



POLICY BRIEF

UGANDA'S READINESS TO MEET GLOBAL MARKET DEMAND FOR CEREALS ARISING OUT OF RUSSIA-UKRAINE GEOPOLITICAL TENSION

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EXECUTIVE SUMMARY

The global demand gap for wheat, maize and sunflower arising out of the war in Ukraine has created export trade opportunities for both the producers and exporters of these three (3) commodities, as the global supply gap widens. This study shows that currently Uganda has high production and export potential in maize compared to wheat and sunflower because the country has huge land suitable for maize production (over 1.3 million ha). Uganda exports most of her maize to East African Community (EAC) to a tune of US\$66.2 million and is trading to the region at a net surplus of US\$62.7 million. However, there is a need to reduce post-harvest handling, and promote more value addition to fetch higher prices and hence tap the full potential of maize production in the country. Regarding wheat and sunflower, the study found a huge gap in the exports of the two crops. Uganda trades in wheat, and sunflower at a deficit of US\$ 151,685,000 and US\$ 1,371,000 respectively.

The crisis in Ukraine and its trade disruption effect, has a potential to improve Uganda's trade position in wheat and Sunflower if the country can take advantage of the opportunity created in the export trade for the same commodities. It should be noted that the realization of export trade benefits, especially for the three cereals, is contingent on the government's support to boost production through enhancing access to affordable high-quality inputs such as fertilizers and improved seeds as well as investment in irrigation systems. In addition, there is a need to promote Agro industrialisation to add value to agricultural products, and to train farmers on quality aspects. These measures will boost Uganda's wheat, maize, and sunflower production and exports to reduce imports and improve export revenues.





1.0 Background

The war in Ukraine that began on 24 February 2022 has disrupted the global supply chain. This has affected commodity supply and trade, thereby leading to a rise in global inflation in many countries. The conflict has sent shockwaves through global commodity markets at a time when food markets are already struggling with soaring prices and the disruption that the world has been experiencing since the emergence of the COVID-19 pandemic. The Port closures in Ukraine and anticipated sales difficulties in the Russian Federation because of economic sanctions call into question whether the anticipated export volumes from Russia and Ukraine will be realized. Notably, for the ongoing 2021/22 season (July 2021-June 2022), Ukraine was expected to export approximately 6 million tonnes of wheat between March and June 2022, while the Russian Federation anticipated to ship another 8 million tonnes during this period⁵.

The Russia Federation and Ukraine are among the top producers of agricultural commodities in the world and both countries are net exporters of agricultural products. Combined, Russia and Ukraine, on average, accounted for 14 and 4 percent of global output of wheat and maize, respectively, between 2016/17 and 2020/21. In terms of exports, Russia, and Ukraine together account for about 30% of global exports of wheat and 20% for corn⁶. In the oilseed complex, their contribution to global production was particularly important for sunflower oil, with just over half of world output originating from the two countries⁷.

The war-induced disruptions to food supply from Russian Federation and Ukraine have exposed global food markets to heightened risks of limited availability that has resulted into unmet import demand and higher prices⁸. This situation has created export market opportunities, as global market demand for these commodities rises. Accordingly, Uganda can take advantage of this global situation to boost her production and exports of these three (3) commodities. Examining Uganda's readiness to tap into export market opportunities created by the war in Ukraine is worthy of policy attention, as the country strives to better its trade balance.

Using data from the Trade Map (2021) and Food and Agriculture Organization of the United Nations (2020); this study examines the export gap created by the geopolitical tension and the trade opportunities it creates for Uganda. Specifically, the study examines the exports of the three key commodities which Uganda produces: Maize, Wheat, and Sunflower. In addition, the study analyses Uganda's production capacity for maize, wheat, and sunflower to ascertain the country's readiness to tap into export trade opportunities of these key commodities. The analysis also covered Uganda's wheat, maize, and sunflower imports to determine the import substitution opportunities of these commodities.

2.0 Global wheat, maize, and sunflower export market opportunities.

According to FAO (2020), Russia Federation produces 86.0 million tonnes, 14.0 million tonnes and 13.3 million tonnes of wheat, maize, and sunflower per annum respectively⁹, while Ukraine produces 30.0 million tonnes, 30.2 million tonnes and 13.2 million tonnes of wheat, maize, sunflower respectively⁹. These three (3) commodities are exported to various importing markets. For instance, in 2021, Russia exported wheat, maize and sunflower worth USD7.3 billion, USD694.2 million, and USD62.0 million respectively⁹. Ukraine exported wheat, maize and sunflower worth USD4.8 million, USD5.9 billion, and USD40 million respectively during the same period¹⁰. Relatedly, Uganda earns USD21,000, USD66.2 million and USD299,000 from wheat, maize, and sunflower exports annually (Trade map, 2020)¹¹.

The main export market destinations for wheat from Russia include Turkey (25%), Egypt (21%) while maize from the same country is exported to Turkey (38%) and Korea (22%). Much of Russia's sunflower is exported to Kazakhstan (50%) and Belarus (24%). Ukraine mainly exports her wheat to Egypt (18%) and Indonesia (14%). Ukraine's maize is mainly exported to China (32%) and Spain (10%), and her sunflower is exported to Turkey (42%) and Finland (9%)¹². Similarly, Uganda exports her wheat to South Sudan (86%) and Kenya

(14%) while her maize goes to Kenya (74%) and Tanzania (16%). Uganda's sunflower is mainly exported to Kenya (57%) and Spain (43%), according to Trade map latest statistics (2020)¹³.

The global market demand for the three analysed commodities arising out of the Russia-Ukraine war has created export trade opportunities for the producers of these three (3) crops, Uganda inclusive. In other words, the unmet demand in these importing markets for wheat, maize and sunflower is a great export trade opportunity for Uganda which produces the same commodities. However, more effort is needed to boost production and improve the quality of these commodities to increase their export volumes and values.

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3.0 The capacity and readiness of Uganda to tap into wheat, maize, and sunflower export trade opportunities

Currently Uganda has high production and export potential in maize compared to wheat and sunflower because the country has huge land suitable for maize production (over 1.3 million ha). Maize is the most cultivated crop in Uganda and its production has been increasing in the recent past from 2,482,795 tonnes in 2016 to 3,588,000 tonnes in 2019 (see Figure 1)¹⁴. Uganda exports her maize to East African Community (EAC) worth US\$66.2 million and is trading in the region at a surplus of US\$62.7 million¹⁵. However, the quality of Uganda's maize needs improvement. For instance, the Kenyan government, on March 05, 2021, banned maize imports from Uganda citing high levels of aflatoxin in the grain, setting stage for trade war between the two neighboring states. It therefore follows that quality improvement and value addition can enhance the value of Uganda's maize products.

Regarding wheat and sunflower, there is a huge gap in the exports of the two crops. Uganda trades in wheat, and sunflower at a

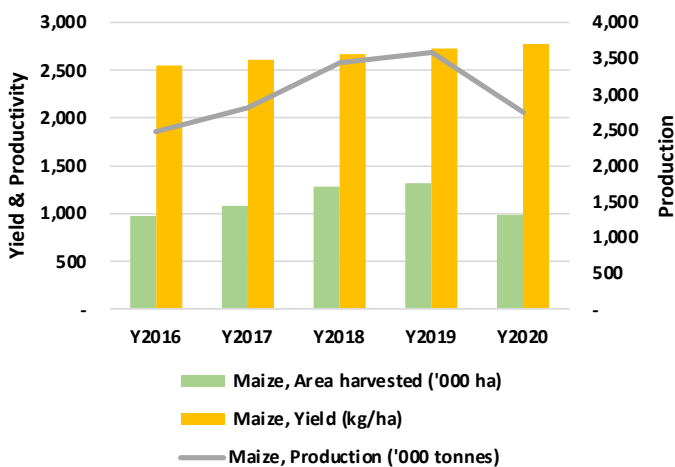
deficit of US\$ 151,685,000 and US\$ 1,371,000 respectively¹⁶. This implies that there is a need for Uganda to promote import substitution in these strategic commodities to save forex and improve the trade balance. The wheat and sunflower trade deficits are mainly attributed to the low production due to small acreage and decline in productivity. In Uganda, Wheat is largely produced on small scale farms of 0.2 to 2.0 ha in highland areas of Mt Elgon in Eastern Uganda and Rwenzori highlands of south-western Uganda. The yield of wheat has also been declining over the last five years, falling from 1,581kg/ha in 2016 to 1,542 kg/ha in 2020 due to limited access to improved inputs such as fertilizers. The production of sunflower seeds increased by 16% from 237,219 tonnes in 2016 to 275,000 tonnes in 2020 (see Figure 1). This rise in production is mainly attributed to the increase in productivity and acreage¹⁷. However, the production and trade in sunflower is still insignificant in relation to Uganda's domestic and foreign market.

The crisis in Ukraine and its respective trade disruption, thus, has a potential to either worsen or improve Uganda's trade position in wheat and Sunflower¹⁸. It should be noted that the realization of export trade benefits, especially for three cereals, is contingent on the government's efforts to boost production through enhancing access to affordable high-quality inputs such as fertilizers and improved seeds as well as investment in irrigation systems.

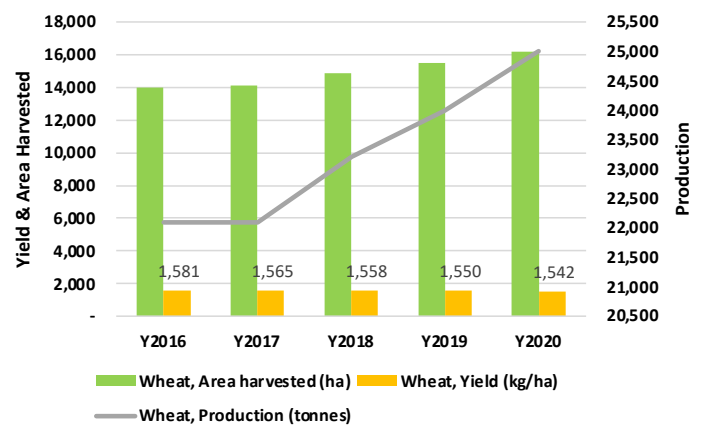


Figure 1: Uganda's wheat, maize, and sunflower production, Yield and Area Harvested

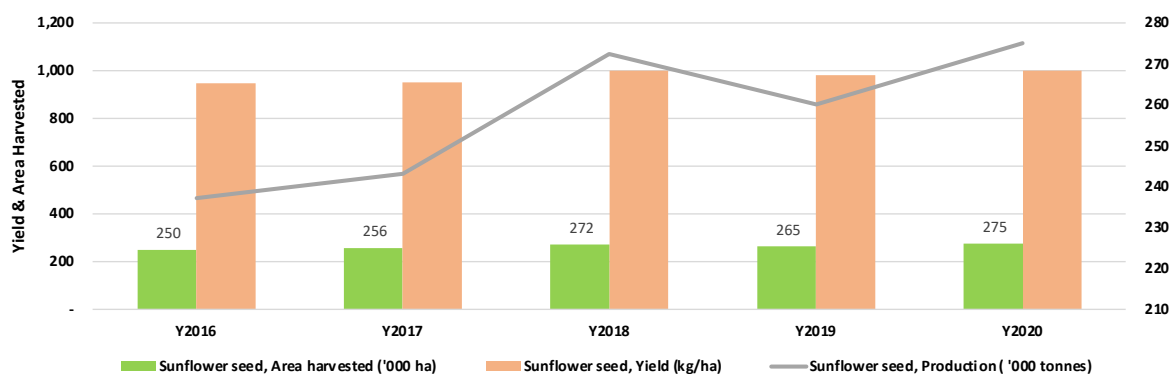
Panel A: Uganda's wheat production, yield and area harvested, 2016-2020



Panel B: Uganda's maize production, and yield and area harvested, 2016-2020



Panel C: Uganda's sunflower seed production, and yield and area harvested, 2016-2020



Source: Authors' Construction Based on FAO statistics (2020)

4.0 Conclusion and Policy Recommendations

There is no doubt that Uganda's capacity to produce maize, sunflower and wheat is not being fully exploited. Low productivity, over reliance on rain, high post-harvest losses, underdeveloped farming system, low quality inputs are some of the common challenges that prevail.

In light of the above findings, the following policy options are put forward.



Boost production and productivity of wheat, maize, and sunflower. Uganda needs to invest in enhancing productivity of the three commodities through promoting access and use of productivity enhancing inputs such as fertilizers, improved seeds, and irrigation to ensure increased and continuous supply of these key export commodities for Uganda.



There is need to provide export credit guarantees, as an incentive and the measure to cushion exporters against the risks involved in exporting wheat, maize, and sunflower beyond the East African Community (EAC) to tap into export trade opportunities worldwide.



Improvement in the quality of export commodities, will help traders to fetch higher export prices. This will improve terms of trade, export revenues and the trade balance. Relatedly, the quality assurance and standardization should be promoted through partnerships with the private sector, improvement of quality assurance infrastructure such as laboratories and extending the services of Uganda National Bureau of standards (UNBS) beyond Kampala and set standards and pay premium price for better commodity grade. This will address the quality concerns that have affected Uganda's grain exports such as high aflatoxin levels.



The government of Uganda should provide production incentives in terms of affordable credit, market information, extension services to the local producers and processors of wheat, maize, sunflower. Additionally, joint venture between the local farmers/processors and foreign investors in these three (3) commodities will promote skills and technology transfer and promote local ownership. These incentives and strategies will boost domestic production to replace wheat, maize, and sunflower imports to save forex that would have been lost during the importation of the same commodities.



Additionally, Uganda can gain substantially from her agricultural products if the country can improve post-harvest handling and value addition. This can be promoted by improving access to agriculture finance and provision of adequate Infrastructure for the promotion of value addition in these strategic export commodities.

Endnotes

¹United Nations (2022). *Global Impact of war in Ukraine on food, energy, and finance systems*. <https://news.un.org/pages/wp-content/uploads/2022/04/UN-GCRG-Brief-1.pdf>

²https://www.researchgate.net/publication/358977787_Global_economic_consequence_of_Russian_invasion_of_Ukraine

³FAO (2022). *Impact of the Ukraine-Russia conflict on global food security and related matters under the mandate of the Food and Agriculture Organization of the United Nations (FAO)*. <https://www.fao.org/3/ni734en/ni734en.pdf>

⁴<https://www.rferl.org/a/ukraine-seaports-russian-control-grain/31830438.html>

⁵FAO (2022). *Impact of the Ukraine-Russia conflict on global food security and related matters under the mandate of the Food and Agriculture Organization of the United Nations (FAO)*. <https://www.fao.org/3/ni734en/ni734en.pdf>

⁶OECD (2022). *Economic and Social Impacts and Policy Implications of the War in Ukraine. Economic Outlook, Interim Report*. <https://www.oecd.org/economy/Interim-economic-outlook-report-march-2022.pdf>

⁷FAO (2022). *Implications of the Conflict in Ukraine on Food Access and Availability in the East Africa Region*. Available at <https://docs.wfp.org/api/documents/WFP-0000138223/download/>

⁸FAO (2022). *Impact of the Ukraine-Russia Conflict on global food security and related matters under the mandate of FAO*. Available at <https://www.fao.org/3/ni734en/ni734en.pdf>

⁹FAO Statistics 2020. <https://www.fao.org/faostat/>

¹⁰Trade map statistics 2021. <https://www.trademap.org/>

¹¹Trade map statistics 2021. <https://www.trademap.org/>

¹²Trade map statistics 2021. <https://www.trademap.org/>

¹³Trade map statistics 2020. <https://www.trademap.org>

¹⁷FAO statistics, 2020. Available at <https://www.fao.org/faostat/>

¹⁸Fediol (2022). *EU market adjusting to lack of sunflower oil following Russia's invasion of Ukraine. Press Statement*. Available at https://www.fediol.eu/data/22PRESS095%20Press%20Statement%20on%20Ukrainian%20crisis_update%2024%20March%202022.pdf

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