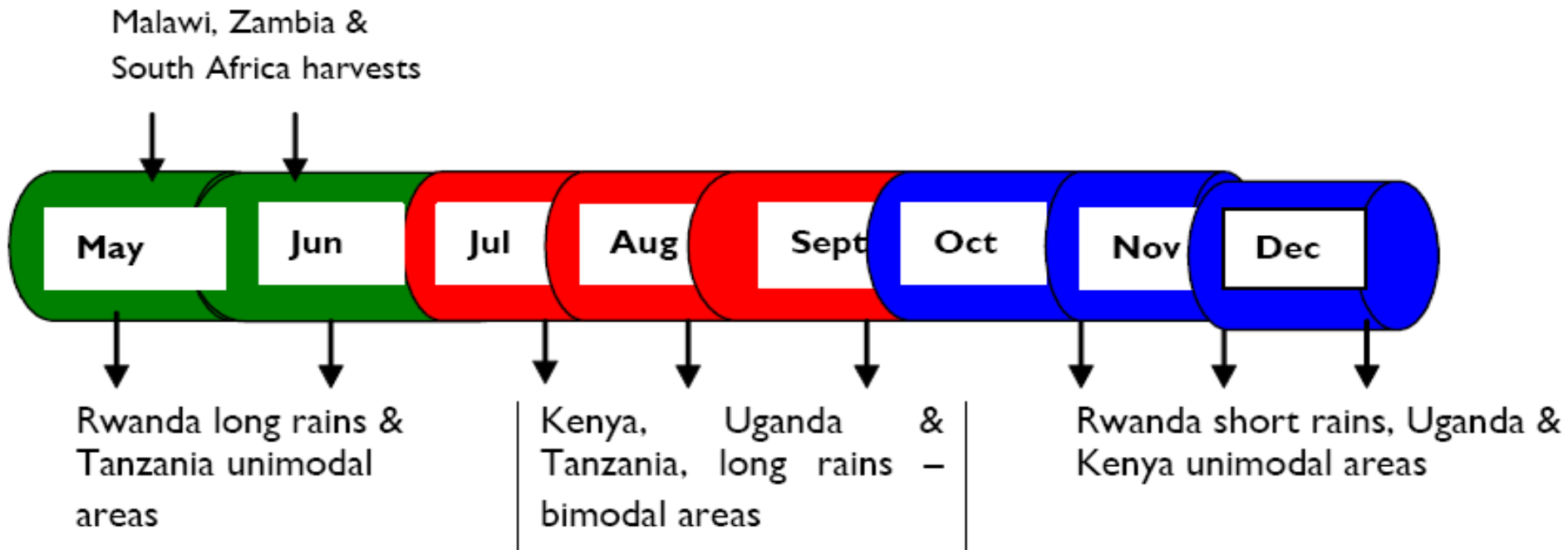
There are areas of surplus and deficit across borders in the region.



Maize Surplus and Deficit status in East Africa

Basis for regional trade (2)

- Diversity in agro-ecological zones/spatial and climatic variability implying, diversified agricultural production
- Even where countries produce similar agricultural products, supplies are available at different times of the year due to staggered harvesting in the region



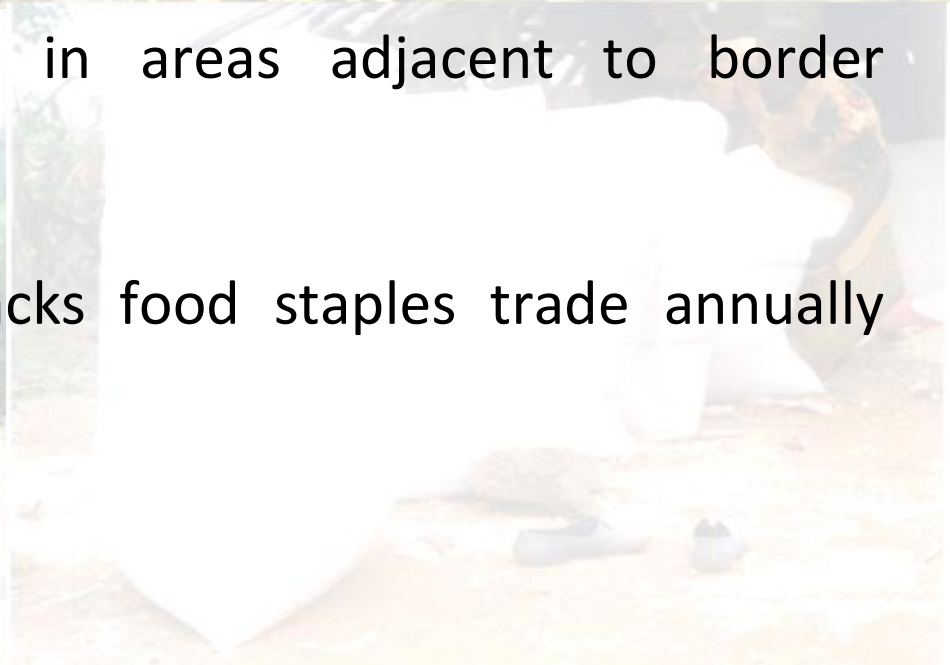
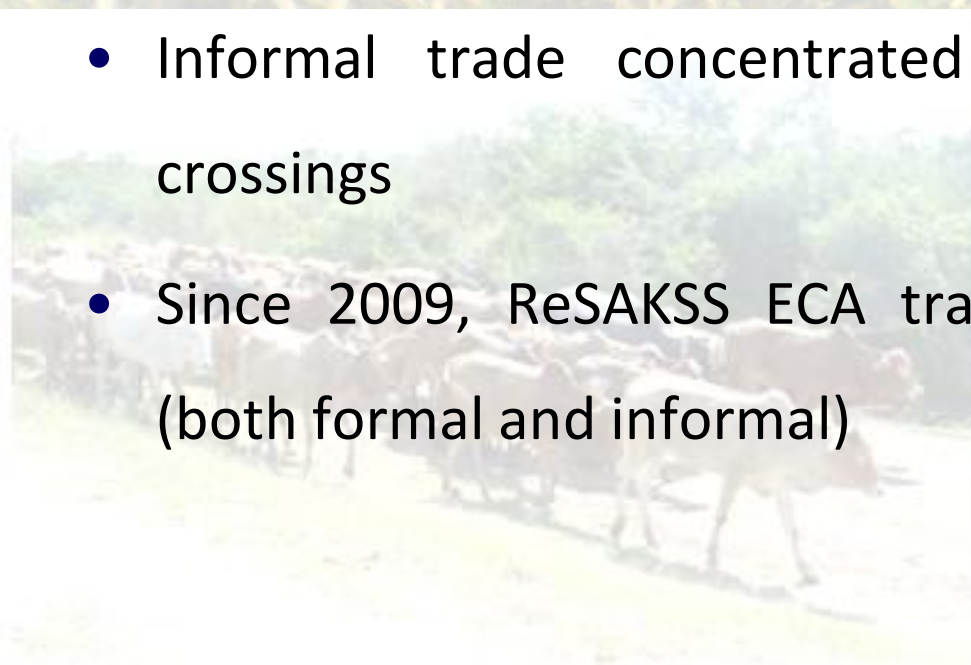


Intra-regional trade dynamics...



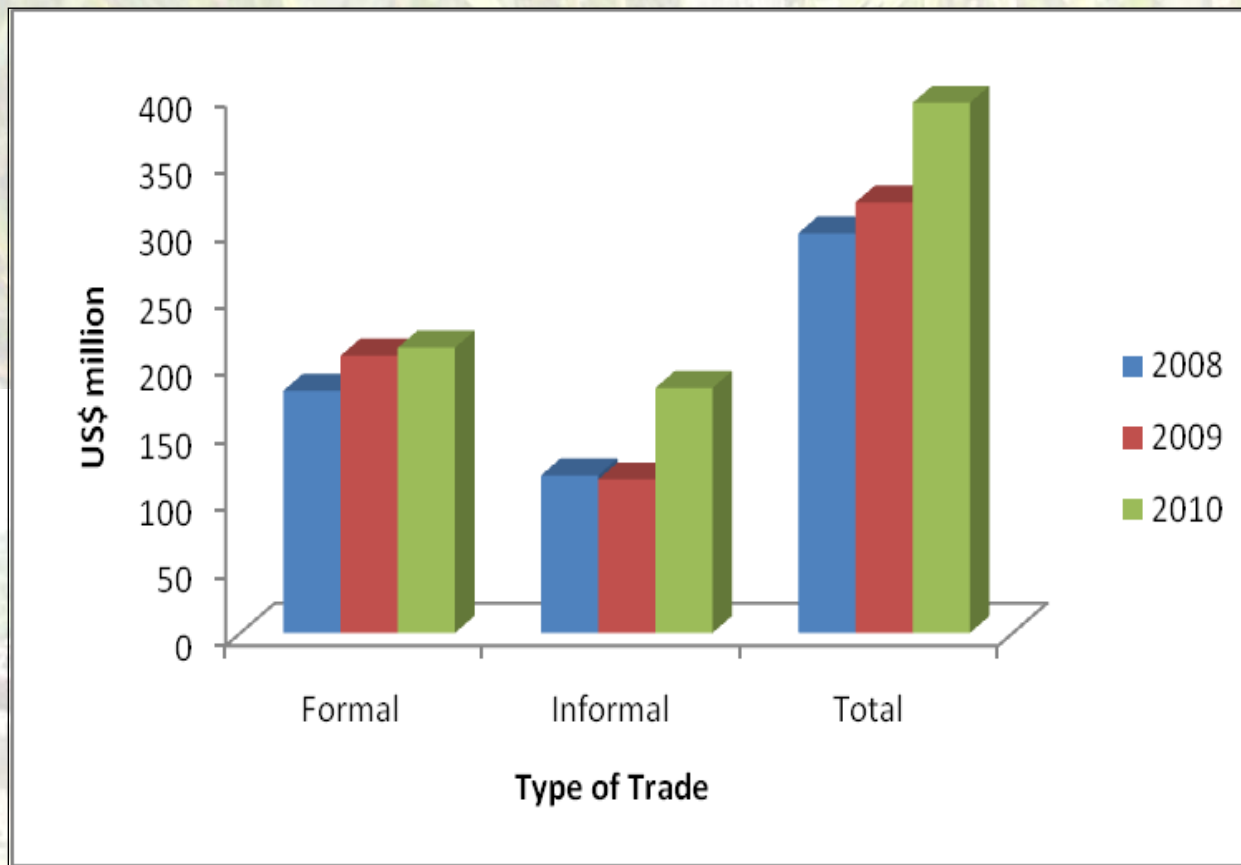
Trends of trade in food staples (1)

- Trade in food staples takes place both formally and informally
- It has been increasing
 - Intra-EAC trade in agricultural commodities increased by about 77% from US\$ 26 million in 2005 to US\$ 46 million in 2008 (EAC,2008).
- Food staples traded formally destined for large urban areas
- Informal trade concentrated in areas adjacent to border crossings
- Since 2009, ReSAKSS ECA tracks food staples trade annually (both formal and informal)



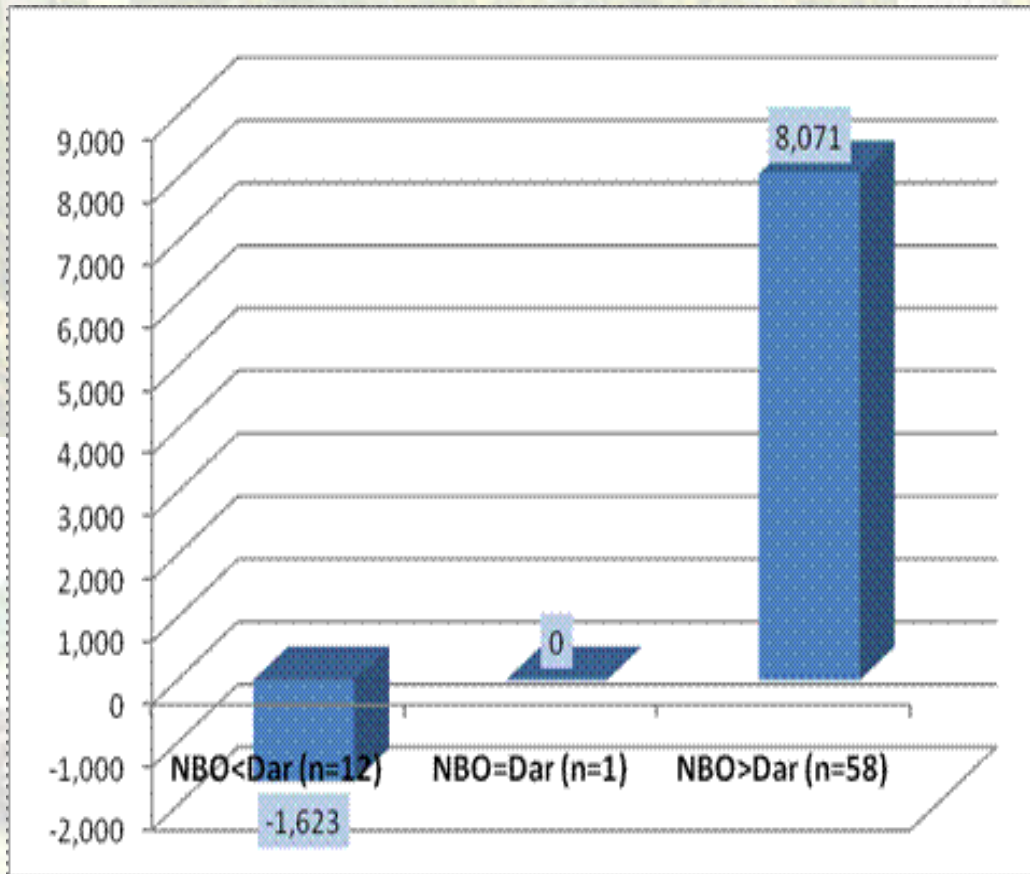
Trends of trade in food staples (2)

Trends in intra-Eastern and Southern Africa (ESA) food staples trade 2008-2010.



Source: COMstat, UBOS, EAGC and FEWSNET

Price differences between countries drive trade...



In 56 out of 58 months when price in Nairobi is higher than that in Nairobi; Kenya was a net importer of maize from Tanzania

Source: Guthiga et al, 2012

Maize trade between Kenya and Uganda reduces price of maize in Kenya relative to Uganda....

Comparison of Nairobi/Dar es Salaam and Nairobi/Kampala maize price ratios, 2000–2005 and 2006–2011

	Nairobi/Dar es Salaam	Nairobi/Kampala
2000–2005	1.23	1.46
2006–2011	1.18	1.33
% change	-4.01	-8.91
t-test	P = 0.269	P = 0.043

Source: Guthiga et al, 2012

Tariff & Non-tariff barriers...

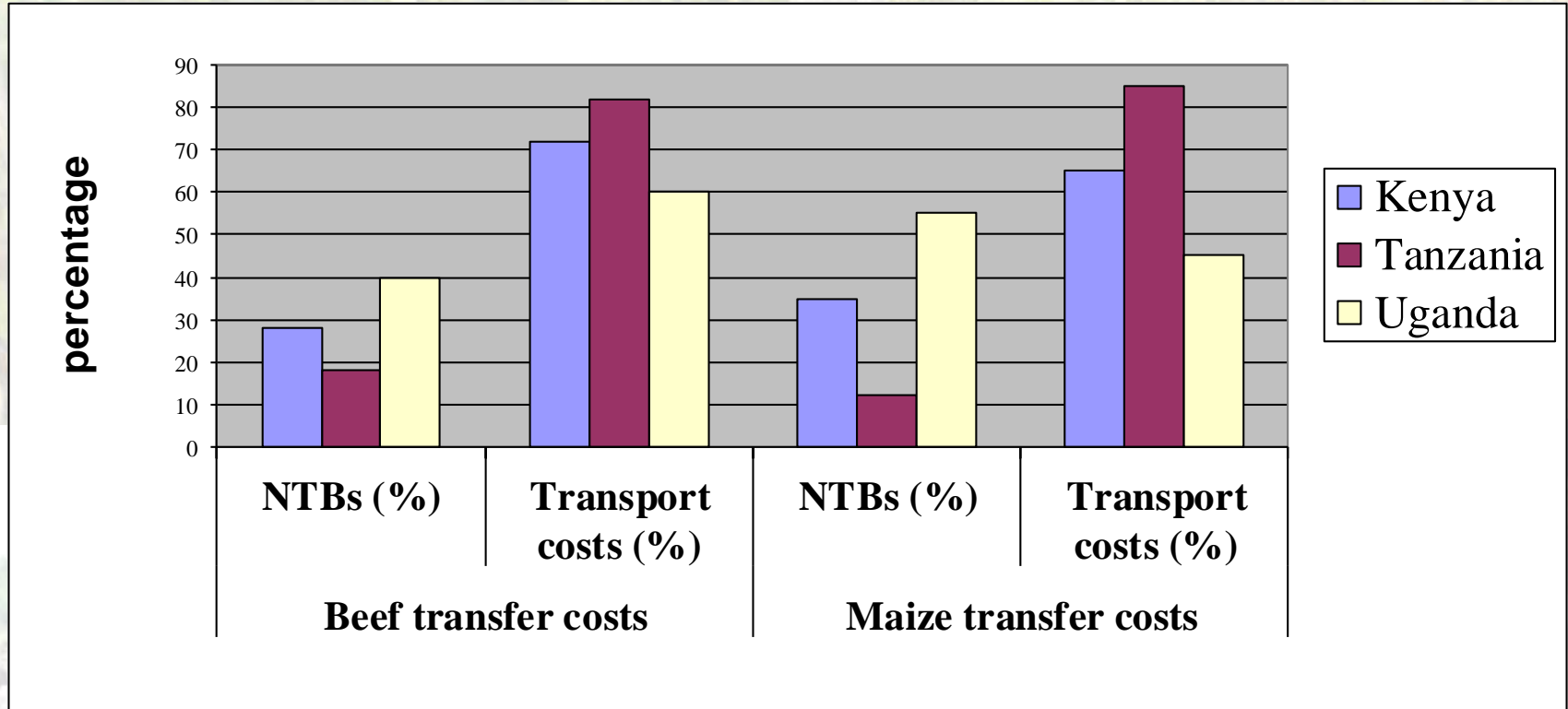
- Tariffs
- Administrative requirements: licenses, municipal and council permits
- Taxes/duties mainly excise and cess duty
- Road blocks
- Custom barriers
- Weighbridges
- Corruption
- Security requirements



WELFARE IMPACTS OF BARRIERS TO TRADE



Costs of Transport & NTBs...1



Source: Karugia et al, 2009

Costs of Transport & NTBs...2

- Cost of NTBs in Maize trade in US dollars/km/ton;
 - Kenya; 0.09
 - Uganda; 0.15
 - Tanzania; 0.11



Trade and welfare impacts of complete removal of NTBs on Maize Trade

Variable	Kenya	Uganda	Tanzania
Producer price (US\$/MT)	-14 (-8.86)	26 (19.55)	-55 (-34.59)
Consumer price (US\$/MT)	-6 (-2.96)	35 (24.31)	-8 (-4.79)
Quantity traded ('000MT)			
Kenya	-118 (-3.69)	0 (0)	0 (0)
Uganda	133 (99.25)	-59 (-5.4)	0 (0)
Tanzania	29 (33.72)	0 (0)	-10 (-0.27)
Social surplus (US\$ million)	1 (4.66)	2 (7.62)	1 (0.04)

Values represent differences from base scenario; figures in parentheses are % changes

Source: Karugia et al, 2009

Policy implications

- Eliminate barriers to trade; both tariff and non-tariff
- Continued improvement of physical infrastructure
- Phase out tariff peaks on food staples



