



USAID
FROM THE AMERICAN PEOPLE

RATES PROGRAM

**Annual Progress Report – FY 2006
October 2005 to September 2006**



October 15, 2006

This publication was produced for review by the United States Agency for International Development (USAID). It was prepared by Chemonics International Inc.



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The author's views expressed in this publication do not necessarily reflect the views of the Agency for International Development or the United States Government.

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Acronyms

ACTIF	African Cotton and Textile Industries Federation
AFCCE	African Fine Coffee Conference and Exhibition
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ASARECA	Association for Strengthening Agricultural Research in East and Central Africa
CCIA	COMESA Common Investment Area
CFI	Computer Frontiers International
CIP	Coffee Improvement Program
COMESA	Common Market for East and Southern Africa
CMS	Coffee Marketing Specialist
CQI	Coffee Quality Institute
CTMS	Cotton/Textile Marketing Specialist
DFID	Department for International Development
DRC	Democratic Republic of Congo
DRLEF	Djibouti Regional Livestock Export Facility
EAC	East African Community
EAFA	East African Fine Coffee Association
EAGC	East African Grain Council
ECA Hub	East and Central Africa Global Competitiveness Hub
ECAPAPA	Eastern and Central Africa Program for Agricultural Policy Analysis
ESA	East and Southern Africa

ESADA	Eastern and Southern African Dairy Association
FARA	Fixed Amount Reimbursable Agreement
FEWS NET	Famine Early Warning System Network Project
FOODNET	Post Harvest and Marketing Research Network for Eastern and Central Africa Project
GDA	Global Development Alliance
GHA	Greater Horn of Africa
GMO	Genetically Modified Organism
GPS	Global Positioning Systems
HS	Harmonized Standard
IBAR	Inter-African Bureau for Animal Resources
ICAC	International Cotton Advisory Committee
ICO	International Coffee Organization
IEHA	Initiative to End Hunger in Africa
IGO	Intergovernmental Organization
IMCS	Independent Management Consulting Services
IRC	International Relations Committee
IT	Information Technology
ITI	International Technology Investment Ltd.
ITMF	International Textile Manufacturers Federation
JGI	Jane Goodall Institute
KEBS	Kenya Bureau of Standards
KMDP	Kenya Maize Development Project
KRA	Kenya Revenue Authority

LOL	Land O'Lakes
LTC	Livestock Trade Commission
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NSB	National Standards Bureaus
NTB	Non Tariff Barrier
PIR	Project Intermediate Result
PIVA	Partner Institutional Viability Assessment
PLP	Pastoral Livelihood Program
PMP	Performance Monitoring Plan
PVoC	Pre Export Verification of Conformity
RATES	Regional Agriculture Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REDSO	Regional Economic Development Services Office
REGI	Regional Economic Growth and Integration
RTFP	Regional Trade Facilitation Program
RTO	Rates Trade Office
SCAA	Specialty Coffee Association of America
SCAE	Specialty Coffee Association of Europe
SCAJ	Specialty Coffee Association of Japan
SO	Strategic Objective
SPS	Sanitary and Phytosanitary

TBD	To-Be-Determined
TOH	Taste of Harvest
UHT	Ultra High Temperature
USAID	United States Agency for International Development
VCA	Value Chain Analysis
WTO	World Trade Organization
WWC	Worlds Wildest Coffee Conference and Exhibition
ZCGA	Zambia Coffee Growers Association



I. Introduction

This report summarizes the progress of the RATES program during FY06 against objectives specified in the RATES FY06 annual work plan. It forms the second part of the annual RATES program report that also includes a separate performance monitoring report based on the RATES PMP. Whereas this report is in a more reader-friendly narrative style with highlights, success stories and photographs, the PMP progress document reports on RATES progress in meeting programmatic and contractual requirements. It includes detailed tables outlining quantitative progress on specific indicators identified at the beginning of RATES to measure progress. Together these documents provide a complete summary of RATES activities and successes during FY 06.

A. Overview of the RATES Program

The RATES program is dedicated to increasing the value of agricultural trade in specialty coffee, maize, cotton and textiles, and dairy within the East and Southern Africa (ESA) region and the rest of the world. Through policy advocacy, lobbying, public relations, and marketing, RATES is expanding private sector contributions to regional trade initiatives in ESA, becoming a catalyst for job creation throughout the region. RATES is improving the ESA regional business environment by taking actions that strengthen institutions, improve the availability of technologies, increase cooperation and reduce policy and regulatory constraints, thereby providing the foundation for reducing food insecurities in the region.

“The RATES program is about getting sustainable results...”

**Mr. Erastus Mwanha
Secretary General
COMESA**

In 2003, REDSO re-examined its strategic plan in light of the launch of two USAID-wide initiatives, the Initiative to End Hunger in Africa (IEHA) and the Trade for African Development and Enterprise (TRADE), one of the regional Hubs for the Global Competitiveness program. As both of these initiatives complemented REDSO’s existing agricultural program, the REDSO strategic plan was extended to 2008, making it consistent with the IEHA planning cycle.

The IEHA program was incorporated into REDSO’s agricultural strategy by explicitly targeting smallholders and more actively building the alliances necessary to increase private and public sector investments in the agricultural sector. RATES expanded the scope of our activities to meet the goals of IEHA that were basically in line with the existing framework. RATES reports directly to IEHA on a number of

specific indicators that are tracked across the region by all IEHA-supported countries and programs.

B. Building a strategy for the future

During 2006, REDSO underwent reorganization and a name change to USAID East Africa. The RATES program now falls under the Regional Economic Growth and Integration (REGI) office. RATES activities will be incorporated into the mission's new strategic plan. This plan is still under development and will adhere to the newly formed US Government's Foreign Assistance Framework that has recently been launched. RATES activities during FY 06 are very relevant to achieving the economic growth objectives of the US framework and will become an integral part of the mission's strategy as well.

RATES has made significant progress towards creating sustainable and viable regional organizations. These efforts will provide a strong foundation for future programs. However, as none of these organizations (except for EAFCA) were even in existence at the beginning of RATES, it is unlikely that all of these organizations can achieve the desired level of sustainability by the original end-of -project date of September 30, 2007.

With this in mind and the desire to continue moving the USAID East Africa's economic growth program forward during the transitional period between RATES and the newly emerging African Global Competitiveness Initiative (AGCI), it would be prudent for USAID East Africa to allow additional time beyond September 2007 to further achieve RATES objectives and to provide a bridge to the new programs and priorities.

The RATES design and approach remain valid. Additional time will help to solidify and institutionalize the progress and success to date. As the RATES objectives so closely match the new priorities, no changes in the RATES SOW would be expected or required. RATES will also be expected to report against the new mission strategic plan and fulfill other reporting requirements as requested to ensure a smooth transitional phase. RATES will need to focus on the following areas that are directly related to mission priorities:

Increase "service" to bilateral missions. RATES has established strong collaborative partnerships with most bilateral missions within the COMESA region. As detailed in



Buyers lining up at the EAFCA booth at the SCAA conference to taste coffees selected from EAFCA members.



Cheryl Anderson, Mission Director USAID East Africa visiting a thread making plant in Nairobi, Kenya.



With USAID support, Rwanda has gained recognition for producing great specialty coffees.

this report, RATES has supported numerous bilateral projects (e.g., KMDP, PEARL, ADAR, APEP) and this cooperation has been one of the main reasons for RATES success in increasing trade. RATES must continue to form these strong partnerships between the private sector players, public marketing and regulatory entities and local and national governments to work together to promote targeted sectors. By supporting bilateral efforts, RATES can add significant value to these programs by addressing cross border issues that are better handled at a regional level.

Improve the market knowledge, skills, and abilities of private sector enterprises to trade. RATES must continue to build and work through viable regional organizations. EAFCA, ACTIF, ESADA, and the EAGC represent an “over the border” perspective to national public and private sectors that bilateral programs cannot provide. They help to forge consensus and provide a mechanism for members to speak with a single voice. RATES supports structures that aim to create an enabling environment in the context of regional cooperation and global competitiveness. The four regional associations are in varying stages of viability; none will achieve this level by the present end of project, but each will become increasingly stronger with additional time.

To become sustainable, the associations will need to continue to provide the information-sharing, networking, trade facilitation, and policy development of the present agenda. They will also need to anticipate future needs, especially addressing a second generation of services including how regional firms can add more value to their commodity-based products or how to address threats posed by China or other competing producers. Association membership largely encompasses producers, processors and exporters.

These associations will need continued support from the public sector and all pertinent regional and international stakeholders to survive. Ultimately, the competitiveness of the region must be built firm by firm whether producer, processor, or exporter. RATES needs to continue to work more closely with USAID missions, donors, and stakeholders to strengthen the national and local level where jobs are created and incomes earned. The project should promote technical and managerial improvements at these levels by building the capacity of national associations to provide services that permit economic enterprises (particularly mid and smaller size) to respond to opportunities created by the



evolving enabling environment. Greater public/private dialogue also should be promoted at the national level.

The Partners Fund is the principle mechanism for supporting this deepening focus. Partners Fund activities that are jointly designed with bilateral missions and principally monitored by them will help to address mission concerns about the relevance or independence of regional projects. The most preferable approach would be a significant increase in the Partners Fund to permit the complementary expansion of regional activities to more local levels.

Improve the policy, regulatory, and enforcement environment for private sector-led trade and investment. Successful policy making in the new borderless trade world requires a paradigm shift in thinking. RATES promotes the vital public/private dialogue that drives the policy agenda on key issues. This approach should continue. At the same time, despite signed agreements that reflect this shift, national governments sometimes act in a contrary manner. This can arise when executive branch officials act inconsistently with the views of the parliamentarians charged with ratifying the appropriate legislative framework.



EAFCA and COMESA signed a MOU to help work together on regional cooperation and trade.

The strategy has been to identify trade policy and regulatory issues that negatively affect regional trade flows and to initiate policy and regulatory change through regional policy making structures (COMESA, EAC and SADC), and to support the implementation process. For each of the target commodities, RATES is working closely with private sector trade flow leaders who are actively involved in the process of identifying constraints to trade and working with the IGOs and public sector to arrive at pragmatic solutions. In many cases the private sector is represented by the new regional trade associations, EAFCA, ESADA and ACTIF. The RATES strategy is to increase the regional IGO's capacity to better serve the trading community in RATES-supported commodities. RATES has developed policy platforms for each of the four commodities and, during the extension period, should work to see these policy reforms affirmed by the IGO's and implemented at the national level.

To achieve success at the national level, RATES should facilitate dialogue among government and legislative officials aimed at achieving a consensus on the issues at hand. The strategy should include forums that draw together officials on a continuing basis in an informal atmosphere aimed at building

the relationships and raising the awareness that leads to a commitment to draft and implement new policies. Often policy makers have little time to read and to understand how the world is changing. These forums, perhaps using a case study method, could host public sector officials from countries that have already significantly and successfully adopted and implemented policy reform.

Increase access to financial services for trade and investment. RATES must help create a regional finance discourse. Inadequate finance and investment constrains capacity building and trade expansion. The diverse collection of African-based financial institutions, conservative in nature, may lack mastery of potentially valuable new products or other state-of-the-art opportunities. A forum to introduce discourse on this topic and share experiences throughout the region could be organized to raise awareness and teach new skills. This discourse cuts both ways and the forum would also review for the private sector the possibly latent disruptive effects of outside funding including adherence to investor interests and loss of flexibility and innovation.

Cross-cutting: Introduce leadership discourse. Competitiveness demands peak performance; such performance demands significant contributions from followers. Indeed, neither leaders nor followers can achieve their objectives without each other. It is the role of leaders to create and preserve organizational cultures that motivate followers. Present leadership in the regional public and private sectors remains largely authoritarian and uninspired. Exposure to new leadership practices will improve performance. If RATES is to help regional companies and governments deal with the incredible pace of change that challenges all who must compete in today's world the project will need to introduce awareness of the need for long-term, comprehensive leadership development; leaders will not be developed by reading self-help books, attending a short course or learning on the job.

C. The RATES Results Framework

Project Goal

RATES overall goal is to increase the volume and value of agricultural trade within the East and Southern Africa region and between the region and the rest of the world. RATES is a commodity-focused activity and currently supports five commodity value chains including specialty coffee, maize,



Jack Gherty, former CEO of Land o Lakes, conducting a leadership seminar at the ADC conference in Kampala.

cotton and textiles, livestock, and dairy. Through policy advocacy, lobbying, public relations and marketing, RATES is expanding private sector contributions to regional trade initiatives in East and Southern Africa.

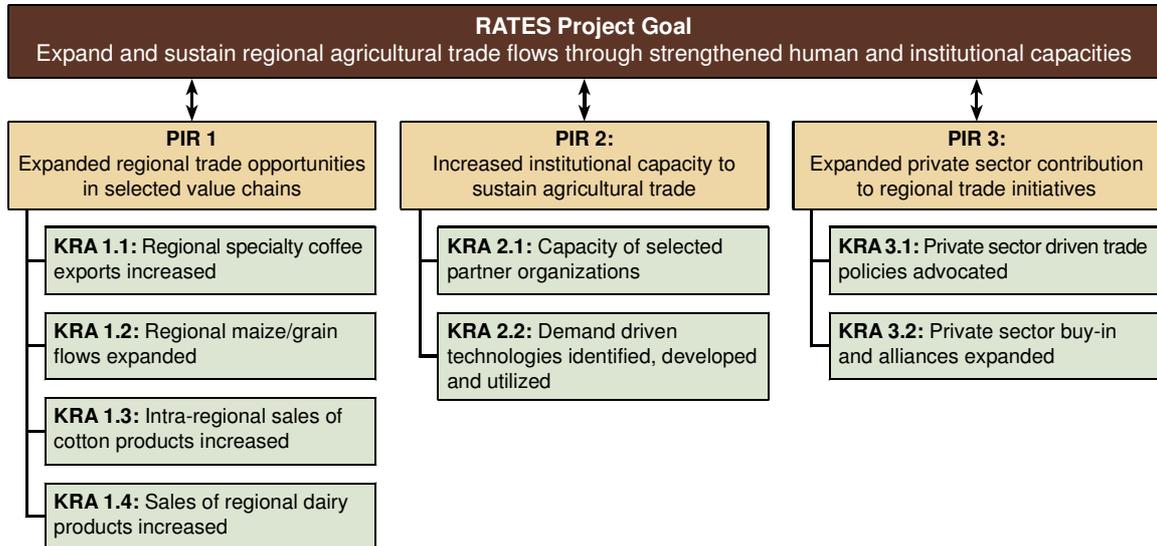
RATES Project Goal

Expand and sustain regional agricultural trade flows through strengthened human and institutional capacities

The project goal presented in the box to the left reflects the position of RATES within the SO 5 framework and guides strategic thinking with regard to project approach and identification of appropriate project intermediate results areas.

The Results Framework for RATES (Exhibit 1) is presented below. To achieve the RATES goal, RATES has identified three Project Intermediate Results (PIRs), each of which targets an area where RATES must achieve results in order to maximize contribution to SO 5 indicators. Each PIR is divided into key results areas (KRAs). KRAs provide the framework for identification and implementation of activities designed to achieve required results, govern the setting of benchmarks and targets, and drive decisions that the RATES Center makes with regard to technical priorities.

Exhibit 1. RATES Results Framework



"The way forward to building a food secure region is by increasing the value and volume of agricultural trade within the East and Southern Africa region and globally..."

**Stephen Walls
COP RATES**

PIR 1: Expanded agricultural trade opportunities in selected value chains. This PIR provides the driving force for implementation. There are four KRAs in this PIR, each one focused on achieving identified results within a targeted value chain. In the approach to our management, each commodity program is coordinated by a commodity specialist who is responsible for managing implementation of activities and achievement of results. The specialists are backed by the core group that includes policy specialists, institutional support specialists and marketing and promotion specialists.

PIR 2: Increased institutional capacity to sustain agricultural trade. In this PIR, we address the challenge of building regional capacity to sustain enhanced trade by assisting partners to develop programs through which they can sustain trade initiatives over time. RATES is assisting partners to incorporate initiatives related to improving the availability and application of technology (whether agronomic technologies or information and communications technologies); setting up and operating market access networks; and/or developing policy and regulatory frameworks to support effective advocacy. There are two KRAs in this PIR and results will be measured in terms of increases in the viability of partner institutions and specific technologies adopted.

PIR 3: Expanded private sector contribution to regional trade initiatives. In this PIR, we place emphasis on building effective private/public sector dialogues, particularly through increases in private sector participation in policy initiatives and promotion activities. This PIR captures the results of our activities carried out to assist partners to expand the involvement of private sector entities within their programs and to package and develop market-linked initiatives that expand private sector investment in RATES-supported activities. There are two KRAs in this PIR. PIR results will be measured in terms of increases in private sector involvement in policy change and in increases in investment through buy-ins and participation in RATES-brokered alliances.

PIR 4: Program management, monitoring and evaluation. RATES is a large and ambitious project, with three key components, several inter-related activities and multiple countries and stakeholders. Program management is, in effect, the fourth component of RATES. Good management is integral to every aspect of the project, and therefore must necessarily be part of every component and activity. There are two KRAs in this PIR covering management systems and

monitoring/evaluation. To achieve project goals, RATES must have defined policies and procedures, information-sharing mechanisms, and monitoring and reporting systems in place.

Special PIR: Expanded regional livestock trade through the Djibouti Regional Livestock Export Facility (DRLEF). This PIR was added to the RATES program to accommodate a special Change Order to the RATES contract that added support to completing a regional livestock export facility in Djibouti. Results for this short-term activity are reported in a separate document.



II. Progress to Date

PIR 1: Expanded regional trade opportunities in selected value chains

KRA 1.1: Specialty Coffee Exports Increased

Strategy. The Eastern African Fine Coffee Association (EAFCA), the regional body representing nine Eastern African coffee producing countries, is the regional trade flow leader for the fine coffee program. RATES' long-term strategy is to have EAFCA positioned as a major actor in the marketing and promotion of Eastern African fine coffee in the region, leading to its sustainability.

The two primary member-driven services required from the EAFCA secretariat are: 1) assistance in the promotion and overall expansion of the market for their fine coffee; and 2) direct member assistance to better understand how to deliver a better product to the market. This includes an emphasis on capacity development with the long-term target of sustainability that is explained in detail under KRA 2.1.

The EAFCA and RATES annual work plans for coffee are similar, developed by the EAFCA/RATES team and approved by the EAFCA Board of Directors. RATES will be contributing to the EAFCA effort through technical assistance and financial support. Chris von Zastrow, the RATES Coffee Marketing Specialist, is assigned as the Technical Advisor to EAFCA and is based in their Kampala office. EAFCA has applied to the RATES Partner Fund to augment their 2006 program budget. All EAFCA marketing and program efforts take into account activities implemented at the country level by bilateral missions. EAFCA and RATES have strong working relationships with many of the bilateral projects including

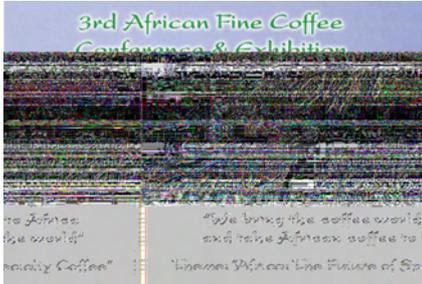


Chris von Zastrow (right), the RATES Coffee Specialist, promoting EAFCA coffees at the SCAJ Annual conference in Japan last year.

APEP, SCOPE, SPEED, ACE, PEARL, LEAD, ZATEC, Technoserve-Tanzania, ADAR and SALES.

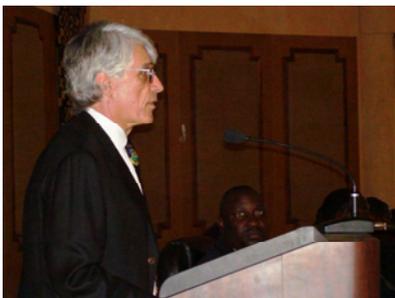
Progress on key activities

Activity I. Support EAFCA's program for market expansion and promotion.



At the start of the project in 2002, RATES was instrumental in developing the regional marketing theme of “the World’s WILDEST Coffee”, which together with its lion logo, “bwana kahawa”, has been successful in creating name association and international “brand awareness”. RATES and EAFCA are working with the private sector, both in the region and in the primary consuming countries to build on this theme and to monitor trends relating to market needs. RATES supports EAFCA’s membership to participate in all the major international coffee exhibitions and this campaign has already had dramatic and positive effects on the regional reputation.

👉 **3rd Annual African Fine Coffee Conference and Exhibition, Arusha Tanzania.** The Arusha Conference was an unprecedented success, beating the attendance and revenue records of all previous conferences. WWC 3 attracted over 470 producers, traders and coffee stakeholders. In addition to the key regional players, approximately 200 of the attendees were serious buyers and roasters from outside the African continent. This year saw EAFCA taking over most of the critical functions of organizing and managing the event and highlights their progress in reaching their goal of financial sustainability within the next three years. Revenues generated from conference fees and the exhibition booths, combined with travel related expenses paid by the participants (all who were self funded), totaled a GDA estimated value at US \$ 1.5-2.0 million. EAFCA is expected to generate 100% of their operational costs for FY 06 (approximate net revenues of \$200,000-250,000) from the event.



Jerry Baldwin, founder of Peet's Coffee and Tea, addressing the Arusha conference.

The event attracted a number of international coffee industry luminaries including Mary Williams, co-founder of Starbucks, Jerry Baldwin, founder of Peets Coffee, Nester Osorio, executive director of International Coffee Organization (ICO), Rick Peyser, president of Green Mountain Coffee, Ted Lingle, executive director of Specialty Coffee Association of America (SCAA) and Mick Wheeler, executive director of Specialty Coffee

Association of Europe (SCAE), were among the many distinguished presenters and participants on the three day program. The conference theme of “Africa: The Future of Specialty Coffee” was especially appropriate in light of the bullish market projections by Judith Chase-Gaines, a renowned coffee market analyst.



Jeremy Block of Dorman's Coffee addressing the participants on regional



The conference broke attendance records with every session well attended.



Jerry Baldwin of Peets Coffee and Tea addressing the crowd and encouraging the African producers.



More machinery suppliers participated this year than at any other exhibition.



The vice president of Tanzania opened the exhibition and enjoyed visiting with the exhibitors. Here he is receiving a gift from the Burundi delegation.



Munali Coffee Estates from Zambia are key supporters of the conference and have made a number of buyer contacts at the exhibition.



RATES COP, Stephen Walls, talking with Dr. Jane Goodall about JGI's efforts to promote conservation coffees.

The keynote speaker at the final dinner was world famous primatologist and UN Messenger of Peace, Dr. Jane Goodall, whose TACARE project has been supported by USAID Tanzania for a number of years. The Jane Goodall Institute (JGI) also receives support for their conservation coffee marketing efforts through the RATES Partners Fund. In her speech, Dr. Goodall highlighted the relationship that coffee has with conservation, environment, wildlife and quality of life. She also spoke of JGI's efforts to support small holder coffee farmers who are being encouraged to protect lands that will provide the leafy corridor for chimps to travel from the Gombe Park to other regions/countries with chimp populations.

☞ **2006 Regional Taste of Harvest – Arusha.** RATES assisted EAFCA to hold national level “**Taste of Harvest**” cupping competitions to select the top five coffees per EAFCA country. At the conference, a team of internationally known cuppers, many who came as volunteers under the USAID supported Coffee Quality Institute’s (CQI) Coffee Corps, judged the “Taste of Harvest” coffees presented by the ten member countries of EAFCA (Burundi, DR Congo, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe). The judges included Lindsey Bolger (USA), Sunalini Menon (India), Arnoldo Leiva (Costa Rica), Stephen Leach (USA), and Daniel Mulu (Ethiopia). The top two winners from each country that scored over 80 on the SCAA specialty coffee scoring criteria (a score of 80 or higher is required to be considered specialty coffee by SCAA standards), were presented awards. Of the 40 coffees tasted, thirty scored over 80 with several top scorers from Burundi, Kenya, Tanzania, and Ethiopia approaching an impressive 90 on the international scale rating fine and specialty coffees. This is a strong indication of the progress EAFCA has made in being able to identify top coffees in the region.





Head judge, Lindsay Bolger of Green Mountain Coffee Company judging the best of the Taste of Harvest coffees.



Manes Alves of Coffee Lab International provided handheld electronic scoring devices.



Emmanuel Mtiti of JGI getting cupping lessons from Kelly Peltier, a RATES coffee marketing consultant.

☞ **SinterCafe 2005.** EAFCA was the official guest and profiled region at the Sintercafe Conference and Exhibition held in Costa Rica in November 2006, the first time a regional association was designated for this honor. EAFCA impressed the Sintercafe delegation of over 300 participants from the international coffee industry with an African themed program that included a new EAFCA promotion video (with over 100 requests for a copy) and a very popular “Bush Lunch” that was complimented with African music, decoration, and of course, African specialty coffee. EAFCA also presented its very best coffee that was selected through its Taste of Harvest program, an African region coffee competition that selects and highlights the best of the best for African specialty coffees. These coffees were available for cupping throughout the conference. Marketing and business linking are a must at such an event and EAFCA officials met with Starbucks from the USA, Mitsubishi and UCC from Japan, and Sandalji from Italy with follow-up commitments to pursue onsite visits and collaborative activities. This once in a lifetime opportunity for EAFCA to showcase its coffees and organization on the world stage was a marketing success and the investment in time and resources will serve its membership for the coming months.



☞ **SCAA – Charlotte, April 7th to 10th, 2006.** Robert Nsibirwa and Chris von Zastrow, along with over 45 EAFCA members, represented EAFCA at the Specialty Coffee Association of America Conference and Exhibition in Charlotte North Carolina in April this year. Assisted by



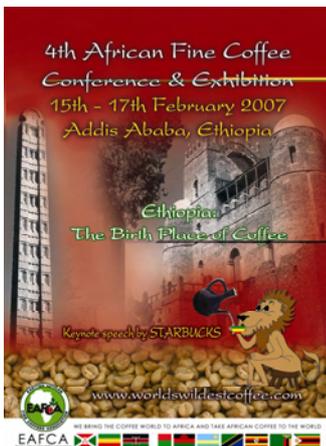
The EAFCA booth was very active with potential buyers at the SCAA Charlotte conference.

Kelly Peltier under contract by RATES, EAFCA had an impressive booth which was used by most of the EAFCA members. The Coffee Board of Tanzania and Main Traders Ltd. of Uganda deserve special mention for the assistance they gave in manning the booth. Several African countries had display booths of their own but Ethiopia, Zambia, Burundi, Kenya and Rwanda also accessed the EAFCA booth as a main meeting point. Well attended by over 7,000 delegates, the SCAA event was a unique opportunity for EAFCA to promote its members coffee, especially the TOH winners that were available for presentation.

☞ **SCAE – Bern, Switzerland, May 17th to 22nd, 2006.**

The staff from the EAFCA Secretariat, along with 7,000 other coffee aficionados and 25 EAFCA members, attended the Specialty Coffee Association of Europe’s “World of Coffee” Conference and Exhibition in Bern Switzerland. Primarily there to promote member’s coffee, EAFCA also used the opportunity to endorse their own AFCCE/WWC4 event, to pitch new EAFCA membership and to network with notable coffee buyers and roasters from around the world.

Using their Taste of Harvest Pavilion as a “base”, over 25 EAFCA members from Africa were able to conduct business and network while assisting EAFCA staff with booth management. The “best of the best” coffees from member countries, identified through the TOH competition held at the WWC3 in Arusha, were available for presentation, and were in high demand at the booth.



☞ **4th Annual African Fine Coffee Conference and Exhibition, Addis Ababa, Ethiopia.** EAFCA, with the assistance of RATES, is well underway in undertaking preparations for the next WWC 4 event to be held February 15th-17th, 2007 in Addis Ababa, Ethiopia. The EAFCA team of Robert Nsibirwa, Chris von Zastrow and Ludovica Bellingeri traveled to Addis Ababa on June 20th to secure hotel and conference venues and to identify vendors for the event. They also made important contacts with relevant government ministries and agencies, which are also incorporated into the Host Country Conference Committee, including the Office of the Deputy Prime Minister and the Ministries of Agriculture, Tourism, and Tea, Coffee and Spices.



The team also met with and developed collaborating agreements with key donor projects including Steve Humphrey of the Fintrac managed USAID/ATAE project, Joshua Walton of the ACDI/VOCA managed USAID/ACE project, and the EU/Coffee Improvement Project (CIP) managed by Surenda Kotecha.

☞ **Regional promotional activities.** EAFCA continues to explore new international market opportunities for specialty coffee. One focus area is Africa itself where new interest in specialty coffee has recently surfaced in South Africa. EAFCA has recently won a \$170,000 grant from RTFP (DFID) based in Pretoria to promote member coffee there. This program, although not USAID funded, is incorporated into the general program that includes the 2007 Conference and Taste of Harvest activities which are supported through RATES.

- **South Africa Promotion.** The EAFCA team of Chris von Zastrow and Robert Nsibirwa traveled to South Africa in March 2006 and conducted two key meetings that successfully launched this new program effort. The first event in Johannesburg was a very successful meeting with key representatives of the RSA coffee trade which, by their own admission, was the first time they had met as a group in twelve years. The end result was a strong endorsement of the EAFCA strategy and their commitment to the program. The EAFCA team also met with Mark Pearson and his RTFP staff at the IMANI Pretoria office to fine tune the details of the program. It was agreed that adjustments be documented and sent on to RTFP for approval.



South African roasters sampling EAFCA coffees at the promotional event in Cape town.

The RTFP funded trade expansion program started in earnest from July 27th to August 4th with successful trade missions and promotional events held by EAFCA in Johannesburg, Durban and Capetown. EAFCA brought a “trade mission” of twenty- nine of its members from producing countries to RSA to meet with over 70 interested coffee buyers, roasters and retailers. EAFCA was assisted in South Africa by Imani Consultants, a firm that is a RATES sub-contractor, but working under the RTFP/EAFCA grant for this program. The next segment of the program is to sponsor small South African delegations to “coffee safaris” in member coffee countries and to host some of them at the AFCCE in Addis Ababa in February 2007.



Promoting coffees through Barista competitions is a good way to raise awareness and increase domestic consumption.

- **Kenya National Barista Championship, Nairobi, April 23-29, 2006.** Domestic coffee consumption in EAFCA member countries has become a viable activity with the noticeable influx of specialty coffee roasting/retail companies, some of which are now strong EAFCA members. EAFCA and RATES once again assisted the Kenya Chapter this year to hold the annual Barista final championship at the Junction Shopping Mall on April 29th. The event had several components to it starting with barista and barista judging training during the week of April 24th. Three CQI Coffee Corps volunteers, Annette Moldevaer from London, Tim Wendelboe of Norway and John Sanders from the USA, assisted in the training and judged in the elimination rounds.

This year, over 70 contestants participated in several knockout rounds held at the Dorman’s Coffee Training School in Nairobi until the final 13 competitors were identified for the finals. The winner of the national championship had a sponsored flight by Swissair to go on to compete in the world championships held at the SCAE Conference in Bern Switzerland in May 2006. Although the first place winner from Kenya, Jackline Mueni, placed 34th out of 43 contestants, she was the only participant from Africa.

- **SCAE Rwanda Tour, Rwanda, April 30th – May 6th, 2006.** This first-time one-week event was organized by the Specialty Coffee Association of Europe (SCAE) with logistical support provided by RATES and USAID/ADAR. The event was attended by 19 European participants from Ireland, UK, Norway, Ukraine, and Lithuania who spent the week touring 11 washing stations and dry mills operated by private sector investors and cooperatives based in Rwanda.

RATES and ADAR sponsored a special EAFCA Chapter “Coffee Club” function with over 60 participants from the Rwanda coffee sector and their European guests. Officials from USAID/Kigali and the American Embassy were also in attendance and were able to witness first hand the dynamics of EAFCA and their reciprocal partners.



SCAE Rwanda Tour group members observe coffee pulping operations at local cooperative in Rwanda.

Activity 2: Support EAFCA’s program of member services to enhance product quality. EAFCA has done a superb job of providing member services to enhance product quality. As part of activities projected within its strategic plan, EAFCA is devoting significant resources to the delivery of

member-demanded services including workshops and training that focus on the improvement of coffee handling within the market chain. Specific activities include training (and training of trainers) for cuppers, millers, roasters and exporters that address the deterioration of quality of coffee as it moves from farm to end-user. Such services are in demand by members and are taking place at venues throughout the region.



Buyers were able to cup the TOH winners at the conference.

☞ **Taste of Harvest Chapter Competitions 2006.**

The need for a harmonized definition of specialty coffee in the region and abroad, as well as the development of technical skills to determine the quality of coffee is very important to the market. To build the capacity to recognize the difference between fine and mediocre coffee, EAFCA launched a new member promotional and service event last year: “The Taste of Harvest”. This program assists member countries to identify and select their best coffees following internationally accepted cupping criteria and to promote their products at the “Taste of Harvest” event that took place at the African Fine Coffee Conference and Exhibition in February, 2006 in Arusha, Tanzania. EAFCA is ably assisted in this activity by Coffee Corps volunteers, a program funded under USAID/GDA, and managed by David Roche of the Coffee Quality Institute, a subsidiary of the Specialty Coffee Association of America.

From September 2005 to January 2006, eight volunteers, along with Chris von Zastrow, traveled to Burundi, Rwanda, Malawi, Zambia, Tanzania, Uganda, Ethiopia, and Kenya to train a total of 98 cuppers who also participated in the selection process, and to hold a national level cupping competition to select the best of the best. Over 40 specialty coffees from specific origins were selected to participate in the 2006 TOH regional competition held in Arusha.



Dr. Jane Goodall discussing strategies for marketing coffees with Lindsay Bolger, head buyer for Green Mountain Coffee Roasters.

☞ **Conservation coffees.** RATES awarded a Partners Fund grant to the Jane Goodall Institute (JGI) of Tanzania in 2005 to be used to support nine coffee cooperatives bordering the famous Gombe Stream National Park. JGI, an international network of organizations working with chimpanzees in the wild, also works to meet the needs of surrounding communities and affected stakeholders. Over the last decade, JGI Tanzania has been supporting farmers

in the villages near Gombe National Park by providing training and seedlings. JGI and RATES recognized that more specialized support to the farmers was necessary in order to make commitments to addressing the complex issues that threaten improvements to the coffee quality and market access in western Tanzania.

Under the Partners Fund grant, JGI Tanzania will establish a technologically-advanced coffee laboratory at its Education Center in Kigoma and employ a skilled coffee specialist/cupper to oversee quality control efforts. The coffee specialist will work closely with individual farmers and cooperatives to assist them in increasing the quality and consistency of their output. As indicated above, Dr. Jane Goodall and the TACARE staff participated in the WWC 3 conference and met with a number of roasters and buyers. With the marketing of a Jane Goodall brand coffee, these small farmers should substantially benefit from the sales of their coffees under the JGI label sold through roasters such as Green Mountain Roasters and others who expressed a very strong interest in marketing these coffees. Green Mountain executives visited the cooperatives in Kigoma area prior to the conference and were very encouraged with the coffees they cupped and the level of the production in the region surrounding Gombe.



Jane Goodall and her staff meeting with interested US roasters at the WWC3 conference who may become buyers for a JGI branded coffee.

☞ EAFCA Training Programs:

- **Best Field Practices – Arusha, Tanzania (20th – 22nd February 2006).** The two day training was held immediately after the 3rd African Fine Coffee Conference & Exhibition held on 16th – 18th February 2006 in Arusha, Tanzania. All 25 available places for this training course, held at the Ngurdoto Mountain Lodge in Arusha, Tanzania were filled. The course was augmented with field trips to several coffee producing locations in the Usa river region of Arusha. The farms visited included Finca Estate owned by Fatuma A. Faraji, an EAFCA member and Shade Trees Farm owned by Leon Christianakis.

“You all did a great job in Arusha and I am sure now that the conference has gathered enough momentum to assure its long term future. All our overseas buyers who attended said that they really enjoyed it and found it very useful. Well done!”

**Philip Schulter
Schulter Trading SA**



Specialty coffee is difficult to define but unique by its very nature.

Five volunteer trainers from the Coffee Quality Institute (CQI) carried out the training and shared their knowledge on the current trends in farming practices, not only for better quality, but also for environmental, traceability and transparency issues required by consuming countries. The trainers were David Roche, Chief Technical Director, Coffee Quality Institute, Dr. Peter Baker, CAB International, Daniel Mulu, Kraft/Taloca, Ethiopia, Julio Martinez Pais, Mitsubishi Corporation, Guatemala and David Gibson, Chemonics International.

Some of the topics covered at the two day workshop included:

- Nutritional deficiency identification
 - Farm management and scouting techniques
 - Quality factors such as harvest and processing
 - Traceability and certification issues
 - Pests and diseases
 - Pruning, shade management and general husbandry
- **Coffee Roasting, Blending and Cupping – Moshi, Tanzania (20th – 21st February 2006):** The two day training was held immediately after the 3rd African Fine Coffees Conference & Exhibition held on 16th – 18th February 2006 in Moshi, Tanzania. The roster was full with 25 participants who traveled to Mazao Limited in Moshi, Tanzania, where the course took place.

Five volunteer trainers from the Coffee Quality Institute (CQI) carried out the training and shared their knowledge on batch and sample roasting, the effect that various roast levels and profiles have on coffees, blending for flavor profiles and cupping of blended coffees for quality production. The trainers were Sunalini Menon, Jeff Watts, Mane Alves, John Sanders and Alistair Durie.

The participants came from some of the following companies and agencies:

- Tanzania Coffee Research Institute (2)
- Burka Coffee Estates Limited (1)
- USAID – SALES Project (2)



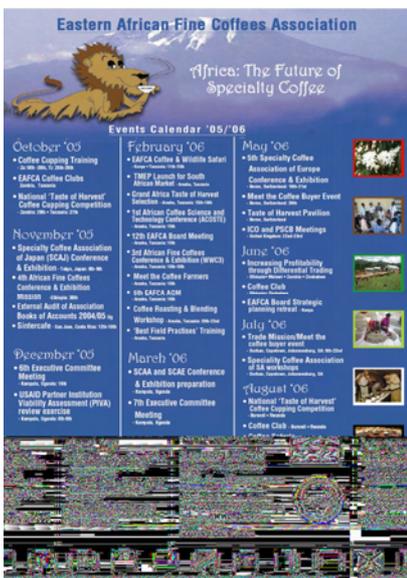
Members get real value for money when they join EAFCA.

- Finca Estate, Tanzania (1)
- Coffee Board of Kenya (1)
- Smallholder Coffee Farmers Trust (1)
- Mbinga Coffee Curing Company Limited (4)
- Satemwa Tea & Coffee Estates Limited (1)
- Kahangi Estate (1)
- Munali Coffee/Mubuyu Farms Limited (1)

Activity 3: Improve EAFCA's capacity for program delivery and communication. RATES has been working with EAFCA over the past three years to improve their capacity for program delivery and communication and are very pleased with EAFCA's progress. Last year, EAFCA declared that improved services to members would be its main theme and as a result they succeeded in upgrading the Taste of Harvest program, created an excellent newsletter and introduced the Bwana Kahawa Buzz, a weekly e-news flash. RATES will continue to work with EAFCA to upgrade its capacity to deliver services and new workshops and training programs will be developed.

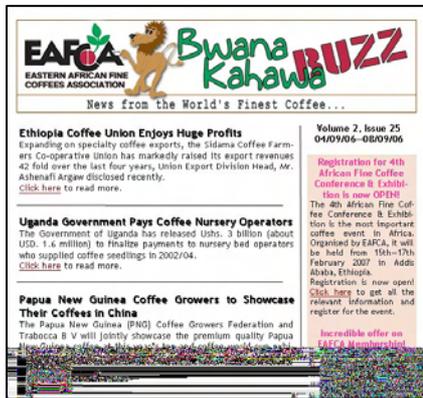
☞ **Membership.** A proactive membership drive last year has been re-emphasized this year resulting in an increase of membership to 135 companies and they are continuing to move towards their membership goal of 250 companies. Service is based on a "value for money" approach convincing prospective members that services provided by EAFCA are beneficial to their coffee business. Membership kits with a calendar of events and other promotional materials have been prepared and disseminated. EAFCA chapters continue to hold "coffee clubs" in all member countries, an activity which really took off last year. These club meetings take the form of multi-purpose business lunches or evening functions with members and interested stakeholders. The coffee clubs will include programs geared towards member promotion, WWC advertising, sponsor searches, and current coffee marketing information of interest to the participants. The Ethiopia Coffee Club took place in January and had over 50 guests and members and was graced by the Minister of Agriculture, a strong supporter of the Addis Ababa Conference in 2007.

☞ **Calendar of Activities.** The Secretariat has continued to implement on schedule the activities on the Calendar of Events. EAFCA Calendar of Events for 2005/06 was



distributed at the 3rd African Fine Coffee Conference & Exhibition in Arusha, Tanzania in February 2006.

☞ **MOU with COMESA:** EAFCA and COMESA signed a MOU at the Annual General Meeting (AGM) in Arusha, Tanzania. This was a historical landmark between the two organizations that should help further the efforts of both organizations in increasing trade in the region. The MOU was signed by the EAFCA Chairman, Mr. Leslie Omari, and the COMESA Secretary General, Mr. Erastus O. Mwencha.



☞ **The Buzz.** The weekly electronic “Bwana Kahawa” Buzz has continued to be published and disseminated on time every week. The Buzz continues to be a very popular on-line weekly coffee news update and its subscription continues to grow as does its content.

2006 Coffee Trade Analysis

- As a result of RATES work and in close collaboration with a number of USAID supported bilateral programs and local partners working at the grass roots level, the region recorded over \$162 million of specialty coffee exports during the 2005/2006 coffee season compared to only 60 million dollars in exports of specialty coffee recorded in 2001. Specialty coffee sales have increased over the last four years at an average rate of over 25% per year, a very encouraging trend.
- Through RATES interventions that have focused on highlighting African fine coffees, a number of international firms have re-discovered Eastern African coffees and are now investing in African coffee producers through alliances with local communities. For example, Starbucks has recently invested over two million dollars in Ethiopian and Kenyan coffee industries by supporting local communities to better process their coffees. Ethiopia sold over \$ 86 million last year (2005/2006) in specialty coffee and Kenya sold over \$ 56 million of these premium coffees that generally attract prices at least 20% higher than those of the lower commodity grade “C” coffees.
- RATES is working with EAFCA and bilateral programs to ensure these premiums are returned to small holder farmers by supporting Fair-Trade, Utz Kapeh and other certification programs. Starbucks plans to triple purchases



of Ethiopian coffees in 2007 through their CAFÉ practices that guarantee higher returns to producers. Starbucks has committed \$660,000 over the next two years to include Kenyan Arabica coffee in its global coffee sustainability initiative.

- A number of other companies are buying substantially more specialty African coffee as a result of EAFCA/RATES promotional campaigns. Peet's Coffee and Tea is working closely with Tanzanian cooperatives and recently increased their sales to over \$3 million from a local cooperative group, Kilicafe, an EAFCA member. EAFCA member and coffee roaster, Green Mountain Coffees out of Vermont, is training local producers in Rwanda and has been in the forefront of the remarkable recovery of the Rwandan coffee industry. Better coffee quality and higher international prices increased Rwanda's coffee export revenue to \$38.3 million last year with specialty coffees accounting for over \$15 million of this total. Lindsay Bolger, chief buyer for Green Mountain has served multiple times as a Coffee Corps volunteer for EAFCA.
- RATES has assisted EAFCA in working closely with the US coffee industry through the Specialty Coffee Association of America (SCAA)'s Coffee Quality Institute (CQI) and their volunteer Coffee Corps program. With RATES support, Coffee Corps has provided over 50 US coffee industry volunteers that have provided training in cleaning, processing, roasting, cupping, brewing and marketing coffees. Training under this program has helped over 6,000 African producers, processors, and millers to improve the quality of their coffees and thus achieve higher prices from international buyers.
- Rwanda has made significant strides in improving their position in world coffee markets. Efforts led by PEARL and ADAR, two USAID Rwanda projects, have led to lucrative contracts between Rwandan growers and US and European companies. Green Mountain Coffee from the US has entered into a number of key contracts with local cooperatives. The value of specialty exports out of Rwanda totaled over \$15 million. Starbucks now features Rwanda Blue Bourbon coffee under their famous Black apron series.
- RATES is supporting the Jane Goodall Institute to promote sustainable "conservation" coffees that are grown near



Chief TOH judge, Lindsay Bolger, of Green Mountain Coffees scoring sample lots of regional coffees.

chimpanzee habitats in the Gombe Stream National Park. The goal is for local producers to protect the habitat while gaining a sustainable livelihood from their coffee. Through a RATES Partners Fund grant, JGI has built a cupping laboratory and hired a professional coffee advisor to support local communities. RATES has linked a number of buyers to JGI. There is already very strong interest among US and other international buyers to market a JGI brand coffee. The first shipments of Gombe coffees have been bought by companies such as Starbucks and Green Mountain Coffees.

KRA 1.2: Regional maize flows expanded through formal trade

Strategy. The RATES Maize Program has the long-term objective to improve the flow and expand the availability of maize in ways that will contribute to regional market stabilization and food security. The program monitors the availability of maize throughout the region, provides improved supply and price information to traders, facilitates the flow of trade information, supports the organization of the value chain, both nationally and regionally, promotes systems of structured trade (warehouse receipts and commodity exchange), and links food aid operations with the commercial sector. RATES also collaborates with mission projects such as ATEA in Ethiopia, APEP in Uganda, and KMDP in Kenya that support expanded production and market systems.



Key countries involved in regional maize trade.

The maize program, under the banner of “Maize without Borders”, has two key components. The first component, improved trade facilitation, is managed through the RATES Trade Office and is supported by two complementary websites: www.ratin.net, a market information site, and www.tradeafrica.biz, a trade linkage site. This component also promotes institutional formation of the grain trade value chain and the move towards structured marketing systems that is gaining momentum in the region. The second component concerns the enabling environment for trade and focuses on regional and national policies and regulations that tend to inhibit trade. RATES has initiated a joint private/public sector policy rationalization/harmonization initiative that was launched in 2003 through the auspices of COMESA and EAC. This program is managed under PIR3/KRA 3.1 in collaboration with the Trade Office.

Progress to date:

Activity 1. Promote an inter-regional and multi-sector grain trade network. RATES will continue to meet and work with the national working groups, some of which have evolved into national trade associations that operate on a non-funded volunteer basis. The RATES Trade Office will continue to network with the working groups and trade associations to pursue both components of the maize program: 1) to empower them to participate in the policy harmonization process especially at the national level, and to assert their expertise and influence to encourage results; and 2) to engage them in a broader regional approach, networking them together for commercial trade, and creating forums to encourage more efficient trading systems. It is also planned that these working groups/associations will be expanded this year to include stakeholders actively engaged in structured trade systems – warehouse receipts and commodity exchange – targeting collateral management firms, banks, trade associations and existing parastatal marketing agencies.



Nick Maunder facilitates the Food Aid Workshop at the Regional Grain Trade Summit.

👉 **Regional Grain Trade Summit.** USAID/RATES, in collaboration with COMESA and other stakeholders, held the first Regional Grain Trade Summit, October 12th-13th, 2005 in Nairobi. For the first time, all key players involved in the east and southern African regional grain industry met together as a group to map out a regionally focused strategy for grain trade market development within COMESA. The event attracted over 300 participants from 20 countries including COMESA, EAC and SADC as well as Europe and the United States. The event was primarily self-financed highlighting the importance given to the summit topics by the participants. The key summit presentations and workshop discussions centered on public, private and donor sector Investment/Intervention options, the role of food aid and National Grain Reserves and their impact on trade, competitiveness and farm to market systems, trade finance including collateral management, commodity exchange, and warehouse receipts, and steps towards enacting effective trade policy for improved regional trade.

👉 **Kenya Grain Council, now the Eastern Africa Grain Council.** On September 28th, the East African Grain Council convened its last Steering Committee meeting, voted for its first Board of Directors, approved

The EAGC Steering Committee
Kenya Bankers Association
Nairobi Stock Exchange
Cereal Growers Association
Kenya Millers Association
USAID Kenya Maize Development Project
Kenya Cereal and Produce Board
Ministry of Trade
Ministry of Agriculture
Louis Dreyfus

the official bylaws, and inaugurated its inception with a reception at the Holiday Inn in Westlands. The grain industry in Kenya has been very pro-active in pursuing the formation of a sub-regional grain council. The concerned stakeholders, a “who’s who” of the Kenya grain industry, has met six times this program year to form a steering committee and to map out the institutional design and operational mandate.

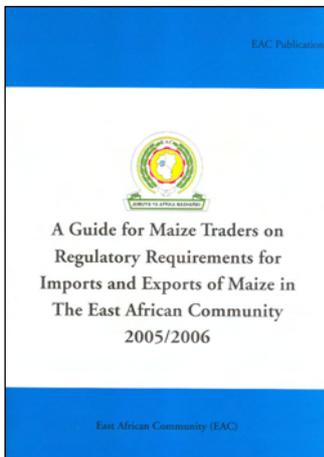
Led by RATES, progress in the institutional formation component is impressive with the approval of the institutional design and registration process at the January 25th meeting. The EAGC business plan exercise is completed and has the approval of the Steering Committee; fund raising will commence next quarter. Registration documentation has been prepared (Memorandum of Association and Articles of Association) and a Nairobi-based lawyer is handling the registration process which should be completed early next program year. RATE has further assisted with the EAGC business plan, operational manual, bylaws, and the rules of trade.



RATES maize specialist, Stephen Njuria, addressing the EAGC symposium.

☞ **The Eastern Africa Grain Council Symposium.** The Eastern Africa Grain Council (EAGC), with support from RATES and KMDP, hosted a Warehouse Receipt Systems symposium for over 60 participants on July 5th, 2006, at the Silver Springs Hotel, Nairobi. Organizations represented at the symposium include Ministry of Agriculture, donors, government parastatals (National Cereals and Produce Board of Kenya), traders and processors, producer associations, research institutions, banks, insurance brokers, inspection companies and transporters. The objective of the symposium was to capture a wider audience of stakeholders engaged in the grain trade value chain, and demonstrate the mechanics of warehouse receipting and how it is envisaged to work in the Eastern Africa region.

☞ **The Malawi Grain Traders and Processors Association** has been formerly registered. This concept was promoted by RATES in 2005 and has now grown into a functioning trade organization with 20 members investing over \$7,000 in subscriptions that is beginning to have an impact on grain trading policy in the country. RATES met with the association members on February 21, 2006 in Lilongwe and made a presentation on STS systems. The



RATES team of Steve Njuria and Pam Chesire, of the Trade Office, traveled to Malawi again in June 2006 and held discussions with MGTPA leaders regarding RATES Partner Fund support to the Association that would create a more dynamic forum for influencing the appropriate private sector involvement in grain trade following the direction of structured systems. A Partner Fund grant application was approved in 2006 and will fund the Secretariat operations for the 2007 program year.

☞ **Grain Traders Guide.** EAC Secretariat and RATES officially launched the publication of the Maize Border Traders Handbook on February 14th in Dar es Salaam. The event took place at the New Africa Hotel and attracted an audience of over 50 stakeholders and government officials. With a print out of 2000 editions the handbook is already in circulation and has been effectively used at traders' workshops. The launch is followed by a training and promotion program targeting trader associations and customs officials. Regulations will also be posted on the www.ratin.net and www.tradeafrica.biz websites.

☞ **Grain Trade Training.** RATES conducted a number of training activities during the year. Many of these were held in conjunction with bilateral mission projects. These included:



Steve Njuria of RATES (center) posing with several small traders who participated in cross border training and received inexpensive moisture meters as part of the activity.

- RATES, in conjunction with PESA, a USAID bilateral mission project managed by DAI in Tanzania, conducted its second small cross border trader training workshop in Arusha on March 8th. This one-day event brought together customs and standards officials from both Kenya and Tanzania, as well as over 40 cross border traders who deal in maize (of concern to RATES), citrus and vegetables (of concern to PESA). The common problem affecting stakeholders of both projects was the difficulty of moving produce from Tanzania to Kenya, and visa versa. The EAC Traders Handbook, authored and published by RATES under the auspices of EAC, was used as a reference guide for the course.
- RATES conducted its second course on 9th August 2006 in Isebania. Attended by 56 participants with over 40 of them coming from the private sector, this training was the first ever training for cross border

traders along the Isebania/Sirari border points. Once again the course covered grades and standards, regulatory requirements for trading maize within the EAC, understanding common external tariffs, and introduction to the proposed COMESA Simplified Customs Regime.

- The third course was held on 29th August, 2006 at the Kibaigwa Market, Dodoma, Tanzania. With 40 market members present, the team highlighted the importance of the East Africa Maize Standards and backed up the course content with a donated electronic moisture meter from RATES.

“I must admit that I didn’t know what some of these initiatives actually do. From today’s presentations, it is clear that we all share the same aspirations and goals hence the need to work together. The RATES Program must keep this momentum going.”

**Fred Mwesigye,
Commissioner at the
Ministry of Tourism,
Trade and Industry,
Uganda.**

☞ **FAO workshop.** To build RATES’ capacity in the formation of public and private sector initiatives, Stephen Njuki, the RATES’ maize marketing specialist, attended a FAO workshop on March 23rd and 24th in Pretoria that highlighted the importance of “Partnerships Between Government and the Private Sector to Overcome Food Shortages”. Co-sponsored by the University of Pretoria, Steve presented the RATES’ strategy on PP partnerships in its work on policy rationalization.

Activity 2. Strengthen inter-regional market information systems and trade linkages. To address the challenges of providing “real time” market information and trade linkage sites, the RATES Trade Office was created in 2003 to manage both the www.RATIN.net and www.tradeafrica.biz sites. This office serves as the RATES “call center” where trade inquiries are proactively pursued through the internet, email, telephone, SMS and radio. All site “hits” and trade inquiries are monitored and tracked for transactional viability and completion. The RATES Trade Office maintains an extensive trade directory of private companies and public sector agencies engaged in the maize, bean and pulse trade.

☞ **www.tradeafrica.biz:** A key program task is to increase the participation of new stakeholders engaged in regional food security procurement and distribution activities. The target group includes World Food Program, Food for Peace, National Strategic Grain Reserves, marketing boards, commodity exchange programs, warehouse receipt programs and a number of NGO’s involved in food security programs (i.e. CARE, SOS, and CRS). The first step is their adoption of the www.tradeafrica.biz site as

the key linkage to sources of maize and other food for their food distribution program. Most food relief agencies already access the www.RATIN.net site for their weekly updates on grain production, price and availability. Aside from benefiting from a transparent and regionally-based food-linkage system, it is also important that food-aid agencies coordinate their programs with the commercial grain sector to achieve an improved balance of *aid* with *trade*.

Recent additions to the www.tradeafrica.biz site include the following features:

Access to INCOTERMS 2000, a GAFTA derived international set of trade terms that define responsibilities of buyers and sellers.

Access to the RATIN monthly trade bulletin.

Updates freight charges for the EAC member states.

Table 1. Volume and value of business postings for maize on www.tradeafrica.biz for FY 2006.

Inquiries to Buy Maize	Historical 2005 totals	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	Cumulative Total -2006
Volume in MT	845,290	151,400	274,580	131,850	157,900	715,730
Value in USD	162,744,270	24,163,000	48,123,300	25,196,535	32,799,441	\$130,282,276
Average Price USD/MT	190	160	175	191	207	182

Offers to Sell Maize	Historical 2005 totals	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 30	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 31	Cumulative Total-2006
Volume in MT	723,767	109,000	144,455	49,000	108,050	413,405
Value in USD	118,108,280	23,879,000	38,889,940	13,834,333	23,541,320	\$100,144,593
Average Price USD/MT	190	219	269	282	217	242

TradeAfrica Report - Maize. This trade promotion site allows maize buyers and sellers an opportunity to post offers on the site both for domestically supplied and interregional traded. In Exhibit 7, we provide results for the site. During FY 06, users posted over \$100 million in offers to sell maize with

offer to buy maize exceeding \$130 million. The principal clients for buying maize include millers, strategic grain reserves and government procurement agencies. Although a substantial amount of this trade is met by domestic markets, regional clients are using www.tradeafrica.biz as a price discovery mechanism. WFP is using www.tradeafrica.biz prices as benchmark tender prices.

Table 2. Volume and value of business postings for beans on www.tradeafrica.biz for FY 2006.

Inquiries to Buy Beans	Quarter 1 Oct 1–Dec 31	Quarter 2 Jan 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep 30	Cumulative Total
Volume in MT	11,000	21,300	15,020	8,115	55,435
Value in USD	3,060,000	6,912,000	6,508,667	3,421,000	19,901,667
Average Price USD/MT	278	324	433	421	359

Offers to Sell Beans	Quarter 1 Oct 1–Nov 30	Quarter 2 Dec 1–Mar 31	Quarter 3 Apr 1–Jun 30	Quarter 4 Jul 1–Sep30	Cumulative Total
Volume in MT	1,000	13,600	6,000	13,400	34,000
Value in USD	295,000	6,015,000	2,808,000	4,638,375	13,756,375
Average Price USD/MT	295	444	468	346	401

Tradeafrica Report – Beans. The program year of 2006 was the first year for recorded bean trade. Total value of inquiries to buy was \$20 million and offers to sell were \$13.7 million. Bean trade volumes depend on three main bean exporting zones which include Rwanda, Ethiopia and Uganda. Volumes trade would have been higher this year but export bans from Rwanda and Ethiopia reduced volumes and raised prices.

☞ **The RATIN Network .** The RATIN network with its 1400 subscribers currently covers Rwanda, Uganda, Kenya and Tanzania and provides price and production information for maize, rice and beans. RATES is entering into an agreement with the newly formed eastern Africa Grain Council to become the institutional home for RATIN, a well branded site in East Africa that fits the EAGC MIS requirements well. RATES has contracted the

re-engineering of the site to fit the technical MIS needs of EAGC which will serve as a self-regulatory body for structured market systems and already covers the same four countries as RATIN.

Eastern Africa “Maize Availability” Balance Sheet.

The Trade Office has refined and updated the balance sheet (Table 2) in collaboration with a number of key industry players including the Ministries of Agriculture in all four operating countries (Kenya, Uganda, Tanzania and Rwanda), the Tegemeo Institute of Research and Development in Kenya, regional traders through their various trade associations, millers, national food reserve agencies, FEWSNET and ports and cargo agencies. The regional maize balance sheet is now available on www.ratin.net.

Table 3. Estimated East Africa maize availability balance sheet: July 2005 to September 2006 (Minimum Quality Maize)

ESTIMATED EAST AFRICA MAIZE AVAILABILITY BALANCE SHEET JULY 2006 TO JUNE 2007 (MINIMUM QUALITY MAIZE)					
	KENYA	UGANDA	TANZANIA	RWANDA	EAST AFRICA
CARRY OVER STOCKS JULY 2006	151,410	23,405	157,056	43,008	531,405
IMPORTS					
Uganda	100,000		10,000	20,000	130,000
Kenya			5,000		5,000
Tanzania	40,000				40,000
Rwanda					
Total East Africa Imports	140,000		15,000	20,000	175,000
Imports from outside the region-DRC etc					
Total Imports	140,000		15,000	20,000	175,000
MAIZE PRODUCTION 2005-06					
Long Rains	2,520,000	350,000	2,857,000	71,000	5,798,000
Short Rains	252,000	250,000	140,000	19,000	661,000
Total Production per year	2,772,000	600,000	2,997,000	90,000	6,459,000
Post harvest loss, Industrial use-seeds	138,600	30,000	149,850	4,500	322,950
NATIONAL AVAILABILITY	2,924,810	593,405	3,019,206	148,508	6,842,455
EXPORTS					
Uganda					
Kenya		100,000	40,000		140,000
Tanzania	5,000	10,000			15,000
Rwanda		20,000			20,000
Total exports to East Africa	5,000	130,000	40,000		175,000
Exports outside the region	5,000	5,000	10,000		20,000
Total Exports	10,000	135,000	50,000		195,000
NATIONAL CONSUMPTION	2,850,000	402,500	2,925,720	95,000	6,273,220
Available Maize by June	64,810	55,905	43,486	53,508	374,235

Activity 3: Promote synergies linking food aid with commercial trade. The objective under this activity is to engage the food aid sector into the commercial trade system, not only their use of the on-line trade sites but the conversion of their procurement process into a more transparent and trader-friendly operation. Another focus of this activity is to gain food aid support and participation in the emerging

structured market systems. Food aid agency and public sector recognition of the value of warehouse receipt systems and commodity exchanges would be an added bonus to those initiatives and would be a key element to their success.

One of the ongoing tasks this year is to hold consultative meetings with food aid agencies, commercial traders, and other stakeholders to create synergies for improved procurement and distribution systems for food aid. This was successfully kick started last year through the Regional Grain Trade Summit where a special workshop was held to address this specific topic. Results of the workshop can be found on www.tradeafrica.biz.



☞ RATES is now invited to all WFP regional procurement meetings in Kampala. RATES' participation lends weight to our role in presenting the regional perspective on production and cross border trade and data which is normally found on the Tradeafrica and RATIN sites.

☞ On April 24th, the trade office team met with representatives from Feed the Children (K) who work in collaboration with FFP and WFP. Seeking advice on starting a local procurement program, RATES provided useful information and contacts and instructed them on the use of www.tradeafrica.biz and www.RATIN.net.

☞ On May 23rd, RATES received a special invitation to attend the NCPB maize stock consultative meeting. Normally attended by millers and government officials, the Trade Office Team will now be a recognized participant in the proceedings that cover food relief stock management.



Key Kenyan policy makers observing maize headed for food aid.

Activity 4: Link and promote structured trade initiatives in the region. This is a new activity in the 2006 maize work plan but has been a focus area for most of 2005. There are several initiatives throughout the region supported by various donor and commercial entities that are engaged in the creation and operation of programs for warehouse receipts, commodity exchanges, and collateral management. These include the World Bank working in Malawi on futures options with SAFEX, USAID supporting warehouse receipt efforts in Kenya and Uganda, CFC providing financial assistance to the Zambia warehouse receipt efforts. Other organizations including EU, Rockefeller and DFID have also expressed interest in these initiatives. RATES has recognized the need to

“connect the dots” between these individual efforts, with the long-term intent to link them together for trade and have them share their experiences during their development phases. The RATES role in this sector was strongly supported by the delegates at the Regional Grain Trade Summit and expectation is high to keep the momentum of that successful event moving.



Participants in The Zambia Miller's Association public/private forum supported by RATES.

RATES has completed the “catalog” exercise of structured trading systems in the five target countries of Malawi, Zambia, Uganda, Kenya, and Ethiopia and one can find this information on www.tradeafrica.biz. The RATES staff held meetings in Ethiopia and Malawi this quarter to discuss structured systems:

☞ RATES, with COMESA support, sponsored a traders meeting in Zambia on February 23rd that included members of ZACA, the Zambia Millers Association and leading government officials. ZACA was presented as a working model of a working warehouse receipt program that can be replicated in other COMESA countries. Mr. Martin Hamusiya, the Chief Warehouse Examiner with the ZACA-Zambia Agricultural Commodity Agency, was invited to participate in the EAGC Symposium on July 5th, 2006 in Nairobi to present ZACA as a case study on warehouse receipt systems.

☞ RATES, in collaboration with the USAID/APEP Project, organized a meeting of grain industry stakeholders in Kampala on May 24th, 2006. The meeting was chaired by Mark Wood of APEP who had technical and logistical support from Steve Njukia, Pam Chesire, Bridget Okumu, Tom Carr and Stephen Walls of RATES. Well attended by representatives from USAID, WFP, Rural Sales Project, Ministry of Marketing, NRI, UGTL, Stanbic Bank, and the Uganda Commodity Exchange, the meeting presented a wide spectrum of views and approaches to STS but converged on the overall concept that STS is the right direction that Uganda should take. The group made a key decision to pursue a warehouse receipt program using organizations present to form a task force and map out a way forward.



WFP's regional procurement office making a presentation at a RATES-supported meeting in Kampala.

☞ Steve Njukia attended the Annual Meeting of the International Task Force on Commodity Risk Management in South Africa from the 15th to 18th of May. Sponsored by the World Bank, in collaboration with the

Swiss Secretariat for Economic Affairs, the Netherlands Ministry of Foreign Affairs and the Standard Bank of RSA, the forum focused on the needs to assist public and private sector to reduce the gap between risk management problems and market solutions. Also covered was government response to weather, natural disasters and price shock.

“...Although the grain market in Ethiopia has been liberalized for over almost ten years, the marketing system has not yet achieved the desired results of a structured trading system...we support RATES efforts in Ethiopia...”

Ethiopian Grain Trader

☞ The RATES Trade Office Team visited Addis Ababa, Ethiopia from June 27th to June 30th 2006 for an update of the current grain trade status, and to identify and categorize ongoing warehouse receipt and commodity exchange initiatives. The team met Addis Ababa Grain Traders Association, Ethiopian Grain Trade Enterprise, WFP, Fintrac Inc, FEWS net, HAWAS agribusiness Plc, Ministry of Agriculture and Rural Development, Marketing Department, Warehouse Receipt System Implementation Office and USAID Ethiopia. Although the grain market in Ethiopia has been liberalized for over almost ten years, the marketing system has not yet achieved the desired results of a structured trading system. Like most of the countries in the region, the Ethiopia marketing system is still constrained by seasonal price fluctuations, inadequate storage facilities, quality and standards awareness and enforcement, inadequate market information system, among others.

☞ On 30th August 2006 RATES held the Tanzania Structure Trading System Symposium in Dar es Salaam to promote the concept of warehouse receipts and commodity exchanges. The meeting was attended by over 25 participants drawn from both the public and the private sector. Organizations included the Government through its Ministry of Agriculture and Food Security, FEWSNET, private traders and millers (Bakhresa, Fida Hussein, Mbeya rice millers), CRDB bank, DCDM consultants, collateral management companies (ACE, COTECNA). The government of Tanzania sent two representatives, Director of Agriculture and the Deputy Permanent Secretary of Agriculture. It was the first meeting in which senior officials interacted freely with the private sector concerning grain trade.

☞ RATES followed the Tanzania event with a Zambia Grain Industry Symposium on September 7th, 2006 in Lusaka. The Symposium brought together all key players in the grain sector in Zambia including millers, traders, farmers, and

the Food Reserve Agency. The discussion centered on maize availability data, maize trade policy especially the ad hoc trade ban, and the value of structured systems.

2006 Grain Trade Analysis:

**Official FY 06
grain trade
\$19.5 million**

- The analysis of formal grain trade data was challenging because of inconsistencies in export numbers with a significant increase in “unrecorded trade” data being picked up by RATES cross border monitors, especially from East Africa. Grain traded during 2005 had a total value of \$19.5 million compared to the 2001 baseline value of \$8.3 million representing a 135% increase over the baseline year. However, formal trade was down 59 % from the same period last year and can be explained by the drought conditions and by the fact that traders are still avoiding formal border procedures to avoid paying a number of levies imposed on cross border trade. This trade becomes unrecorded by customs when bags of maize are carried by hand across the border to awaiting trucks.
- Much of this unrecorded trade was formal in the sense it was handled by some fairly major trading companies but was not recorded by customs staff at the borders. This trend was verified through telephone surveys to a number of trading companies that indicated substantial regional grain sales that were not recorded at the borders this year. This trade significantly exceeded official data provided by COMESA and national customs offices. This trade totaled more than \$50 million. The fact that maize is now zero-rated on duties could partially explain why some border customs officers are not documenting this trade.



Regionally-grown maize ready to be loaded on trucks for cross-border trading.

As there are a number of possible explanations for this observation, RATES will conduct a brief study to determine the effects of free flowing maize on the collection of trade statistics by customs officers at selected borders. There could be other non tariff barriers that are still preventing traders from using the formal system. One way to avoid border procedures is to hire bicycle traders to take maize across the border as non commercial maize. The trader simply buys the grain as if were domestically produced and thus not recorded.

KRA 1.3: Regional Cotton/Textile Trade Increased

Strategy. The strategy in the cotton/textile sector has shifted slightly from previous years to focus on the programs initiated by the new African Cotton and Textile Industries Federation (ACTIF) whose programs meet RATES' objectives of increased trade. The shift in program does not deviate from the original target sector, the textile industry as a main buyer of regionally and (mostly smallholder) produced lint, and as a seller of textile products to the apparel sector taking advantage, where applicable, of opportunities provided under AGOA. RATES is still operating under the premise that the resulting increase in regional demand for cotton will translate into improved market opportunities for smallholder farmers. ACTIF also has the mandate to develop and strengthen regional markets, to promote and implement programs for improved regional competitiveness that position the sector to work to best advantage in national, regional and export markets.

“Through www.cottonafrica.com website, we at wotol have noted improved business arising from numerous contacts and enquiries. We have so far registered sales arising from a wide network of customer base realized from your site...”

**Andrew Faraja.
www.wotol.com**

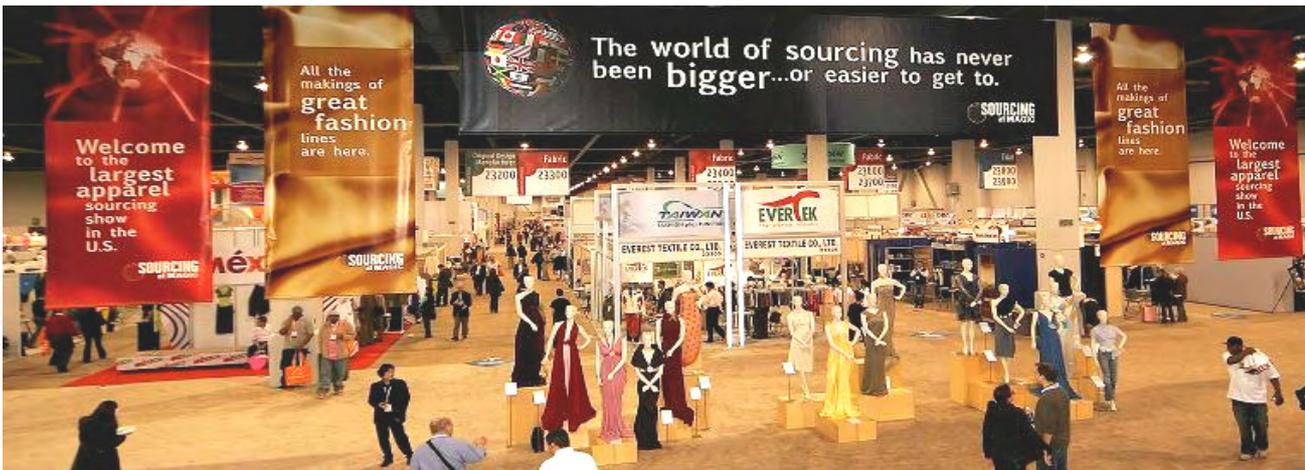
Background. Industry ownership of the program continues to gain momentum and ACTIF is becoming increasingly recognized as a unified, pragmatic and credible reference point for the future in regional, African and international trade affairs. In this context, the 2nd steering committee of the African Cotton and Textile Industries Federation (ACTIF) met on 21st and 22nd of June 2006, in Nairobi to chart its future strategy, conclude institutional arrangements, and to establish proposals for the long term viability and sustainability of ACTIF.

RATES continues to coordinate its cotton/textile program closely with the ECA Global Competitive HUB, which shares the concerns of the AGOA program. Liaison and collaboration is also maintained with the West Africa Trade Hub in Accra and the Southern Hub in Gaborone. RATES and the Hub projects schedule periodic meetings to ensure a smooth working relationship. RATES is also working closely with bilateral mission projects to ensure that RATES regional focus on trade facilitations and policy harmonization compliments national-level efforts.

Progress to date:

Activity 1: Promote global market access. The ACTIF sub-committee for Global Trade Initiatives has been pro-active on their agenda to address regional issues pertaining to AGOA and to identify strategies to target the European market. Given the recent shift in the program implementation which will now see a “meet the buyer” focus as far as the textile and apparel sectors are concerned, together with cementing relationships with global agencies and trade organizations, ACTIF attended two major trade events in the US to assess how the Federation could take advantage of the exposure to American and International buyers and how it can be developed for the future. In addition, participation at these events was to also show the “face” of ACTIF, develop linkages for trade and as a pre-cursor to an event to be staged in Africa.

The MAGIC Textile and Apparel Trade Show. Barry Fisher, the RATES’ Cotton Specialist, attended this event which was held in Las Vegas from 28th to 31st August 2006 and attracted 115, 000 attendees from 80 countries. The event, which is held twice a year, started some seventy years ago with its main focus being on branded apparel sourcing and fashion, showcasing the \$181 billion US apparel industry. It is reportedly the best show of its kind, with about 2,700 companies participating, representing 5, 000 brands, 20,000 product lines and is comprised of buyers and sellers of men’s, women’s, and children’s apparel, accessories and fabric. Buyers at MAGIC represent nearly 70% of the total apparel business in the US.



The exhibition floor of the Magic show.

The event also incorporates a ‘Seminar Series’ staged for the duration of the event and covers a variety of topical subjects such as customs and trade laws, speed to market, private label manufacturing, supply chain management, global business strategies and trade agreements.

A key component of MAGIC is the sourcing section. Sourcing provides contract manufacturers, original design manufacturers, fabric and trim suppliers, and service provider’s direct access to the largest concentration of buying power in the United States; more than 700 companies from 33 countries exhibited.



Material World-New York. Barry Fisher also attended the Material World event, held in New York from 26 to 28 September 2006 which attracted 4000 attendees from 38 countries. While Material World has been operating for a number of years in Miami, the New York venue is relatively new, having started in 2005, and is an official event of the American Apparel & Footwear Association (AAFA). It is mooted to become the largest global sourcing event for fabric, trims and new technologies, providing direct access to fabric buyers and sourcing managers throughout the United States and the Americas. New York, as the commercial capital of the world, has the highest concentration of textiles and apparel buyers in the United States and therefore is a very appropriate event for both textiles and apparel alike. The organizers introduced for the first time an “African Pavilion” and a “Brand Africa” concept, with 10 countries from Africa participating. The organizers intend building on this African theme to create a special uniqueness and be an “attraction” and “draw card” for international buyers. A number of the African exhibitors concluded business and drew significant buyer interest, a small example being an apparel company from Zambia which concluded a deal which started from a linkage given by the www.cottonafrica.com trade office some six months earlier.

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