

On the third of November of this year, Kenya and the UK inked a landmark post Brexit trade deal. This was to a degree to the chagrin of the rest of the EAC (East African community) as Kenya was seen as 'going it alone', however this agreement does pave the way for the rest of the EAC bloc to join and or ink its own deal/s.

The UK represents a very important export market for the EAC albeit with specific focus on Kenya. To put this into perspective it is the 4th largest export market for Kenya, but only the 11th largest for Uganda (the next largest exporter to the UK from the EAC bloc). The majority of Kenya's exports to the UK consist of Tea, coffee, spices, fresh vegetables and cut flowers. Kenya features heavily on the global trade of tea, with its produce claiming over 25% of the globally traded market share of the commodity. Tea is a truly British infatuation, and therefore it is no surprise to see a UK trade deal with Kenya being put together as one of the first on the African continent. The people of Britain have just about managed to put up with the wider implications of leaving the EU, but Brexit upsetting the tea supply chain would undoubtedly induce chaos on a truly national level.

What does Brexit mean from a wider commodities perspective and for the rest of the EAC, and specifically with focus on Sugar which is what we specialise in. How could we see a wider EAC deal affect the way the sugar flows into the UK from the region? Long has sugar from Southern Africa, from countries such as Eswatini, Zambia and Malawi to name a few, flowed into the UK, but not for many years have we seen sugar from the EAC flow anywhere towards the UK and the wider EU region for that matter. But an EAC wide UK deal may just make the difference. Who would be the sugar benefactor from this said deal be however? The answer lies in the only surplus producer of sugar in the region, and that is Uganda.

With the way that the UK must now buy products like sugar it starts to open the doors to origins such as Uganda. Higher prices may be able to be paid going forward, which will aid the flow of sugar from Uganda to the UK. This also coincides with the need for Uganda to find homes for its surplus sugar in preferential markets. Kenya makes the most sense, but politically the flows to Kenya are not always reliable, so a reliable dependable flow to the UK could be just what Uganda needs. The UK's need aligning nicely with that of Uganda, just when they both require each other.

Fresh vegetables have always been a contentious product to the EU over the years due to incredibly difficult import standards, however sugar does not really have this problem. Vegetable production is often small scale and once the product is grown it is in essence the finished product. It is thus hard for the small-scale farmer to control quality. Sugar production does not face this problem. Whilst sugar cane cultivation maybe and often is, on a small scale, even a modest modern sugar factory, where that sugarcane must be processed costs anywhere in the region of 150-300 million dollars to build. This means that from a factory such as this, be it in Brazil or Uganda you get a fairly generic and homogenised product that easily meets the strict EU/UK import standards and requirements. Sugar is therefore a product that lends its sell very nicely to the new trading environment that the UK will soon find itself in.

The EAC, and especially Kenya and Uganda have many historical links to the UK and therefore find it relatively easy to do business together. As challenging as Brexit may have been and remains to be, the future holds an exciting new chapter for the UK-EAC commodities trade going forward over the coming decade.

Nick Kwolek - KwoiCo

Nick Kwolek is the founder of KwoiCo, the African Agriculture Consultants. KwoiCo is an Agri trade consultancy, research and brokerage business that was founded in Nairobi, Kenya in 2018. Prior to starting KwoiCo, Nick spent his career trading sugar across the African continent for several of the major commodity trade houses.

Nick is very passionate about the African continent and sees the massive current, and future potential that it has. KwoiCo was borne to cater to the need for the wider commodities industry, to help it better understand the fastest growing, but most opaque region on the globe. Nick, when not in the office or his warehouse can usually be found roaming the plains of Africa with his family, in his trusty Landrover Defender.

