# RATIN

**Regional Agricultural Trade Intelligence Network**

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**HIGHLIGHTS**

- Kenya's long rains production expected to decrease
- Tanzania main destination for Kenya's maize
- Tanzania imposes maize export ban and waives import duty

**Production and Harvesting Update**

**Kenya:** Preparation for the long rains season 2008/09 in Kenya has been slow. Little farm activity has been reported in most of the growing areas located both in the unimodal and bimodal areas following the political unrest witnessed in Kenya since late December 2007. Ordinarily, about 90% of the land should have been prepared by the end of February, but reports reaching RATIN indicate while rains are due to begin anytime after mid-March, only 20% of the land has been prepared. Some of the reasons given include high cost of inputs, lack of the necessary cash to buy inputs and farmer displacement from their farms.

The cost of fertilizer has dramatically increased by over 120% with prices reaching USD 1212/MT this production year, up from last year's USD 550/MT. The cost of tractor hire this production year has also doubled to USD 103/hectare from last year's cost of USD 52. During this same time, market operations were disrupted which hindered most farmers from selling their produce to get cash. The high cost of inputs and the displacement of farmers mostly affected areas in the Rift-Valley and parts of Western and Nyanza provinces with the former also being the grain basket. According to the preliminary findings of the assessment done by the Kenya Food Security Steering Group (KFSSG), led by the Food and Agriculture Organization (FAO), about 25% of the small-scale farmers could be forced out of production and between 20-30% of the land taken out of production this season. A comprehensive report will be made available once the field assessment team submits its final report.

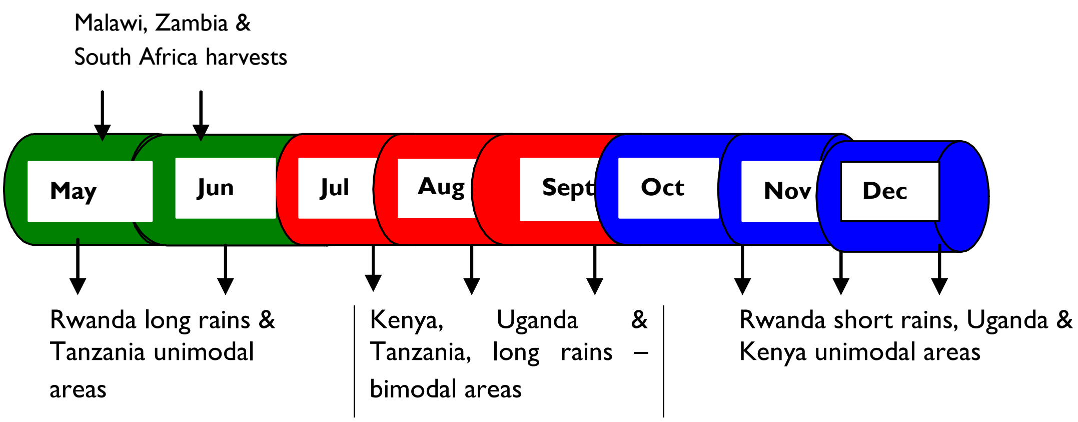
The analysis done by the Regional Agricultural Trade Intelligence Network (RATIN) strongly shows that the 2008/09 long rains maize production will be reduced but it is still too early to get a clear indication of the percentage drop. The expected reduction in production is a result of the expected inadequate long rains, reduced land allocated to maize, less than optimal use of inputs such as chemicals and fertilizers and the likelihood of late planting which will consequently affect yield per hectare. The signing of the peace agreement between President Kibaki and Hon. Raila Odinga on February 28th, 2008 might salvage the situation if warring communities can embrace peace that would allow farmers to return to their farms and engage in farm activities. Since the signing of the peace agreement, both leaders have promised farmers free maize seeds and affordable fertilizers and we are eagerly waiting to see how this subsidy will be implemented.

**Tanzania:** The maize crop progress is said to be good following adequate rains received in the unimodal growing areas. The maize crop is at different stages ranging from the vegetative stage, tassling, and matured crop in the early planted areas. Maize harvesting in the southern lowlands is expected to commence in a couple of months. This year's production is expected to provide relief to the national maize supply pressure currently being experienced in Tanzania following the failure of the "mvuli" season in the bi-modal areas. Farmers in the bi-modal growing areas are ready for the new season; over 80% of the land has been prepared in readiness for the Masika rains due to start in March.

**Southern Africa region:** The crop prospect for the first season in most of the Southern Africa countries is good. This is as a result of the normal to above normal rains that were received in most of the countries including Malawi, Zambia and South Africa. South Africa will be looking to replenish its stocks after a failed season in 2006/07 production year in which the country was forced to import maize in order to fulfill its export obligations. Information reaching RATIN indicates that South Africa imported maize from Zambia and re-exported the same to Zimbabwe and Mozambique. Available forecasts show that harvesting from South Africa is expected anytime after the second half of May 2008. Figure 1, shows the East and Southern Africa harvest timeline.

**Uganda:** January and February are usually dry periods for most of the growing locations as farmers await the long rains to commence. Information reaching RATIN indicates that land preparation is about 90% completed. In fact, some millet farmers in Northern Uganda opted for dry planting in late February in the hope that rains will start as scheduled in March.

**Figure 1: East and Southern Africa harvest timeline**




*The analysis and conclusions made in this report are those of the author, you may contact EAGC / Bridget Okumu; bokumu@ratescenter.org www.ratin.net Tel. 254 20 4212245*

**Maize prices remain high in East Africa**

Wholesale maize, bean and rice prices have generally increased in Dar es Salaam and Nairobi since December 2007 while those of rice and beans have declined in Kampala during the same time. However, maize prices have been rising since February 2008 in Kampala. This increase in price can be attributed to the reduced national supplies in Tanzania and political unrest in Kenya, while the declining Kampala bean prices were attributed to increased supplies from the second season harvests.

In Tanzania, the onset of early harvesting from the uni-modal growing areas has resulted in a downward trend of bean prices in Sumbawanga and Songea. Rice prices are also declining in the irrigation areas but rising in Dar es Salaam which is a major consumption market. The increase in maize prices was due to the failed mvuli season which led to reduced supplies, increased fuel costs and subsequently higher transportation costs. Wholesale maize prices in Dar es Salaam have increased by 16% since December 2007, while those of beans and rice have both increased by 13% during the same period. When compared to the same period of time when the mvuli rains failed in Tanzania during the 2005/06 production year, the current maize prices are 38% higher than the February 2006 prices.

The average prices during February 2008 in Dar es Salaam were USD 340/MT for maize, USD 775/MT for beans and USD 818/MT for rice, while those of Kampala were USD 180/MT, 527/MT and 615/MT for maize, beans and rice respectively. In Nairobi in February 2008, maize was averaging USD 237/MT while beans were USD 800/MT. Although February prices in Kampala were relatively low compared to other Eastern Africa capital cities, they are still higher than last years Kampala prices given that harvesting for the second season has just been completed in the bimodal areas. Kigali maize prices remained high at over USD 300/MT during the same period.

Market indications point towards high prices in Kenya and low prices in Dar es Salaam during the third quarter of 2008. Kenya will be facing a tight domestic maize supply situation while Tanzania will be enjoying increased supplies from the expected good production. Already RATIN price statistics show that maize prices are going up both in the production and the main consumption areas since early March 2008 with no signs of relief forthcoming.

**Tanzania imposes an export ban and waives import duty on maize**

The Government of Tanzania has imposed an export ban on agricultural commodities and waived the import duty on maize. In reality, the new export ban has no significant effect on the maize trade in the near future because Tanzania is now an importer of maize. Kenyan traders have continued to supply maize to the Lake region of Northern Tanzania to cover the deficit occasioned by the poor performance of the Mvuli rains. The Regional Agricultural Trade Intelligence Network's (RATIN) cross border statistics show that about 12,000MT of maize has been exported from Kenya to Tanzania since late December 2007 at zero import duty as per the East Africa Community Custom Union Agreement. Table 1 shows the monitored cross border data for maize and beans from selected border points in Eastern Africa since January 2008.

According to informal sources, the waiver of 50% import duty on maize is meant to encourage private traders to import maize from outside the East Africa region in order to boost the domestic supply. Reports reaching our office indicate that traders are currently doing whatever is necessary to bring the first consignment to the country. However, traders are said to be very cautious on the levels of imports they want to bring as early indications of the new crop expected from the southern highlands where harvesting starts in the months of May and June point towards a relatively good production.

One of the current possible sources of maize for Tanzania could be South Africa. The import parity price of white maize from South Africa for March- April delivery landed in a warehouse in Dar es Salaam without duty would be, at minimum, approximately USD 340/MT, slightly higher than the current price of USD 330/MT recently reported in Dar es Salaam. However, according to international trading companies, limited volumes of not more than 15,000MT of white maize could be available for export from South Africa. The said quantities are scattered throughout the country with various farmers making the maize more difficult to assemble and less competitive in price by the time of its arrival in warehouses in Dar es Salaam. Nevertheless, larger quantities at reduced prices of between USD 10-15/MT will be available for May-June deliveries after the commencement of harvesting in South Africa.

**Table 1: Monitored maize and beans trade flow in selected Eastern Africa borders**

| Commodity | Source Destination | Jan –Feb 2008 Quantity (MT) |
|---|---|---|
| Maize | Uganda - Kenya | 7,478 |
| Maize | Uganda-Tanzania | 400 |
| Maize | Kenya-Tanzania | 10,000 |
| Maize | Uganda-Rwanda | 12,734 |
| Beans | Uganda - Kenya | 13,393 |
| Beans | Uganda-Rwanda | 200 |

*Sources of information used in this report 1) FEWSNET -Kenya, Uganda &Tanzania 2) Ministry of Agriculture in Kenya, Tanzania and 3)Cross border monitors and private traders.*