Communique on the Trade Mission of Tanzania SME Grain Processors to Kenya

26th and 27th June 2018, Nairobi, Kenya

The Eastern Africa Grain Council (EAGC) in partnership with the USAID NAFAKA Project in Tanzania hosted a Trade Mission of Tanzania SME Grain Processors to Kenya on 26th and 27th June 2018 in Nairobi. Approximately ten (10) SME grain processors from Tanzania formed the delegation to meet their counterparts in Kenya for a business and experiential visit. The aim of the trade mission was to bring the Tanzanian grain millers to Kenya to interact with their Kenyan counterparts and explore business opportunities for grain trade between the two countries. The trade mission included business-to-business meetings, field visits to grain processing facilities within Nairobi and its vicinity, and a high-level networking dinner.
BACKGROUND

Trade in grain commodities is an integral part of the economies of Eastern Africa. Cross-border grain trade serves two vital purposes, these being provide markets for surplus produce, thus providing a livelihood for farmers and traders; and supporting food security in food-deficit areas. However, such trade is usually hampered by limited knowledge of markets/limited market information, relatively weak market linkages, non-tariff barriers to trade, challenges with trade finance and logistical challenges, to name a few. As such, the benefits of cross-border trade to the grain value chain have not been fully realised.

EAGC facilitates efficient, structured, inclusive and profitable cross-border grain trade for optimal benefits of grain value chain players and the broader economy. Amongst its interventions is linking buyers and sellers of grain commodities and derived products to explore business opportunities, and also support them to actualise any trade agreements between the trading parties.

EAGC also recognises that SMEs form the majority of the enterprises in the grain sector. For instance, SMEs are estimated to account for over 70% of grain milling in East Africa, and possibly account for a similar share of grain trading in the region. As such, supporting grain sector SMEs to participate in cross-border trade in a sustainable and profitable manner is crucial for promoting structured grain trade in the region.

The Trade Mission of Tanzania SME Grain Processors to Kenya comes at a time when both Tanzania and Kenya are pursuing ambitious economic development plans which target development of agro-industries in their respective countries. EAGC recognises and supports such plans, noting that the two countries have significant potential to grow their agro-industry bases in the grain sector and enhance value addition of grain commodities.

KEY HIGHLIGHTS FROM THE TRADE MISSION

Bilateral Business-to-Business and Trade Facilitation Forum

EAGC hosted a bilateral Business-to-Business and Trade Facilitation forum at the EAGC regional office on 26th June 2018. The forum brought together 10 SMEs from Tanzania and 11 SMEs from Kenya, with the intention of exploring business opportunities between the two countries. The delegation from Tanzania was accompanied by Mr. Elias Chilangazi from the Ministry of Industry, Trade and Investments in Tanzania.

In his welcome remarks, Mr. Gerald Masila, Executive Director of EAGC:

- HIGHLIGHTED EAGC’s role of creating business opportunities for its members and stakeholders whilst simultaneously promoting food security
• **POINTED OUT** that prevalence of unstructured trading practices in the sector exposed both buyers and sellers to risks with no mechanism for arbitration. The challenges call for traders to conduct business through structured means to reduce risks.

• **ENCOURAGED** delegates to utilise the EAGC G-SOKO Grain Trading System, which supports trade linkages and provides an efficient mechanism for clearing and settlement of business transactions.

• **WELCOMED** the delegates to the upcoming Agribusiness Expos in Kenya and Tanzania.

In his remarks, **Mr. Eliah Chilangazi**, Senior Trade Officer at the Ministry of Industry, Trade and Investments in Tanzania:

• **APPRECIATED** EAGC and USAID NAFAKA for the trade linkage initiative which support the objectives of the Government of Tanzania in promoting trade in value added agricultural products.

• **STRESSED** the need for business stakeholders to observe government regulations and implement the set policies related to grain industries.

During the Trade Facilitation Forum, it was noted that:

• Significant demand for maize flour exists in Kenya from Kenyan SMEs. Tanzanian SMEs will need to consolidate their respective capacities in order to adequately fulfil demand from Kenya and efficiently address logistics, pricing and quality considerations.
• Opportunities exist for Tanzanian SME processors to offer milling services to their Kenyan counterparts, whereby Tanzanian SMEs sell maize flour to Kenya for repackaging and rebranding in Kenya

• EAGC is available to support the actualisation of trade opportunities by working together with banks to put in place the necessary trade finance arrangements.

**Experiential Field visits to Grain Processing Industries in Kenya**

The SME trade delegations from Kenya and Tanzania visited three (3) grain processing establishments in Nairobi, Thika and Limuru on 26th and 27th June 2018. The establishments were: **Alpha Grain Millers** in Nairobi, **Capwell Industries** in Thika and **Proctor & Allan** in Limuru. The purpose of the field visits was to expose the SMEs to latest milling technologies, trends in the milling industry, the range of milled grain products beyond grain flours, and to explore potential business opportunities with large established grain processors.

During the field visits, it was noted that:

• Suppliers and buyers need to have a common understanding on the buyer’s requirements, with respect to quality, pricing, payment terms and delivery terms.

• It is important for suppliers to build good business relationships and trust with buyers, in order to obtain favourable payment terms.

• Quality emerged as an important consideration for trade. Buyers advised suppliers to conduct appropriate quality checks to ensure compliance with appropriate standards before delivery of goods in order to avoid rejection of consignments upon delivery. On their side, suppliers assured buyers of their capacity to conduct adequate quality checks to ensure buyers’ requirements are met.

• Tanzanian SMEs expressed their interest to serve as agents of Proctor & Allan for the latter to market their products in Tanzania
EAGC hosted a networking dinner for the Tanzanian and Kenyan SME grain processors and other industry stakeholders at The Carnivore in Nairobi on 26th June. The Chief Guest at the dinner was H.E. Dr. Pindi Chana, High Commissioner of the United Republic of Tanzania to the Republic of Kenya. Other dignitaries included representative of State Department of Trade in Kenya and representative of the Ministry of Industry, Trade and Investments in Tanzania. The dinner was sponsored by Cimbria East Africa, a leading supplier of grain handling and grain care equipment in the region.
In her keynote address, H.E. Dr. Pindi Chana:

- **HIGHLIGHTED** the importance of bilateral trade between Tanzania and Kenya, which accounts for 45% of total intra-EAC trade;

- **REITERATED** the efforts by the leaders of the two countries, H.E. Uhuru Kenya and H.E. Dr. John Magufuli respectively in improving the cross-border trade environment between the two countries;

- **CALLED FOR** EAGC to work more closely with Local Government Authorities in key grain producing regions of Tanzania, noting the significant need for EAGC services at district and regional level in the country;

- **PLEDGED** to support EAGC in its endeavours to promote structured grain trade in Tanzania and in cross-border trade between Tanzania and Kenya;

- **URGED** grain sector SMEs to join EAGC as members and use the organisation to promote orderly forms of doing business in the grain sector, further urging them to spread the knowledge and experience gained from the trade mission to their counterparts in Tanzania.

In his welcome remarks, the Principal Secretary, State Department of Trade in Kenya, represented by Mr. Oliver Konje, Assistant Director at the State Department of Trade:

- **APPRECIATED** EAGC and its partners for organising the trade mission of Tanzanian SME grain processors to Kenya;

- **POINTED OUT** that SMEs are the biggest contributor to the development of Kenya’s economy, and that the government continues to pursue an improved business environment that supports the growth of SMEs;
• **NOTED** that Kenya is open for business with its neighbours, pointing out increased investment in Kenya by citizens of Tanzania;

• **ENCOURAGED** the Tanzanian SMEs to explore both trade and investment opportunities in Kenya;

• **PLEDGED** the support of the State Department of Trade towards realising any trade opportunities for the grain sector SMEs between the two countries;

Mr. Elia Chilangazi, **Senior Trade Officer** from the Ministry of Industry, Trade and Investment in Tanzania:

• **APPRECIATED** EAGC and USAID NAFAKA for organising the trade mission for Tanzanian SMEs to Kenya;

• **POINTED OUT** that the Government of Tanzania continues to support initiatives that promote Tanzania’s trade with the rest of East Africa, particularly in value added commodities as per the Industrialisation Agenda of the Fifth Phase Government of Tanzania;

• **URGED** SMEs to take advantage of the trade opportunities identified during the trade mission

The dinner was also graced by **Ambassador Philip Idro**, former Ambassador of Uganda to China and a member of EAGC in Uganda through his company, Upland Rice Millers who also previously served on the Board of Directors of EAGC. In his remarks, Ambassador Idro:

• **CONGRATULATED** the SMEs on taking the opportunity to explore markets outside their immediate regions and embrace regional integration;

• **CALLED FOR** the SMEs to explore opportunities beyond East Africa, noting that Tanzania has potential to trade profitably with most countries in Eastern and Southern Africa;

• **EMPHASISED** the importance of conducting trade through structured and formal arrangements such through the EAGC GSOKO Grain Trading System;
ENCOURAGED closer collaboration between SMEs in Tanzania, Kenya and the broader East Africa region, noting that the market has sufficient room for all parties to prosper;

The EAGC Executive Director, Mr. Gerald Masila:

- APPRECIATED H.E Dr. Pindi Chana for gracing the networking Diner and for her support and cooperation during preparation for the Trade Mission;

- FURTHER APPRECIATED the support of the State Department of Trade in Kenya, the Ministry of Industry, Trade and Investments in Tanzania, the USAID NAFAKA Project and Cimbria East Africa Limited for their support in making the Trade Mission a resounding success;

- RECOGNISED the commitment of the Government of Tanzania towards promoting cross-border grain trade as recently exemplified by the Minister of Agriculture in Tanzania pledging to keep the borders of the country open for cross-border grain trade;

- PLEDGED EAGC’s support to facilitating trade agreements from the Trade Mission particularly through the EAGC GSOKO Grain Trading System.

The USAID NAFAKA Project was the main facilitator of the Trade Mission. In her remarks, Ms. Gertrude Kawau, Director of Trade & Finance at USAID-NAFAKA:

- URGED SMEs in the Trade Mission to put into practice the new knowledge gained from the visit and take advantage of business opportunities that have been availed during their business engagements during the Trade Mission;

- INVITED SMEs from Kenya to visit SMEs in Tanzania for cross learning and also to identify investment opportunities available in Tanzania;
• **APPRECIATED** the support of EAGC, the High Commissioner of Tanzania to Kenya and the Government of Kenya for their contribution toward success of the Trade Mission.

**Cimbria East Africa Limited**, a leading global supplier of grain handling and grain care equipment, was the sponsor of the Networking Dinner. The Company was ably represented by **Mr. Andrew Kalama**, Sales Manager responsible for Tanzania at Cimbria. In his remarks, Mr. Kalama:

- **HIGHLIGHTED** the importance of good post-harvest handling practices in safeguarding the quality and safety of grains
- **POINTED OUT** Cimbria’s expertise in grain handling equipment suitable for East Africa and reiterated the company’s commitment towards providing sustainable grain care solutions for the grain sector
- **INTRODUCED** the range of grain handling products available for grain sector SMEs
- **PLEDGED** to support the SMEs from both Tanzania and Kenya in meeting their grain handling and grain care needs

**KEY ACHIEVEMENTS OF THE TRADE MISSION**

The **Trade Mission of Tanzania SME Grain Processors to Kenya** was a resounding success, with the following notable outcomes

- 15 trade agreements were signed between Tanzanian and Kenyan grain sector SMEs for trade in 170,434MT of various grain commodities worth a combined USD 43,236,900,
- Tanzanian SMEs agreed to consolidate their supplies to Kenya and trade through the EAGC GSOKO Grain Trading System in order to minimise transaction costs and reduce counterparty risks.
- Well-established grain processors in Kenya will explore agency agreements with Tanzanian SMEs for marketing of specialised grain products in Kenya.
- EAGC to provide trade finance advisory and support to actualise grain trade agreements.
Mr. Gerald Masila, EAGC Executive Director (far left), introducing Kenyan SMEs during the B2B

Cross-section of delegates at the networking dinner at Carnivore in Nairobi

Briefing session for the SME millers at Alpha Grain Millers in Nairobi

Delegates during a visit to Capwell Industries in Thika

Gerald Masila, EAGC Executive Director and H.E. Dr. Pindi Chana, Tanzania High Commissioner to Kenya during the networking dinner

Mr. Kalama from Cimbria East Africa presenting a gift hamper to H.E. Dr. Pindi Chana during the networking dinner
The Eastern Africa Grain Council (EAGC) is a membership-based organization representing the grain sector in Eastern and Southern Africa. The Council exists to facilitate efficient, structured, profitable and inclusive grain trade in its 10 mandate countries, namely Kenya (Regional Headquarters), Uganda, Tanzania, South Sudan, Ethiopia, Burundi, Rwanda, Zambia, Malawi and the Democratic Republic of Congo.

EAGC draws its membership from grain sector value chain actors in its Member States, which include farmers, traders and processors. Support service providers and complimentary sectors such as agro-input suppliers, financial services and animal feed manufacturers also form part of the Membership.

In facilitating structured grain trade in the Eastern Africa region, EAGC provides trade facilitation services through the EAGC GSoko Grain Trading System; market and cross-border trade information through the Regional Agricultural Trade Intelligence Network (RATIN – www.ratin.net); pursuing appropriate policy reforms to support growth of structured grain trade through the Agricultural Trade Policy Advisory Forum for Eastern and Southern Africa (ATPAF-ESA); and capacity building of grain industry stakeholders through the Eastern Africa Grain Institute (EAGI).

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

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Our partners in this endeavour: