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EASTERN AFRICA GRAIN COUNCIL

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HIGHLIGHTS:

- **Crops update**
- **Effect of budgets on the grain sector**
- **Kenya Food Security situation**
- **Price analysis**

Crops update

Uganda: Reports from reliable sources indicate that the first season of bimodal areas has experienced a poorly distributed rainfall. It's therefore expected that the yields will go down by 50 percent in some areas. According to FEWSNET, the season in unimodal areas is not good and it may lead to continued food insecurity for the next 12 to 18 months.

Tanzania: Harvesting of maize in unimodal areas that received *msimu* rains is underway. This has increased maize supplies to the markets in the southern region of Tanzania. The crop in this region has been expected to be good.
In bimodal areas, bean harvesting is anticipated soon. The masika season rains that had delayed in March are expected to decrease which would facilitate the drying of beans. A crop failure is looming in lowlands of northern, northeastern, and coastal areas.

Kenya: Maize crop in the Rift valley province is at different stages of growth as a result of erratic rains. According to the Ministry of Agriculture, about 40 percent of the crop is at knee high level in North Rift which is commonly referred as the Kenya's grain basket. The MoA projects 2009 long rains maize output at 2.4 million MT from planted area, which is about 90 percent of 2008 long rains production. Rift Valley region is expected to produce 1.3 million MT in the long rains season. However, the delay of rainfall especially at critical stages, will impact negatively on the yields.
The Kenya Meteorological Department's analysis of likely rainfall amounts for the June-August 2009 period suggests that this region is expected to receive near normal rainfall tending to below normal.

Effect of budgets on the grain sector

Uganda: The budget clearly leaned towards the agricultural sector and indicated that farmers will benefit much more from government in the next financial year especially since direct contact will be established at grassroots level by providing integrated support to farmers.

The support that government promised commercial farmers is expected to have an effect on grain production especially since emphasis is being placed on providing farmers with financial opportunities to acquire agricultural and agro-processing machinery and equipment – an aspect that has been known to hinder farming as a business in Uganda. This could be a boost for grain producers since the level of production will rise.

Kenya: The Kenyan government allocated Ksh.35 billion for the development of the agricultural sector. This represents 66 percent increase in allocation to the sector compared to Ksh.21 billion allocated in the last financial year. With the Ministry of Water and Irrigation getting a bigger share of Ksh.24 billion, it's expected that a shift in rain-fed agriculture to a more mechanized irrigation will happen. This could be a boost in national rice production as national irrigation schemes are revived. Another incentive to rice farmers was the increase on the duty of imported rice from 35% to 75%. The duty on materials for building the silos was also zero rated - a move meant to improve food security in the country since grain will be stored for longer under high quality standards. It will also minimize post harvest losses.

Tanzania: The Government allocated Tsh. 666.9 billion to the agricultural sector in the 2009/10 budget, reflecting an increase of 30 percent compared to Tsh.513billion in the last budget. The increase in budget allocation is meant to improve infrastructure for irrigation and rural access roads; distribution of subsidized fertilizers mainly targeting the major production regions; availability of quality seeds and other agricultural inputs. All these are incentives towards increased production and easy market access.

Rwanda: For the production sector, which consists mainly of agricultural activities, Rwf. 87.9 billion has been set apart. Agriculture alone has been allocated 10% of the total budget compared to 4% in the 2008/09 budget. This is a stimulus package for the agricultural sector aimed at boosting agriculture supply, agri-business development, land reform and promotion of value-addition for exports.

Kenya Food Security situation

The national maize stocks as at mid-June 2009 was 580,000MT against the national consumption requirement of 675,000 MT to reach end of Aug'09 when harvests from bimodal areas will start. This leaves a national maize deficit of 95,000 MT which is to be met through imports. Since January to June'09, Kenya received a total of 108,155 MT and 56,900 MT of maize from Uganda and Tanzania respectively through informal cross border trade.
National Cereals and Produce Board (NCPB) is currently importing maize from USA and S. Africa for it Strategic Grain Reserve (SGR). Currently NCPB holds about 151,323 MT and 20,288 MT under SGR and relief food respectively.
The national bean stocks stood at 36,380 MT as at 15th June 2009 though volumes from current season are too low. However, stocks have been boosted by inflows from Uganda. RATIN statistics indicate that between January and June2009, 64,137 MT of beans crossed to Kenya through Busia border.

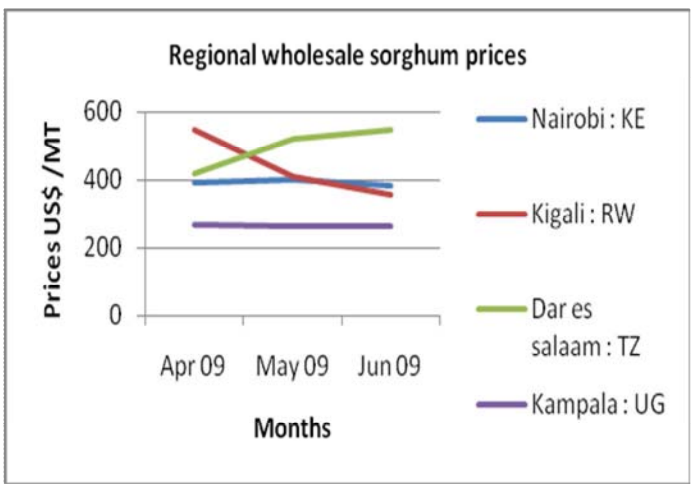
The MoA is projecting a national maize production of 2.4 million MT from the planted area. The crop yield will depend on continued rains in June through August during critical stages. The Rift valley has been projected to produce 1.22 million MT while Eastern region is anticipated to produce 72,000MT in long rains season. However, a total crop failure is expected in the lower Eastern region due to very little rainfall.

Although crops from early harvesting areas of parts of Nyanza, Western highlands and the South Rift were expected to reach markets by July and August, farmers are selling green maize due to increased demand. National supply will remain constrained until when a significant harvest comes into the markets starting October'09 from Rift valley and Western highlands.

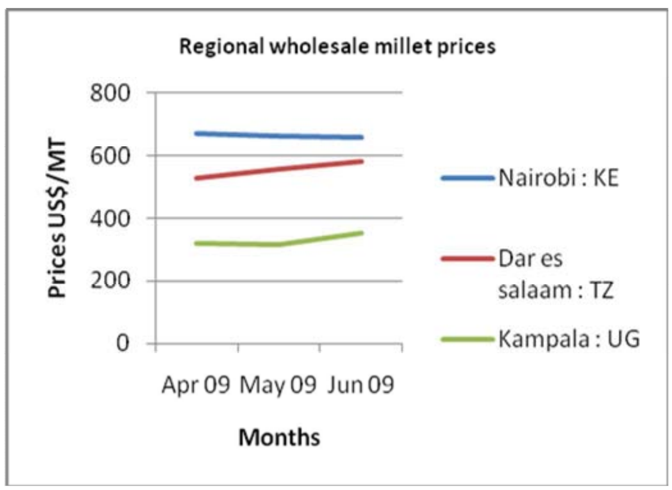
Price Analysis

Sorghum & Millet: In the 2nd quarter, the Sorghum prices in Nairobi and Kampala were relatively stable. In Kigali, the prices declined by 54 percent while in Dar es Salaam, 31 percent increase in prices was experienced following the ongoing harvest in some areas.

There were no fluctuations on the millet prices in all the East African markets.

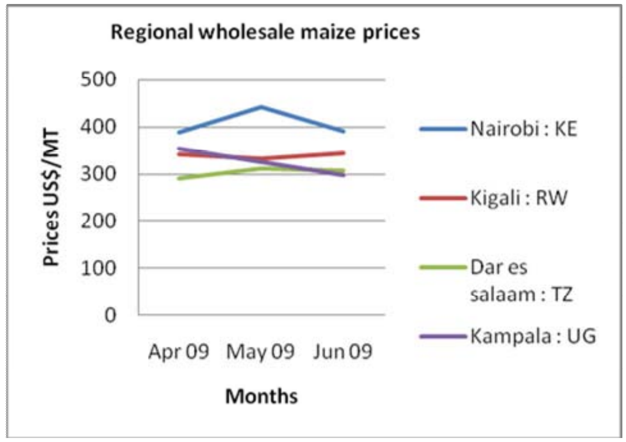


Source: EAGC-RATIN



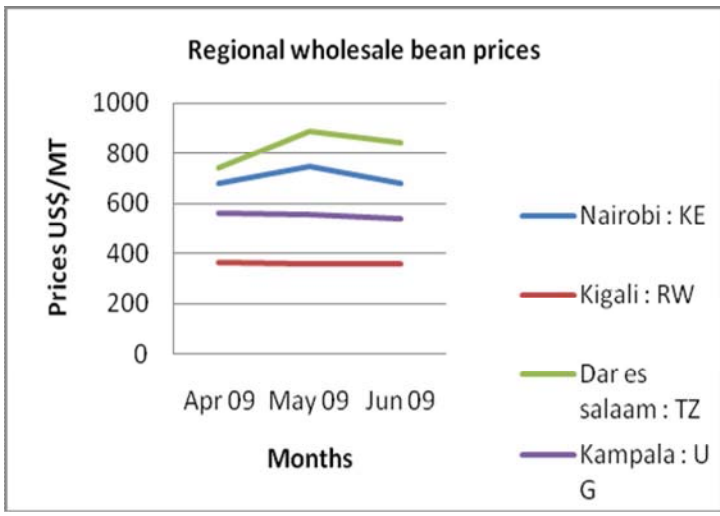
Source: EAGC-RATIN

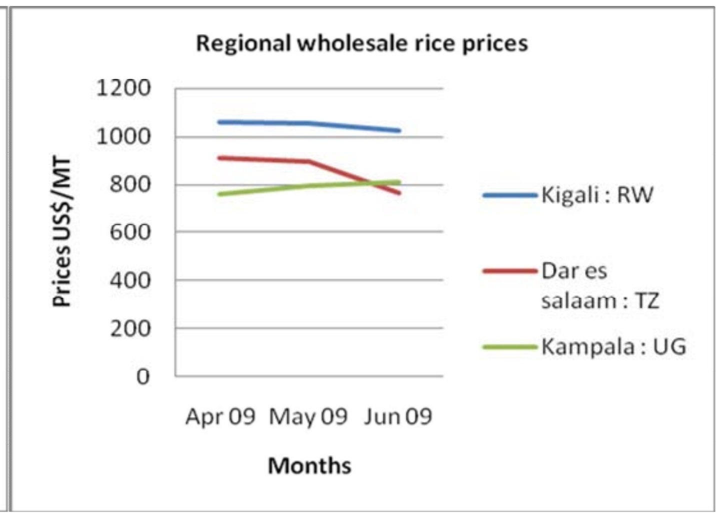
Maize: The maize prices in Nairobi which have been increasing since Jan'09 decreased in June'09 to US$ 392/MT from US$ 442 in May'09. The decline was caused by increased importation of white maize from South Africa and USA. In Kigali market, the prices remained firm for the entire 2nd quarter. Dar es Salaam prices dropped slightly in June to US$307/MT from US$313/MT due to increased supplies from current maize harvests.
In Kampala, the prices have been depreciating in the same period due to early maize harvest in Busoga region but they are expected to start rising up as the new maize stocks get exhausted in the market.



Source: EAGC-RATIN

Beans & Rice: Increase in bean supplies in Dar es Salaam market reduced the bean price from US$888/MT to US$843/MT. The prices also dropped in Nairobi by 9 percent in June compared to May. Kampala and Kiagali markets experienced relatively stable prices.
Rice prices in Kigali declined slightly by 3% between April and June'09 while in Dar es Salaam, a depression in rice prices from US$894/MT toUS$764/MT was caused by rice harvests from areas under irrigation. However, Kampala rice prices rose by 7% between April and June'09.





Source: EAGC-RATIN

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The analysis and conclusions made in this report are those of the author, you may contact EAGC office, grains@eagc.org, +254 20 3745840/ +254 710 607313
Sources of information used in this report 1) FEWSNET—Uganda &Tanzania 2) Ministry of Agriculture in Kenya, Tanzania and 3) Cross border monitors and private traders.