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## Agriculture Newsletter – November 2014

## Contents

# Cereals sector

## Ebola concerns threaten production and trade in West Africa

In September 2014, FAO warned that the outbreak of the Ebola disease in Guinea, Liberia and Sierra Leone, "the three West African countries most affected", was disrupting food production and trade in basic foodstuffs. It warned that labour shortages were "putting the upcoming harvest season at serious risk" in those countries, where "quarantine zones and restrictions on people's movement" had also been introduced.

These restrictions on people's movement have also "curtailed the movement and marketing of food". According to FAO, this has led to "panic buying, food shortages and significant food price hikes on some commodities, especially in urban centres". FAO argues that "these latest price spikes are effectively putting food completely out" the reach of many urban consumers (particularly in Liberia and Sierra Leone).

These developments have severely affected what had promised to be a favourable harvest. FAO representatives have now warned that "food insecurity is poised to intensify in the weeks and months to come." It is thought that the current situation "will have long-lasting impacts on farmers' livelihoods and rural economies".

FAO believes that "measures to revive internal trade are essential to ease supply constraints and mitigate further food price increases." In response to the emerging crisis, the UN WFP "has launched a regional emergency operation targeting some 65,000 tonnes of food to 1.3 million people".

Imports from overseas are also being affected, with Thai rice exporters reporting growing difficulties in securing ships to deliver cargoes to West African ports – as ship owners face difficulties in recruiting personnel for deliveries to West Africa, and European ship owners are increasing freight rates and imposing surcharges for calls at West African ports (see *Agritrade* article 'Guyana looking to develop rice exports to West Africa', forthcoming 2014). These factors, alongside the landing and tranship of cargo via ports less severely affected for onward shipping by road, are likely to greatly increase the costs of food deliveries to Ebola-affected West Africa countries in the coming months.

Meanwhile, in an attempt to contain the cost-increasing effects of the Ebola outbreak, the government of Liberia has sought to regulate the price of rice and other staple foods. This involves setting maximum prices which retailers and consumers are being urged not to exceed.

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**Comment**

The impact of the Ebola outbreak on production and trade in West Africa may require governments in the region to intensify efforts to facilitate formal cross-border movement of basic food staples, in the context of the shifting patterns of imports generated by the international shipping response to the Ebola outbreak.

The creation of "humanitarian transport corridors" to facilitate the safe movement of staple foods across borders, in order to ensure that the loss of human life arising from the Ebola outbreak is not considerably multiplied by the impending increase in food insecurity, could provide an opportunity to fast-track long-held plans to facilitate trade in cereals products in West Africa (see *Agritrade* article '[Constraints on regional cereals trade in West Africa reviewed]', 12 May 2013).

## Maize import trade impacts on Kenyan maize price

According to reports in the East African press, imports of maize from neighbouring countries have led to maize prices in parts of the Rift Valley dropping "by more than 40 per cent". In August, this saw the price offered by maize traders to farmers fall from KSh3,300 to KSh2,000 (from approx. €30 to 18) per 90-kg bag in a 1-month period. According to traders, maize millers were offering low prices because "the maize imports from mainly Uganda and Tanzania have flooded the markets in Eldoret, Kitale and other towns in Western Kenya." Press reports cited Ministry of Agriculture officials stating that some 1.8 million bags of maize would be imported from the EAC area between August and October 2014.

The falling prices have created problems for the maize traders, many of whom have been left holding high stock levels, retained in the expectation of higher prices following earlier predictions of a maize deficit of 10 million bags.

However, other press reports suggest that imports may not be the sole reason for the price declines, arguing that "maize prices in the north Rift Valley have hit their lowest level in eight months as farmers release the produce they have been hoarding." This release of stocks held by farmers took place in the expectation of increased levels of imports that would then further impact on prices.

In mid August 2014, press reports suggested that production would be at the lower end of the range cited by the Cabinet secretary – some 34 million bags, compared to a target of 42 million bags. The situation led Kenya's National Drought Management Authority and the Kenyan Red Cross to issue warnings of "a looming famine following the prolonged drought".

The Kenyan Agriculture Cabinet Secretary, Felix Koskei, denied reports of maize shortages. He commented that the country had a "reserve of 2.9 million bags" at NCPB depots, a figure expected to rise to 3.4 million bags (this compares to a reported optimum reserve level of 5 million bags). It was argued by Mr Koskei that affordability was a more important issue for food-deficit households.

Nevertheless, there remain uncertainties: decreased rainfall and a resurgence of the viral disease affecting maize continue to raise concerns.

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**Comment**

The uncertain position in Kenya's maize supply situation highlights a number of problems in the country's maize sector. First and foremost is the lack of credit facilities for farmers, which forces them to sell their crop immediately after harvest to meet household needs and buy inputs. This causes a temporary maize glut in the market and leads to an immediate price collapse. Production diversification, in order to ensure a more regular flow of household income, could offer one solution to this problem, along with increased utilisation of efficient warehouse receipt system schemes.

A second issue faced is linked to the management of imports, which often arrive in country during or close to the start of harvesting periods. If deliveries of maize imports were better managed, then seasonal price fluctuations could be reduced. This would then reduce price pressures on consumers and income pressures on producers. However, the scale of informal cross-border trade in maize in East Africa poses serious challenges for any efforts to manage the maize trade.

The issue of maize trade management is closely linked to the issue of market information. Despite efforts made by the Eastern Africa Grain Council and its regional market information system, with dissemination through the Regional Agricultural Intelligence Network (RATIN), there is still a need to improve information on stock levels held by millers, traders, the National Cereals and Produce Board of Kenya and farmers. This is complicated by the absence of progress on a third issue, namely the need to strengthen the functioning of the maize supply chain. Currently there are few formal, mutually agreed contractual agreements between maize producers and maize millers. Establishing a more effective framework for contractual arrangements between maize producers and maize millers could go some way towards improving the functioning of maize supply chains and reducing price fluctuations.

The final difficulty in the maize sector – which partly explains why maize prices can drop so sharply in the face of a looming famine – is the business environment. Poor infrastructure, lack of trade finance and insecurity in famine-prone arid and semi-arid areas of Kenya make the commercial supply of maize to such areas largely non-viable, leaving the distribution of food in arid, drought-prone areas to government and NGOs.

## Challenge in Tanzania is to link maize surplus areas to markets

In mid August 2014, the government of Tanzania "appealed to individual traders and agencies to buy and export surplus maize following bumper harvests" in certain regions. Farmers' leaders in the Ruvuma region have expressed concerns that much of the 300,000 tonnes of maize harvest in the region could spoil if markets were not found.

Some commentators have argued that farmers lack "knowledge on the procedures needed to export the produce", while the government's capacity to purchase the maize is limited. This season Tanzania's National Food Reserve Agency (NFRA) targeted purchases of "only 40,000 tonnes from the Ruvuma, Iringa, Njombe, Rikwa and Mbeya regions". The government is however working with farmers to help them find markets outside the country and understand market requirements.

Government officials said that "doors are open for local traders to buy and sell maize to neighbouring countries… all the documents are available at our office, interested buyers can visit us to get the procedures." Government officials have identified markets for Tanzanian maize in Kenya, Sudan and the DRC. However, in the preceding weeks, the District Commissioner for Songea District had warned small-scale farmers against selling maize to local brokers, since these offered low prices and made high marks-up when selling to consumers. He advised farmers that all "agricultural surplus crops should be sold directly to the national food Reserve Agency."

Ruvuma farmers are reported to be working with the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) in an effort to sell thousands of tonnes of maize to the DRC.

These developments need to be seen against the background of warnings that "some 20 million people are facing acute food insecurity in eastern and central Africa" (up from 15.8 million in July 2013). The East and Central Africa Food Security and Nutrition Group, a multi-stakeholder forum, issued warnings that the situation could deteriorate still further "in the absence of quick action".

The Chief Executive of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) highlighted the efforts made to boost production through the provision of quality seeds and fertilisers, but stressed that there also needed to be a plan "to ensure that there are reliable markets for [farmers'] produce."

A report from *Business Monitor International* meanwhile suggests there are structural problems facing Tanzania in its efforts to become a competitive regional maize supplier, despite the immense opportunities potentially available. Representatives of the Tanzania Exporters Association implied that government administrative arrangements were not geared towards supporting exports, with difficulties, for example, in obtaining export permits.

The report called for a review of the government's export policy with a view to stimulating regional trade, taking into account the capacity constraints of farmers, particularly literacy levels. It also highlighted the scope for TCCIA to organise producers, traders and transporters into "business clubs to be targeted for training on how to utilise immense opportunities lying within the [East African Community Market]".

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**Comment**

The establishment of decentralised information systems to help traders to access information requirements for cross-border trade would appear to be essential to reduce transaction costs for small-scale operators. At present, the centralisation of these functions makes the development of intra-regional trade an expensive and time-consuming process for smaller-scale operators, and a thorough review of both government policy and also operational procedures would appear to be required.

Considerable scope would also appear to exist for cooperation between government departments and the TCCIA in the delivery of the required trade-related information to farmers in surplus production zones – concerning everything from facilitating access to export permits and SPS certificates to identifying markets and brokering contracts.

The World Bank, meanwhile, is currently working to establish operational modalities for reducing the costs of small-scale trade across borders in Eastern and Southern Africa. Currently smaller-scale traders face disproportionately higher costs than large-scale operators in engaging in cross-border transactions, with this constituting a major disincentive to increased intra-regional trade in cereals (see *Agritrade* article 'Scope for attracting informal cereals trade into the formal sector', 6 November 2014).

Although efforts are under way in Tanzania to facilitate the export of grains, engagement by wider regional stakeholders would appear to be essential. This includes such bodies as the Eastern Africa Grain Council and the East African Business Council. The regional stakeholders need to get to grips with issues as diverse as:

- establishing quality standards for regionally traded grain (particular with regard to aflatoxin levels);
- simplifying and decentralising administration of exports;
- implementing codes of conduct for the treatment of cross-border traders by government officials.

Since much intra-regional trade is informal, there would also appear to be a need to revive and build on the COMESA Cross-Border Trade Association (CBTA) initiative and similar institutions in the region.

## Scope for attracting informal cereals trade into the formal sector

The World Bank has published a policy paper on the scope for improving informal cross-border trade in maize, rice and beans, proposing the establishment of a 'Charter for cross-border traders'. The charter would enshrine rights and obligations of both traders and officials, and would be aimed at promoting the formalisation of trade in cereals and beans. It would seek to build on existing departmental guidelines but would also introduce a credible complaint mechanism using toll-free phone lines and an effective performance measurement system.

The policy paper argues that allowing informal traders to integrate into the formal economy "would boost trade and the private sector base for future growth and development". This is seen as particularly important for women, who are the majority of informal cross-border traders and for whom such trade is often the main or sole source of income.

At present, informal cross-border trade flows are substantial. It is estimated that in East Africa in 2013, 3 million tonnes of food staples were traded informally. In Southern Africa in 2011/12, informal cross-border trade in maize was estimated at 139,243 tonnes, rice at 8,485 tonnes and beans at 15,380 tonnes.

Currently the costs of cross-border transactions "remain expensive for small traders in Africa". In a review of Malawi–Zambia border posts, costs were on average 62% more expensive for small traders than for formal sector traders. This, however, is less than the additional costs faced by small-scale traders if they trade formally – these are estimated to be 125% higher than for large-scale traders.

The situation in the Malawi–Zambia border area, which was the subject of a case study included in the policy paper, is seen as indicative of more general problems across the region. Factors increasing costs and driving informal trade include:

- high customs duties and taxes;
- time-consuming and inefficient border procedures;
- opaque or arbitrary application of rules;
- hostility and harassment by border officials of small-scale traders (particularly women);
- trader registration and tax identification requirements;
- the centralisation of administration of import and export licences and SPS certificates.

The paper maintains that while a range of simplified trade regimes have been launched to facilitate cross-border trade, "a host of registration and other requirements remain in place and increase small trader costs to uncompetitive levels."

In August 2014, COMESA launched a dialogue with MPs from the region on how to ensure that arrangements for intra-regional trade in staple foods are made more transparent and predictable. The aim is to enlist the active support of MPs to ensure that ad hoc measures affecting imports and exports are less frequently used. The use of such measures generates "market gluts at the producer level", thus depressing farm gate prices, and increases the costs of cross-border trade, to the detriment of consumers and food security objectives.

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**Comment**

Establishing charters of rights and obligations aimed at improving the transparency and efficiency of border procedures, and reducing harassment of female traders can both be seen as essential practical steps to bring informal trade into the formal sector. However these steps need to be complemented by other policy measures.

Wider government policy needs to be consistently supportive of transparent and efficient trade arrangements. A number of recent experiences in the region highlight how broader government policy decisions can undermine efforts to create operational arrangements at border posts to facilitate trade. These include:

- decisions by governments to ban exports and instruct law enforcement agencies to clamp down on informal trade, in a context where projections suggest a national harvest 32% higher than national consumption needs;
- government moves to centralise the issuing of import licences, either on the grounds of strengthening controls over trade in GMO maize or as a means of ensuring national food security.

Greater consistency and transparency would appear to be needed at government policy level if border-based operational improvements are to be effective.

In Namibia, a positive step to strengthen transparent and efficient cross-border movements has been private sector association representatives working alongside customs officials in dealing with technical and administrative aspects of agricultural trade. The technical expertise on agricultural issues helps to ensure that technical and regulatory requirements are met, while expediting trade.

## Dairy sector

### FrieslandCampina to take over Ivorian dairy business

On 1 September 2014 the farmer-owned Dutch dairy cooperative FrieslandCampina announced that it had acquired Olam International's dairy business in Côte d'Ivoire, including the right to use Olam's Pearl brand for sweet condensed and evaporated milk "in designated African countries".

Olam's facility in Abidjan "processes local fresh milk and milk powder into sweetened condensed milk and evaporated milk for the local market", but the Dutch cooperative's purchase of Olam's dairy business supplements FrieslandCampina's existing involvement in Nigeria and its presence in established export markets for its Bonnet Rouge brand of evaporated milk (see *Agritrade* article 'Expanding Dutch corporate involvement in local milk procurement in Nigeria', 15 April 2013).

FrieslandCampina's media relations director, Jan-Willem ter Avest, has described the purchase of Olam's dairy business in Côte d'Ivoire as "an opportunity to export milk powder from the Netherlands to the Ivory Coast".

While forming part of FrieslandCampina's longer-term strategy the acquisition also needs to be seen against the background of the market effects of Russia's import ban on EU dairy products. In 2013 FrieslandCampina exported cheese to the value of €50 million to Russia. In response to the Russian import embargo, some alternative markets have been found for the existing cheese produced for the Russian market, but now "cheese production specifically for the Russian market has been suspended". This means that "more milk powder is being produced to relieve the cheese market."

The acquisition also needs to be seen in the context of a 44% decline in skimmed-milk powder prices at the GlobalDairyTrade auction in the course of 2014.

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### Comment

Whether it is FrieslandCampina's 1 September 2014 purchase of Olam's dairy business in Côte d'Ivoire, Arla's September 2013 joint venture with Mata Holdings to repackage bulk milk powder in its new mobile modular processing units, Danone's October 2013 acquisition of a 49% in Fan Milk International or Nestlé's development of low cost processing facilities, a common pattern is emerging from recent corporate investments. (See *Agritrade* articles 'Arla launches turnkey milk powder packaging facility in Côte d'Ivoire', 27 October 2013, 'Danone looking to expand in West Africa', 19 January 2014, and 'Nestlé to roll out modular factory system in Africa', 18 August 2014.

They all involve, to varying degrees, establishing or expanding local manufacturing capacity to produce ready-to-consume dairy products on the basis of imported milk powders, thereby contributing directly to meeting rapidly expanding demand for dairy products in Africa.

They also, of course, provide an outlet for European milk powder, both in the context of the current market crisis arising from the Russian import ban on EU dairy products and in the light of the projected expansion of EU milk deliveries to dairies following the abolition of EU milk production quotas.

Managing global dairy market price volatility or market disruptions is an integral part of developing EU corporate strategies. Establishing joint ventures which provide outlets for milk powders, independent of volatile global prices and growing competition on Chinese markets, can be seen as an important means of managing volatility. Given the West Africa region's high import dependency in the dairy sector, recent investments would appear to suggest that West African markets could effectively play this role of 'safety net'.

The investments need to be seen in the context of wider global corporate aspirations to move into higher value-added dairy product exports, primarily targeting markets beyond sub-Saharan Africa, where greater effective purchasing power exists (e.g. the infant formula market in China or branded, quality-differentiated cheese exports).

This focus however sits uneasily with national and regional efforts in Africa to promote increased local milk supplies to meet growing urban demand for commercially produced dairy products. The danger exists that a temporarily convenient convergence of interests could, on purely commercial grounds, become an entrenched system of integration of African dairy processing units into externally oriented raw material sourcing practices. This could see African dairy sector development in response to growing urban demand in some regions taking place largely on the basis of imported raw materials, without sufficient attention being paid to addressing the very real constraints faced in developing backward linkages to local milk production.

In terms of regional trade, current patterns of investment could have a strong effect on trade flows between milk producing regions and coastal zones, and between coastal zones and markets in the interior. This could see reconstituted milk products produced in coastal zones competing with dairy products in the interior produced from locally sourced milk. This will depend in part on how new investors make use of the distribution chains already set in place by locally established companies.

## Livestock sector

### Responding to SPS trade challenges in the livestock sector in Southern Africa: National and regional dimensions

The South African government's introduction of stricter sanitary and phytosanitary (SPS) controls on imports of livestock in May 2014 highlighted the importance of both flexible government and private sector responses to SPS challenges, as well as to and market diversification and investment in value-added processing.

At a meeting of the Namibian Livestock Producers Organisation in August 2014, it was reported that, to respond to SPS challenges, the Namibian government had moved quickly to restructure its Department of Veterinary Services "to increase capacity with regard to vaccinations and testing" and explore the scope for accreditation of private vets to immediately increase the technical capacity to meeting vaccination and testing requirements. The Namibian meat industry's umbrella body, the Meat Board, for its part planned "eight new positions on a contract basis to relieve the temporary shortage of capacity with regard to vaccinations and testing", and drafted a "standardized document which clearly reflects the export requirements" for the South African market.

These actions took place alongside an ongoing bilateral dialogue on an appropriate cost-effective basis for meeting South African SPS requirements, in view of Namibia's favourable animal disease status.

The actions place in context ongoing SADC efforts to operationalise the SPS annex attached to the SADC Trade Protocol that was agreed in 2008. The efforts are being intensified with the assistance of the EU under the Regional Economic Integration Support (REIS) programme, given the growing importance of SPS issues as a barrier to intra-regional trade. It is hoped that putting the SPS annex into operation will not only strengthen the protection of human, plant and animal health in the SADC region through increasing national implementation capacities, but also provide a forum for addressing SPS issues and resolving SPS disputes.

However, SADC efforts, as illustrated by the August 2014 experts' workshop in Tanzania, are primarily focused on information sharing and, with the help of the EU REIS programme, stakeholder training on SPS requirements.

In terms of SPS policy discussions, the SADC SPS Coordinating Committee has to date mainly focused on providing a forum for regional discussions on issues coming up in international forum, such as the World Organisation for Animal Health (OIE), the International Plant Protection Convention (IPPC), Codex Alimentarius and the WTO SPS Committee.

In terms of market diversification Namibia's Meat Board is more actively exploring markets in livestock and livestock products in Angola, the Democratic Republic of Congo, and Zambia, and looking at the goat sector in the Middle East. In the medium term, efforts are also under way to expand feedlot capacity to allow more animals to be raised locally for processing prior to export.

The May 2014 SPS-based disruptions of exports to South Africa were described as a "wake-up call for Namibia to invite more investors to invest in local abattoirs and feedlots".

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**Comment**

The SADC SPS experts' discussions and the bilateral Namibia–South African discussions on implementing SPS measures in the livestock sector highlight the considerable ground which still needs to be covered in moving towards effective regional mechanisms for dealing with the increasingly important issue of SPS barriers to trade.

The parameters for a regional mechanism for discussing SPS issues and resolving SPS disputes are nominally in place, with the majority of SADC member states having, to varying degrees, taken steps towards incorporating the agreed regional SPS provisions into national law. However, the process of harmonising the provisions of the SADC Trade Protocol SPS Annex with national legislation, as well as the provisions of the OIE, the IPPC and Codex Alimentarius regime, remains ongoing.

In addition, while a system of notifications of food safety and SPS issues is nominally in place, this is not yet functional. A consultancy is taking place in collaboration with the Trade Hub in Gaborone to set up the necessary structures to address and resolve SPS issues, with a draft report expected to be delivered in later in November 2014.

Meanwhile, any disputes continue to be dealt with on a bilateral basis. This generally commences with technical-level discussions and then progresses to political-level discussions if no agreement can be reached. However, a new dimension that has emerged in the Namibia–South Africa livestock dispute is the use of the law courts to challenge nationally determined SPS measures (see *Agritrade* article 'Livestock trade between Namibia and South Africa reopened by Court ruling', 12 October 2014).

# Rice sector

## Different rice sector policies offer scope for experience sharing in West Africa

According to the FAO, the 2013 rice season in West Africa yielded "an all-time high [harvest] of 13.7 million tonnes (8.7 million tonnes, milled basis)". This was attributed to exceptional harvests in Chad, Mali and Nigeria and favourable output levels in Côte d'Ivoire, Gambia, Guinea, Guinea Bissau, Mauritania, Sierra Leone and Togo. However, as a result of "erratic weather conditions, output fell in Benin, Burkina Faso, Ghana, Liberia, Niger and Senegal".

While initial projections can only be tentative given weather-related uncertainties, the FAO forecasts a 1.46% expansion of West African rice production in 2014 to 13.9 million tonnes of paddy (8.8 million tonnes, milled basis). This is attributed "to Government assistance and increased investment in the sector", which has increased the area under rice. The picture varies, however, from country to country across the region.

At the policy level "in 2013, officials in the Gambia announced plans to impose a full ban on rice imports by 2016, when they expect the country to be fully self-sufficient in rice." In recent years the government of Gambia has sought to boost rice production through the distribution of inputs including improved NERICA rice varieties. More recently, under its Vision 2016 Rice Self-sufficiency Agenda, the government is "looking to promote large-scale cultivation of rice, multi-cropping, as well infrastructural improvements". On this basis, the FAO anticipates an expansion of rice production above the record level of 2013, to reach a harvest of 72,000 tonnes (47,000 tonnes milled rice).

However, in 2012/13 Gambia's annual rice imports reached 137,000 tonnes, with a national rice consumption of 178,822 tonnes. The government is therefore reconsidering its decision to ban rice imports from 2016, with any such ban being contingent upon self-sufficiency targets being met. Local experts have convincingly argued that an import ban in the absence of the attainment of self-sufficiency objectives would simply "result in rice smuggling as in the case of Nigeria".

The government of Ghana is also seeking to actively promote local rice production to reduce import dependency and attain full self-sufficiency by 2018, "when production is targeted to reach 1.2 million tonnes". The government has developed a range of input subsidy and improvement programmes (particularly targeting youth) and is supporting a range of irrigation initiatives. The FAO, however, implies that the Ghanaian government self-sufficiency target may be over-ambitious, since it would require 20% annual production growth.

The government of Liberia is hoping to encourage local rice production by introducing a 25% local procurement requirement for all government agencies. This is projected to create a market for some 3,500 tonnes of rice. Rice purchase areas are already taking place from farmers operating under a USAID support rice development scheme. Creating market opportunities for local rice producers through such public procurement initiatives is seen as essential if production development efforts are to prove sustainable.

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**Comment**

In the face of growing consumer demand for rice and rising import bills, West African governments are increasingly looking at what types of public sector policies and support programmes can most effectively promote local rice production. A wide variety of policy tools are currently being used across West Africa, including both production and input support programmes and trade measures.

Current trade measures range from the use of public procurement requirements to create markets for local rice producers, through the application of differential import tariffs linked to investment in developing backward linkages, to import restrictions and even import bans.

Often different measures are combined within a single policy. In addition, policies can evolve in the light of experience, particularly that of meeting the challenge of smuggling arising from the application of different import tariffs for rice across West Africa.

This suggests that benefits could be gained from an assessment of the effectiveness of the different types of policy measures being applied in the rice sector, in terms of supporting the sustainable production and marketing of rice. Such an assessment could then provide a basis for a pragmatic step-by-step approach to rice sector policy harmonisation, an essential prerequisite for reducing the adverse impact of informal rice sector trade flows on official government rice sector policies.

## Debate intensifies around East African Community rice tariff

FAO's July 2014 *Rice Market Monitor* reported on improved prospects for rice production in East Africa. Compared to average production from 2009 to 2011, rice production is projected to be 17% higher in 2014. Despite initial fears over 2014 production levels, the Tanzanian rice production is forecast to be 200,000 tonnes higher than in 2013, with a harvest of 2.1 million tonnes (1.4 million tonnes, milled basis), representing a 4% increase.

This expansion in production was attributed to an increase in the area under rice and achieving yields of 2 tonnes per ha, contrasting to the 1.7 tonnes per ha in 2005. The government has been supporting irrigation schemes, the adoption of improved seed varieties and subsidised input programmes. This is projected to see Tanzanian rice imports fall to 95,000 tonnes from 121,000 tonnes in 2013.

Rice production in Kenya is expected to stabilise at the record harvest level attained in 2013 of 147,000 tonnes (95,000 tonnes milled basis). Despite this production trend, "Kenya is expected to increase imports by 4% in 2014 to 420,000 tonnes."

Production prospects have been less favourable in Rwanda where output has been depressed by "erratic rains and shortages of inputs". Even with these production challenges, imports of rice into Rwanda are forecast to be stable.

In terms of rice trading, government policy measures play an important role. Although the EAC Common External Tariff (CET) on rice imports is nominally 75%, member states have made use of a range of national exemptions approved on a year-by-year basis.

In June 2014 EAC ministers agreed to increase the applied tariff from 25 to 35%, in the face of protests from farmers over the market impact of cheap rice imports. However, Uganda declined to commit to the new 35% rate, preferring to maintain a 75% duty in order to promote domestic rice production.

This broad agreement meant that the government of Tanzania allowed tariff waivers introduced in 2013 to lapse, "in order to quell inflationary pressure".

In the case of Rwanda for 2014, FAO reports that "less favorable duty concessions have also been announced". Imported rice "will attract a 45 percent tariff rate (or USD 200 per tonne, whichever is higher) until June 2015".

For its part Kenya, while applying the 35% tariff, has raised the minimum tariff per tonne to US$200 compared to US$100 per tonne in 2013.

Rice farmers welcomed the increased protection introduced, with Kenyan farmers also calling for more investment in irrigation and more support for input supplies.

Kenyan rice importers, meanwhile, have complained that the increased tariff could drive small-scale importers out of business. For their part, Pakistani rice exporters maintain that the new charges will cause total fees collected on Kenya's annual rice imports of 400,000 tonnes to increase from US$ 180 million to US$260 million.

To date the Kenyan moves to increase tariff protection in the rice sector have not led to any countervailing moves by the Pakistani authorities with regard to Kenyan tea exports, where tariff concessions had earlier been bilaterally exchanged.

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**Comment**

There is flexibility within the EAC CET for member governments to make exceptions to meet specific national needs. Recently efforts are taking place to harmonise the application of tariffs in the rice sector, in part to deter rice 'smuggling' within the EAC. This is a difficult process because the relative weight to be accorded consumer and producer interests varies between member states, with rice consumption carrying less weight in food security terms in Uganda than elsewhere in the EAC. The policymaking context is further complicated by processes of urbanisation and income growth, which are changing patterns of consumption and fuelling a rapid increase in consumer demand for rice.

Although Uganda's adherence to the highest levels of tariff protection has allowed a consolidation of the expansion of production which has taken place since 2000 (more than double, with production increasing 25% between 2009/10 and 2014/15), growth of consumer demand of an estimated 9.5% per annum, means that the objective of self-sufficiency is still a long way off.

This combination of a rapid expansion of consumer demand alongside efforts to stimulate and sustain domestic production in the face of increased global price volatility, would appear to account for the flexibility allowed individual EAC governments in setting what are deemed to be nationally appropriate tariff levels. It also suggests a need for a more nuanced approach to self-sufficiency objectives, given the recent rapid expansion of demand.

## Roots and tubers sector

### Evolving demand trends and export opportunities for sweet potatoes yams and other roots and tubers

Roots and tubers have traditionally been the second largest sub-category of food production in the Caribbean, with imports equivalent to around 19% of domestic production and exports around 5% of domestic production. Haiti and Jamaica traditionally dominated production of roots and tubers in the Caribbean (around 90%)

Recent press reports suggest, however, that exports of roots and tubers are growing in importance in the Caribbean. It was reported in July that in 2013 "Jamaica exported more yam than traditional agricultural exports combined." This reflects a wider trend in growth of non-traditional exports, such as yam, dasheen, ginger, pumpkin, papaya and pepper.

This in part reflects changing consumption patterns in major developed country markets, with a number of 'ethnic' crops now going mainstream, and large supermarkets such as Tesco and Walmart now stocking such products. It is estimated, for example, that US consumption of sweet potato increased by 50% between 2002 and 2012, as the health benefits of sweet potato have been increasingly recognised.

Against this background, the Jamaican government is to launch an export platform framework that facilitates exchange between suppliers and purchasers in Jamaica and overseas. The initiative is being carried out under the Agriculture Ministry's "Agricultural Competitiveness Programme (ACP), in collaboration with the Inter-American Institute for Cooperation in Agriculture (IICA)". The initiative includes training for farmers on export market opportunities, market requirements, and direct support for marketing and participation in trade fairs. It is recognised by exporters and the Ministry that "Jamaica has to improve its export practices, at least in terms of consistency, if its products are to secure a spot on mainstream shelves".

The Jamaican Agriculture Minister reported "strong interests from the Fresh Produce Consortium of the United Kingdom" (FPC) whose representatives had visited Jamaica "to explore the possibilities of acquiring supplies of sweet potato". He also reported that a number of large farmers operating in the government-supported agro-park schemes were already "negotiating contracts with buyers in the Fresh Produce Consortium to supply sweet potato", with these farmers now sourcing "planting material for the variety of sweet potato required by the Consortium". The government is now assisting the farmers concerned in conforming with the "good agricultural practices" that are a critical requirement for exports to FPC buyers in the UK.

Beyond Jamaica, the government in Trinidad and Tobago is promoting the use of cassava in its School Feeding Programme, for blending with flour and for use in animal feed. This forms part of efforts to promote public–private sector partnerships to reduce the country's food import bill. Production of yam, cassava and sweet potato reportedly increased by 15.2, 52.2 and 58.2% respectively between 2012 and 2013.

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**Comment**

A number of roots and tubers have long been central to food consumption in major Caribbean island economies such as Jamaica and Haiti, but changing consumption patterns overseas are now opening up new export opportunities. This is giving a new lease of life to farming of traditional roots and tuber crops. These are crops in which Caribbean island producers can potentially develop a real competitive advantage, given the land-constrained nature of their farming systems.

The expansion of earnings from exports of traditional crops that is now taking place could help to rebalance the growing import bill of several Caribbean island economies. (The recent WTO OECS Trade Policy Review, for example, pointed out that since 2007, OECS member states had become even more dependent on imported foods.) Potentially, exports of specific traditional roots and tuber crops (such as yam, sweet potatoes and dasheen), could help Caribbean countries to sidestep some of the structural constraints on competitive production of bulk food and agricultural products.

Central to the development of these export opportunities is the identification of profitable export markets and the initiation of dialogue between producers and importers over the market requirements, quality standards and production process requirements (good agricultural practices).

A similar process of market identification and dialogue with end users appears to be under way in Trinidad and Tobago, targeting local markets for roots and tuber crops (e.g. cassava). The international market repositioning of traditional crops could well feed back into increased appreciation of the value of traditional crops in national food consumption patterns, with the types of initiatives launched in Trinidad and Tobago gaining traction across the region.

Equally, improving quality standards for export markets could increase the commercial attractiveness of these traditional products on domestic markets, including those tourism market components which require international-level food quality assurance from local suppliers. The launch in Jamaica of government programmes to assist farmers in producing in line with international import and retailer requirements could also provide important assurances that assist in enhancing the commercial attractiveness of national and – SPS requirements allowing – regional markets.

This approach may hold lessons not only for other Caribbean island economies, but also for other small-scale producers across the ACP.

Launched by CTA (Technical Centre for Agricultural and Rural Cooperation ACP-EU) in 2001, the Agritrade website http://agritrade.cta.int is devoted to agricultural trade issues in the context of ACP (Africa, Caribbean, Pacific) - EU (European Union) relations. Its main objective is to better equip ACP stakeholders to deal with multilateral (World Trade Organization – WTO) and bilateral (Economic Partnership Agreement – EPA) negotiations. Thus it provides regular and updated information and analysis on technical aspects of the trade negotiations, developments in the CAP and their implications on ACP-EU trade, as well as on major commodities (banana, cereals, sugar, fisheries, etc.).

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint ACP—EU institution active in agricultural and rural development in African, Caribbean and Pacific (ACP) countries. Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management. It does this by providing access to information and knowledge, facilitating policy dialogue and strengthening the capacity of agricultural and rural development institutions and communities in ACP countries.

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