



Bean/Cowpea Collaborative Research Support Program – East Africa

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Informal Cross-Border Trade: The Case of Beans in Eastern and Southern Africa - Implications on Bean Seed Multiplication, Dissemination, Entrepreneurship and Quality

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SUMMARY

Agricultural commodities, especially those produced by small-scale farmers, dominate the informal cross-border trade that involves countries in the Eastern and Southern Africa (ESA) region. This brief report discusses the findings of the studies on informal trade in beans, and highlights the implications that the study findings have on bean seed multiplication, dissemination, entrepreneurship, and quality among countries in the ESA region.

The results indicate that Tanzania and Mozambique are the major informal bean exporters, while Malawi, Zambia, Uganda, Kenya, and DRC are the major importers of beans. In Tanzania, the major bean producing areas are Mbeya, Arusha, Kilimanjaro, and Kagera, while in Mozambique, beans are mainly produced in the Tete and Zambezia provinces.

While cross-border markets provide a niche market that can ensure income and food security to millions of small-scale bean producers in the region, it should be noted that unrestricted movement of bean varieties has implications on the quality of the varieties released by bean breeding and dissemination programs such as the Bean/Cowpea Collaborative Research Support Program. Therefore there is a need to ensure that such programs establish mechanisms to monitor the movement of bean varieties across borders in order to maintain the quality of the varieties being developed. In terms of impact monitoring, it is also important to collect both formal and informal trade statistics for beans in order to estimate the economic impact of beans at the household and national levels.

BACKGROUND TO INFORMAL CROSS BORDER TRADE STUDIES IN EASTERN AND SOUTHERN AFRICA

Beans¹ (*Phaseolus vulgaris* L.) in Africa in general, and Sub-Saharan Africa in particular, are basically a smallholder crop grown mostly for subsistence. Beans are by far the most important pulse crop in the region and in addition to production for home consumption, they are increasingly becoming an important cash-earning enterprise. In many countries of the region, pulses and especially beans, are increasingly becoming an important component of people's diets. This is mostly because many countries in the region are facing declining real incomes and escalating prices of alternative sources of protein such as beef and fish. Consequently, in most of these countries, the demand for pulses cannot adequately

¹ For purposes of these studies, the term 'beans' was used to refer to dry beans or field beans commonly grown and eaten in Eastern and Southern Africa.

be met through domestic production alone. Informal trade is therefore an important option for producers of pulses, including beans.

Thus, although the production of pulses has traditionally been for household consumption, pulses are becoming a major source of income for farming households in the region through both the domestic market and informal trading with neighboring countries. Informal trade in beans in the Eastern and Southern Africa (ESA) region is especially significant along the Kenya–Uganda border, Mozambique–Malawi border, and between Tanzania and all her neighbors (Ackello-Ogutu and Echessah, 1997; Minde and Nakhumwa, 1996; Bowen, 1998).

This paper presents a summary of the trends in bean trade in the region collected through studies of informal cross-border trade. These studies were commissioned by the USAID's Regional Economic Development Support Office for ESA (REDSO/ESA) and were co-ordinated by Technoserve Inc. based in Nairobi. The studies were conducted in Kenya, Tanzania, Malawi, Zambia, and Zimbabwe. Most of these studies were conducted between 1995 and 1998.

OBJECTIVES

The main objectives of the studies were to investigate and record the extent of informal cross-border trade in countries of Eastern and Southern Africa.

Specific objectives included:

- ✓ To provide estimates of the magnitude of unrecorded trade, highlighting the commodities traded and the patterns of trade;
- ✓ To provide an overall analysis of how informal traders overcome the constraints they face;
- ✓ To provide a comparative assessment of recorded and unrecorded trade volumes and values and the factors explaining the disparity;
- ✓ To assess the impact of informal cross-border trade on national and regional food security;
- ✓ To come up with information necessary for the formulation of trade policies.

METHODOLOGY

The study involved monitoring of frontier markets and informal routes and crossing points along the border regions in Malawi, Tanzania, Zambia, Mozambique, Kenya and Zimbabwe. Monitoring was done for 2 weeks per month for a period of 12 months. Trade volumes and values were obtained by aggregating the weekly trade volumes and values. For comparability, all the country studies adopted the same methodology.

SUMMARY OF FINDINGS IN RELATION TO BEANS

Based on trends of informal trade volumes monitored in 1995/96 and 1996/97, Tanzania and Mozambique were found to be the net exporters of beans in the region. In 1996/97, Tanzania informally exported 2143 metric tonnes of beans valued at USD 741,000 to Kenya; 24 metric tonnes valued at USD 8000 to Uganda; 327 metric tonnes valued at USD 117,000 to Malawi; 1108 metric tonnes valued at USD 1.12 million to Zambia and 4376 metric tonnes valued at about USD 2 million to DRC. During the same period Tanzania informally imported very small amounts of beans from Malawi, Uganda, and Mozambique, thus making it the largest net exporter of beans in the region.

The study findings also indicated that surplus beans produced in northern and central Mozambique were informally exported to neighboring Malawi and Tanzania rather

than to other parts of Mozambique. Due to transport problems, it was easier for traders to move beans to markets outside of northern and central Mozambique rather than to markets in southern Mozambique. According to the study findings, between December 1995 and November 1996, 857 metric tonnes of beans valued at USD 555,000 were informally exported to Malawi, compared to only 47 metric tonnes that Malawi informally exported to Mozambique.

Table 1. Trends in informal trade in beans between Tanzania and her neighbours^x.

Country	Exports		Imports	
	Volume (MT)	Value (USD '000)	Volume (MT)	Value (USD '000)
Uganda	24	8	2	1
Kenya	2143	741	2	1
DRC	4376	2008	-	-
Mozambique	-	-	-	-
Malawi	327	117	7	3
Zambia	1108	11200	-	-

^x Source: Ackello–Ogutu and Echessah, 1998

Table 2. Trends in informal trade in beans between Malawi and her neighbours^x.

Country	Exports		Imports	
	Volume (MT)	Value (USD '000)	Volume (MT)	Value (USD '000)
Mozambique	47	32	857	555
Zambia	162	115	-	-
Tanzania	-	-	286	209

^x Source: Minde and Nakhumwa, 1997

According to a study conducted by Odhiambo et. al. (1996) on comparative cost of production, Tanzania, Uganda, and Mozambique have a comparative advantage in the production of beans in the region. In Tanzania, the major bean producing areas are Mbeya, Arusha, Kilimanjaro, Kagera, Kigoma, and Mwanza, while in Mozambique, beans are mainly produced in the Tete and Zambezia provinces.

The amounts of beans that move informally between countries are well below formal trade figures for most countries in the region. However, given the high probability that these informal trade amounts are under-estimated due to the limited scope of monitoring, these results indicate that informal trade statistics for most agricultural commodities could far outweigh the formal trade figures (Ackello-Ogutu and Echessah, 1997; Minde and Nakhumwa, 1996).

IMPLICATIONS OF INFORMAL CROSS-BORDER TRADE ON THE BEAN/COWPEA CRSP PROJECT IN TANZANIA AND MALAWI

Informal cross-border trade has both positive and negative impacts on bean seed dissemination, quality, and entrepreneurship. Positive aspects include availability of markets, food security, and income. The role that pulses play in terms of income, employment, and food to producers can be substantial. Therefore, in addition to domestic markets, parallel markets should be encouraged in order to improve the benefits to small-scale farmers resulting from increased bean trade in the region. The extent to which beans are seen as profitable has obvious implications on the extent to which beans could be adopted in the region. Opportunities offered through cross-border markets should be explored as these markets provide an important outlet for

producers who may not have access to domestic markets due to poor infrastructure and internal marketing inefficiencies.

Negative aspects of informal cross-border trade include seed quality concerns. Monitoring movement of varieties becomes almost impossible if beans are increasingly traded through informal channels. However, to maintain seed quality and to estimate the economic impact of beans to both households and nations, the B/C CRSP should endeavour to establish a monitoring mechanism to capture both formal and informal bean trade statistics on a continuous basis. The scope of monitoring should include all of the major bean producing countries in the region such as Mozambique and Tanzania. Border monitoring of bean trade should also focus on the movement of varieties produced by the project.

FACTORS THAT ENCOURAGE INFORMAL CROSS-BORDER TRADE

Informal cross-border trade thrives due to a number of factors including: the tendency for traders to evade high export taxes and import duties; bureaucratic licensing; registration requirements; and market failures as a result of poor policies adopted by countries and poor road infrastructure. This final factor can result in poor access to domestic markets as in the case in northern and central Mozambique where farmers find it easier to market across the borders to Malawi rather than to southern Mozambique. In some cases, farmers do actually respond to, or take advantage of existing market niches abroad, i.e., wider price differentials among countries.

It is increasingly difficult for countries to thwart informal cross-border trade if the problems highlighted above are not addressed. Harmonization of policies and bureaucratic trade arrangements among the countries across the ESA region could have tremendous impact in attracting informal trade to formal channels, thereby minimizing revenue losses, traders' transaction costs, and incidences of violations of phytosanitary requirements.

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