



## *Communiqué on the Meeting of Eastern Africa Grain Council Members in Kenya*

*14<sup>th</sup> October 2016, InterContinental Hotel, Nairobi, Kenya*



**Group photo of EAGC's Kenya members and EAGC Secretariat staff present at the EAGC Members Meeting held at the InterContinental Hotel in Nairobi on 14<sup>th</sup> October 2016.**

On 14<sup>th</sup> October 2016, the Eastern Africa Grain Council hosted a meeting of its Members in Kenya at the InterContinental Hotel in Nairobi. The purpose of the meeting was to update members on EAGC activities and progress towards addressing challenges in the grain sector in Kenya and deliberate on matters that may require EAGC attention.

Present at the meeting were EAGC members in Kenya representing farmers, traders, processors and service providers. Also in attendance was the Tegemeo Institute and the DFID-funded FoodTrade ESA project.

### **BACKGROUND**

The Eastern Africa Grain Council (EAGC) is a regional, not-for-profit organisation for the grain sector in Eastern and Southern Africa region. The Council's main objective is to facilitate efficient, structured, profitable and inclusive grain trade in the region for optimal stakeholder benefits – from producers to consumers – in pursuit of broader developmental goals such as economic growth, food security and increased prosperity of the population.

Being a Membership-based organisation, EAGC exists to address the challenges facing its members operating in the grain sector. Therefore, regular engagement with its members is critical for ensuring that EAGC continues to solve challenges facing its members and improve its service delivery. It's with this in mind that the Council convened a members meeting for its Kenya members so as to provide an opportunity to update the members on ongoing interventions in addressing their challenges and also receiving valuable feedback and guidance from Members so as to improve our service delivery.



In his welcome remarks, **Gerald Masila**, EAGC Executive Director pointed out that the EAGC members meeting was taking place on the eve of World Food Day, thus providing an ideal opportunity to reflect on the issues of the grain sector and food security. He further recognised the contribution of EAGC members towards the success of the organisation as it prepares to commemorate 10 years in December.

#### A. Update on EAGC Kenya activities

**Ms. Davine Minayo**, Country Programmes Manager for EAGC in Kenya presented a progress report on EAGC initiatives in 2016. Her report noted that:



**16 warehouses have been certified** by EAGC in Kenya and installed with G-Soko infrastructure, meaning that these warehouses can be used for grain aggregation, trade facilitation and the warehouse receipts system under EAGC G-Soko grain trading system. An additional 24 warehouses have been inspected are undergoing certification process, while 90 aggregation centres have been identified as a means to bring aggregation services

closer to the farmers.

- **4 trade linkage forums** have been held, which have facilitated trade worth **\$22 million**. In addition, more than **KES 53 million** has been loaned out by banks through the EAGC warehouse receipts system.
- EAGC have launched two new services for its members, these being **Technical Services Support** to assist its members in setting up grain storage infrastructure, and the **Synergy Lab** to provide testing services to improve compliance with grain grades and standards.
- With respect to Policy and Advocacy, EAGC has been collaborating with the Kenya Association of Manufacturers (KAM) and the Kenya Private Sector Alliance (KEPSA) for advocacy towards **reforms of domestic legislation**, including but not limited to

the Food Crops Regulations and maritime insurance, as well as the **Warehouse Receipt System Bill** which has recently been passed by Parliament with the adoption of several recommendations by industry stakeholders.



**Emmanuella Atito of EAGC demonstrated to Members how the EAGC G-Soko grain trading system is intended to operate**

EAGC has established **Country Programmes Committees (CPCs)** to enhance participation of Members in overseeing and supporting EAGC activities. The CPCs are chaired by the Country Board Director and report to the Board of Directors

**26 new entities** have enrolled as EAGC members in Kenya in 2016, bringing the total number of Kenya members to 96 organisations.

- Before the end of the year, EAGC will be hosting an event in Machakos to commemorate the **International Year of Pulses**. In December, EAGC will also be hosting a series of events under the **EAGC@10** theme to commemorate 10 years of EAGC.

## **B. Costs of Production and Consumption Patterns for Maize and Rice in Kenya**



**Dr Mary Mathenge, Director of Tegemeo Institute at the meeting**

The Members Meeting provided EAGC members with an opportunity to receive findings of a recently-concluded study by the highly-respected Tegemeo Institute of Agricultural Policy and Development. The study by Tegemeo Institute focused on estimating costs of production of maize and rice in Kenya and assessing consumption patterns for these two staple foods.

On costs of production, the study by Tegemeo Institute noted that:

- The profit margins for small-scale farming of maize and rice are very small, and may even be negative. On the other hand, large-scale farming of these staples are higher on account of higher prices, higher yields and lower production costs due to economies of scale.
- The benefits of subsidized fertilizer as minimal, especially for smallholder farmers.

On consumption patterns, the study noted that:



**Kevin Onyango, Researcher at Tegemeo Institute making presentations on consumption patterns**

Maize is still the dominant staple food in the country. However, there's a gradual shift away from posho meal to sifted flour marketed in conventional retail outlets. This indicates that consumer preferences are gradually changing as consumers gradually begin to prioritise quality and convenience, as well as the fact that the price of posho meal is similar to that of sifted maize flour.

Households are increasingly diversifying their diets, illustrated by an increasing number of households consuming rice and potatoes.

On the national food balance sheet, the study found that:



**Francis Karim, Researcher at Tegemeo Institute outlining the the national food balance sheet**

Production prospects for 2016 are lower than 2015 due to unfavourable weather. In addition, imports from neighbouring countries are also in decline due to lower production in these countries and, until recently, an export ban in Tanzania

14 million bags of maize are expected to be produced during the long rain harvest, while maize consumption is estimated at 12 million bags up to December 2016

- A shortage of maize is expected between April and June or July 2017 as carryover stocks are depleted and the La Nina weather phenomenon hurts short rains production.

The Tegemeo study recommended, among others that:

- The deficiency in agricultural extension services should be rectified in order to promote good agronomical practices by farmers
- Farm machinery procured by county governments should be fully utilized by farmers to enhance agricultural productivity
- The subsidized fertilizer system needs to be revised in order to provide farmers with cheaper fertilizer at the right time.

- Given the relative scarcity of maize in EAC and COMESA countries, the import duty on maize imports from outside EAC and COMESA should be reviewed and perhaps waived in order to allow cheaper importation of maize from outside the EAC region to ease domestic shortages and cushion prices.
- Diversification of food diversification should be encouraged to reduce overdependence on maize

### C. Feedback from EAGC members



The Meeting provided an interactive discussion amongst grain sector stakeholders on issues affecting the sector in Kenya



Nick Hutchinson, Managing Director of Unga Limited and Chairman of the Cereal Millers Association participated in the Members Meeting

EAGC Members **LAUDED** EAGC for the development of the Pulses Value Chain Road Map which was launched earlier this year. They urged its **URGENT IMPLEMENTATION** and pointed out the need for more **MARKET INFORMATION** on pulses with respect to domestic, regional and international market trends.

Members also called for EAGC to **engage** the government to advocate for **DUTY-FREE IMPORTATION OF YELLOW MAIZE specifically** for animal feed, noting that this will help reduce cost of animal feed whilst simultaneously availing more maize for human consumption.

The members urged EAGC to engage more actively in the **CLIMATE CHANGE** discussion, noting that climate change is having a significant adverse impact on the grain sector.

Members further highlighted the need to engage the government to **REMOVE TAXES** on post-harvest equipment, citing that the taxes make the equipment **MORE EXPENSIVE** and reduce their adoption for combating post-harvest losses.

Members pointed out the need for **IMPROVED MONITORING** of food availability in the country in order to provide accurate and timely information on food security status at any given point in time. This information will significantly improve business and policy decision-making processes.

## RECOMMENDATIONS AND NEXT STEPS

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

- EAGC will share with members matrices and memoranda prepared on various legislative matters for members' information and further inputs.
- EAGC will engage its members to assess the impact of devolution on businesses of its members in the grain sector
- Members were urged to continue supporting EAGC in the ongoing processes for the review of the staple foods standards and harmonization of grain sector rules of origin for the COMESA-EAC-SADC Tripartite Free Trade Area.
- EAGC with technical support from Tegemeo Institute shall petition the government on two pressing issues, these being to advocate for removal of import duty on yellow maize *specifically* for animal feed and removal of all taxes on post-harvest handling equipment
- EAGC shall collaborate with the Kenya Private Sector Alliance (KEPSA) to engage the government to obtain more information on the Galana-Kulalu project and brief members accordingly.
- EAGC members are highly encouraged to participate in upcoming training courses offered by EAGC through the Eastern Africa Grain Institute (EAGI), these being Structured Commodity Trade Financing, Agribusiness Financing, and Warehouse Operations to name a few.

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

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