



RATIN

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EAGC REPORT ON INFORMAL CROSS BORDER TRADE FOR JANUARY 2012

This report analyzes the informal cross border trade in three selected border points in the East Africa region: Busia (the border of Kenya and Uganda), Mutukula (the border of Uganda and Tanzania) and Gatuna (the border of Uganda and Rwanda) in January 2012.

The monitoring was carried out by Eastern Africa Grain Council (EAGC) monitors based in all the five EAC countries on a daily basis.

KEY HIGHLIGHTS OF THE MONTH

According to the data collected and transmitted in the month of January 2012 by the monitors, significant transit and informal trade of commodities still thrives in the above mentioned border points that escape the attention of the customs' officials. Reasons cited by the traders interviewed by the EAGC monitors for evading the formal routes include but not limited to: cumbersome clearance procedures, high duties imposed on some of the commodities traded, corruption of officials to get to get the goods cleared in time as well as strict standards required for importing commodities in some border points espe-

cially Busia border point where customs officials at the Kenyan side are keen on the quality of grains passing through the border such as moisture content of maize and other commodities, proper clearance approval documentation from the area of origins among other requirements. The traders therefore opt for *panya* routes to have their commodities pass through the borders without any delay and a lot scrutiny to their commodities that are likely to attract additional charges in the process.

INFORMAL CROSS BORDER TRADE ANALYSIS

Informal cross-border trade (ICBT) has been vigorous since the beginning of this year compared to close of last year. In particular, maize, beans, wheat, sorghum and millet are some of the commodities mostly traded at Gatuna, Busia and Mutukula borders. However, some commodities simply pass from one country to the other for example, beans

from Tanzania are transported from Tanzania to Kenya through Mutukula border and Busia border. This happens because of price variations and import parity between some of the countries. This is also attributed to high demand of maize, beans and rice in Kenya and the neighbouring countries such as Somalia and South Sudan.

BUSIA

Informal Cross Border Trade Quantities in Busia

	Maize	Beans	Sorghum	Millet
December 2011	18,206	20,571	6,851	3,530
January 2012	31,177	9870	20,750	1,933
% Change	71	-52	203	-45

MAIZE; In Busia boarder, there was increased demand of maize from the Kenyan side at the beginning of the year 2012 as evidenced by the increased quantities that passed through the border from Uganda markets to Kenyan's Kisumu and Nairobi markets. The quality of export from Uganda to Kenya still remain a big challenge as the traders who were interviewed confirm that the moisture content were still higher than the recommended moisture content for various grains. Maize for example, the say has a moisture content of above 13.5.

However the quantity of maize transported from Uganda to Kenya declined with time in the month of January 2012 as harvests from short rain began in some parts of Kenya bringing down prices of maize hence narrowing the profit margin for Kenyan importers who later preferred trading within their borders in regards to maize.

The maize price at the border traded at Ugx 500 per Kg at the beginning of the year; by January 31, 2012, the prices of maize reduced to Ugx 540 per Kg. However, the prices are expected to rise following increased demand as the proceeds from harvest get depleted.

A total of 31, 177 Ton of maize crossed the border between January 1 and 31, 2012 compared to 18,206 tons December 2011, representing 71% increase.

BEANS; the quantity of beans that crossed the Busia border from Uganda to Kenya registered a 51% decrease from December last year's figure of 20.571 tons to 9,870 tons through the month of January.

The prices of beans also increased as more schools opened signifying a steady demand for beans in the month in the month of January compared to December last year. Most of the beans that passed through the Busia border to Kenya came from Tanzania through the Mutukula border and Rwanda through Gatuna border.

SORGHUM; January being a season for sorghum, prices were cheaper in Uganda than Kenya. This triggered an improved transit of sorghum from a previous quantity of 6,851 in December 2011 to 20,750 in January, 2012, over 200% increase.

MILLET; There was low activity of millet at the Busia border with only 1,933 tons of millet crossing the border from Uganda to Tanzania in January 2011. This was a 45% drop from the December 2011 quantity of 3,530 tons.

GATUNA

In Gatuna boarder, there is more trade activities going on with wide range of commodities being traded ranging from agricultural commodities to household items. The agricultural commodities crossing the border are mostly from Uganda to Rwanda.

Informal Cross Border Trade Quantities in Gatuna			
	Beans	Rice	Wheat
December 2011	415	16,800	51,509
January 2012	350	35465	39,660
% change	-16	111	-23

MAIZE; In January, 2,150 tons of maize moved from Uganda to Rwanda. The price at the border was RWF 220 per Kg. In December, the figure was extremely high at 31,200 tons. The maize transit in January is attributed the harvests and in Rwanda that ensured most households have relatively adequate food reducing the demand and maize prices in most markets.

BEANS; For beans, imports and exports were registered by both Rwanda and Uganda. A total of 415 tons of beans crossed the border from Uganda

to Rwanda, a 15% decline in December's figure of 350 tons whereas 220 tons of beans were moved from Rwanda to Uganda.

RICE; A total of 16,800 tons of rice were imported from Uganda to Rwanda and the price at the border during the same period was RWF 700 per Kg. This was over 100% decline from December 2011 figures where a total of 35,465 tons of rice was transited from Uganda to Rwanda.

WHEAT; Wheat was the most traded commodity at the Gatuna border between December last year and January 2012. A total of 39,660 tons of rice was moved from Uganda to Rwanda, a 20% decline from December 2011 figure of 51,509 tons. The price at the border during this period was RWF 300 per Kg,

SORGHUM; 428 tons of sorghum was moved from Uganda to Rwanda and the price at the border was RWF 350 per Kg compared to December's 1,649 tons.

MUTUKULA

MAIZE; There was little maize activity at the Mutukula border in the month of January; the quantity that crossed the border was small scale quantities for domestic consumptions. The situation was not different in the month of December 2011. The maize prices at the border ranged between Ugx 500 and 600 per Kg through the month

BEANS; In December 2011, the recorded amounts of beans transited were mostly from Kampala and Mbirizi in Uganda to Dar es Salaam and Mwanza Tanzania. A total of 232 tons of beans crossed to Tanzania in December 2011 and the price was Ugx 1,200 per Kg. In January 2012, a total of 815 tons of beans were moved from Karagwe areas to Busia Uganda. The beans price at Mutukula was Ugx 900 per Kg. Currently

harvesting of beans is ongoing in most areas of Rakai District and the yields are good. This is likely to bring down the prices down further.

RICE; The quantity of rice crossing the border is mostly from Tanzania to Uganda and it was relatively low in the month of December 2011 and January 2012. However, the figure in January 2012 is higher than those recorded in December 2011 and they originated mainly from Kahama and Mwanza regions of Tanzania destined for Kyocera, Masaka and Kampala. A total of 120 tons was recorded in January 2012 compared to December 2011 of 116 tons. The price at Mutukula was Ugx 3,000 per Kg.

CONCLUSION

With the figures indicating significant amount of trade going on through some of the border points and traders citing trade barriers as the hindrance to their trade activities hence resorting to informal trade, a lot needs to be done to simplify the movement of goods at the borders to allow vibrant trade within the EAC region. This will ensure more food security to areas that are food deficient especially the horn of Africa.

Cumbersome clearances procedures of goods need to be reduced allow faster way of clearance to allow traders to move their goods in time and avoid delays and reduce the transports costs associated with delays.

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