



**STRENGTHENING INSTITUTIONS
FOR RISK MANAGEMENT OF
TRANSBOUNDARY ANIMAL
DISEASES (TADs) IN THE
SOUTHERN AFRICAN
DEVELOPMENT COMMUNITY
(SADC) REGION**





Regional and International Trade in Livestock Products, a Candid Assessment of Global Trends



CURRENT EXPORTERS AND DRIVERS FOR EXPORT

- CURRENT EXPORTING COUNTRIES OF LIVESTOCK AND LIVESTOCK PRODUCTS FROM THE SADC REGION
 1. Botswana
 2. Namibia
 3. Swaziland
 4. South Africa
- Destination: Mostly Europe, Angola, South Africa
- Enablers: good veterinary services, EPAs (preferential terms (esp. to Europe))





GETTING CANDID ON LIVESTOCK (BEEF) EXPORTS

- Europe keeps introducing ever more strident requirements to meet criteria for export to that market
- Global Competitiveness of SADC exporting countries to Europe is low
- Removal of preferential treatment for SADC exporting countries will prove disastrous
- Even Brazil is divesting to non European markets
- Argentina: pasture improvement programme to enhance competitiveness is now complete (meaning more competition from that source) for the Europeans market)
- Australia: pasture improvement programme in the world's second largest exporter of beef to enhance competitiveness is now also complete, but strong A\$ means exports to Japan/USA no longer competitive. Instead has switched to Russia



IMPORTANT 2012 PROJECTIONS

- **MAJOR EXPORTERS:**
 - India: Even though non-meat consuming country India is projected to be third largest exporter of beef in 2012, fuelled by domestic dairy demand
 - Brazil: Govt financed herd rebuilding +pasture improvement in the world's largest beef exporter will result in increased herd size but local consumption will also increase in 2012 maintaining exports at almost same level
 - USA: decrease of 5% in cattle inventories expected in 2012
 - Argentina: exports will increase by 4% this year





IMPORTANT 2012 PROJECTIONS

- MAJOR IMPORTERS:
 - Russia, Middle East and North Africa: meat consumption rising. New high import markets
 - Europe: too many conditions plus meat consumption not growing
 - USA: even though major exporter also second largest importer. This year imports will decline though
 - Intra-SADC: Due to economic and consequent growth of middle class modest growth in meat consumption



MEDIUM TO LONG TERM PROSPECTS OF THE BEEF TRADE

- Growing competition from other parts of the world combine with ever-increasing standards will act as barriers to entry to markets
- Requirements for "disease freedom" in particular constrain options dramatically in regions such as SADC where diseases such as FMD are endemic
- Price competitiveness of Indian exports to emerging markets and Brazil's (and Australia's) targeting of emerging markets will further reduce SADC MS ability to penetrate such markets





WHAT ARE THE ALTERNATIVES TO TRADITIONAL USA/EUROPEAN MARKETS

- **Russia:** now world' s largest importer of beef
- **Middle East:** (Saudi Arabia, Isreal, Jordan, Kuwait, UAE) **small stock especially preferable**
- **North Africa:** (Egypt huge increase in meat consumption expected, Algeria)
- **China:** (mostly Pork consumption is significant)
- **South east Asian markets:** (Vietnam, Malaysia, Singapore, Philippines) **new markets**
- **Intra SADC/COMESA region:** expected to grow



ARE THE ALTERNATIVE MARKETS STILL THERE?

- **Other exporters have not been “sleeping”:**
 1. India – third largest exporter targeting ME and Russia
 2. Brazil- world's largest exporter now diversifying to include emerging markets
 3. Australia- second largest exporter coming out of pasture improvement process and targeting new markets
 4. Argentina
- **All above are more competitive than SADC exporters**
- **They also have far larger numbers of livestock to meet the required of huge importers e.g. pork consumption in China**





WHAT ABOUT REALISM AND PRAGMATISM

- **China:** is served by South America/Australia/USA
- **Russia:** is served by India USA/South America/Australia
- **Europe:** is served by South America/USA etc but very competitive
- **ME and SEA:** huge markets but already targeted by major exporters
- **Japan:** served by Australia mostly
- **Our (SADC and COMESA)** markets probably offer the ONLY real long-term prospects for export



INTERNATIONAL vs REGIONAL TRADE IN LIVESTOCK

- Past and current research has shown that:
 - Trading livestock and livestock products domestically and regionally, rather than globally, offers the best route out of poverty for southern Africa (STEPS centre research in Botswana, Namibia, South Africa and Zimbabwe)
 - Concentrating on growing domestic and regional markets offers the greatest opportunities
 - A commodity-based trade approach makes sense as a route to safe trade





2010 ECONOMIC PERFORMANCE OF SADC ECONOMICS

	GDP in US\$ b	GDPUS\$ per capital	Real GDP Growth rate	Annual Inflation Rate
Ang	85.81	4,812	1.60%	14.5%
Bot	14.87	8,085	7.20%	7.0%
DRC	72.20	291	7.20%	17.2%
Les	2.10	1,112	2.00%	3.6%
Mad	8.36	392	-2.0%	9.00%
Mal	5.78	362	6.70%	7.4%
Mau	9.71	7,581	4.30%	2.9%
Moz	9.48	423	8.10%	12.4%
Nam	11.87	5,537	4.40%	4.5%
Sey	0.94	10,818	0.90%	-2.4%
RSA	357.26	7,146	2.80%	4.3%
Swa	3.28	3,113	1.10%	4.5%
Tan	22.92	546	6.80%	5.5%
Zam	16.10	1232	8.20%	8.5%
Zim	7.48	555	8.10%	3.1%



A LOOK AT MS COMPARATIVE ADVANTAGE

A comparative advantage is 'revealed' in a particular product group if its share in the country's export basket is larger than the product's share of world trade, that is, if the Revealed Comparative Advantage (RCA) index takes a value greater than 1.

RCA indices, when analyzed across countries in a regional bloc such as SADC, can provide useful information about trade prospects within the RTB. Countries with similar RCA profiles will generally exhibit **low** trade intensity indices (TII).

Countries with higher RCA profiles have **high** potential for TII.





A LOOK AT MS COMPARATIVE ADVANTAGE

Several SADC economies share comparative advantages in the same agricultural products, namely livestock and meat. The implications of this are that Intra-SADC trade in these products is less likely to happen between countries with similar comparative advantage.

Tables in next slide shows SADC countries' comparative advantages in relation to livestock and livestock products.



A LOOK AT MS COMPARATIVE ADVANTAGE

RCA'S IN LIVESTOCK PRODUCTS IN SADC

Description	Bot	Mad	Mal	Mau	Moz	Nam	SA	Swa	Zam	Zim
Live bovine, Shoats	88.88	0.45	0	2.08	0.27	751.57	21.84	5.05	0.96	3.83
Other livestock and meat (chilled and unchilled)	1655.09	2.05	0.25	2.67	0.24	385.66	43.71	19.61	42.69	33.98
Dairy products and eggs	0.01	0.01	0	0.02	0	0.04	0.15	0.1	0.45	0.31
Fish and Fish preparations	0.01	3.14	2.25	0.25	0.25	9.3	1.1	0.02	0.03	0.03

*RCA values > 1 are desired

Trade complementarity in AGRICULTURAL products in SADC in 2007

IMPORTING COUNTRY	EXPORTING COUNTRY									
	Country	Bot	Mad	Mal	Mau	Moz	Nam	SA	Swa	Zam
Bot			26.52	38.98	18.23	37.78	24.73	51.97	26.49	57.13
Mad	17.74			28.78	35.61	40.26	25.32	32.31	21.33	51.90
Mal	11.25	28.75			8.71	34.62	10.90	23.11	11.37	62.43
Mau	20.94	12.54	30.53			49.37	52.51	43.13	17.78	45.72
Moz	13.20	7.87	25.59	13.29			18.02	48.84	14.36	48.68
Nam	26.89	39.98	38.97	35.41	54.43			53.52	39.81	61.30
SA	26.32	19.12	36.62	16.18	29.46	35.77			21.43	51.19
Swa	24.22	17.16	32.84	17.00	32.63	27.71	42.38			55.70
Zam	16.81	14.15	30.24	15.36	30.32	20.02	36.50	19.65		
Zim	12.48	21.83	38.60	9.23	33.48	13.32	23.45	12.18	59.67	

*Higher values are indicative of a high potential for trade between the countries

#Ang, Tan, DRC missing from analysis

& Table refers to overall Agriculture complementarity not livestock alone





A LOOK AT MS COMPARATIVE ADVANTAGE cont.

- Who does what best
 - Cattle: Bot, Nam, SA, Swa, Zim
 - Small ruminants: Tz, Zam, Les, Nam, SA, Zim
 - Poultry: SA, Zim, Zam?
 - Pork production: SA?
 - Wildlife: SA, Bot, Nam, Zim, Tan, Zim
- Main risk factor affecting trade in Livestock and livestock products: TADs



TIME TO LOOK AT MS COMPETITIVENESS CONT

- The trade intensity index (TII) is a measure of the proportion of a country's trade that is oriented to the bloc (SADC) relative to the rest of the world, (a useful tool in judging the effectiveness of RTAs).
- A value >1 implies a regional bias i.e. SADC countries trade disproportionately more with each other than with the rest of the world
- Low values indicate smaller INTRA-REGIONAL trade flow and a lack of regional orientation of member countries' exports
- Thus changes in the index over time show whether the economies in the region are becoming more or less **integrated** in their trade relations
- Its worth noting that trade intensity in **agricultural** goods in SADC has increased in recent years, although not in a continuous and smooth manner.





TIME TO LOOK AT MS COMPETITIVENESS CONT.

In general agriculture trade intensity in the SADC is rather low, typically lower than 33.3 percent, which means that, on average, SADC countries export 3 times more to the rest of the world than to the region itself.

This finding is significant: it provides concrete evidence that **SADC has not yet achieved the level of trade integration that is desired for its ambitious plan to graduate to a customs union by 2012**. However, the result also represents an opportunity.

This means it has the potential to expand intra-regional agriculture trade by 66.7%!!!!

Good point is that on average SADC countries export 3 times more agricultural products to the world than to themselves.



SOME ECONOMICS FACTS

- Regional prices for beef in Angola and Zambia are very competitive
- South Africa is the most important source of imports for most of the other SADC countries
- Due to competitive advantage, Botswana, Namibia, Swaziland, South Africa and Zimbabwe have a large incentive to shift resources towards animal agriculture under the FTA.
- Botswana, Namibia, Swaziland, South Africa, Tanzania, Zambia and Zimbabwe can also exploit game/wildlife resources for export
- With regard to EPAs effect: the largest expansions in SADC economies take place in the animal agriculture and processed food sectors





PROBLEM WITHIN SADC

Lack of **RELIABLE AND CURRENT** trade data. This is a major handicap throughout the SADC region



SO WHAT' S TO BE DONE?

- Recognition that days of exports to European Market are unlike “diamonds”
- Diversifying to other markets will ensure survival of exporting countries
- First target should regional markets because:
 - Economics hence middle class is growing
 - Prices are becoming competitive
 - Transport and transaction costs are/likely to get cheaper
- Some countries (Botswana) already embarked on this





ACKNOWLEDGEMENTS/ REFERENCES

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