Communique on the Regional Meeting of Rice Value Chain Stakeholders

29th August 2016

Julius Nyerere International Convention Centre, Dar es Salaam, Tanzania

1. Introduction

On 29th August 2016, the Eastern Africa Grain Council (EAGC) in collaboration with the DFID-funded FoodTrade East and Southern Africa project hosted the Regional Meeting of Rice Value Chain Stakeholders at the Julius Nyerere International Convention Centre in Dar es Salaam, Tanzania. The main purpose of the meeting was to deliberate on the state of the rice value chain in East Africa and explore the feasibility of establishing certification and testing system for rice of East Africa origin as a solution to unscrupulous trading practices by some traders in the region.

The meeting was attended by diverse group of public and private sector rice value chain from Burundi, Kenya, Rwanda, Tanzania, Uganda and the Democratic Republic of Congo, representing rice farmers, traders, processors, Ministries of Agriculture and Trade, National Standards Bureaus and development partners.

2. Background

Rice is an increasingly important staple food crop in the EAC region, particularly as consumer preferences continue to evolve with a growing middle class in the EAC Partner States. Consumption of the commodity has grown at an average of 4% per annum between the turn of the century. The growth in rice consumption has been driven mainly by an expanding middle class, a rapidly growing population, and increased consumption by producers as their incomes increase.

Rice production in the EAC has been increasing gradually over the past decade. Tanzania is the major producer of rice in the EAC and the 2nd largest rice producer in Eastern Africa after Madagascar. In recognition of the region’s capacity to be self-reliant in rice production and consumption, the EAC acknowledged the need to protect its rice producers and promote intra-regional trade in rice; as such, it classified rice as a sensitive product whose imports from outside the EAC shall face an ad-valorem common external tariff (CET) rate of 75%.

Despite the importance of cross-border trade in rice, such trade continues to face a number of tariff and non-tariff barriers to trade that contravene the spirit of regional integration. For instance, unscrupulous local traders smuggle rice and blend it with local rice, while many
EAC Partner States are not enforcing the 75% CET on imported rice due to various reasons. This has created uncertainties of the precise origin of rice that is being traded within the EAC, thus resorting to cautious, protectionist measures.

A. Remarks from key dignitaries

The Regional Meeting was officially opened by the Permanent Secretary in the Ministry of Agriculture, Livestock and Fisheries Tanzania, Dr Florence Turuka, represented by the Director of Food Security, Mr Elimpaa Kiranga. In his opening address, the Permanent Secretary noted the importance of public-private collaborations in solving the challenges facing the rice value chain in Tanzania and the broader EAC region. He further emphasised the Government’s commitment to increasing rice production and trade as part of efforts towards achieving the Sustainable Development Goals. Finally, he highlighted government efforts towards supporting the rice value chain, such as the recently launched Agricultural Sector Development Plan II and the Rice Development Strategy, both of which aim at increasing production, productivity and incomes of value chain actors.

In his welcome remarks, Mr Julius Wambura, Country Director for EAGC in Tanzania and Chairman of the Rice Council of Tanzania noted that the rice value chain faces numerous problems that prevent it from maximising its potential. He pointed out that all countries in the EAC region are experiencing some problems in rice trade due to policy constraints, exemplified by the recent decision by the Government of Tanzania to suspend food exports, hence the Regional Meeting was important to facilitate dialogue with Governments in pursuit of viable solutions.

Mr Marc van Uytvanck, Team Leader at the FoodTrade ESA project, used his welcome remarks to highlight the prevalence of mixing of imported rice with local rice, which has significantly compromised market access for farmers and traders of genuine Tanzanian rice. He urged the meeting to consider branding as a means of differentiating rice of East Africa origin from rice imported from outside the EAC, thus securing a premium price for genuine East African rice.

B. Background of the rice value chain in EAC

Mr Kim Mhando, EAGC Trade Policy Analyst presented an overview of international and regional perspectives on rice production, consumption and trade dynamics. His presentation:

- **NOTED** that current global rice consumption is currently increasing faster than production. However, the trends are likely to be reversed in the next 5 years as rice consumption in Asia begins to grow more slowly. This means that rice exports to Africa may increase in the coming years.

- **NOTED** that Africa and the Middle East are the biggest growth markets for rice in the world. These two regions account for half of the global trade in rice every year.
• **POINTED OUT** that the EAC region is a net importer of rice despite increasing production. Kenya is the largest importer of rice in the region, accounting for 80% of rice imports into the EAC from outside the Community.

• **HIGHLIGHTED** current policy dynamics in the EAC region that affect rice trade. On the positive side, the EAC has in place harmonised staple foods standards – including for – rice, which are expected to facilitate intra-regional trade in rice. However, derogations from implementing the CET, lack of assurance of origin of consignments of rice due to widespread blending/mixing with imported rice, and limited commitment to free trade as exemplified by the suspension of food exports by Tanzania adversely affect rice trade in the region.

• **OUTLINED** possible interventions to improve rice trade in the EAC, such as the use of scientific methods to certify the origin of rice traded in the region, branding of EAC rice to attract premium prices and increasing compliance to EAC trade laws and regulations by the Partner States.

C. Private sector perspectives on rice trade in the EAC

The Regional Meeting received perspectives from private sector actors in the rice value chain on rice trade in the EAC. The private sector actors:

• **NOTED** that there is significant potential to increase rice production and intra-regional rice trade in East Africa, particularly with recent government efforts in all EAC Partner States to increase rice production and productivity. The EAC rice market is huge, exemplified by significant imports of rice into Kenya (approximately USD 1 million worth of rice is imported by Kenya every day).
• **FURTHER NOTED** that trade policy remains a challenge. For instance, in Tanzania the Government has recently suspended food exports, thus denying Tanzanian rice farmers access to regional markets, thus threatening their livelihood. In Rwanda, the Government has prevented imports of paddy in an effort to protect local farmer. Furthermore, some countries continue to levy taxes on agricultural equipment, thus increasing costs of production.

• **STRESSED** on the importance of uniform application of the Common External Tariff (CET) on rice in all EAC Partner States in order to enhance the competitiveness of the rice value chain in the EAC. Currently almost all EAC Partner States have derogated from the 75% CET on imported rice, which has undermined domestic rice value chains.

• **HIGHLIGHTED** the challenge of traceability of the origin of rice being traded in the EAC due to widespread mixing of local rice with imported rice. As such, some Governments have resorted to levying VAT or 75% import duty on rice imported from other Partner States.

D. Interventions by governments to support rice value chain
Representatives from the Ministries of Agriculture from Tanzania, Kenya and Uganda presented on initiatives being taken by their respective governments to stimulate development of the rice value chain. Their presentations:

- **NOTED** that most EAC countries have in place specific rice sector development strategies and/or action plans which seek to address challenges the sector. In Kenya, rice has been classified as a priority investment commodity by the Government.

- **HIGHLIGHTED** that most countries in the region are promoting the System of Rice Intensification (SRI) in order to promote rice production and productivity.

- **NOTED** that inadequate statistics and data, weak linkages between research and extension services, and inadequate extension services are some of the main challenges inhibiting the development of the rice value chain.

- **FURTHER NOTED** that governments are undertaking numerous interventions to boost rice production, including interventions targeting research, irrigation, capacity building, value addition, policy advisory and farm input subsidies.

Mr Isaac Tallam, Market Systems Specialist at FoodTrade ESA moderating the plenary discussion at the regional meeting.

E. **Testing protocols for determination of origin of rice**
Mr Venu Pookat, the Chief Executive Officer of Tilda Uganda Ltd, presented options for a testing and certification system for rice of East African origin. His presentation:

- **HIGHLIGHTED** four areas of testing the origin of rice, these being morphological testing before and after milling, advanced testing (DNA analysis), and trade policy interventions.

- **NOTED** that testing is important in order to certify the origin of rice, particularly due to inconsistencies in trade policies for rice, e.g. through each EAC Country applying its own import duty on rice despite the presence of the CET. Therefore, a clear distinction between domestic produce and imported rice would be useful in enforcement of EAC CET policy.

- **POINTED OUT** that morphological tests on rice can be carried out by specialized scanners either before or after milling, which may be calibrated to distinguish between local and imported rice varieties on the basis of physical features.

- Further **POINTED OUT** that DNA tests can be used to determine the origin of rice on the basis of its genetic properties. This technology is already in use in identifying genetically modified products.

- **EMPHASISED** that testing will add to compliance costs, a prospect that may not be attractive to businesses. However, given the challenges in restricting mixing of local and foreign rice, and derogations from the CET by almost all EAC countries, testing may be the only option to protect domestic rice producers and traders from those conducting unscrupulous business practices.

**Key recommendations and the way forward**

The meeting put forward the following recommendations as a way forward:

- A **PRIVATE SECTOR TASK FORCE** shall be created to engage governments on the possibility of introducing certification and testing systems for rice of East Africa origin, as well as the use of such systems to brand rice of East African origin. The taskforce shall be convened by EAGC and will include members of the following organisations:
  - Rice Council of Tanzania - Tanzania
  - COPAP - Burundi
  - Gatsibo Rice Co. Ltd - Rwanda
  - Tilda Uganda Ltd - Uganda
  - An EAGC member (TBC) - Kenya

- National Rice Development Strategies in the EAC should be **HARMONISED**, leading to the creation of an East African Rice Development Strategy. This is expected to create more policy coherence amongst EAC Partner States with respect to development of the rice value chain.
- The CET on rice should be **APPLIED CONSISTENTLY** in all EAC Partner States in order to sufficiently protect domestic rice value chains from external competition.

- The countries should develop **RULES AND REGULATIONS** to control mixing of local rice with imported rice, in order to protect domestic rice producers from unscrupulous business practices.

- Governments should respect the principle of **NATIONAL TREATMENT** and **COMMIT TO REGIONAL INTEGRATION** by refraining from imposing local taxes on rice originating from another Partner State and allowing free cross-border trade in rice and other food staples.

**Next Steps**

Going forward, EAGC and its partners will undertake the following initiatives to implement the aforementioned recommendations:

- Develop terms of reference, action plan and timelines to guide the interventions of the Task Force

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

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