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STRENGTHENING COMPETITIVENESS IN REGIONAL AGRICULTURAL TRADE

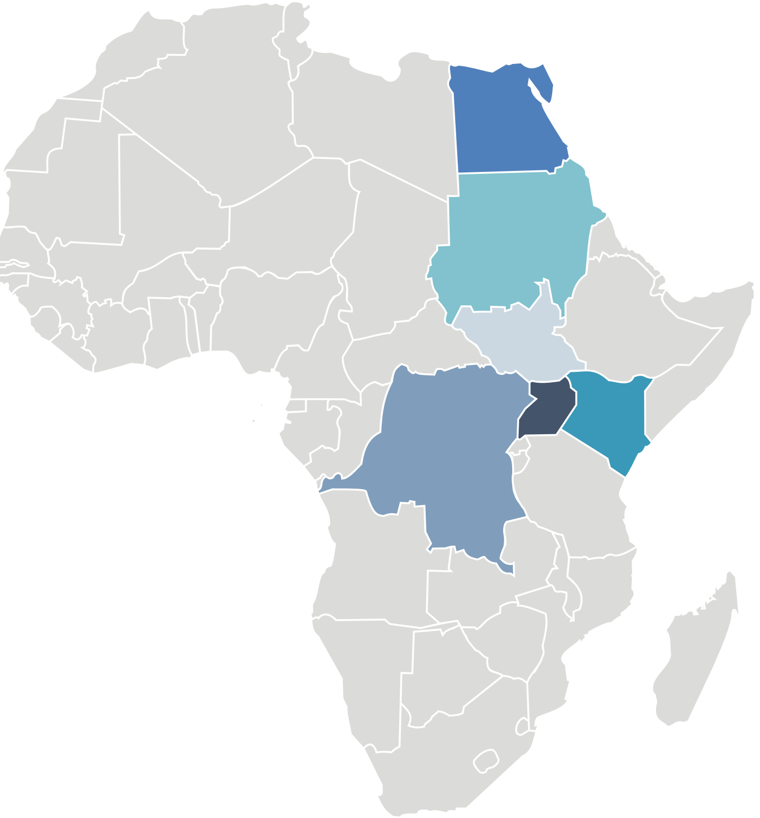
Regional Trade Outlook, Competitiveness and Value Chain Prioritization: Findings for **Uganda**

Participation in Regional Agricultural Trade

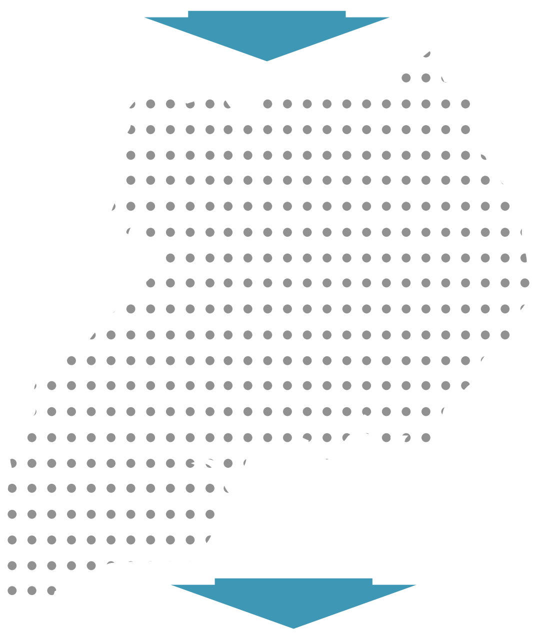
Uganda is among the biggest players in the regional agricultural markets both as a supplier and a destination

Regional trade is about 2/5 of Uganda's total agricultural trade

77.6% of Kenya's regional exports are shipped **to Egypt, Uganda, South Sudan, Sudan and DRC.**
Except Egypt, all key partners are neighboring countries.



29% of imports



44% of exports

Top Traded Commodities

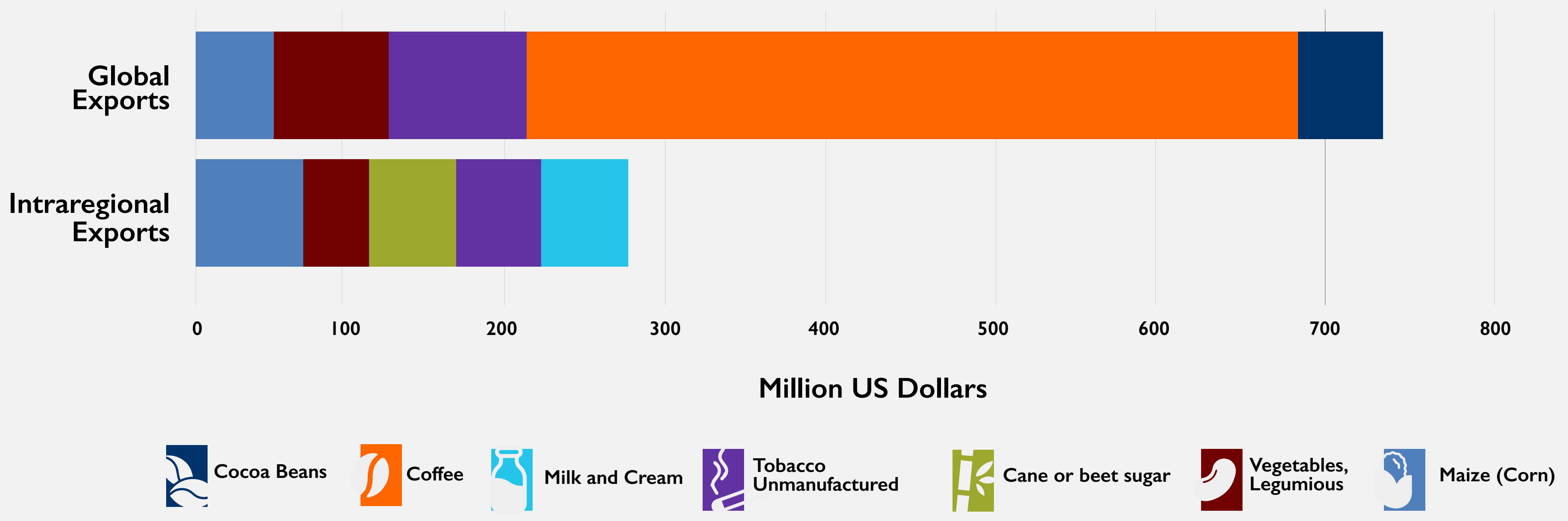
Top export commodities to regional markets
- Food stuffs (maize, vegetables, milk) but also tobacco and sugar.

Top export commodities to world markets
- Typically cash crops (coffee, cocoa beans, tobacco) but also maize and vegetables.

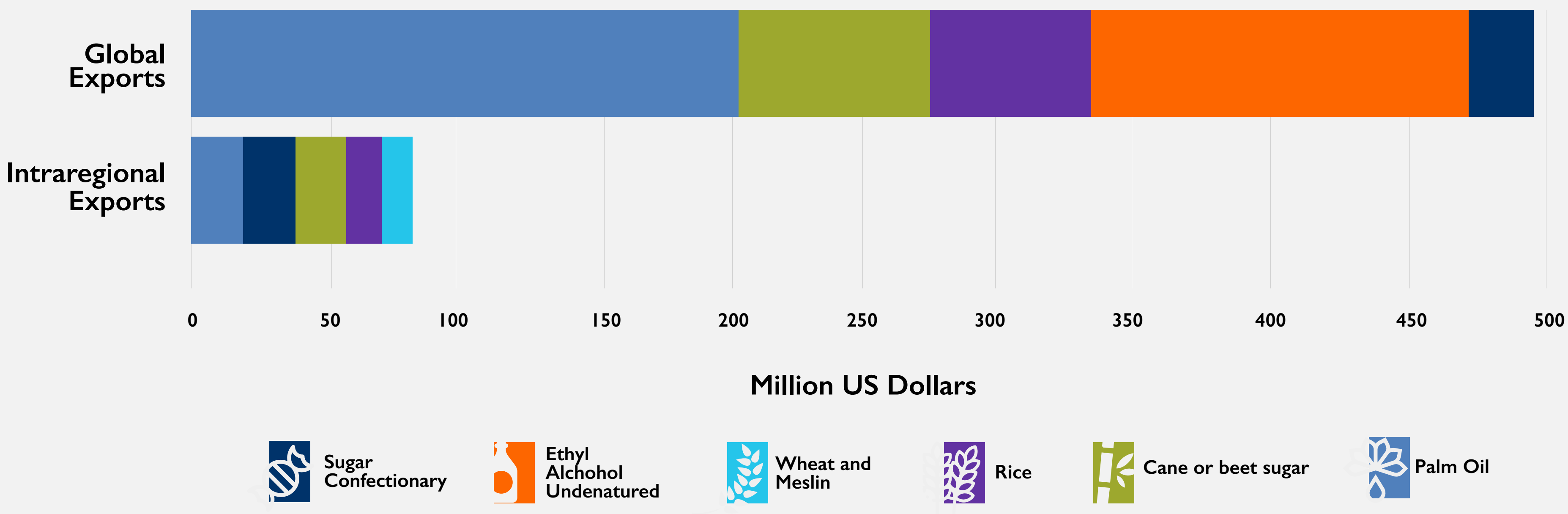
Top import commodities to regional markets
- Food products

Top import commodities to world markets
- Food products

Top Agricultural Exports To Regional Vs World Markets



Top Agricultural Imports From Regional Vs World Markets



Source: Authors' calculations using AATM2021 database

Export Similarity and Scope for Transborder Trade Expansion

Distribution of the values of export similarity index between kenya and 20 eSA countries, 2015-2019

- Indicator values of less than 60 percent are conventionally interpreted as being indicative of potential for higher trade potential
- Low export similarity index values suggest the existence of a large scope for transborder trade expansion between Uganda and ESA countries

Change in Country Competitiveness Between 2003-7 to 2015-19

Uganda has gained competitiveness on world agricultural exports markets while other ESA countries have lost.

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Normalized Revealed Comparative Advantage (NRCA) index values

Uganda's best comparative advantages include both unprocessed and processed products

Products With The 10 Highest Nrca Index Values In Uganda's Exports, 2015-2019 Average

Source: Authors' calculations using AATM2021 database

Recent Trends in Kenya's Agricultural Production and Demand (2014 – 2018)

- Deficit in cereals, starchy roots, sugar, vegetable oils, with demand growing faster than production
- Surplus in pulses, stimulants, milk and fish
- Self-sufficiency in other commodities

	Production		Domestic Supply quantity	
	Average (2016-2018) (1000 tons)	Growth rate (2014-2018) (%)	Average (2016-2018) (1000 tons)	Growth rate (2014-2018) (%)
Cereals - Excluding Beer	3512.7	0.7	3905.0	3.1
Starchy Roots	4866.0	0.4	4982.0	0.9
Sugar Crops	4000.0	-1.2	4000.0	-1.2
Sugar & Sweeteners	457.3	-1.6	542.0	5.9
Pulses	964.3	-2.0	811.3	-3.4
Oilcrops	785.7	-0.9	762.7	1.6
Vegetable Oils	169.7	1.4	450.3	6.6
Vegetables	1436.0	1.2	1426.3	1.1
Fruits - Excluding Wine	4058.0	-6.5	4041.7	-6.6
Stimulants	365.0	6.5	25.3	16.7
Spices	5.0	-3.6	5.3	-5.3
Meat	477.3	3.7	482.3	2.8
Offals	64	3.82	63	3.17
Eggs	44.0	-1.2	41.3	-1.7
Milk - Excluding Butter	1762.7	5.8	1668.3	4.7
Fish, Seafood	503.7	-2.8	464.5	-2.9

Recent Trends in Kenya's Agricultural Exports and Imports (2014 – 2018)

- Net imports of cereals, sugar and vegetable oils, with exports growing faster than imports
- Net exports of pulses, oilcrops, stimulants, and fish, with imports growing faster than exports
- Net exports of roots, vegetables, fruits and milk, with exports growing faster than imports

	Export quantity		Import quantity	
	Average (2016-2018) (1000 tons)	Growth rate (2014-2018) (%)	Average (2016-2018) (1000 tons)	Growth rate (2014-2018) (%)
Cereals - Excluding Beer	648.3	19.4	831.7	9.4
Starchy Roots	75.0	38.3	37.3	-2.5
Sugar Crops	0.0	0.0	0.0	0.0
Sugar & Sweeteners	178.7	6.1	195.3	2.5
Pulses	245.0	52.9	9.0	60.1
Oilcrops	44.7	0.0	17.3	51.3
Vegetable Oils	52.3	8.7	334.0	7.5
Vegetables	52.0	32.6	44.3	27.7
Fruits - Excluding Wine	29.0	65.4	14.0	5.9
Stimulants	341.3	5.9	5.0	58.5
Spices	1.7	23.1	1.3	7.2
Meat	0.3		1.0	
Eggs	2.7		0.0	
Milk - Excluding Butter	95.3	36.2	1.0	-38.4
Fish, Seafood	45.3	1.8	6.1	27.3

Source: Authors' calculations using FAOSTAT

Regional Trade Outlook Under Continuation Of Current Trends (Crop Yields, Cultivated Areas and Population)

While regional ag. trade is trending upward, driven primarily by vegetable oils, some cash crops and hides and skins have continued to decrease.

Options for Reversing the Decline and Boosting Exports

Option 1
Removal of cross-border trade barriers

Option 2
Yield increase scenario

Option 3
Trade costs reduction scenario

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Leading Candidate Value Chains For Future Regional Expansion

The products listed here are those in which Uganda revealed the highest potential for intraregional exports expansion in response to simulated policy changes

	Change in export values under scenarios (%)		
	10% reduction in trading costs	Removal of all cross-border trade barriers	10% Increase in crop yields
Soybean oil	12.1	24.4	3.8
Cotton	1.8	6.3	11.1
Other vegetable oils	1.6	21	1.5
Tobacco	1.2	6.4	7.8
Freshwater fish	8.6	15.3	0.6
Sesame oil	1.6	21	1.5
Tea	1.5	15.1	5.7
Groundnut oil	1.6	21	1.5
Coffee	1.4	14	5.1
Cottonseed oil	0.8	19.9	1.1
Cocoa	1	15.9	4.9
Skin	0.2	10.4	-0.4

Stepwise assessment of candidate value chains contribution to broader regional and national development goals

Step 1

Analysis of future regional trade dynamics and implications on agricultural trade performance and value chain competitiveness

Prioritization of agricultural value chains based on their respective contributions to promoting regional trade

Step 2

Socioeconomic effects of regional agricultural trade expansion

Prioritization of agricultural value chains to advancing national development goals

Effectiveness and Efficiency Scores Computed From the Selected Criteria to Facilitate the Prioritization of Agricultural Value Chains

The effectiveness score measures the proportion of result areas or expected outputs advanced by increased trade in a specific agricultural value chain.

Effectiveness of Candidate Value Chains For **Uganda**

Result Area/Expected Output	Coffee	Other processed oils	Fresh water fish	Seed cotton	Cotton-seed oil	Tea	Hides and skins	Cocoa	Tobacco
Aggregate Value Added	●	●	●	●	●	●	●	●	●
Agricultural Production	●	●	●	●	●	●	○	●	○
Household Real Expenditure	●	●	●	●	●	●	●	●	●
National, Standard Poverty	●	●	○	●	●	●	●	●	●
Urban, Standard Poverty	●	●	○	●	●	●	●	●	●
Rural, Standard Poverty	●	○	○	●	○	○	○	●	○
National, Extreme Poverty and Hunger	●	●	○	●	●	●	●	●	●
Urban, Extreme Poverty and Hunger	●	●	○	●	●	●	●	●	●
Rural, Extreme Poverty and Hunger	●	○	○	●	○	○	○	●	●
Gender Employment Gap	○	○	●	●	○	●	○	○	○
Gender Employment Earning Gap	○	○	●	●	○	●	○	○	○
Youth Employment Gap	●	○	○	○	●	○	●	●	●
Youth Employment Earning Gap	●	●	●	○	●	●	●	●	●

● Indicates an improvement ○ Indicates a deterioration

A result area or expected output is advanced by an increased trade in a specific agricultural value chain (marked ●) if its resulting change is greater than the change obtained in the baseline scenario.

"Other processed oils" refers to any processed oil except cottonseed oil, groundnut oil, soybean oil, palm oil and sesame oil.

Effectiveness and Efficiency Scores Computed From the Selected Criteria to Facilitate the Prioritization of Agricultural Value Chains (Cont.)

Effectiveness of Candidate Value Chains For **Uganda**

Result Area/Expected Output	Coffee	Other processed oils	Fresh water fish	Seed cotton	Cotton-seed oil	Tea	Hides and skins	Cocoa	Tobacco
Aggregate Value Added	●	●	●	○	○	○	○	○	○
Agricultural Production	●	●	●	○	○	○	○	○	○
Household Real Expenditure	●	●	●	○	○	○	○	○	○
National, Standard Poverty	●	●	○	●	●	○	○	○	○
Urban, Standard Poverty	●	●	○	○	●	○	○	○	○
Rural, Standard Poverty	●	○	○	●	○	○	○	○	○
National, Extreme Poverty and Hunger	●	●	○	○	○	○	○	○	○
Urban, Extreme Poverty and Hunger	●	●	○	○	○	○	○	○	○
Rural, Extreme Poverty and Hunger	●	○	○	●	○	○	○	●	○
Gender Employment Gap	○	○	●	●	○	●	○	○	○
Gender Employment Earning Gap	○	○	●	●	○	●	○	○	○
Youth Employment Gap	●	○	○	○	●	○	●	○	○
Youth Employment Earning Gap	●	●	●	○	○	○	●	○	○

● Indicates an improvement ○ Indicates a deterioration

A result area is advanced **significantly** (marked ●) by a given value chain if its resulting change is greater than the average change for all **effective** value chains

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Program and Policy Options for improved competitiveness and trade

Drivers and determinants of competitiveness and trade

Agribusiness Competitiveness Indicator (ACI)

Best Performing countries

8 Program and Policy Options :

1. Promotion of technology adoption and innovation along agricultural value chains
2. Promotion of competition in the economy
3. Strengthening trade logistics and facilitation measures
4. Investment in productive infrastructure
5. Facilitating access to finance
6. Technical, business management, and enterprise development skills
7. Elimination of harassment at borders
8. Export promotion policy framework

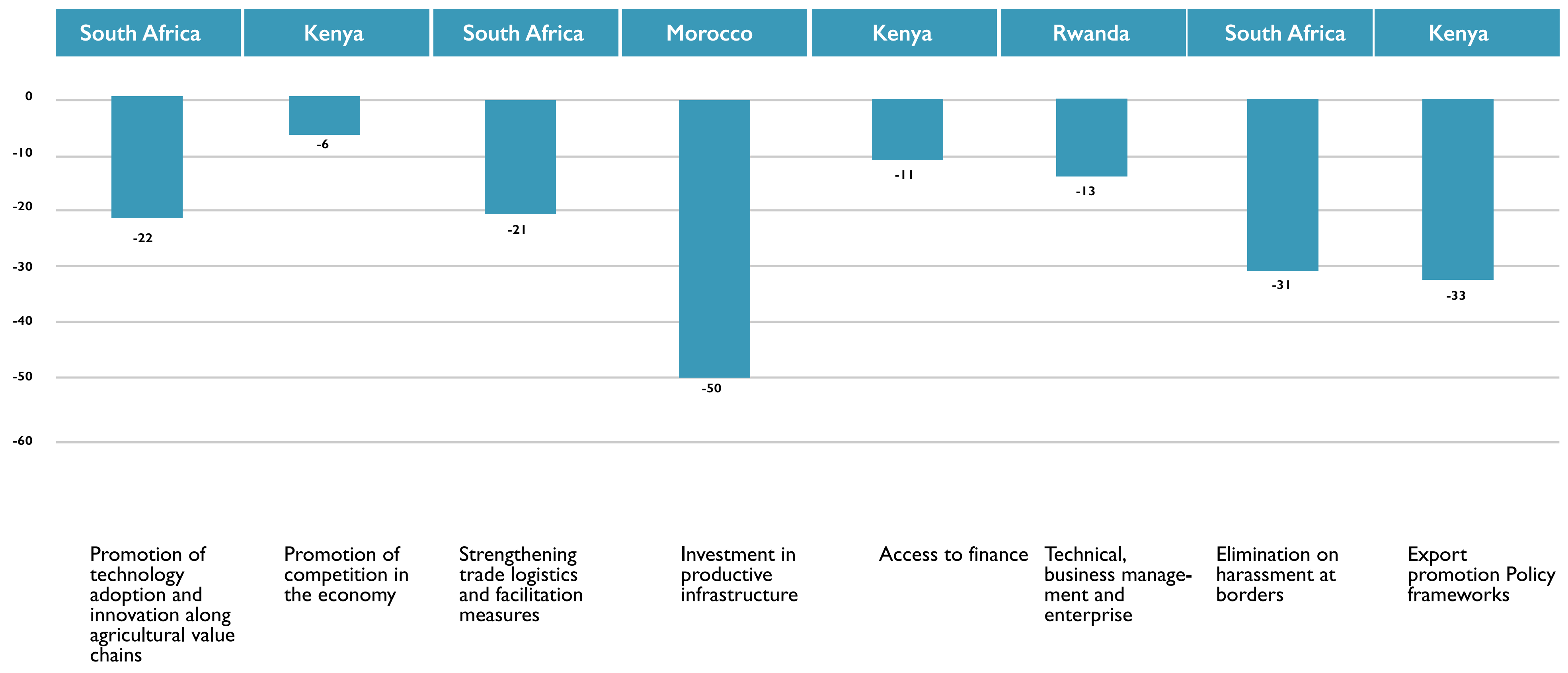
3 scenarios:

- Removal of trade costs
- Removal of all cross-border trade barriers
- Increase in crop yields

Performance Gap Assessment: Priority Good Practices

Compared to the Best Performing country, gaps identified in all practices.

Uganda performance against the best performing country score in selected indicators, names of the best performing country displayed by good practice



Source: Authors' calculations using TCD360 and BR data

Summary of Findings

- Uganda is among the biggest players in regional agricultural markets both as a supplier and a destination
- Uganda's top export commodities to regional markets are not only food stuffs (maize, vegetables, milk) but also tobacco and sugar. Exports to world markets are dominated by cash crops (coffee, cocoa beans, tobacco) but also include maize and vegetables.
- The bulk of Uganda's regional exports are shipped to 5 neighboring countries (Kenya, South Sudan, DRC, Rwanda and Sudan).
- Low export similarity index values confirm the existence of a large scope for transborder trade expansion between Uganda and other ESA countries.
- Assuming a continuation of the direction of current trends, the size of intraregional agricultural trade is expected to rise between 2019 and 2030 driven primarily by vegetable oils.
- Elimination of cross-border trade barriers would lead the biggest additional increase of Uganda's agricultural exports revenues (US$ 35 million by 2030).
- Yield increase will generally do better than overall trading costs reduction.
- Vegetable oils, fish, cotton and stimulant crops are the leading candidate value chains for future regional trade expansion

Policy And Programmatic Implications

- Design interventions primarily around **investment in productive infrastructure,** and **elimination of harassment** where Uganda underperforms compared to the Africa average, by adapting and replicating some experiences of best performing countries.
- Review and strengthen the practices based on best performing country experiences in :
  Kenya: Local competition, access to finance and Export Promotion Policy framework.
  Morocco: Investment in productive infrastructure.
  Rwanda: Technical business management skills.
  South Africa: Promotion of technology adoption and innovation, trade logistics and facilitation measures and harassment at borders.

The infographic is derived from the competitiveness analysis carried out by AKADEMIYA2063 on behalf of Policy LINK.

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