RATIN

Regional Agricultural Trade Intelligence Network

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EASTERN AFRICA GRAIN COUNCIL

Production and Harvesting Update

Tanzania: Tanzania expects to receive a bumper crop in maize and rice this season following above normal rains that was received across the country. According to our information sources, rice and maize production is expected to be good compared to the previous season. .Rice and maize harvesting has just commenced in the southern lowlands of Tanzania, and is expected to peak early June. In the southern highlands, maize harvesting is due to start late June to early July. At the moment, the maize crop is between late vegetative stage and tasselling in the bimodal growing areas. It is expected that harvesting in these areas will also start late June to early July. The projected good production is expected to increase supplies and provide relief to Tanzania and her neighboring countries. Consequently, we might see a marginal drop in wholesale cereal prices as is already being witnessed in Mbeya District.

In **Rwanda**, due to inadequate rains during the months of April, Season B production in Rwanda could be lower than that of season A, especially for pulses, legume and maize. The Ministry of Agriculture in Rwanda has not yet released any production estimate figures. Nevertheless, bean harvesting has been reported in some of the early planted areas while that of maize and sorghum is expected to start late June. Usually sorghum is the cereal of focus for this season.

Kenya: Kenya's long rains season in the grain basket is slowly picking up. However, the major concern now is the rainfall which has not been good during the last few weeks. Information reaching RATIN reveals that an estimated 60% of land has now been cultivated and planted. The crop is at different stages of development. It ranges from germination to knee high. The Government of Kenya has initiated a number of projects to increase production which include; revamped extension services (diversification of crops, good agronomic practices), intervention in the input supply (providing fertilizers, seeds, tractors for hire) and avail credit facility for farmers (Kilimo Biashara).

In the bimodal areas of South Rift and Western Kenya, the maize crop is doing relatively good as a result of adequate rainfall. Reliable information indicates that the crop development is at different stages from knee high to tasseling. In fact, in some of the early planted areas of South Rift, harvesting of green /fresh maize has been reported in some few farms. Harvesting in these areas could start in August. The Ministry of Agriculture in Kenya has put the national long rains production estimates at 2.16million MT of maize. This is about 20% lower compared to last year 2007/08 season and 15% lower compared to the long rains average production of 2.5 million MT of maize.

Uganda's season which begun in March following the onset of the rains is progressing well. Adequate rains were received in most of the growing areas of central, eastern and northern Uganda where March to July is considered the main season. Some farmers say that the crop development is good despite the reduced rainfall during the past month. A large proportion of the maize crop range from knee-level tasselling, to head formation. Most of the bean crop has matured. Bean harvesting has been reported in most areas while maize harvesting is due to start mid- June. In fact, fresh bean supplies have been received at the Busia border of Kenya and Uganda. Preliminary production projections point towards a favorable crop production.

The analysis and conclusions made in this report are those of the author, you may contact RATIN/ EAGC office, Bridget Okumu; bokumu@ratescenter.org, +254 20 4212245

HIGHLIGHTS

- Tanzania to get a bumper cereal production
- Wholesale maize prices increase by over 40% in East Africa
- Government of Kenya approves maize importation
- Intra-regional trade in cereals to flourish

Intra regional trade in cereals to flourish

Trade in agricultural commodities is expected to thrive in Eastern and Southern Africa as a result of harvesting despite export bans which have been imposed by various countries. The Government of Tanzania, Malawi, Zambia and Ethiopia have imposed export bans on agricultural commodities. However, because our borders are porous cross border trading is expected to continue albeit at higher transaction costs.

Harvesting of maize has just started in most of the Southern Africa countries such as in South Africa and Malawi and in some of the Eastern African countries such as in Tanzania. Countries likely to experience or are experiencing tight maize stock positions will have an opportunity to import in order to boost their domestic supplies. Kenya is among the countries likely to face maize shortage in the third quarter of the year before it starts harvesting from the grain basket. RATIN information indicates that another maize shortfall could be looming during the second quarter of 2009 in Kenya due to the likelihood of a general reduction of the national production for the year 2008/09.

The estimated maize availability balance sheet indicates that Kenya's maize stocks will run below the monthly minimum requirement of 270,000MT in August. Consequently, the Government of Kenya has approved the official importation of 270,000MT of white maize duty free to take care of the expected shortfall. The probable source of maize for the Government is South Africa where a good crop is due. It is projected about 11.5million MT of maize will be produced in South Africa and about 1.5million MT could be available for export. However, only limited quantities could be GMO free as most of the South Africa's white maize is GMO. Although other southern region countries such as Malawi and Zambia are expecting a fairly good crop, handling and transport logistics limit Kenya's access to that maize.

Other supplies into Kenya are expected to come from Tanzania and Uganda as soon as harvesting starts beginning June. Ordinarily, maize imports from these two countries' during July to September range between 60,000-75,000MT. The border statistics maintained by RATIN show that the highest/biggest/largest quantity ever imported into Kenya during the same period since 2002 was 90,000MT, which was imported in the year 2006 following the drought that was experienced in North Eastern Kenya from Mid November 2005 to April 2006. Tanzania is also expected to export some maize into Northern Malawi through cross border trade beginning late June. Uganda will also continue to export maize into Rwanda and the Democratic Republic of Congo (DRC).

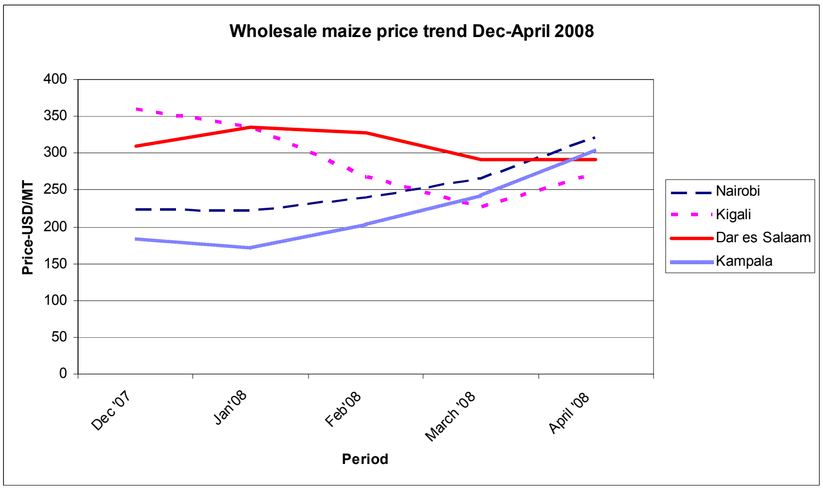
Regional price analysis updates

Regional wholesale prices in East Africa have been high since the beginning of the year. Price statistics maintained by RATIN indicate that maize prices have increased by approximately 45% in Nairobi and 70% in Kampala between January and April 2008. However, prices for Kigali and Dar es Salaam have declined by about 10% during the same period. The May average maize price was USD 349, 303, 276 and 291/MT in Nairobi, Kampala, Kigali and Dar es Salaam, respectively.

Figure 1, shows the wholesale price comparison for the Eastern Africa capital cities (January to March average 2005-2008). January to March average prices have been relatively stable in Nairobi and Kigali, while in Dar es Salaam the prices have been volatile. Maize prices in Dar es Salaam were low in 2005 and 2007 and high in 2006. The highest January to March average prices was recorded in Dar es Salaam in 2008 when they rose above USD 300/MT. The high prices in Tanzania were primarily as a result of reduced supplies to the markets due to the failure of "mvuli" season.

Wholesale cereal prices are expected to go downwards in Tanzania due to increased supplies from ongoing harvesting. The decrease however may not reach the long term average price as a result of current high transportation costs, due to the increased fuel prices experienced in Tanzania and other parts of the world. In addition, the high demand from the neighbouring countries such as Kenya, Malawi and Democratic Republic of Congo (DRC) will put pressure on the Tanzania's prices. Normally at peak harvesting time, maize prices in Dar es Salaam and Mbeya are on average USD 130 and 90/MT, respectively. In fact at Mbeya in Southern Tanzania where rice and maize harvesting has started, wholesale prices during early May were on average USD 140/MT. Maize wholesale prices are projected to decline significantly both in the major consumption urban cities like Dar es Salaam and in the production regions in the months of June and July.

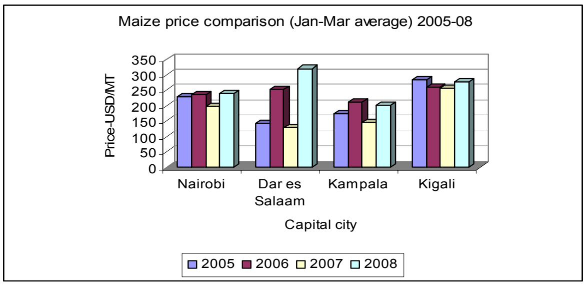
Figure 2: Wholesale maize price trend December –April 2008



Source: Market Information Systems/ RATIN
Compilation: RATIN

In Rwanda, wholesale maize prices have been relatively low compared to the other Eastern Africa capital cities. This is attributed to the good maize production during the past season. An estimated 130,000MT of maize was produced during the past season. Rice prices have remained high as most of the rice consumed is imported. According to the Ministry of Agriculture in Rwanda, maize prices which started to rise slightly since April 2008 will stabilize in July as harvesting starts. It is estimated that the prices will not significantly drop since the maize production projections are lower than the previous season.

Figure 1: Average (Jan-March) maize prices in selected capital cities 2005-2008.



Source: RATIN

According to the RATIN analysis, the short term forecast reveals that wholesale prices in Nairobi will remain high until additional supplies are received into the market. Nairobi and Mombasa maize prices were on average USD 304 and 331/MT during the first two weeks of May, respectively. However, during the last two weeks of May they had increased to an average of USD 382 and 350 /MT respectively. The Government of Kenya through the National Cereals and Produce Board (NCPB) has approved plans to import 270,000 MT of white maize to cushion the country during the third quarter as it waits the harvest from the grain basket to start in late October. Private traders in South Africa are cautioning Kenya against any delays in the import implementation program arguing increased regional and international demand for the South African maize could cause its futures price for July to rise. The estimated import parity price of the South African white maize duty free in August will be USD 365/MT (Ksh 2000/90kg bag) in Mombasa and USD 400/MT (Ksh 2196/90kg bag) in Nairobi. This will be much lower than the estimated Nairobi maize price in August 2008. It is forecasted that wholesale maize prices in Nairobi could be over USD 450/MT (Ksh 2500/90kg bag) going by the current upward trend. Figure two shows the average maize price trend December 2007 to April 2008 in selected capital cities in East Africa.