

Institutional details

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INTRODUCTION

EAGC is a membership organization comprised of key stakeholders in the grain value chain including input suppliers, producers, traders and processors. The organization aims to improve market access for value chain actors especially the smallholder farmers and small-scale traders. This is expected to be achieved through the realization of a well functioning free regional grain trade as a result of: establishment of a structured grain trading system; strengthened market information system, capacity building of value chain stakeholders and improved policy and trade environment

To propel EAGC towards delivery on her mandate USAID-COMPETE provided a grant of US\$ 409,328. The grant was to be spent on EAGC's secretariat operational costs and institutional strengthening in order to be able to deliver on envisaged services. The grant was to be utilized for seven month starting July 1, 2009 to January 31, 2010. EAGC however requested for a no cost extension to run up to June 30, 2010 which USAID –COMPETE granted. This completion report therefore covers achievement over the entire 13 months project period. The captures achievements at the goal/ outcome level of objectives.

Project objectives

Goal: The goal of the project was to strengthen the capacity of EAGC secretariat in order to promote and support the establishment of a structured grain trading system.

Specific objectives

The specific objectives of the support grant were:

- i. To facilitate institutional strengthening to enable EAGC deliver services to her stakeholders through staff recruitment and rental of offices for EAGC Uganda, Tanzania and Kenya
- ii. To promote and facilitate the establishment and maintenance of warehouse receipts and commodity exchanges in the regions
- iii. To continuously provide consistent and accurate market information on the regional trade linkages , commodity prices, cross border trade flows , and crop developments, political and economic developments
- iv. To hold a successful Grain Trade Summit in November 2009 in Dar es salaam, Tanzania to bring together 300 delegates and 20 exhibitors

ACHIEVEMENT ON OBJECTIVES

Objective 1: Strengthen capacity of EAGC to deliver services to her stakeholders

i. Identify and recruit staff (receptionist- Kenya, Admin. Assistants- Uganda, Tanzania).

A Receptionist for the secretariat office, Nairobi was hired in May 2010. Previously, the engagement was on Short Term Technical Assistant. Administrative Assistants for Uganda and Tanzania were recruited and reported to office in October 2009 and June 2010 respectively. The additional staff provides valuable support to the new country offices.

ii. Identify and rent premises for Uganda and Tanzania

Acquisition of Office premises for Uganda and Tanzania has been finalized. The offices have basic equipments and are fully operational. The offices house 3 staff (Country manager, STS Assistant and the Finance and Administrative Assistants). The teams continue to promote EAGC activities in respective countries and provide services to EAGC membership and stakeholders. This also includes membership recruitment for EAGC.

Strategic plans for the activities of the two countries; Tanzania and Uganda have been finalized.

Validation of the Tanzania plans has been conducted while a validation workshop for the Uganda will be conducted later.



EAGC Uganda office in Kampala



Location of EAGC Tanzania office

iii. Identify and relocate to larger EAGC Secretariat office s in Nairobi, Kenya

The secretariat identified and relocated to a new larger office premises in November 2009. The additional space has enabled the secretariat to accommodate an expanded workforce. Together with other donors support, EAGC has completed recruitment for key positions within the council aimed at enhancing capacities in key deliverable areas and ensure efficient and effective operations.

During the period EAGC continued to hold regular quarterly board meetings in order to review performance. Key issues addressed during the meeting included:

- Review and approval the EAGC work plan and budget for 2010.

- Approval of audited financial report 2009
- Review implementation progress
- Deliberation on Grain Trade Institute

USAID-COMPETE facilitated expenses for board meetings (travel and accommodation).

Objective 2: To promote and facilitate the establishment and maintenance of Warehouse Receipts and Commodity Exchanges in the region

i. Facilitate a workshop to bring together Warehouse Receipting operators and Commodity Exchanges within COMESA and SADC region to share experiences.

The workshop was held in Lusaka Zambia on 30th September to 2nd October 2009. It attracted 148 participants. Key outcomes from the workshop deliberations was the revelation that the overall development of the market-supporting institutions has been hampered by institutional weaknesses, capacity constraints, inadequate physical infrastructure, uncertainty in the legal and regulatory framework which has, in particular, made it difficult to engender confidence in the systems by financial institutions, and disabling policies, which are often not consonant with free trade agreements adopted by governments in the region. The workshop also concluded that the two market-supporting institutions (WRS and CEs) have the potential to improve the functioning of agricultural markets by improving price formation, market transparency, and regional trade, thereby raising farm output and rural incomes as well as enhancing food security;

ii. Conduct consultative meetings in Kenya, Uganda and Tanzania to lobby and advocate for issues affecting grain sector in Eastern Africa and making contributions at COMESA and EAC forums.

EAGC in partnership with USAID COMPETE supported several meetings and consultations among stakeholders in grain industry in Kenya Uganda and Tanzania. The objectives of the meetings were to increase awareness of EAC maize quality standards, to learn how to apply these standards, to learn the skills of testing these standards, and to design approaches/methodologies for implementing the standards.



Maria Mullei of USAID-COMPETE in a maize quality standard workshop

A meeting was held involving USAID, USDA, EAGC and WFP-P4P

HQ coordination unit to deliberate on Warehouse Receipt System and the Purchase for Progress programme. The objective of the meeting was to explore possibility of WFP- P4P to procure grain from WRS in order to boost the structured trading system. Following further discussions EAGC and

WFP have reached an agreement to work on a pilot procurement through WRS for between 26-70 MT.

In Kenya, about 2.5 million bags of maize in 2009/10 season were rendered unfit for human and livestock consumption and trade due to high toxic levels of Aflatoxins and had caused dismay of the millions of small-scale farmers who depended on maize for food and income. It's in this regard that EAGC called for a consultative meeting to deliberate on ways of controlling the noxious fungi that had impeded the maize trade.

iii. Holding the 3rd African Grain Trade Summit in Dar es Salaam Tanzania

The grain summit was held on 5th -6th November 2009. 185 participants attended. Recommendations arising out of the summit are being pursued. They include establishment of regional food balance sheets, harmonization of commodity standards, establishment of WRS and Commodity Exchange and engagement of banks to finance STS.



iv. Promoting Warehouse Receipt System

Three model warehouses have been certified and are operational. 527 MT of maize was deposited in the season 2009/10. The process of certifying 12 National Cereals and Produce Board warehouses in Kenya is in progress. Ian Goggin has been engaged (seconded by USAID/ COMPETE), and is working on the feasibility report. The report of the feasibility study would make a case for the WRS and Commodity Exchange and help clarify various issues.

EAGC Uganda undertook assessment of status of warehouse operations in Uganda. Discussions started with the Tanzania Warehouse Licensing Board (TWLB) and the Uganda Commodity Exchange for EAGC to strengthen the WRS systems in the respective countries.

Capacity building activities on Warehouse Receipt System have been conducted. Training on trade rules and contracts has been done in Uganda attended by 43 participants, 88 NCPB and Export Trading Company staff trained on warehouse management and 90 Ministry of Agriculture field staff as well as 21 KMDP and CGA promoters were trained on WRS system. EAGC continue to promote WRS through training, workshops and meetings with producers.



The role of Warehouse Receipt System (WRS) in setting up a Commodity Exchange is very prudent. The successful implementation of a commodity exchange also depends upon a good warehousing network as well as operational WRS. The process to fast tracking establishment of Commodity Exchange in partnership with NCPB started. Regular weekly meetings are being held to review progress and map way forward. Through

the support of USAID –COMPETE a feasibility study has been commissioned. EAGC has proposed structures for the commodity exchange to be incorporated in the report.

Objective 3: To continuously provide consistent and accurate market information on the regional grain trade linkages, commodity prices, cross border trade flows and crop developments, political and economic development.

Activities

i. To promote EAGC through EAGC and RATIN websites as well as other networks

EAGC has created and maintains three websites: www.eagc.org , www.ratin.net and www.egtafrica.com. The websites have been updated in order to disseminate up to date information to the grain sector stakeholders. www.egtafrica.com is a transformation of the former E-trade platform on EAGC website. The new website incorporates a grain offers, millers and traders prices, and issued warehouse receipts. EAGC is working on developing the site to accommodate available storage facilities and an SMS facility that enables farmers post offers and seek prices via mobile phones. As at 30th June 2010 offers amounting to 7,720 MT of grain (6,381 MT maize, 100MT rice and 2,490MT sorghum) and bids to buy 120MT of sorghum were posted. At least five processors and two large scale traders were displayed their buying prices for maize and wheat at different dates on the site. EAGC will continue to modify the site depending on user needs. The linkage enables tracking of all transactions including source of the commodities, links small scale traders and large scale enterprises such as processors, government institutions and food aid agencies thus enhancing competitiveness and enabling small scale traders access markets and increase trade.

The screenshot shows the EGT Africa website interface. At the top, there is a navigation menu with links for HOME, TRADE, TRADERS/MILLERS PRICES, OFFERS, and WAREHOUSE RECEIPTS. The main content area is titled "Featured Grains" and features a large image of rice. To the right of the rice image, the text reads "Rice", "Need some rice? Want to sell?", "Get the best price!", and a "Trade Now" button with a right-pointing arrow. Further right, there are two promotional boxes: one for RATION (Regional Agricultural Trade Intelligence Network) with the text "Visit the Regional Agricultural Trade Intelligence Network (Ratin) website." and another for EAGC (Eastern Africa Grain Council) with the text "Visit the Eastern Africa Grain Council (EAGC) website." Below this section, there is a section titled "Available Offers" with a tabbed interface. The "Rice" tab is selected, showing a table of offers.

ID	Offer	Volume	Price	Expiry Date	Town	Country	
EAGC/12	Sell	1400 (90 KG Bag)	KSH 2000	24th May, 2010	Eldoret	Kenya	Views
EAGC/23	Sell	900 (MT)	UGX	30th June, 2010	Lira	Uganda	Views

Regarding information dissemination EAGC heavily relies on her three websites; www.ratin.net, www.eagc.org and the newly created www.egtafrica.com. Additionally, a weekly RATIN report detailing weekly commodity prices is extracted from RATIN and mailed to members. EAGC also produces a quarterly newsletter that sent to members and availed to the public on the websites. To create awareness and publicize RATIN EAGC seeks opportunities to make presentations on RATIN in numerous stakeholder forums. During the period, a farmers' awareness training was held in Eldoret and Nakuru.

RATIN website too has been reviewed to increase utility and capability. The new look RATIN incorporates a database to support populating data, automatic data analysis from which narrative report are produced and sent to stakeholders, automatic newsletter dissemination platform, blog and chat sites and to accommodate linkage with other regional Market Information Systems.

To further expand RATIN coverage EAGC has embarked on a process to link regional and national MIS institutions to RATIN. Discussions with ESOKO, Rwanda are at an advanced stage. The integration process will be completed next quarter. In Uganda, discussions are underway on populating RATIN and information sharing with FITS Uganda and Farm Gain. Once the links are set up FITS Uganda will be able to use RATIN as a source of Information for her local SMS powered information services. Discussions have also been initiated in partnership with USAID- COMPETE to link ZAMACE (Zambia) and ACE, Malawi.

ii. Present EAGC to key grain associations in the region.

In order to play a key role in influencing the grain sector policy and trading environment, EAGC is represented in various forums ranging from policy, market information to trade associations. The council is represented in the COMESA/ACTESA board, EAC standards committee, National Working Group on Food Security and Nutrition. EAGC is also a member of Kenya Private Sector Alliance (KEPSA) and East Africa Business Council (EABC) among others. The Council coordinates the regional market information system. Currently, in a consortium of EAGC, Ministry of Agriculture, FEWSNET, WFP and FAO are working on a harmonized manual for market information and cross border trade data collection and analysis.

EAGC has been presented to grain stakeholders in Zambia and five interested grain institutions are ready to join EAGC. This will initiate the formation of EAGC Zambia chapter.

iii. EAGC promoted to farmers through key meetings such as field days, business fair

EAGC continues to promote her activities including the WRS and the market information services directly and through other organizations. EAGC participated in a field day organized by NCPB at Moi's Bridge North Rift early in which an estimated 200 farmers were sensitized on WRS. Other meetings to launch the WRS were held in North Rift targeting both the



Participants during the agribusiness fair 2009

large and smallholder farmers. During the launch the event was covered and later broadcasted by two media house; K-24 and KASS FM. EAGC participated in the ASK agricultural show, Eldoret and used function to create awareness on the WRS. Over 300 farmers visited the stand. In the period from April to date EAGC has been actively involved in the preparation for annual Business Fair in Kenya and Uganda. The Business Fairs are expected to serve as promotional events for EAGC activities particularly to farmers.

iv. Prepare articles in key grain issues

EAGC is committed to provide information to the grain sector stakeholders. Through articles in the dailies or posted on her websites the council provides relevant information on key issues in the grain sector. Some of the articles released in the recent past include:

- Maize and Wheat current status in Kenya, May 2010
- Impact of EAGC market on agricultural commodities, June 2010
- Sentiments on price control bill passed by the Kenyan Parliament, June 2010

v. Promote EAGC to all stakeholders through participation in relevant grain meetings

EAGC participate in various grain-sector related forums in order to promote her activities. Within this period EAGC has participated in among others

- Promotion of EAC Maize quality standards workshops in Tanzania and Uganda, National Food Balance Sheets preparation and meetings with Cereal Growers Association.
- EAC Heads of State Summit on Food Security and Climate change, Arusha
- Through the invitation of Rwanda Government EAGC was engaged in a meeting to deliberate on modalities of setting up Rwanda Grains and Cereals Corporation (RGCC).
- In Conjunction with RESAKKS the council is involved in a process to harmonize intra-regional trade data collection and analysis methodologies.
- In collaboration with USAID-COMPETE a meeting was organized for Rwanda and Burundi with the aim of establishing areas of possible linkage between RATIN and other MIS players including eSOKO of the Ministry of Agriculture in Rwanda and others in Burundi and DR Congo. The meeting provided a forum for EAGC to meet various stakeholders in the grain value chain for future collaboration and membership recruitment in Rwanda and Burundi. Following this initial meeting an agreement has been reached between EAGC and Ministry of Agriculture Rwanda to have eSoko linked to RATIN. The integration will be done next quarter. Additionally the Rwanda government ministry of trade and Industry invited EAGC for deliberations on setting up Rwanda Grain and Cereal Corporation.

vi. Promote EAGC to small and medium scale traders

There have been continued efforts to bring on board the small and medium scale traders into the structured grain trading system. The council has initiated a process to form and train small grain traders associations. The training for Nakuru municipal market traders has started. EAGC plans to up-scale to cover other markets as well.

Expected future collaboration with USAID-COMPETE

EAGC is looking forward to collaborating with the COMPETE program in the following activities:

1. Completion of the process to establish a regional Commodity Exchange in Kenya
2. Up- scaling and promotion of Structured Grain Trading System among smallholder farmer groups and small traders.
3. Facilitate operations of the Grain Trade Institute (GTI)

4. Complete development and dissemination of grain quality standards-sorghum, wheat, rice and pulses for adoption in EAC.
5. Mapping and monitoring of grain storage facilities in the region
6. Hosting of Grain Business Fairs in Kenya, Tanzania and Uganda
7. Increased involvement in creating an enabling regional grain trade policy framework

APPENDICES

APPENDIX 1:

LUSAKA, OCTOBER 2ND 2009.

PARTICIPANTS' STATEMENT ON CONCLUSIONS AND RECOMMENDATIONS:

WORKSHOP ON IMPROVING THE FUNCTIONING OF COMMODITY MARKETS THROUGH WAREHOUSE RECEIPTS SYSTEMS AND COMMODITY EXCHANGES

Preamble

Participants at a workshop in Lusaka, Zambia, from 30th September to 2nd October 2009 deliberated on issues affecting the functioning of commodity markets in Eastern and Southern Africa. The theme of the workshop was "Improving the Functioning of Commodity Markets in Eastern and Southern Africa through Warehouse Receipt Systems and market-based Interventions".

The participants included practitioners, involved in the development of warehouse receipt systems (WRS) and commodity exchanges (CE), including the national partners of the East African Grain Council (EAGC), executives of the EAGC, policymakers in the ESA region, as well as donor representatives and development partners including the United Nations Conference on Trade and Development (UNCTAD), the Common Market for Eastern and Southern Africa (COMESA), the European Commission (EC), USAID, USAID/COMPETE, the Alliance for Green Revolution in Africa (AGRA), World Food Programme (WFP), Agence Française de Développement (AFD) and the UN Food and Agriculture Organisation (FAO).

After the deliberations, which included considering the report from an UNCTAD-funded study to review experiences in Eastern and Southern Africa in promoting WRS and CE as well as presentations on agricultural sector development programmes in the region, the participants concluded that:

- Governments in the region, with support from various development partners, including USAID, the EC, the World Bank, FAO, AGRA and others, are actively engaged in agricultural development programmes within the framework of, and which can significantly contribute to achievement of, the goals of the Comprehensive African Agricultural Development Programme (CAADP);
- Output market inefficiencies, which squeeze producer margins and increase consumer prices, constrain sustained growth in agricultural productivity and output, thereby limiting capacity to enhance food security, particularly, in the light of recent global food crisis which make continued dependence on food imports unsustainable;

- WRS and CEs are two important market-supporting institutions, which by no means constitute a panacea for all the weaknesses in the agricultural sectors in the region, but have the potential to improve the functioning of agricultural markets by improving price formation, market transparency, and regional trade, thereby raising farm output and rural incomes as well as enhancing food security;
- Significant progress has been made in piloting WRS in some countries, including in particular Tanzania (for export commodities such as coffee, cotton and cashew and which is gradually being expanded to include food crops such as maize and rice) and in Madagascar (an inventory credit system for rice linked to micro-finance institutions), while nascent commodity exchanges are being developed in Ethiopia, Uganda, Zambia and Malawi (attempts are also being made in Zimbabwe to re-start an exchange which was successfully piloted in the 1990s);
- However, the overall development of these market-supporting institutions has been hampered by institutional weaknesses, capacity constraints, inadequate physical infrastructure, uncertainty in the legal and regulatory framework which has, in particular, made it difficult to engender confidence in the systems by financial institutions, and disabling policies, which are often not consonant with free trade agreements adopted by governments in the region;
- With concerted efforts by private sector practitioners, governments and the development partners, these constraints can be addressed, thereby significantly improving prospects for successful development of these systems; and
- On the basis of the foregoing, unanimously adopted the recommendations stated below.

Recommendations

In view of the conclusions reached at the workshop, which are summarised above, participants proposed the following:

A. Enhancing capacity and performance of WRS and CEs in the region

Participants view the activities outlined below as crucial in building confidence of key stakeholders such as depositors, buyers and financiers in these systems. They are based on experience in the region, successful and otherwise, as well as from international best practice:

- The mutual links between WRS and CE need to be recognised and actively pursued; implying that WRS initiatives should be complemented with the development of exchange trading systems and existing CEs should develop credible, supporting WRS. This will assure delivery of traded commodities as well as ease liquidation of collateralised stocks, thereby encouraging uptake for trading and financing purposes.
- Robustly enforced rules, procedures and standards are critical in engendering confidence in these systems. These should include, among others, trade-friendly commodity standards as well as clear certification or licensing criteria for warehouses, operators and their personnel. Within the common law framework that exists in most countries in the region, Warehouse and Trading Regulations, which are enforceable on the basis of contract laws, can be used to define the terms and conditions for participation in receipting and exchange trading. However, specific warehouse legislation can further boost confidence in the receipts by clarifying the legal rights of, especially, third-party holders of the receipts. This is further discussed below.
- Regulatory oversight of commodity exchanges and organisations issuing tradable warehouse receipts should be exercised by relevant Capital Market Authorities or similar agencies – this may require reform of national securities and exchange legislations.

- Deriving from this authority and other warehouse legislation, self-regulated CEs and other organisations authorised to issue and/or control the issuing of tradable receipts should be responsible for effective enforcement of legislations, regulations and standards.
- Warehouse legislation if enacted should address, among others, the issue of transferability (or negotiability) of receipts, rights of third-party holders, and the powers of the regulator (which, as in the case in Uganda, has been delegated to the Uganda Commodity Exchange). Model warehouse legislation can be made available to guide WRS promoters, who may also be provided with technical assistance in the form of legal expertise required to draft laws that take cognisance of country specific circumstances.
- To assure commercial sustainability, user fees have to be charged and promoters should strategically target depositors who are able to deliver economic volumes, including for instance relatively large-scale farmers, traders and processors as depositors. However, to ensure that smallholder farmers are not excluded from utilising the receipt system, practitioners and donors need to work together to promote well-organised farmers' organisations, especially at primary or grassroots levels, to build their capacity to farmer to aggregate commodities and engage in collective marketing taking advantage of modern market institutions such as WRS and CE. Furthermore, links between WRS initiatives and MFI-supported inventory credit schemes need to promote as a means of encouraging aggregation. These measures notwithstanding, financial support may be required over a period of 4-5 years in developing a WRS which is accessible to smallholder farmers and smaller-scale traders.
- Recognising that potential warehouse operators may lack adequate storage capacity, particularly in surplus-producing areas, strategic investment by governments and donors in expanding capacity may be necessary in some countries. This may be achieved through refurbishing existing state-owned facilities and/or constructing new facilities which could be leased to licensed/certified warehouse operators.
- Market information systems need to be strengthened to provide not only timely price information but also regularly updated crop budgets (supply and demand) and forecasts as well as information which can be used to effectively link suppliers with buyers.
- Training and capacity building for key stakeholders is critical, including for example for warehouse operators to assure compliance, depositors and buyers as well as financiers. This activity, therefore, needs to be supported by governments and donors.
- To ensure that the development of WRS and CE enables people in the region to exploit and benefit from regional trading opportunities, it is important that warehousing standards and regulations; commodity standards and trading procedures and regulations are harmonised across the region, while other barriers to the trade are progressively lowered or dismantled. Efforts to promote harmonised commodity standards across the region should build on work done by COMESA.

B. Role of government

Participants acknowledged that government has a very crucial facilitating role in the development of WRS and CEs in the region, including the following:

- Maintaining an enabling policy environment that minimises uncertainty in the market, in particular, by avoiding ad hoc interventions such as import and export bans and restrictions

on movement of commodities, which distort the market and discourage private stockholding.

- Creating a supportive legal and regulatory framework that is consistent with the national context but also allows for regional harmonization in order to enable stakeholders exploit regional trading opportunities.
- Providing financial support for building capacity of key players, in particular to ensure the emergence of a cadre of competent professional warehouse operators.
- Utilising the WRS and CE in public sector procurement. The case of WFP, which has begun to use these systems in procuring relief food supplies, needs to be closely monitored so that lessons and best practices can be learnt to guide public procurement for strategic food reserves. This will not only have an important developmental impact but is also likely to significantly improve the cost-effectiveness of public procurement.
- Taking steps to promote investment in storage infrastructure, especially in strategic locations, as well as in improving market information collection and dissemination.

To ensure effective advocacy for public partnership in developing WRS and CEs, participants proposed the following:

- Greater participation by governments in forums involving practitioners should be actively encouraged, and for that purpose applauded the strong representation of the Government of Kenya at the Lusaka Workshop.
- Accumulated evidence-based material on costs/benefits analysis of WRS and CE in the region, including in particular their impact on rural household income, agricultural output and food security as well as the role of key stakeholders in promoting these systems, should be synthesised and disseminated using national and regional platforms and in a manner that ensures that stakeholders can effectively embed the evidence in policy dialogue.
- The dissemination should, in particular, target farmers' organisations and financial intermediaries because of their strategic importance in the development of WRS and CEs. It was acknowledged that COMESA, EAGC, UNCTAD and AGRA can play an important role, and need to actively collaborate, in disseminating the accumulated evidence as well as coordinating studies in filling any gaps in information which may be identified.
- Greater interaction among key stakeholders should also be fostered in order to increase understanding of the issues involved in developing these two market-supporting institutions and thereby enhance the effectiveness of advocacy for enabling legal, regulatory and policy reforms as well as public and donor investment in supporting infrastructure.

C. Role of EAGC

Noting that expanding regional trading opportunities can potentially improve the viability of WRS and CEs in the region, and further recognising the particular strengths of the EAGC (a non-governmental cross-border stakeholder organisation), participants recommended that, it should among others:

- Play a lead role in harmonisation of standards and regulations for collateral management, warehousing and issuance or use of receipts as well as in promoting harmonised commodity standards (building on work done by COMESA) and best practice for warehouse regulators in the region.
- Manage the development of required training curricula and materials and run programmes to “train trainers” at national and/or regional training institutions, ensuring regular updating of training materials.
- With its national partners, foster engagement with bankers and other financial intermediaries at regional and national levels to develop innovations and risk mitigation measures which will increase availability of inventory finance as well as increase participation of the financial sector in exchange-based commodity trading.
- Mobilise national partners in collaborative efforts with other regional bodies and development partners in advocating for policy and regulatory reforms.

D. Role of donors, and development partners, including UN institutions, COMESA and AGRA in WRS and commodity exchanges in several countries in the region should include:

- Providing technical and financial assistance to WRS and CE initiatives with good prospects of success, selected in consultation with EAGC. The support should be based on the key prerequisites for success in developing WRS and CE identified in A above and over a period that allows for attainment of financial sustainability.
- Leverage links with government and other international and regional organisations in advocating policy and regulatory reforms at national and regional levels.
- Assist in building the capacity of farmers’ organisations to promote increased farm productivity through, for instance, scaling up production as well as in aggregation of stocks and collective marketing by smallholder farmers.
- Offer strategic support in the expansion of warehouse and exchange infrastructure.
- Provide technical and financial in support of the emergence of a cadre of professional warehouse keepers and other key stakeholders.¹
- Provide credit support schemes and technical assistance to the financial sector to encourage the involvement of stakeholders, especially financing institutions in the development of warehouse-based financing;
- Support the development of standard models of legal frameworks and regulations for WRS and CEs based on a regular review of existing frameworks.

Finally, for purposes of implementing the recommendations set out above, participants recommended that a committee, comprising UNCTAD, EAGC, COMESA and other interested organisations, should be formed to undertake joint actions as well as organisation-specific activities leading to achievements of the objectives of the workshop.

¹ Professional warehouse keepers should be trained in the areas of: warehouse operation; commodity handling and grading; collateral management and warehouse receipting; warehouse regulation; and commodity trading floors, clearing and settlement

Training should be implemented at three levels: development of training materials and curricula; training and certification of trainers, and grants for local and regional organisations to hire trainers.

APPENDIX 2

3RD AFRICAN GRAIN SUMMIT RECOMMENDATIONS

After deliberating on the ways of stimulating agricultural productivity in Africa and linking farmers to markets, the participants in the 3rd African Grain Trade Summit hereby recommend that:

1. In order to increase intra-regional trade, all existing non-tariff barriers which have been hampering trade be removed;
2. EAGC and COMESA, together with other regional and other local trade institutions urgently spearhead harmonization of standards for various commodities traded within the East and Southern Africa region;
3. Governments in the region, together with EAGC, COMESA, EAC and other regional institutions move rapidly towards development of regional food balance sheets;
4. Export bans and import restrictions for cereal products in the region be removed. Evidence suggests that the bans and restrictions are counter-productive and only serve to encourage informal cross border trade. They should be removed unless where it is proven that there are insufficient regional food stocks;
5. Governments in the region work together with private sector and development partners to harmonize regulatory frameworks for effective and efficient operation of warehouse receipt system and commodity exchanges across the region;
6. Individual countries be supported in developing sustainable WRS and commodity exchanges. Governments and players in the East African agricultural sector should however seriously consider establishing a single commodity exchange;
7. Players and donors in the cereal sector increase support towards training on grain trade and development of sustainable warehouse receipt system and commodity exchanges in the region;
8. Players in emerging commodity exchanges in the region collaborate with well established commodity exchanges such as SAFEX to provide capacity building attachment programmes for their operators;
9. Banks be more actively engaged in financing agriculture through structured financing;
10. Farmers and players in the grain sector should make use of available tools (e.g. agricultural insurance) to manage risks and ensure sustained and enhanced returns for their produce;
11. World Food Programme expands its P4P programme to enable increased uptake of cereals from ESA region;
12. Governments should stop unnecessary market interventions and avoid directly subsidizing financing for agricultural production. Where such programmes are necessary, they should be channelled to farmers in collaboration with financial institutions;
13. Farmers in the region be encouraged to utilize innovative technologies, including irrigation, green house, storage and new high yielding crop varieties, to stimulate agricultural productivity;
14. There should be increased awareness on advantages and disadvantages of genetic engineering as one of the tools of stimulating agricultural productivity. Farmers should be encouraged to utilize such technologies if all safety concerns are addressed;

APPENDIX 3



MAIZE AND WHEAT CURRENT STATUS IN KENYA. MAY 2010



Report by:
Janet Ngombalu
Marketing Information and Communication Manager.

Introduction.

National maize production levels have been declining since 2006 from an all time high of over 34 million bags in 2006 to about 25 million bags in 2008. In 2009, the failure of about 35-45 per cent of the long-rains crop led to a huge production shortfall. However in 2010, Kenya has been faced with a maize glut due to the heavy rains throughout the country during the 2009 short-rains seasons marked at 540,000 tonnes. This was also marked by good harvest within the region all of whom have continued selling their maize into Kenya. This report shows the current Maize and Wheat Situation in Kenya as at May 2010, but with a main focus on the Maize sub-sector.

Production estimates.

A previous study by EAGC conducted towards the end of 2009 showed that

Maize production in Kenya was at approximately 17.6 million bags of maize from the long rains season. This amounts to only 61% of the 28 million bags that had been targeted with an expected maize production of about 23 million bags in 2009/2010 cropping year. With maize consumption needs of about 37 million bags, the country is still estimated experience a shortfall of about 14 million bags in 2010. However the first quarter of 2010 have reported relative stability in local supply of staple commodities but this situation is not expected to last for long. Planting of 2010 long-rains maize and wheat crops is already done and planted area is expected to increase due to good

weather forecasts, subsidized input prices and the likely implementation of warehouse receipts program by the Government of Kenya and its partners including EAGC thus creating guaranteed prices for small farmers.

Ramifications of Export Ban.

EAGC reports on the commodity situation shows that most markets in Kenya are faced with a market glut following a bumper harvest of maize. However, the Kenya government also maintains an indefinite ban on export of maize and maize products. Many analysts say the Kenyan position is informed by political rather than market dynamics, citing the current situation in which Kenyan farmers are stuck with their produce and yet government doesn't have the necessary capacity to buy despite having set the price at Ksh2300 per 90kg bag.

Decline in Market prices

A report from EAGC analysis during the last month shows that there is a continued maize price decline in the country. Prices of maize started to decline at the end of last year with the arrival on markets of the 2009 short rains season bumper production, but still remain well above average levels. In Nairobi and indeed across five other major markets in Kenya including Nakuru, Mombasa and Eldoret, the markets closed in April with maize exchanging hands at \$242/MT or a shilling equivalent of 1700/90kg bag, while in March 2010 wholesale price of maize was USD 316 per tonne, substantially lower than USD 401 per tonne of last December, but quite higher than USD 240 per tonne of March 2008, just at the start of the food price crisis. The current decline in the price of maize, the main staple food crop, is improving food access for low-income market dependent households, especially in urban and pastoral areas

Statistics generally indicate a market that has been on a southward trend since January when the price of maize for instance stood at between Ksh1900-2200/90kg bags. This portrays a big difference between now and what prevailed at the same time last year, when the prices of staple foods had skyrocketed prompting the Kenya government to intervene with measures to calm the situation that was taking on national security dimensions. It was also at the time that government introduced double prices to help cushion the lower end market with subsidized prices of flour. This however did not last long as the market eventually sought its own equilibrium. Other measures included a six month 25% import duty waiver on maize that ended in January this year. There has since really been no clear official position on its extension or not. Traders are however paying duty on maize imports.

Effects of the Elnino Rains of Maize and Wheat Production.

The Maize and Wheat production in Kenya remain precarious in 2010 due to the Elnino Rains. The much anticipated El Nino rains came, not only late but lasted two to three weeks thus dimming expectations of an improved food situation. Reports from EAGC's analyst and our partners foresee a tight maize and wheat purse this year. In parts of North Rift, the El Nino rains arrived long after the farmers had lost the second crop, especially wheat. In South Rift, and particularly the wheat and barley zones of Mau Narok, the rains arrived when

the farmers were about to harvest their crops and made harvesting difficult. This led to huge losses, estimated by some farmers at about Sh300 million. Maize production from the long rains usually accounts for 85 per cent of the national production of about 34 million bags. However, due to bad

weather last year, this production is set to fall below that of 2008. The expected total production from the 2009/2010 crop year is about 21-22 million bags, against the country's current maize consumption estimated at 36-38 million bags. This leaves a shortfall of at least 15 million bags to be bridged through imports. This deficit will have a significant impact on access to food as a result of continued upward pressure on maize grain and meal prices.

Challenges facing the Maize and Wheat Sector.

- I. Harvesting of green maize, before harvest affecting maize production for food security in the region.
- II. Likely impacts of the El Nino condition, which have continued to cause destruction of the long rains maize crop in the fields in most parts of the country.
- III. Inadequate agricultural production linkage to lucrative business by supporting farmers to markets.
- IV. Lack of land is a major constraint to agricultural productivity in Kenya and need for land consolidation in order to have feasible sizes for production such as in irrigation schemes.
- V. Poor cropping choices thus need for diversification
- VI. Disorganized Markets.
- VII. Low uptake in good storage and business models to support marketing of Maize and Wheat in the sector.
- VIII. Limited Financial and risk management support to cushion farmers during low or high harvest seasons.
- IX. Limited articulation of the commodity standards
- X. Delayed government response to support farmers during tussling times. (no sense of Urgency)
- XI. Limited post harvest handling mechanisms.
- XII. Lack of clear framework on duty waivers and import decisions thus affecting the market equilibrium.
- XIII. With climate change becoming a reality, it is increasingly becoming difficult to accurately predict what to expect in terms of crop production.

Recommendations

1. Government to provide support to bring down the cost of inputs – diesel, fertilizer. On fertilizer, the government should allow private sector importation and distribution of the fertilizers.
2. The Government should uphold free market principles in the maize sector where market forces of demand and supply dictates the price. The lesson

from South Africa grain market reform is pertinent and could help in positioning Kenya as a maize giant of the region. The following measures, along with other measures to uphold free market principles should be considered as a matter of priority: -

- i. Maize export ban should be lifted
 - ii. Market information should be available officially to create the basis for the Delivery Forward contract
 - iii. Price discovery mechanism – price, quality, quantity, location of where maize is available. We should have the support from EAC and other partners/stakeholders on market information collection, verification, consolidation and dissemination.
3. Need for support farmers on post harvest handling to ensure that the crop is not lost due to the expected El Nino rains and minimize exposure to aflatoxins
 4. Public-Private Partnerships should be strengthened and efforts should be made to ensure transparent consultations between the private and public sector.
 5. Diversification into other crops in order to reduce heavy reliance on maize as a staple
 6. Need for Crop insurance and commodity exchange
 7. Strengthen agricultural market Intelligence to support farmers on better access to markets.

END

Introduction. National maize production levels have been declining since 2006 from an all time high of over 34 million bags in 2006 to about 25 million bags in 2008. In 2009, the failure of about 35-45 per cent of the long-rains crop led to a huge production shortfall. However in 2010, Kenya has been faced with a maize glut due to the heavy rains throughout the country during the 2009 short-rains seasons marked at 540,000 tonnes. This was also marked by good harvest within the region all of whom have continued selling their maize into Kenya. This report shows the current Maize and Wheat Situation in Kenya as at May 2010, but with a main focus on the Maize sub-sector.

Production estimates.

A previous study by EAGC conducted towards the end of 2009 showed that Maize production in Kenya was at approximately 17.6 million bags of maize from the long rains season. This amounts to only 61% of the 28 million bags that had been targeted with an expected maize production of about 23 million bags in 2009/2010 cropping year. With maize consumption needs of about 37 million bags, the country is still estimated experience a shortfall of about 14 million bags in 2010. However the first quarter of 2010 have reported relative stability in local supply of staple commodities but this situation is not expected to last for long. Planting of 2010 long-rains maize and wheat crops is already done and planted area is expected to increase due to good weather forecasts, subsidized input prices and the likely implementation of warehouse receipts program by the Government of Kenya and its partners including EAGC thus creating guaranteed prices for small farmers.

Ramifications of Export Ban.

EAGC reports on the commodity situation shows that most markets in Kenya are faced with a market glut following a bumper harvest of maize. However, the Kenya government also maintains an indefinite ban on export of maize and maize products. Many analysts say the Kenyan position is informed by political rather than market dynamics, citing the current situation in which Kenyan farmers are stuck with their produce and yet government doesn't have the necessary capacity to buy despite having set the price at Ksh2300 per 90kg bag.

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