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East African Community Wheat Report

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Grain and Feed
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Report Highlights:
Within the near future, East African Community (EAC) Member States will cumulatively import about two million metric tons of wheat annually, double the total from ten years ago. The increase comes from an increasing EAC population, up 40 million in the last 12 years and tempered marginally by increasing EAC wheat production. Kenyan wheat millers, who import about half of total EAC wheat imports, will likely import about one million tons during marketing year 2013.

Executive Summary:

EAC consumers haven't yet developed a preference for wheat products, in particular high-quality products such as pan breads and pastries, leaving importers and millers to source lower-quality wheat of sufficient protein only to produce flatbread. For a very limited sub-market, importers do source high-quality wheat for blending by millers to produce bread-and-pastry-quality flour.

However, non-U.S. suppliers continue to dominate the EAC market for imports of high-quality wheat and Black Sea exporters fill the importable deficit of flatbread-quality wheat, partly because of relatively high freight rates for bulk shipments from the United States to east Africa. Freight rates almost always determine U.S. commercial (non-monetized) exporter potential in the region, even though the Port of Mombasa can now receive Panamax-sized vessels, which effectively lowers the bulk-grains freight rates. The freight portion of the economic equation appears to open opportunities when the Baltic Dry Index (BDI) drops below 1,000. The BDI has been as high as 12,000 in May 2008 and currently stands at 1,000+.

The trend in EAC per capita wheat consumption remains flat. The estimated per capita consumption in 2001 appears to be exactly that projected for 2013 (please see Table 3) here below), even while per capita corn consumption continues to increase (Table 2).

Kenyan per capita wheat consumption may even begin to drop in the near future, if the Government of Kenya (GOK) succeeds with its currently-proposed Value Added Tax Bill 2012 (Bill). The Bill appears to require a 16 percent VAT tax on all processed foods, excluding only whole grains from the proposed tax. If passed, the Bill will likely dampen commercial milling at the expense of domestic consumption and to the benefit of local, "non-commercial" milling, because a vast majority of Kenya's consumers cannot afford to pay an additional 16 percent for wheat flour or the products thereof.

This report reflects the analysis and opinions of the FAS/Nairobi Office of Agricultural Affairs and does not necessarily represent the views or opinions of the U.S. Department of Agriculture in Washington, D.C.

EAC

As depicted in Chart 1) here below, EAC wheat imports demonstrate a strong positive upward trend. However, as noted in the summary, the GOK could moderate the upward trend, if it imposes the highly regressive 16 percent VAT tax on wheat products as proposed in the Bill.

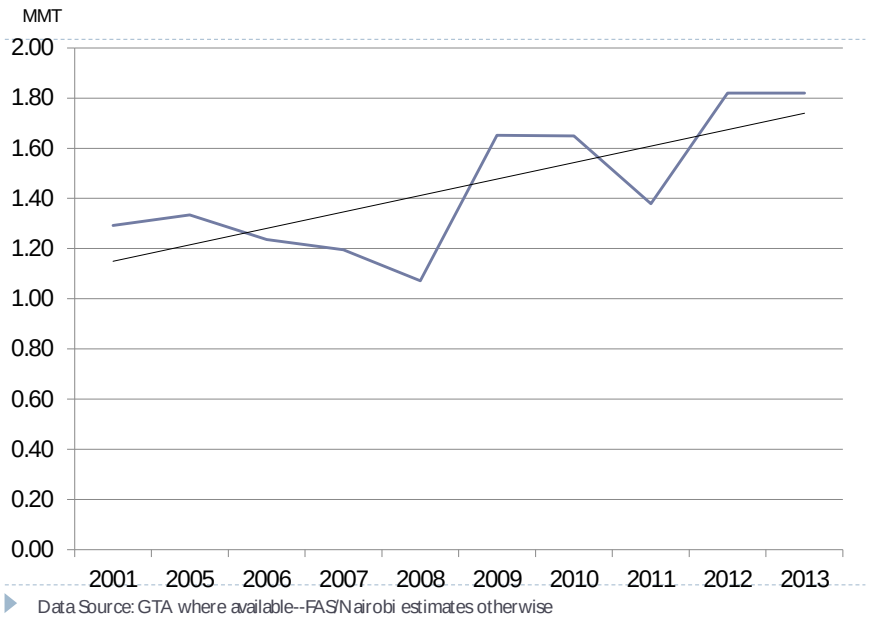
Table 1) FAS/Nairobi--EAC Wheat PSD	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	5 Yr. Avg.
Area Harvested (Jul/Jun)(1000 Hectares)	367	289	313	265	270	301
Beginning Stocks(Jul/Jun)(1000 MT)	190	101	324	96	211	184
Production(Jul/Jun)(1000 MT)	415	683	483	464	475	504
MY Imports(Jul/Jun)(1000 MT)	1,652	1,649	1,379	1,820	1,820	1,664
TY Imports(Jul/Jun)(1000 MT)	1,652	1,649	1,379	1,920	1,720	1,664
TY Imports from USA(Jul/Jun)(1000 MT)	123	95	173	100	45	107
Total Supply(Jul/Jun)(1000 MT)	2,257	2,433	2,186	2,380	2,506	2,352
MY Exports(Jul/Jun)(1000 MT)	2	8	5	5	5	5
TY Exports(Jul/Jun)(1000 MT)	2	8	5	5	5	5
Feed and Residual(Jul/Jun)(1000 MT)	0	50	0	75	0	25
FSI Consumption(Jul/Jun)(1000 MT)	2,154	2,051	2,085	2,089	2,245	2,125
Total Consumption(Jul/Jun)(1000 MT)	2,154	2,101	2,085	2,164	2,245	2,150
Ending Stocks(Jul/Jun)(1000 MT)	101	324	96	211	256	198
Total Distribution(Jul/Jun)(1000 MT)	2,257	2,433	2,186	2,380	2,506	2,352
Yield(Jul/Jun)(Tons/Hectare)	1.30	1.69	1.44	1.53	1.57	1.50
Data Source: Latest available Government area harvested and production data--Latest available GTA trade data--Otherwise FAS/Nairobi estimates						

Table 2) EAC Food Grain Consumption as a Percent of a 2,200 Calorie Daily Diet					
MY	EAC Population	Corn	Wheat	Rice	Grains Total
2013	142,585,000	29.5%	6.4%	5.6%	41.5%
2012	139,787,000	30.0%	6.3%	5.6%	41.9%
2011	136,923,000	30.4%	6.2%	5.1%	41.8%
2010	134,312,000	29.6%	6.4%	5.1%	41.1%
2009	131,832,090	30.0%	6.7%	5.5%	42.2%
2008	129,027,035	27.8%	5.2%	5.5%	38.6%
2007	126,831,342	27.7%	5.0%	5.4%	38.1%
2006	123,523,530	25.5%	5.6%	5.5%	36.5%
2005	120,171,559	24.4%	6.3%	5.2%	35.8%
2001	105,538,967	25.2%	6.4%	5.4%	37.0%
Data Source: FAS/Nairobi Estimates					

Table 3) EAC Wheat Consumption based on 3,270 Calories/Kg and a daily diet of 2,200 calories					
MY	Kg/PP/Yr	Grams/PP/Day	Cal/PP/Day	% of Daily Diet	Population
2013	15.7	43.1	141.1	6.4%	142,585,000
2012	15.5	42.4	138.7	6.3%	139,787,000
2011	15.2	41.7	136.4	6.2%	136,923,000
2010	15.6	42.9	140.1	6.4%	134,312,000
2009	16.3	44.8	146.4	6.7%	131,832,090
2008	12.7	34.9	114.1	5.2%	129,027,035
2007	12.2	33.5	109.6	5.0%	126,831,342
2006	13.7	37.5	122.5	5.6%	123,523,530
2005	15.4	42.1	137.8	6.3%	120,171,559
2004	14.8	40.7	133.0	6.0%	114,834,538
2003	13.0	35.6	116.5	5.3%	111,321,532
2002	14.2	38.9	127.3	5.8%	108,109,998
2001	15.8	43.3	141.7	6.4%	105,538,967

Data: FAS/Nairobi Estimates

Chart 1) EAC Wheat Imports Trend Upwards



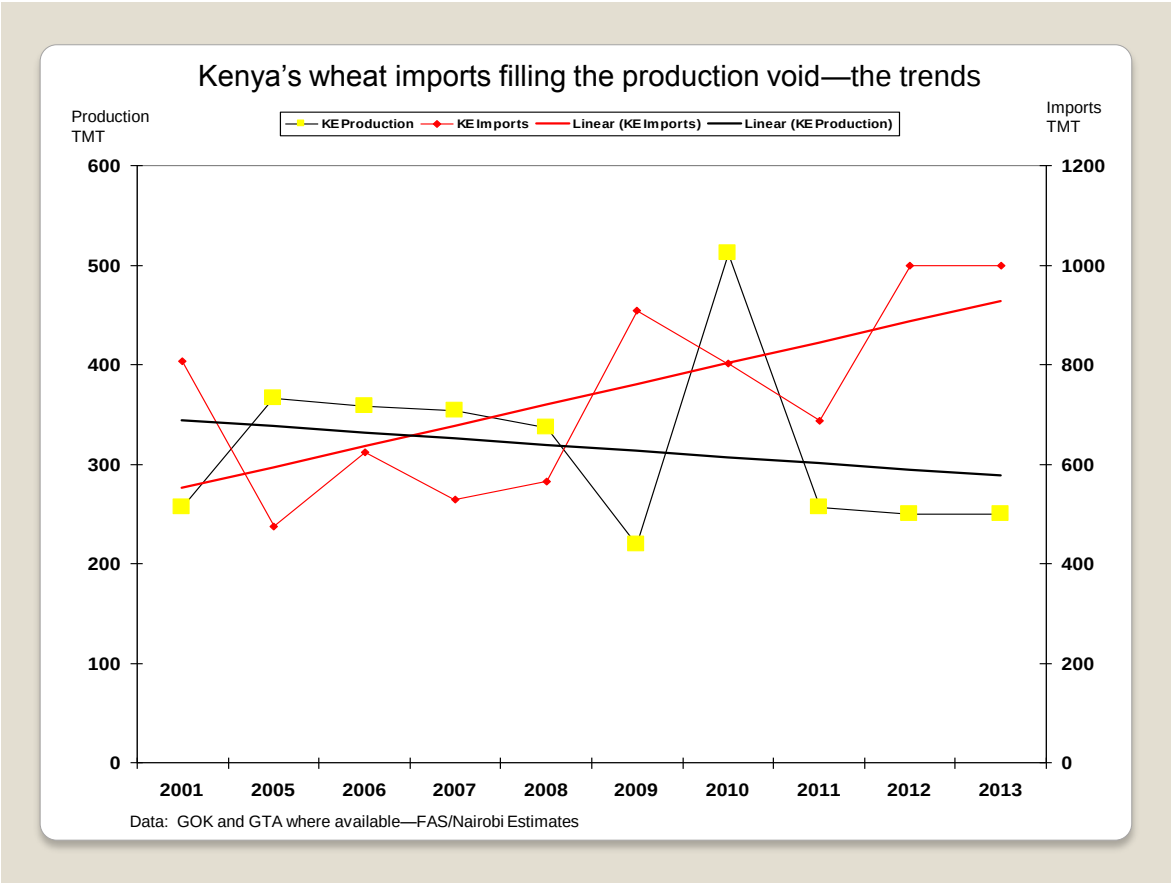
Kenya

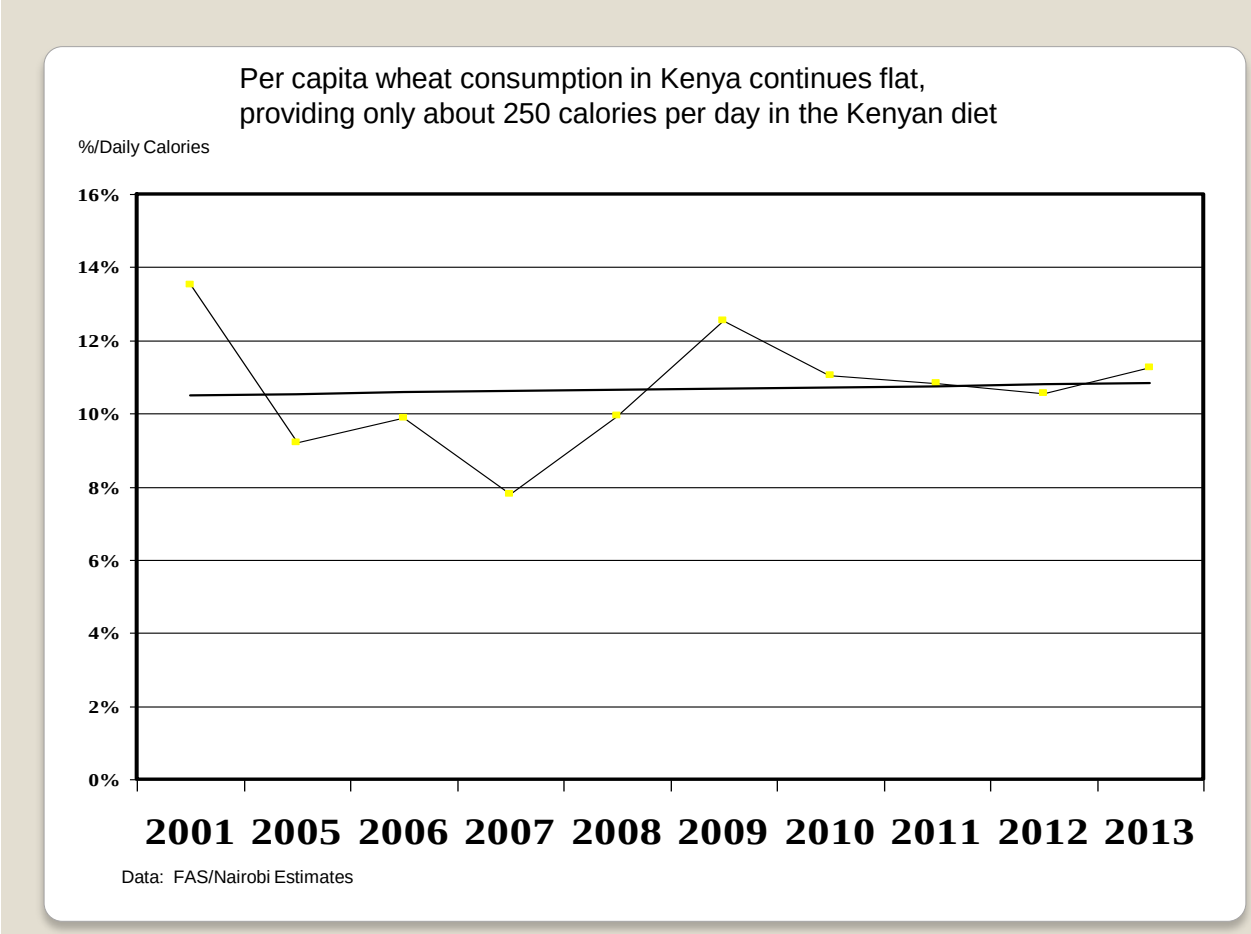
Wheat production remains very difficult in Kenya. The very mild climate facilitates the proliferation of wheat diseases newly-developing and ever-enduring. Even with the tremendous protection provided by the EAC ad-valorem tariff and the additional price protection afforded by the relatively-high transport costs to move imported wheat inland, wheat producers reportedly struggle financially to continue producing.

The reported yields listed in the table here below demonstrate the production difficulties. For instance, wheat stem rust continues to plague producer efforts but its intensity varies greatly from year-to-year. Once the fungus emerges and the climatic conditions become conducive to fungal development, producers may need to spray fungicides at least twice before harvest just to achieve minimal yields (2008/09).

The production-related difficulties raise the specter of comparative advantage vis-à-vis tariff protection that incentivizes production. How much should east Africans, many of them the poorest of the poor, pay to support EAC wheat producers? The EAC made the determination by imposing the ad-valorem tariff in 2005, but could reassess the value of propping up current EAC wheat producers at the expense of the poorest consumers in east Africa.

FAS/Nairobi--Kenya Wheat PSD	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	5 Yr. Avg.
Area Harvested (Jul/Jun)(1000 Hectares)	132	160	130	120	110	130
Beginning Stocks(Jul/Jun)(1000 MT)	190	101	259	96	166	162
Production(Jul/Jun)(1000 MT)	219	512	256	250	250	297
MY Imports(Jul/Jun)(1000 MT)	909	802	686	1,000	1,000	879
TY Imports(Jul/Jun)(1000 MT)	909	802	686	1,100	900	879
TY Imports from USA(Jul/Jun)(1000 MT)	66	66	62	40	0	47
Total Supply(Jul/Jun)(1000 MT)	1,318	1,415	1,201	1,346	1,416	1,339
MY Exports(Jul/Jun)(1000 MT)	2	8	5	5	5	5
TY Exports(Jul/Jun)(1000 MT)	2	8	5	5	5	5
Feed and Residual(Jul/Jun)(1000 MT)	0	50	0	75	0	25
FSI Consumption(Jul/Jun)(1000 MT)	1,215	1,098	1,100	1,100	1,200	1,143
Total Consumption(Jul/Jun)(1000 MT)	1,215	1,148	1,100	1,175	1,200	1,168
Ending Stocks(Jul/Jun)(1000 MT)	101	259	96	166	211	167
Total Distribution(Jul/Jun)(1000 MT)	1,318	1,415	1,201	1,346	1,416	1,339
Yield(Jul/Jun)(Tons/Hectare)	1.66	3.20	1.97	2.08	2.27	2.24
Data Source: Latest available GOK area harvested and production data--Latest available GTA trade data--Otherwise FAS/Nairobi estimates						


Kenya's wheat imports filling the production void—the trends
Production TMT
Imports TMT
KE Production
KE Imports
Linear (KE Imports)
Linear (KE Production)
600
500
400
300
200
100
0
1200
1000
800
600
400
200
0
2001
2005
2006
2007
2008
2009
2010
2011
2012
2013
Data: GOK and GTA where available—FAS/Nairobi Estimates



Kenya Wheat Consumption based on 3270 Calories/Kg and a daily diet of 2200 calories

MY	Kg/PP/Yr	Grams/PP/Day	Cal/PP/Day	% of Daily Diet	Population
2013	28.2	77.4	253.0	11.5%	42,500,000
2012	26.5	72.6	237.3	10.8%	41,530,000
2011	27.1	74.4	243.1	11.1%	40,530,000
2010	27.7	76.0	248.4	11.3%	39,600,000
2009	31.5	86.2	281.9	12.8%	38,610,000
2008	25.0	68.4	223.8	10.2%	37,953,838
2007	19.6	53.7	175.6	8.0%	38,260,000
2006	24.8	67.9	221.9	10.1%	37,263,245
2005	23.1	63.4	207.3	9.4%	36,294,779
2004	29.9	81.9	268.0	12.2%	33,967,087
2003	28.3	77.5	253.5	11.5%	33,041,785
2002	29.3	80.2	262.2	11.9%	32,155,316
2001	34.0	93.0	304.3	13.8%	31,298,701

Data: FAS/Nairobi Estimates

Tanzania

FAS/Nairobi--Tanzania Wheat PSD	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	5 Yr. Avg.
Area Harvested(Jan\Dec)(1000 Hectares)	171	55	108	65	80	96
Beginning Stocks(Jan\Dec)(1000 MT)	0	0	65	0	45	22
Production(Jan\Dec)(1000 MT)	95	62	113	95	100	93
MY Imports(Jan\Dec)(1000 MT)	516	694	529	650	650	608
TY Imports(Jul/Jun)(1000 MT)	516	694	529	650	650	608
TY Imports from USA(Jul/Jun)(1000 MT)	16	0	90	40	30	35
Total Supply(Jan\Dec)(1000 MT)	611	756	707	745	795	723
MY Exports(Jan\Dec)(1000 MT)	0	0	0	0	0	0
TY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Feed and Residual(Jan\Dec)(1000 MT)	0	0	0	0	0	0
FSI Consumption(Jan\Dec)(1000 MT)	611	691	707	700	750	692
Total Consumption(Jan\Dec)(1000 MT)	611	691	707	700	750	692
Ending Stocks(Jan\Dec)(1000 MT)	0	65	0	45	45	31
Total Distribution(Jan\Dec)(1000 MT)	611	756	707	745	795	723

Yield(Jan\Dec)(Tons/HA)	0.60	1.10	1.00	1.50	1.30	1.10
Data Source: Latest available GOT area harvested and production data via CountryStat--GTA Trade Data--Otherwise FAS/Nairobi estimates						

Uganda

FAS/Nairobi--Uganda Wheat PSD	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	5 Yr. Avg.
Area Harvested(Jul/Jun)(1000 Hectares)	12	13	15	15	15	14
Beginning Stocks(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Production(Jul/Jun)(1000 MT)	20	23	25	25	25	24
MY Imports(Jul/Jun)(1000 MT)	204	129	144	150	150	155
TY Imports(Jul/Jun)(1000 MT)	204	129	144	150	150	155
TY Imports from USA(Jul/Jun)(1000 MT)	37	22	21	20	15	23
Total Supply(Jul/Jun)(1000 MT)	224	152	169	175	175	179
MY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
TY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Feed and Residual(Jul/Jun)(1000 MT)	0	0	0	0	0	0
FSI Consumption(Jul/Jun)(1000 MT)	224	152	169	175	175	179
Total Consumption(Jul/Jun)(1000 MT)	224	152	169	175	175	179
Ending Stocks(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Total Distribution(Jul/Jun)(1000 MT)	224	152	169	175	175	179
Yield(Jul/Jun)(Tons/HA)	1.70	1.80	1.70	1.70	1.70	1.72
Data Source: Latest available GOU area harvested and production data--Otherwise FAS/Nairobi estimates						

Rwanda

FAS/Nairobi--Rwanda Wheat PSD	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	5 Yr. Avg.
Area Harvested(Jul/Jun)(1000 Hectares)	42	49	50	55	55	50
Beginning Stocks(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Production(Jul/Jun)(1000 MT)	72	77	80	85	90	81
MY Imports(Jul/Jun)(1000 MT)	19	17	15	15	15	16
TY Imports(Jul/Jun)(1000 MT)	19	17	15	15	15	16
TY Imports from USA(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Total Supply(Jul/Jun)(1000 MT)	91	94	95	100	105	97
MY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
TY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Feed and Residual(Jul/Jun)(1000 MT)	0	0	0	0	0	0
FSI Consumption(Jul/Jun)(1000 MT)	91	94	95	100	105	97
Total Consumption(Jul/Jun)(1000 MT)	91	94	95	100	105	97
Ending Stocks(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Total Distribution(Jul/Jun)(1000 MT)	91	94	95	100	105	97
Yield(Jul/Jun)(Tons/HA)	1.70	1.60	1.60	1.50	1.60	1.60

Data Source: Latest available area harvested and production data from FAO--Otherwise FAS/Nairobi estimates

Burundi

FAS/Nairobi--Burundi Wheat PSD	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	5 Yr. Avg.
Area Harvested(Jul/Jun)(1000 Hectares)	10	12	10	10	10	10
Beginning Stocks(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Production(Jul/Jun)(1000 MT)	9	9	9	9	10	9
MY Imports(Jul/Jun)(1000 MT)	4	7	5	5	5	5
TY Imports(Jul/Jun)(1000 MT)	4	7	5	5	5	5
TY Imports from USA(Jul/Jun)(1000 MT)	4	7	0	0	0	2
Total Supply(Jul/Jun)(1000 MT)	13	16	14	14	15	14
MY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
TY Exports(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Feed and Residual(Jul/Jun)(1000 MT)	0	0	0	0	0	0
FSI Consumption(Jul/Jun)(1000 MT)	13	16	14	14	15	14
Total Consumption(Jul/Jun)(1000 MT)	13	16	14	14	15	14
Ending Stocks(Jul/Jun)(1000 MT)	0	0	0	0	0	0
Total Distribution(Jul/Jun)(1000 MT)	13	16	14	14	15	14
Yield(Jul/Jun)(Tons/HA)	0.90	0.80	0.90	0.90	1.00	0.90

Data Source: Latest available area harvested and production data from FAO--Otherwise FAS/Nairobi estimates