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21.11.1963.

TRADE AND MARKETING OF MAJOR AGRICULTURAL PRODUCTS.

Since presenting my last paper on the above subject I have been thinking of some modification to make to my line of approach in view of the discussion we had on the paper, and in the light of the discussions of other projects. The following is a summary of this re-thinking. It will be found that it represents a major shift, not only of emphasis but also leaves out major sections of the previous record of intentions. In particular, I have tried to narrow down the project to more manageable proportions while maintaining its viability by drawing more heavily on other studies in the E.D.R.P. (I beg to be forgiven for naming the particular individuals I intend to approach, but this helps to make my own thinking a little clearer while at the same time it prepares my colleagues for my 'intrusion').

I now intend to concentrate more on trade and marketing and less on production problems, except of course in so far as these affect the movement of produce and the degree of specialization particularly in the long run. For the purposes of international and interterritorial trade it is the consideration of comparative cost advantages which is most relevant and so detailed studies of producing particular crops, important and interesting as they are will largely fall outside my project. This may only be a shift of emphasis, but what I have in mind can be illustrated by an example: The fact that Kenya can produce meat and meat preparations cheaper than Uganda can affect the flow of trade of these products and the ability of the Kenya farmers to sell their meat in Uganda would influence their scope for specialization in so far as there are economies of scale to be reaped. This could also mean that Uganda would have to give up some of her production of meat and concentrate for instance on producing sugar in which she might have a comparative cost advantage. Subject to certain reservations this might increase the total income of the whole region and thus would probably represent a more rational use of resources than in a situation where each area goes it alone. Some of the objections to this theory would also lose some of their importance when as in East Africa we are using the same currency and there is some agreed machinery to redistribute the benefits accruing from further integration. Such considerations my study must take into account without going into the details of meat production and sugar production in either country. On the other hand a projection into the future must of necessity take into account considerations which relate to the level of costs in the Highlands with respect to meat production such as institutional changes: in effect asking the question whether the Kenya farmers will be able to maintain their cost advantage in this line of production given that some parameters are going to alter in a certain way.

Looked at this way, the following approach seems to focus attention on the right questions:

First, I wish to approach the problem in terms of demand and supply. Trade takes place because the agencies which have reason to demand certain commodities are different from those which are able to supply them. It is therefore important to locate the demand and supply functions in any study of marketing. I, therefore, intend to examine in fairly broad terms the factors affecting the demand for the major agricultural products produced in East Africa, and try to analyse the way these have been satisfied. The most important categories of demand seem to be the following:

A. Demand for food in East Africa (Mr. Nyanzi).

B. Demand for raw materials in manufacturing industries located within East Africa. (In so far as some industries are processing food products these will be treated under A e.g. meat canning industries for sale in East Africa) (Mr. Kundu).

C. Export demand for agricultural products. This in large part depends on the markets for our exports of agricultural crops (Mr. Ndegwa). Given this demand the actual volume of our exports will also no doubt depend on how fervently we have to export in order to be able to import such things as capital goods and so in a way is influenced by our foreign exchange requirements for development (a field in which Mr. Lomoro can help). There may also be a demand for increased agricultural products arising out of our desire to save foreign exchange (import substitution) e.g. the case of rice in Kenya.

Sources of supply fall conveniently into:

(a) Home production within the individual territories.

(b) Imports from other East African Territories

(c) Imports from outside East Africa.

Thus a description of the present pattern of trade will examine the extent to which the various demands have been met by each source of supply. For instance the demand for meat in Uganda has been met by all three sources of supply whereas our foreign exchange requirements can only be met by home production (given the level of foreign capital inflow) although import substitution which is foreign exchange saving can be tied either to home production or to importation from other East African Territories.

These considerations set the stage for an effort to appraise the efficiency of the marketing arrangements currently in force in East Africa. For instance discussing the economic effects of the decision of the Kenya Maize Marketing Board that the demand for maize in Kenya should be met primarily from home production rather than by importing fairly cheap maize (at times) from Uganda; or that the demand for wheat products in Uganda should be met more by Kenya's produce (at fairly high prices) and less from Australia's relatively cheap exports, and similarly for Uganda sugar being sold in Kenya at prices higher than its import price c.i.f.

From such discussions it may be possible to derive some indications as to the advantages (economic) which could be gained from further interterritorial cooperation as well as the limitations to which such advantages are subject. In so far as the economies of the East African Territories can be made to be complementary due to different natural and locational endowments the advantages which would accrue to the region as a whole would be largely determined by the degree of interterritorial cooperation in this field of trade and marketing among many. A hypothetical example to illustrate this point might run as follows: Should Uganda if it has a comparative cost advantage in producing coffee specialize on producing this, selling all its coffee against the Kenya and Tanganyika quotas, but earning foreign exchange for the region as a whole while Kenya and Tanganyika switch their resources from coffee into producing commodities which Uganda used to import. If these switches could be made, then more foreign exchange could be available to the region as a whole, even if Uganda had an export surplus whereas the other two would be compensated to a certain degree by their greater participation in interterritorial trade using the enhanced foreign exchange to import the machinery to produce the goods to sell to Uganda thus incurring export deficits individually. Obviously such an exercise calls for setting up criteria as to whether Uganda would like to specialize on an export crop whose future cannot be forecast with any degree of accuracy while allowing her partners to industrialize but this is a field where if certain criteria such as the increase of real resources over a certain time period for the region as a whole were satisfied, the degree of cooperation would be crucial.

The last step would be to project the various demands for agricultural products and supplies say for the next ten years. This will for instance depend on the expected structure of the economy in the future (Dr. Van Arkadie) and the facilities for the movement of produce we assume will exist (Dr. Frank). For instance if a rapid rate of industrialization were to be assumed, leading as well to urbanization we might have to import more food if food production in East Africa happened to lag behind; and also the interterritorial movement of food whould be stepped up depending on the location of the industrialized areas in relation to the food producing areas which ties in with cost of transport which mainly determines the price differentials between regions and sets some limit to the degree of specialization.