

TANZANIA BAN ON MAIZE EXPORT AND EFFECTS IN THE REGION

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Executive Summary

While Tanzania banned maize export with the aim of ensuring food security in the country, the move instead generated far reaching effects in the region that affected various aspects of trade including commodity prices. The move caused price distortion in the regional markets and in some cases post harvest losses to the Tanzanian farmers.

The prices of maize for example remained relatively low in the country whereas the prices of maize in the neighboring countries were quite high denying the Tanzanian maize farmers the opportunity to benefit from some of the best maize prices in region.

The ban, with time proved to be a worst strategy that almost achieved the reverse of the intended results but with more adverse effects on Tanzania grain industry. It exacerbated the food insecurity in the region by interrupting food production and damaging the farmer's morale to increase maize production.

Generally, the ban appeared ill timed and ineffective bearing in mind that it failed to achieve the intended objectives of stabilizing the maize prices and ensuring food security in Tanzania. The farmers and traders that the ban was allegedly meant to protect were the first victims of the ban as ban interfered greatly with prices and free trade with other traders in the region.

EAC Background Information

The EAC in its quest to widen and deepen the regional co-operation among the Partner States, in, among others, economic and social fields for their mutual benefits, signed a treaty that established the East African Community on November 30, 1999. The treaty came to force on 7 July 2000 following its ratification by the original 3 Partner States - Kenya, Uganda and Tanzania. Rwanda and Burundi acceded to the EAC Treaty on June 18, 2007 to become full Members of EAC from 1st July 2007.

All the countries agreed to remove all trade barriers between them, the main goal was to liberalize and promote cross-border trade among member states in the regional bloc. Food security and National agricultural production were clearly set out as key aims of cooperation in agriculture. The Partner States undertook to adopt a scheme for the rationalization, improvement and commercialization of agricultural production with a view to promoting complementarities and sustainability. The EAC main focus was to adopt a framework that take into account free movement of goods, internal customs border controls and management of customs revenue collection.

As a result, there has been a tremendous increase in terms of exchange of goods and services between the EAC providing a regional pool of markets for all within the region. It created more opportunities for farmers to produce in large scale without fear of where to market. Through this, the volume and productivity increased in the region. This was affirmed by the Kenya Revenue Authority (KRA) customs commissioner, Wambui Nama, who asserted that since 2006, Tanzanian exports have doubled while those of Kenya had grown from Kshs 53 billion in 2006 to Kshs 101 billion in 2007. Ugandan exports have also grown from Ushs 27 billion to Ushs 52 billion over the same period. She maintained that the coming of EAC has increased trade volumes, improved economic performance, enhanced accessibility to investment resources and upped employment creation.

Details on the Tanzania Maize Export Ban

On May 5, 2011, the Tanzanian government through a gazette notice banned its maize export to other countries including the EAC member state. The move, according to the government of Tanzania was motivated by the food security situation in the country. This happened at a time when the EAC member state were facing acute grain shortage in the region judging from the extent of hunger in the neighboring countries especially Northern part of Kenya.

After this announcement, the government has engaged in a back and forth pronouncements of lifting and re-imposing the ban. This back and forth stand on this matter as detailed on the media reports later on this paper brought a lot of confusion not only among the grain stakeholders in the region but also the Tanzanian agencies at various border points who couldn't tell explicitly whether the ban is in place or has been lifted.

As of today, the ban stands lifted. However, this is only on paper since EAGC border monitors confirm that the ban is still in place and government agencies in various border points still restrict maize transits from Tanzania to other countries.

Tanzania Food production and Security

Available data based on the surveys¹ conducted on national food production indicate that Tanzania has the potential to produce more than its food requirements. In seasons when there is adequate rainfall, Tanzania produces more than enough food to meet the demand of its people and exports surplus to the neighboring countries. In such good years, food insecurity becomes mainly a problem of distribution of the available food nationally as well as at household level.

However, in cases of drought, floods or other natural disasters, the country experiences some shortages of food due to low production and inadequate storage capability leading to destruction of the stored food².

Maize in particular has shown a steady growth rate of 2.5% per annum since and through the year 2000, almost the same as the population growth rate of 2.8% in the country. Food self-sufficiency analysis at a national level shows that production in the past few financial years has never experienced any major deficit though some years record greater production than requirements and in extreme circumstances a slight deficit is also recorded.

Over two million hectares of maize are planted per year in Tanzania with average yields of between 1.2-1.6 tons per hectare. Maize accounts for 31 percent of the total food production and constitutes more than 75 percent of

¹ <http://www.trademarksa.org/news/agriculture-and-trade-opportunities-tanzania-past-volatility-and-future-climate-change>

² According to the *Agricultural Development and Food Security in Tanzania Report*

the cereal consumption in the country. About 85 percent of Tanzania's population depends on it as an income-generating commodity. It is estimated that the annual per capita consumption of maize in Tanzania is over 115Kg; national consumption is projected to be three to four million tons per year³.

The year 2011 alone, Tanzania produced in excess of 1.1 M⁴ tones of maize. This in a nutshell means that the country could adequately feed its people and still have surplus to export to the neighboring countries.

Tanzanian government position on the Ban and Conflicting media reports

The Tanzanian debate on the ban was kicked off in May 2011 when the government of the Republic of Tanzania imposed the export ban on maize allegedly to safeguard the country against food shortage and cushion farmers against maize price fluctuation.

http://www.diasporamessenger.com/index.php?option=com_k2&view=item&id=1067:tanzania-issues-ban-of-grain-and-maize-exports&Itemid=78&lang=en

<http://www.tanzanianews24.com/tanzania-ban-on-maize-exports-to-stay-minister-says/>

The month of June 2011 was marked with conflicting statements from the government and other sectors as to whether the imposed ban is in place or not. The government officials at the border did not have a clear cut stand on this matter and there were still notable amount of maize crossing the border from Tanzania to Kenya. The press reports indicated that the export ban affected more than 100,000 tonnes of maize which were set to be transported to Burundi, Rwanda, Uganda and Kenya.

However, there was a marked reduction in volume of maize export in those points and increased food prices in the region as a result of the ban. The link below provides brief information on the same:

³ According to the *Water Efficient Maize for Africa (WEMA) 2011 Report on Mitigating the impact of drought in Tanzania*

⁴ According to the information given by Christopher Chiza, Tanzanian Deputy minister for Agriculture, Food Security and Co-operatives while addressing the East African Community Sectoral Council

<http://www.trademarksa.org/news/tanzania-exports-ban-heralds-rise-maize-prices>

In July 2011 Tanzanian farmers put in a spirited effort to have the government lift the ban on cereals exports to enable farmers to earn more. This came barely a week after Tanzanian maize trade association members also complained that the ban was seriously affecting the financial situation of its members, as a number of them had taken out loans to finance the trade which was being blocked by the government ban.

The EAC Secretariat also piled pressure on Tanzanian authority and pleaded with other member states to remove trade barriers that hinder movement of food across the borders, so that available supplies can be delivered to famine affected areas. Several appeals were made for the government to cooperate with fellow member states to alleviate suffering in the region.

<http://www.blackseagrains.net/agonews/tanzania.-lift-maize-export-ban-farmers-plead-with-govt>

<http://allafrica.com/stories/20110271005.html>

It is through some of these efforts that the government of Tanzania announced it would consider rescinding the export ban, once 200,000 tonnes of locally produced maize had been bought into the national food reserve.

In August 2011, while addressing the East African Community Sectoral Council of ministers on Agriculture held in Arusha, the government through Mr. Christopher Chiza, the Deputy Minister for Agriculture, Food Security and Co-operatives made it clear that they have not and will not lift the ban on export imposed on cereals ostensibly to ensure food security to its people:

<http://www.standardmedia.co.ke/InsidePage.php?id=2000041378&cid=4>

In October 2011, the government through a presidential press statement, lifted the ban on grain exports and allowed traders to sell surplus maize to the U.N.'s food agency and drought-hit east African countries following what the government termed a bumper harvest in the country. Read more on the link below:

<http://af.reuters.com/article/investingNews/idAFJOE79B02Z20111012>

<http://af.reuters.com/article/investingNews/idAFJOE79B02Z20111012>

The same stand was reaffirmed by other media reports in November 2011 through to December as shown in the links below:

<http://www.standardmedia.co.ke/InsidePage.php?id=2000046803&cid=14&j=&m=&d=>

Even though in spirit the ban stand lifted, the Tanzanian government is yet to issue official statement directing all its agencies at the border to allow maize export to other countries and there it still remain an impediment to free flow of maize and maize trade in the EAC region.

Effects of the Ban and 2011 Food crisis in the Region

The move by the Tanzania to ban maize export triggered a series of effects in Tanzania as well as the neighboring countries. The prices of maize dropped tremendously from Tshs 45,000 to Tshs 30,000 per 100 Kg Bag, a 30% fall in maize price. This happened at a time when maize prices remained very high in other EAC states. The traders in other neighboring countries like Kenya started hoarding in anticipation for high prices due to low supply occasioned by the ban. This further escalated maize prices with biting impacts in the region.

Other countries were prompted to take measures in effort to prevent the situation from getting out of hands. Kenya for example, through the Ministry of Agriculture sought a tariff waiver for maize import in view of rising domestic prices.

Overall, the ban, which was geared towards stabilizing and bringing down the food prices, ended up achieving the reverse as the price fluctuation continued with as a result of speculations in the markets as farmer's anxiety persisted.

While the prices were rising in the EAC region, in Tanzania the prices were falling prompting traders to resort to '*panya*' routes and evade the customs authorities at the borders points in order to gain access to the lucrative maize trade outside the Tanzanian borders.

In other fronts, the ban exposed Tanzania government to sharp criticism from EAC member states especially Kenya that was facing acute food shortage at the time. They argued that the move out rightly negates the spirit of the EAC protocol that was meant to open up trade space within the region. Various stakeholders especially those in the private sectors also criticized the move

indicating they were not consulted and that the move hinders sufficient and timely sale of maize within the country and the region.

Conclusion

In order to adequately respond and cater for the increased demand for maize in the region, the supply of the maize needs to increase. Given that Tanzania is one of the maize producers in the region, it is deducible that it has a comparative advantage in maize production and therefore better placed to increase the maize supply in the region. Tanzania can actually produce maize at a lower opportunity cost than other Partner States and sell it at more competitive prices.

When the market opens up to international trade, as has been the case since the inception of the EAC Customs Union and Common Market Protocol, other Partner States prefer to buy maize from Tanzania as they can acquire them at a lower price. This is in fact beneficial for Tanzania farmers, as it provides them with an opportunity to further expand their production to meet this demand and thereby increase their profits. This may also help create employment opportunities in the region as more labor is required to increase maize supply.

A food secure region can be made a reality through solid commitments to this call and investment in the region's agricultural sectors. The policy makers must at all times avoid the temporary and superficial decisions that offer quick fix solutions but have long term unfavorable impacts on EAC.

The strategy must at all time target mechanisms that will ensure constant and reliable flow of food crops at stable and reasonable prices within the region.