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# TRADE-BASED SOLUTIONS TO FOOD INSECURITY

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PRESENTATION AUDIO TRANSCRIPT

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## PRESENTERS

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Gerald Makau Masila, Eastern Africa Grain Council

## MODERATOR

Kristin O'Planick, USAID

*Kristin O'Planick:* Welcome to today's webinar, Trade Based Solutions to Food Security. I am Kristin O'Planick from USAID's Bureau for Economic Growth, Education, and Environment. This Webinar is jointly sponsored by Microlinks and Agrilinks. If you aren't familiar with both, I encourage you to check them out.

For those who have been with us for years, I'm really excited to announce that in March the Microlinks platform will be rebranding and upgrading to a new site, named Market Links, to better reflect its broad economic growth and market development content. So stay tuned for that.

Now, back to today. Despite that potential for inter-regional trade of grains to improve food security in sub-Saharan Africa, most of us know that in practice these commercial transactions get held up or even totally blocked by logistics challenges and non-tariff barriers.

Today we'll learn how USAID's Trade and Investment Hub, in partnership with the Eastern Africa Grain Council, are actually overcoming these issues.

Our speakers have excellent stories to share as to how the hubs and the Eastern Africa Grain Council facilitated significant grain trade deals in Addis Ababa, Mosaka, and Kigali. I hope each of you will find their insights valuable and applicable to the work we're all doing attempting to find enterprise-driven solutions and leverage markets for development impact.

Now let me briefly introduce our speakers.

Joining us from Nairobi we have three speakers. Yohannes Assefa serves as director of agriculture and agribusiness from USAID's East Africa Trade and Investment Hub. He is an international development professional specializing in structured trade, agriculture market development, and international trade policy.

Also in Nairobi, Scott Cameron is the chief of the USAID Kenya and East Africa Office of Regional Economic Integration, which is the largest regional program and technical services unit in USAID Kenya and East Africa, leading implementation of two regional initiatives; Trade Africa and Feed the Future.

And finally in Nairobi, Gerald Masila has been the executive director and CEO of the Eastern Africa Grain Council since 2011. The aim of the Eastern Africa Grain Council is to support structured grain trade in the

Eastern Africa region. Under his leadership, the organization has grown and its operation now spans ten countries.

And finally, joining us from Praetoria, Tashilo Rambuana is the Southern Africa Trade and Investment Hub Agribusiness Trade Director. He has worked to provide financial and institutional support to more than 17 commercial, agricultural industry organizations, representing over 70 percent of South African primary agricultural production and 14 agricultural trusts with over \$20 million in assets.

We also have in the room with us Jim Winkler and Elody Manuel, who will help us manage the chat box and the Q&A. Please type your questions in as we go and don't hold back. We will address questions once the presentations have concluded. The recording will be available online after, and you will be able to download the PowerPoint. I know those are always questions.

All right, with that, over to you, Yohannes.

*Yohannes Assefa:*

Thank you, Kristin. Extreme droughts Eastern and Southern Africa is increasing and affecting the food security of the entire region. Millions of people require increasingly emergency food assistance and many more live in the shadows of starvation. The dire challenges facing the region due to climate change and political instability. The region has the potential to feed itself and achieve security within a generation. The reason is also vast, variances agriculture zones and staggered and harvesting cycles means that the countries in the region could be at surplus or deficit positions at different times of the year for any given staple grain.

If food is allowed to flow from surplus to deficit regions without unnecessary barriers, the region can and will win itself from chronic emergency food assistance dependency and feed itself. The USAID-funded East, West, and Southern Africa Trade and Investment Hubs promote the movement of staple grains from surplus to deficit regions and are helping to challenges and market constraints to achieve food security in Africa.

Today's webinar we will discuss the efforts of the Eastern and Southern Africa Hubs to promote regional grain trade to improve food security by using market forces to avail staple food grains to deficit regions at reasonable prices.

You have to remember today we are gathered to talk about regional food trade. But it's really important to remember why it's important to do regional food trade and talk about food security. Food security is a really a

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different way to say prevention of hunger and starvation. We have to understand the genesis of our work here in the region for this food trade and regional integration work.

Last year over 40 million people were affected by drought in Eastern and Southern Africa. We will show briefly a video that shows the extent of the damage caused by last year's El Nino condition in the region.

So as you can see for the rest of the agenda I would just like to do a background description of the food crisis situation in Eastern and Southern Africa. The rest of the agenda will include discussion from our new for USAID Kenya and the Regional Economic Integration Office about the importance of. We will hear from our colleague, Gerald Masila, about partnerships and sustainability and the importance of working with private sector partners. And then looking at the trade opportunities in Eastern and Southern Africa is really huge and important to address food security.

And finally, challenges. Nothing of this magnitude will pass without challenges. We will talk about the challenges and how we will address the challenges we face and how we will continue to work to address these challenges.

I'll go through quickly on the food crisis issues. Again, 40 million people are affected. In Kenya last year were declared disaster. 2.7 million people required food assistance. And this year that number has grown to 3.2 million. Many, many more people, especially urban poor, have been affected by the rising food prices. Extreme drought affect the entire Eastern and Southern region, meaning that when some areas report a deficit, other areas will have a surplus. The challenge is that there is no free flow of food between the surplus and deficit regions. And therefore countries like Ethiopia, which had last year 6.3 million metric tons, the second-highest harvest of maize, have difficulties of selling. In fact, at one point the government was forced to subsidize some of that. While we had countries like Kenya next door with a huge, almost close to two million metric tons of deficit for maize. Then there are other challenges, infrastructure and tariff barriers that prevent the movement of grains in the region.

As you can see from the map in general, the El Nino effect was severe and severely affected Eastern, Central, and Southern Africa. But in between you see some white spaces, areas where there were opportunities where surplus production was produced.

Now moving on to my colleagues from USAID East Africa and Kenya, Scott Cameron. He will talk about briefly about the importance of

supporting regional grain trade to achieve food security from the U.S. Government perspective and USAID's global food security strategy perspective. Scott, over to you.

*Scott Cameron:*

Sure. Thank you, Yohannes. So to take a step back, overall the three African trade investment hubs are the U.S. government's main platform for transferring African economies and deepening the U.S.-Africa trade relationship. We see USAID support of trade facilitation and economic integration in Africa as important tools for increasing economic development, investment, and increase of agriculture sector growth to make our African partner countries more stable and prosperous while also ensuring that both American and African businesses thrive.

So focusing on our work facilitating cross-border grain trade, our initiative specifically improve the efficiency and transparency of cross-border transactions, harmonize safety and quality standards, and reduce the time and cost of doing business in the region. The impact of these efforts is a staple in self-sufficient regions with the capacity to meet emerging food crises such as the one Yohannes outlined. These trade initiatives as he also said also advance the U.S. Government's Feed the Future goals, specifically increasing the access, availability, and utilization of staple foods across the region.

Acting U.S. Assistant Secretary of State for African Affairs, Donald Yamamoto, articulated this point well when he stated, "If we break down non-tariff trade barriers and barriers that prevent trade from happening between the countries, then what we are going to see is not only expansion of investment in trade and opportunities, but also economic growth. And that could be the spark, the basis for other trade and development."

Moving on to the next slide. As previously mentioned, the East, West, and Southern African trade and investment hubs are USAID's primary vehicle for trade facilitation within the continent and between Africa and the United States. Over the last several years, different iterations of the trade and investment hubs have supported economic growth in Africa by developing regional staple food markets, supporting the implementation of best practice agriculture and food trade policies and standards, building export-ready value chains, facilitating access to finance and promoting investment, modernizing custom systems and processes, creating market linkages between the U.S. and the African Growth and Opportunities Act, and supporting the implementation of common markets and trade \_\_\_\_\_.

Some of our key results include since 2010 supporting over \$320 million in new private sector investments and facilitating almost a billion dollars in exports from Africa to the United States under AGOA. Along the way,

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since 2014, the hubs have also helped create over 60,000 jobs. Overall, these efforts have played a critical role in creating a neighborly environment for trade and investment leading to economic prosperity. The prosperity also contributes to Africa's sustainable growth and the national security interests of the United States.

Moving to the next slide. The U.S. – now talking specifically about East Africa, the U.S. East Africa Trade and Investment Hub recently rolled out several initiatives that have increased regional trade and improved food security by supporting sustainable movement of surplus staple foods to deficit areas. This approach is very consistent with our new administration's priority of enterprise-driven development as a means for achieving sustainable economic growth for the countries in which we work while we help them on their development journey towards self-reliance. Specifically the East Africa Trade and Investment Hub has supported grain trade throughout Eastern and Southern Africa by creating critical market linkages through business-to-business forms, supporting policy reforms and regulations to support regional trade and reduce the cost of doing business and the harmonization of grain standards across the East African community, supporting the development of market information systems, and finally, facilitating access to working finance for grain transaction.

So with that, I can turn it over to the next speaker. Thank you.

*Yohannes Assefa:*

Thank you, Scott. This is back to Yohannes. Nothing of this magnitude could be done just by development partners. It's important to recognize the importance of working with local and regional partners to develop and work with strategists to address food security, especially specifically in this case using trade as a means to achieve food trade.

In this initiative, the Eastern and Southern Africa Trade Hubs work closely with the Eastern Africa Grain Council as a partner. And these partnerships, including partnerships with the regional government and the regional and the were important. I'll turn it over to Gerald Masila, the executive director of EAGC to talk about the partnership and EAGC itself, so what it stands for and the market opportunities that exist in Eastern and Southern Africa for grain trade and for the possibility to reach food security in the region.

*Gerald Masila:*

Thank you very much, Yohannes. My name is Gerald Masila. I am the executive director of the Eastern Africa Grain Council. I will tackle three topics. One, I will quickly say who EAGC is for the benefit of those who may not have interacted or known EAGC. Then I'll quickly talk about the partnerships and the opportunities to do with trade.

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So by way of introduction, the Eastern Africa Grain Council is a membership organization for \_\_\_\_\_ that is for the grain \_\_\_\_\_ Eastern Africa region working in ten countries. This \_\_\_\_\_ is the \_\_\_\_\_ countries and the \_\_\_\_\_ countries. And the membership of the EAGC is open to organizations, to companies, to \_\_\_\_\_ groups to \_\_\_\_\_ us, to \_\_\_\_\_ us, and even the silage providers who are associate members in the sector. And we currently have a membership of over 350 member organizations. We have ten countries in the Eastern Africa region.

And our reason \_\_\_\_\_ as an organization is to promote and to foster trade, especially structured trade, cross-border trade, \_\_\_\_\_ barriers to trade, and then \_\_\_\_\_ cost and all that. So the end result is increased volume and value of trade.

How do we do this? We have a number of interventions and \_\_\_\_\_ that we offer \_\_\_\_\_ EAGC. One is that we provide market information through our market information service. \_\_\_\_\_. So again, we do training and capacity-building for our members and stakeholders through our institute, the Eastern Africa Grain Institute. We also are involving the policy \_\_\_\_\_, developing the policy agendas, creating \_\_\_\_\_ and also \_\_\_\_\_ the policymakers to be able to create an enabling environment for the grain sector to thrive. And this is due to our platform that brings together a number of other organizations involved.

Finally, we push everything to trade. We push everything through trade. So we have \_\_\_\_\_ training \_\_\_\_\_ and \_\_\_\_\_. So \_\_\_\_\_ that we have partnered with the USAID Trade Hub and we did have – and in partnership with them \_\_\_\_\_ of being able to bring the buyers and the sellers together and through this we are able to have the success we've been.

So what do I see as the opportunities in this region, particularly opportunity for trade in the Eastern Africa region? First of all, we recognize that Africa is a very large continent. It's quite big. Africa you can say equivalent to several other continents like China, India, the U.S. and most of Europe put together. And from a population perspective, just take in the Eastern and Southern Africa regions, it's about 64 million people. This is double the population in the U.S. and \_\_\_\_\_ perspective \_\_\_\_\_ from the land side and also from the \_\_\_\_\_. There is a big opportunity in Africa in that we have the land size, we have the \_\_\_\_\_ land, we've got a tropical climate \_\_\_\_\_ irrigation potential and \_\_\_\_\_.

\_\_\_\_\_ once we have \_\_\_\_\_ population, we've got grain as a staple food in this region. And \_\_\_\_\_ especially for food and for \_\_\_\_\_. And therefore

looking at the fact that we harvest and plant and produce at different times, this is a great opportunity for \_\_\_\_\_ to happen when one region has it, one country has it, they can sell to the other and the cycle can continue happening. And \_\_\_\_\_ statistics that the region \_\_\_\_\_ across the border.

Over to you, Yohannes. \_\_\_\_\_.

*Yohannes Assefa:*

Thank you, Gerald. It's very important to reemphasize what Gerald just said. If you look at the slide 14, the production surplus and deficit regions, and then to the crop calendar on slide 15, what you can see is that especially in the ten countries the EAGC has offices in and members, you can find a harvest at one time every month of the year. So at any given time one country could be a surplus producer and another country could be a deficit producer. So the conditions are right for the flow of surplus production to deficit regions. And it's really important to recognize that point.

Now, moving over to the next set of \_\_\_\_\_ and slides, why do regional grain trade and the regional grain trade facilitation initiative in general? And it's really important to understand the conditions in the region.

First of all, we talked about earlier the great drought that affected the whole region because of the El Nino condition. It's not leaving, but it's getting greater and more prevalent. And it's affecting millions of people. So it created a huge food crisis. So there was a need to look within the region for solutions to feed the region from regional resources or regional-grown grains themselves.

Second, we looked at opportunities that have the least amount of market distortion. In this instance all that USAID supported was enabling the region partners essentially here, EAGC and its members, to do what they do best; trade. With some support, financial and technical support. So this is essentially a private-driven effort with little market distortion and with a small amount of investment. The total investment last year is about \$100,000 which has resulted in the transaction of 132 metric tons, a value of about \$400 million.

It also provides an opportunity for sustainability. Again, we work as catalysts to really find a solution for problems and bottlenecks that affect grain trade in the region. In this case, this movement of surplus to deficit regions. By partnering and working with the EAGC, we [*Break in audio*]

All right, sorry. Briefly I was muted there somehow automatically. I'm back again.

So the sustainability angle is very important. It's part of USAID's new focus of global food security strategy, which one of the pillars is the sustainability in everything we do. In fact, in this case it's not just the EAGC, but because of the process we've done, other traders or nonmembers of the EAGC or other regional organizations have jumped on the bandwagon. And we continue to.

And then finally looking at the region's governments and their efforts to provide information to their people and the process of helping to balance the region's food balance sheet. Helping governments that have surplus – in this case for example Ethiopia had 5.3 million metric tons of maize produced and no market. And Kenya was nearly 2 million metric tons of maize deficit. And connecting those two and helping is another great part of the initiative.

Last but not least, despite our efforts and our work, there are challenges. But these challenges could only be met by a partnership of the private sector, the community, and the region's government. This provided an excellent opportunity to foster long-lasting partnerships to resolve the region – or at least to address the region's food security situation.

So that's really what really started the whole process. We spent a great deal of time researching, understanding the opportunities and challenges. Now, many of that, including African countries trade and food trade. This is not news to us. We knew there was food in the region, but making it available and allowing it to flow was not an easy task.

So we had to do a lot of work. We had to educate our partners. Not just regional growers, not just the regional organizations or traders, but also regional government and even the donor communities to make sure everyone appreciated the opportunity but also challenge.

All right, moving on. Next slide.

We'll talk now briefly about the B2Bs and the process to moving grain from surplus to deficit. Last year the Eastern Africa Trade Investment Hub partnered with the EAGC first with a B2B in Ethiopia on March 7<sup>th</sup>, which resulted in about 300,000 metric tons of grain traded. And additional trades were concluded in Kenya because Kenyan and Ethiopian traders specifically. Similar B2Bs were held in Zambia, in partnership with the Southern Africa Trade and Investment Hub. And eventually just recently in November in Rwanda. Again, which resulted in total in 1.2 million metric tons of cross-border trade resulting in a value of about \$402 million.

The amount of grain traded in our estimation would provide food security for about 14.4 million people in the region. This is very important. And also if you look at just Kenya alone, transactions involving Kenya, which are about 600,000 metric tons of grain, would cover essentially a little over 60 percent or a little over 50 percent of Kenya's deficit last year. And the numbers also are very important when it comes to farmers. Again, if you take the 1.2 million metric tons, the number of farmers that benefitted from this process, our estimate is about 800,000 farmers from this 1.2 million metric tons of transactions. So these numbers are really important. But the numbers – we'll talk about what happened really behind the numbers and what really drove this process and the challenges that faced us.

Now, the 1.2 million metric tons in transactions are contracts completed or assigned at the B2B. The next process is to facilitate and support the completion of the transaction. Obviously we had many challenges in supporting the traders and the businesses that participated in this process. We'll talk briefly about some of these terms. The slides you're seeing are pictures – I don't know how clear they are. They're basically a sampling of the various B2Bs that we've helped across the region last year where the businesses are paired with buyers and sellers.

We essentially use speed dating model to organize and match buyers and sellers throughout the B2B processes.

Now, I would like to invite my colleague, Tashilo, to talk briefly about the Zambian B2B session and their efforts to support Southern Africa sellers to sell to the Eastern Africa region and from the Southern Africa perspective. Tashilo?

All right. Onward, forward. Moving on. Let's talk about the challenges. Really I think most of this process – and the solutions are pretty straightforward. But the challenges involved and the solutions we try to find for those challenges were really the really story of this whole B2B process in the trade facilitation effort.

I would like to invite my colleague, Gerald, to really start talking about the challenges we faced in Zambia and then I'll talk about Ethiopia and we'll invite Tashilo if he comes back to talk about from the Southern Africa perspective the various challenges and then solutions we've found for some of the challenges.

*Gerald Masila:*

Thank you, Yohannes. Yes, we did have the B2B in Zambia. And when we got into that environment, quite a number of challenges came up.

One of the challenges was to do with logistics. Zambia being quite land-locked, very inside position in Africa. You have two options. You can either be a roads transport to bring to the other countries in Eastern Africa or you could go to, again, by roads to Mozambique and then ship across Mombasa or through that. And here the challenge was that the costs were quite high to be able to move the commodities across there. And a situation where the cost, the cost was much more than the transport. And that was quite amazing and a big challenge. And so that has sort of limited the competitiveness of Zambia as being able to penetrate the other countries in the Eastern Africa region.

Secondly, when you do a B2B and you have some substantial quantities being signed off, you know, quantities like 20,000, 30,000, 40,000, 50,000 metric tons, the money involved is quite substantial. And to bid this you would need proper like LLCs trade. So for the buyers and the sellers to be able to access was quite a challenge to be able to get those LLCs and also the insurance.

Next issue is that in fact the initial issue was that when we landed in Zambia there was an export ban in place which has just been opened up and we've the Zambian Government. But there was a ten percent tax on exports. To our great joy, that was one of the immediate things that happened with our engagement with government. They lifted that ten percent tax. And that's really made things possible.

The other challenge was to do with the standards. So the standards in Zambia being part of and the buyers from Eastern Africa from the EAGC community. EAGC has its own harmonized standards for. But Southern Africa, they have no standard. And this, including some of the conformity requirements. So we then have to engage with the various government and head back.

And finally, we had also issues of shipment, being able to ship out of Zambia through the countries to bring to the countries in the other parts of Eastern Africa was quite a challenge. And so we had to address that and we still have challenges that we have to deal with. But eventually trucks move and the trade happens.

*Yohannes Assefa:*

All right, law enforcement me just go over also to what happens when we get there. People ask us questions; why didn't anybody else think this before? Why didn't this happen before? It's simple; historically these regions are not connected economically to the EAC region. There's always been some transactions but not really for various reasons.,

So Zambia for example, the distance was an issue. But for Ethiopia it's right next door to the AEOT. But it matters more being Ethiopia could be Argentina. There is very little trade linkage and connectivity. So the first challenge was actually creating a trade linkage.

When we created the first test pilot linkage meeting here in Nairobi where we brought seven of the top grain exports from Ethiopia to meet with Kenyan traders, it was like a family reunion of long-lost relatives. Right next to each other, but they didn't know each other. It didn't take a long time for them to connect because they have shared values, shared history, shared culture, and many more that bind these countries than separate them.

But very little trade took place before. In fact, it was easier to export maize to China and Italy for chicken feed than to export to Kenya and the EAC. They just didn't know the market existed. They didn't know Kenyans consumed 94 to 100 kg per capita per year. They knowledge didn't exist. Ethiopia as a separate – and also outside of the EAC also was not linked to the EAC market in terms of trade agreement. So they stayed out of the region's market for that reason as well.

But then there are also other reasons. There are more practical challenges, such as standards, As Gerald mentioned with Zambia. The Ethiopian's grain standards are different from the grain standards. Other issues, including logistics. Ethiopians drive on the right side and Kenyans drive on the left side. The axle load limitation in Ethiopia is much higher than Kenya's. Ethiopia's is 40 tons per truck and Kenya's is 26. And so on and so on.

And financial sector connectivity is very low. So payment systems were another challenge. The two countries – at least the Ethiopian banks were not accustomed to bidding with Kenyan and East African banks. So it was very difficult to do payments and to create a smooth transactional process.

But also Ethiopia has a very unique foreign currency control system that constrains the ability of traders to trade with others. And this challenge added a burden, again, and a transactional cost to the relationship.

Finally, an opportunity that was a barrier in the past was infrastructure. Right? Previously until two years ago there was no tarmac road linking Nairobi to the border town of Moyale, which is a common town between Ethiopia and Kenya. But just two years ago a beautiful tarmac all-weather road was completed. That again made it easier to trade. But it was a major challenge in the past.

Finally, because Ethiopia is not a member of the EAC or has not integrated with the customs territory, Ethiopian grain is taxed. There is a duty of 15 percent on it. This is another major challenge. This is a challenge EAGC worked with the government of Kenya to address in terms of the lifting of the common external tariff or the making of the application applications to remove temporarily the tariffs to allow grain to flow to Kenya.

So there was a one more challenge was the EAC requirements, the conformity of quality specifications, rules of origin, specification, all of these requirements are different.

For example, the Kenyan government has appointed SGS as their agent in Ethiopia, but SGS doesn't have an office in Addis or in anywhere in Ethiopia. Samples have to be sent to Kenya and it takes on average about two weeks to get samples processed. We have to work with our partners with the EAGC to work with the government of Kenya at the highest level to create a simplified process of conformity for quality. We did by the same in Zambia, working with the minister of finance as well as the minister of agriculture to simplify the process of compliance on. This does not mean that the quality standards were lower. It's just the documentary and the bureaucratic requirements were reduced. The steps taken for an exporter to full the requirement were narrowed and expedited. So the border agencies for example on the Kenyan side worked closely with the minister of agriculture, his excellency Willy Bett, to make sure there was a simplified and unified, coherent process. In many countries these agencies don't talk to each other, let alone work together. But this crisis gave us an opportunity to bring together with the minister the various border agencies to make sure there was a simplified process for compliance and rules of region conformity.

At the end of the day the biggest achievement I think through this process. And in terms of meeting the challenges was really the goal. For example, what we found out is shortly after we concluded the first B2B, Kenyan and East African traders in general were making trips on their own and visiting Addis to make additional deals and transactions. Now unfortunately, I think as the transactions were concluded at the B2B, many of them were not fulfilled because of the various challenges I mentioned and went through.

One of the biggest of all is export bans. In Ethiopia the export bans still persist. There is an exception to the ban. And the exception is basically a permitting process that allows commercial farmers and unions and government to export. Working through that process with our partners in Ethiopia, the Addis Ababa Chamber of Commerce, we were able to get

not many but a few really high-quality exporters to be able to export. And that allows for the opening of the first time ever large-scale commercial grain trade between Ethiopia and Kenya. This is historic, folks. This has never been done, besides a small amount and a few trucks here and there. There has never been a transparent, large-scale grain trade between Ethiopia and the EAC region ever, ever before. This is monumental.

What this allows is for Ethiopian farmers to be able to sell to Kenya. And for Ethiopian Farmers this is a food security risk for us as well. Maize is not consumed in Ethiopia as the staple; it's a cash crop mostly used for brewing of alcohol, animal feed, and a small amount mixed with other grains for baking and \_\_\_\_\_. So the farmers' ability in Ethiopia to sell would mean the ability for them to build assets and to live a healthy and better life.

Gerald, talk about this more. I don't know if you skipped or if you want to add to the challenges and the solutions we were able to find.

*Gerald Masila:* I think, Yohannes, you have addressed them quite well. The real-life challenges that we face and how we were able to remove them. Quite interestingly, especially with government, particularly the governments has been difficult to get the Ethiopian products in Kenya because you have been subject to a 60 percent import tax. And that meant not possible to.

*Yohannes Assefa:* Gerald, can you briefly talk about what the agency did in Zambia in bringing the minister of finance and agriculture to Kenya, specifically the reduction of the documentary requirements for COD.

*Gerald Masila:* Right. So when we were in Zambia and we established those challenges that I indicated earlier on that really needed attention, we were to also get in Zambia the. We had the minister of finance, honorable Felix Mutati attending and opening our B2Bs in Zambia. And we also had the minister for agriculture, also being presented. And so we got together with the stakeholders, we were able to give a memorandum to the government of Zambia giving suggestions on how those challenges could be dealt with. so there and then the finance minister announced the lifting of the ten percent tax, like I said. And we suggested that to reach out to their counterparts in Kenya, the minister of finance in Kenya and the minister of trade in Kenya, minister of agriculture in Kenya. And we as EOGC work with them, connected the two. Of course they know each other. But we were able to get appointments in Nairobi within 24 hours. And the week that followed we had a high delegation of Zambia led by the finance minister that came and met their counterparts in Kenya and they were able

to go through all of their issues and agree on the participation and how both governments would cooperate to support private sector to do the transactions so that the transactions are done and the buying and selling is done by private sector, but the government provides all the other necessary. So we had meetings in Nairobi that were quite, again, historical. For the very first time we have such kind of an engagement at that level and we could get resolutions and agreement and.

*Yohannes Assefa:*

Just I want to add a little more on the side of the process. Speaking last year for example, eight million people needed emergency food assistance in Ethiopia. Why is this? And it's a very simple question unless you know Ethiopia or the region. There has never been – and I daresay – or very minimal maize. Maize is not consumed as a staple in Ethiopia. But Ethiopia and Kenya over the last ten years have done a great deal of work to improve the production and productivity of maize. Ethiopia has now become the most productive and the largest producer of maize in Eastern Africa. But with that productivity, it's produced as a commercial crop, not as a staple. For Ethiopian farmers, it's an important additional income. It's an additional asset to buy grains of their choice, and wheat and other staples not grown in the main growing region. There are essentially nine million farmers that produce the 5.3 million metric tons of maize. In fact, less than ten percent of the caloric intake of the average Ethiopian maize consumption. So it could be considered like coffee or tea or something else.

But these farmers live on the edge of disaster. They live on the edge of receiving emergency food assistance. So when they have good harvests of maize, if they are not able to sell at reasonable price, they in turn will be added to that eight million people who need emergency food assistance.

So last year if Ethiopian farmers were not able to export that maize to Kenya and East Africa, the eight million number could have easily been 14 million or 4 million people who needed emergency food assistance. So in our view assisting Ethiopian farmers export is a food security response to Ethiopia's food emergency needs as well. Right?

In fact, I'll give you a very good, important event that took place. About ten years ago, Ethiopia had a bumper harvest of maize. And prices collapsed so low that the bag cost more than the maize itself. That region that usually produced a huge amount of maize stopped producing maize. And now they produce \_\_\_\_\_ for export to Sudan. Essentially they stopped producing food. It had a devastating impact on the region, on the country's food balance sheet. So it's really important to provide farmers who produce cash crops here in this case to provide markets, to facilitate and support them to receive fair market value for their produce.

Again, on the Kenyan side, instead of importing maize from Mexico at exuberant prices, which would have taken three months to reach, here we have a neighboring country that produced a bumper harvest of good quality, high quality maize that's really grown for flour, right? Available at a reasonable price. The price of maize from Ethiopia was much cheaper than maize from Mexico and elsewhere. It was very competitive.

So eventually what happened – actually it started because of the bumper harvest. Prior to that the. The government was forced to actually subsidize maize in Ethiopia. They had to start providing resources. They have to subsidize the buying of maize by the national grain trading agency. But the B2B, even the new of the B2B, the arrival of East African buyers increased the price of maize locally to a fair market value. It increased by 30 percent in a very short amount of time. And what happened after in Ethiopia was because of the bumper harvest, traders did not buy ahead and hold maize. Normally traders come in at harvest, buy at a cheap price, hold it, and then sell it later. But because of the conditions of the market conditions, traders didn't buy. And fortunately for the farmers, they were holding large crops of maize. This allowed farmers to actually get a good portion of the total export parity pricing of value of what was exported.

Which now resulted going forward to this year, this year Ethiopia is again having another great year in maize production, largely because the market incentives provided to the farmers. In fact, last year Ethiopian maize harvest was affected by armyworms and the rain cycles were reduced from last year. But they were still able to produce more because farmers increased the acreage they planted because they got good returns last year.

So again, allowing and helping different farmers to trade with their neighbors and sell to deficit regions is a food security response to Ethiopian farmers and a food security response for Eastern Africa.

Now without further ado, we'll go to the next part. We'll just summarize the key takeaways from our discussions today. We've simplified and generalized the takeaways, but I think you've gotten a feel for the details of the various issues we've dealt with throughout last year with the regional grain trade facilitation process.

We've identified about four key takeaways. The first is – I think this is the realization that East and Southern Africa – the Eastern and Southern Africa region has the capacity to feed itself and cease reliance of food aid. It is not unreasonable to think that the region could be food-secure within a reasonable and within a short amount of time. We believe it can be as trade barriers are removed, as the region is integrated further.

*[End of Audio]*