



Communique on the Regional Grain Trade Facilitation Forum

28th November 2017 | Park Inn By Radisson Hotel | Kigali, Rwanda



Preamble

On 28th November 2017, the Eastern Africa Grain Council (EAGC) in collaboration with East African Exchange (EAX), with support of USAID's East Africa Trade and Investment Hub and USAID's Private Sector Driven Agricultural Growth (PSDAG) held a Regional Grain Trade Facilitation Forum in Kigali, Rwanda. The forum brought together over 90 sellers and buyers of rice and other grain commodities from the Eastern and Southern Africa nations.

The objective of the Grain Trade Forum was to create a forum for networking among the grain stakeholders in the EAC region, with a focus on strengthening regional trade by creating market opportunities that offer enhanced opportunities for trade and investment, engaging policy makers and private sector actors for reducing barriers to grain trade hence stimuli increased productivity and trade in

grain sector; and examine initiatives on grain trade with a view of promoting cooperation between the countries on grain trade matters.

Similar Trade Facilitation Forums were held in Ethiopia in March 2017 and Zambia in June 2017 to link suppliers and buyers in the broader ESA region where trade agreements amounting to 280,000MT and 337,310MT were signed respectively. EAGC plans to host other trade forums in Uganda (January 2018), Ethiopia (February 2018) and Malawi (March 2018).

Outcome of Business to Business (B2B) Linkages

The forum brought together over 90 sellers and buyers of rice and other grain commodities from the Eastern and Southern Africa nations who signed trade deals amounting to **175,616MT** with an estimated value of **82.5 million dollars as shown in the table below:**

Product	Total volume (MT)	Estimated Total Value (USD)
Beans	16,020.00	17,542,727
Maize	94,310.00	24,004,221
Paddy Rice	24,108.00	16,879,346
Rice	33,368.00	20,971,097
Soybeans	7,810.00	3,195,536
TOTAL	175,616.00	82,592,929





Deliberation on Trade Issues

During the Forum, the grain stakeholders deliberated on a number of grain trade issues and the following actionable recommendations were made:

1. Logistics Issues

It was noted that traders are experiencing logistical challenges particularly between Zambia and Rwanda. These challenges have been contributing to the rise in transportation costs.

2. Duty & Taxation on Milled Rice

The application of the EAC Common External Tariffs (CET) for Rice is not harmonized. For instance Uganda charging 86% duty on rice imports from Kenya, Rwanda charging 30% duty and 18% VAT on rice imports and 12.5% duty on imported rice into Zanzibar.

It was further noted that the EAC Common Market Protocol allows for duty remission, which gives members leeway to reduce or eliminate tariffs as they deem necessary. However, a number of EAC states have used this provision to make decisions which have caused some trade wars within EAC e.g. Tanzania & Rwanda on rice and Kenya & Tanzania on wheat.



3. Market Infrastructure

The meeting brought out the important of market infrastructure in promoting grain trade in the region. There exist infrastructural challenges including storage and transport, which limit the region from fulfilling its potential in grain trade. For increased grain trade to happen, there is need to establish more grain storage facilities in trading corridors and in major grain markets.

4. Grain Productivity Trends

It was noted that grain productivity levels are below what is achieved in other parts of the world. Declining trends in the productivity of some cereal crops has also been observed. This decline has contributed to both regional and domestic grain supply gaps. Historical data shows that average cereal productivity at EAC region stood at 1.5MT/Ha (from 1990 - 2010). Specifically on rice yields in the EAC is approximately 1.5 to 2.5 MT/Ha compared to 4 MT/ha in Pakistan, 5MT/ha in China and 6MT/Ha in Vietnam.

5. Perennial Rice Surplus Deficit

It was informed that the annual rice production in the EAC currently stands at approximately 3.2 million MT (2.1 million MT milled rice) against the demand of 4.45 million MT per annum.

6. Mixed Beans Varieties in Rwanda

It was observed that there is **presence of mixed beans varieties in the Rwanda market** as opposed to single and sorted beans variety which conform to the East African Standard for Dry Beans (EAS 46:2013). The mixed beans are more suited for informal/domestic trade and household consumption but not ideal for structure trade and industrial processing.

7. Persistent trade policy constraints

The prevailing Non-Tariff Barriers (NTBs) are significantly increasing the costs of doing business and intensifying informal trade, thus increasing food costs to consumers.

8. Crop Calendar as basis for regional trade

The meeting noted that the Crop Calendar is a valuable tool for grain market analysis as it entails monitoring of crops growing in each country/region during different seasons.

Key Recommendations

- a) Market infrastructure should be improved where more grain storage facilities could be established in trading corridors and in major grain markets.
- b) Governments to make conscious efforts to remove the trade obstacles if the desired objective of increased access to regional markets is to be achieved.
- c) There is need to support the adoption of sustainable grain production initiatives and productivity enhancing interventions at country level.
- d) The Ministries of Agriculture in the EAC should support the implementation of sustainable rice production programmes to boost the production of high quality paddy to compete with imported rice.
- e) Governments in the region should expedite the removal of NTBs. Furthermore, they should continuously consult with value chain actors in policy formulation and implementation in pursuit of a supportive trade policy environment.
- f) Use of the Crops Calendar for a continuous regional trade in food grains as this will lead to enhanced food grain production and market transparency and encouraging incessant flow of grains across the region.
- g) The farmers in Rwanda and other countries should be provided with adequate extensions services, certified seeds and other support to farmers with so they can produce single varieties that would fetch better prices particularly in the regional market. The beans trading companies should also provide incentives to produce single beans varieties through forward contracting and off-take agreements.

Proposed Actions

- a. EAGC to assist in the exploration of Mpurungu-Kigoma (via Tanganyika) and Rusumo-Kigali routes which may lower the shipment costs.
- b. EAGC to undertake a survey on the market infrastructure along grain trading corridors to inform the proposed improvement.
- c. EAC Secretariat in collaboration with EAGC to facilitate the harmonization of the application of the CET in grain commodities across the region.

- d. EAGC to lobby the Government of Rwanda to review the applicable 18% VAT.
- e. The GOVERNMENT OF RWANDA in partnership with EAGC to promote the adoption of dry beans standards (EAS 46:2013) through awareness creation and incentivizing the production of beans that meet the regional quality standards. In addition, EAGC to mobilize its members especially those trading in beans to procure through structured mechanisms e.g. forward contracting/ off-take agreements, GSoko trading system and Trade Facilitation (TRAFA) model.

For more information, please feel free to contact the EAGC Secretariat through the addresses below:

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