

Commodity Based Trade

**Economic implications for the
Caprivi region in Namibia**

STDF Working Group Meeting
21 October 2011



Commodity Based Trade (CBT)

OIE standards prevent the spread of diseases across the globe

Traditional focus on the recognition of disease-free status

Disease-free zones and disease-free compartments

CBT: different commodities present different levels of risks

Progressively applied in the *TAHC* on a disease by disease basis

Import of fresh beef from a country infected with FMD (Art. 8.5.25)

- Official control programme for FMD with compulsory systematic vaccination
- Animals vaccinated at least twice
- Past 30 days with no FMD outbreak within a 10 km radius
- Deboning and deglanding of the carcass
- Maturation of the carcass for at least 24 hours (pH below 6)

Constraints to wider acceptance

Reluctance to trade in commodities from infected countries

Still uncertainties (Paton et al., 2009) > Further research

The *Code* should be read, used and applied in its entire context to assist decision-making

Importing countries can be reluctant to trust certification

CBT is not an alternative to good veterinary governance

Aim of the study

Translate the CBT concept into practice for one specific product (deboned beef) from a specific region of the developing world in which substantive trading opportunities with specific trading partners have been identified.

- What benefits from new market access opportunities?
- What additional costs incurred by the different stakeholders?
- Are these costs justified?
- How might CBT change the pattern of beef export from the Caprivi region?

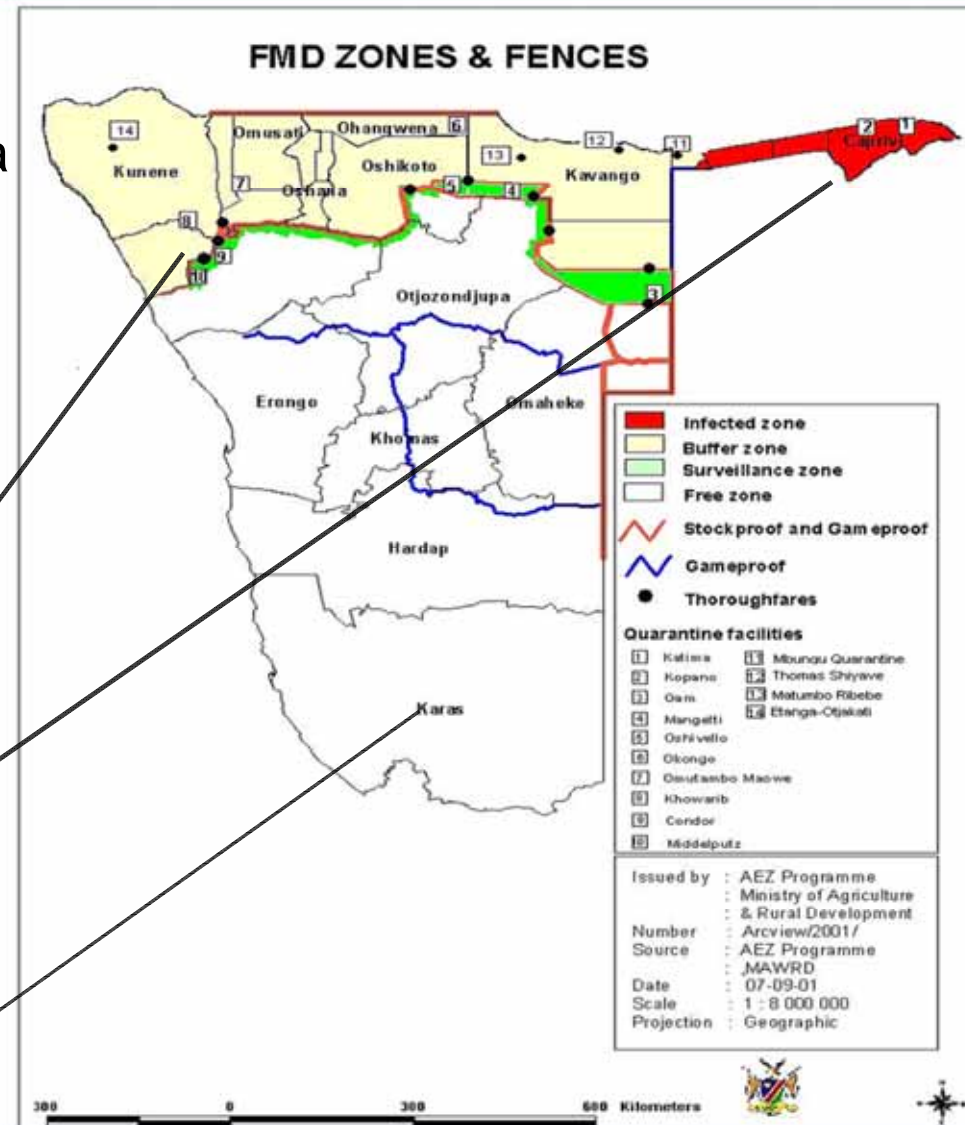
Rationale for the Caprivi region

- Beef industry is strategic for Namibia
- FMD status and zoning
- In the middle of KAZA-TFCA

Communal areas
150,000 HH (55% with cattle)
1.1 mln cattle (increasing)
Off-take rate: 2%

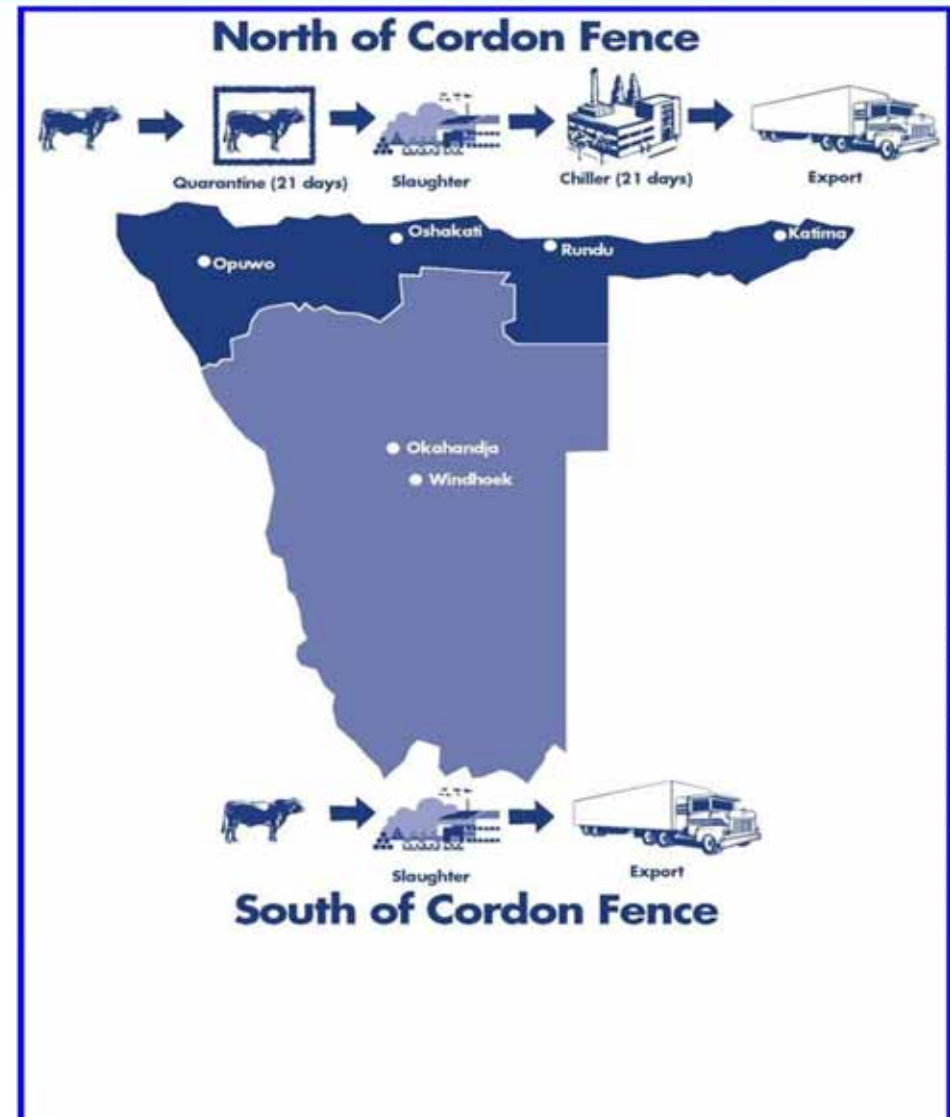
Communal areas
12,000 HH (75% with cattle)
150,000 cattle (increasing)
Off-take rate: 4%

Commercial sector
4,000 farmers
1 mln cattle (declining)
Off-take rate: 20 – 25%



Rationale for the Caprivi region

- Beef industry is strategic for Namibia
- FMD status and zoning
- In the middle of KAZA-TFCA
- Risk mitigation measures in place
- Approved CA and residues plan
- Traceability (FANMEAT)
- On going MCA funded project on CBT



Who we are



D. Naziri - B. Bennett

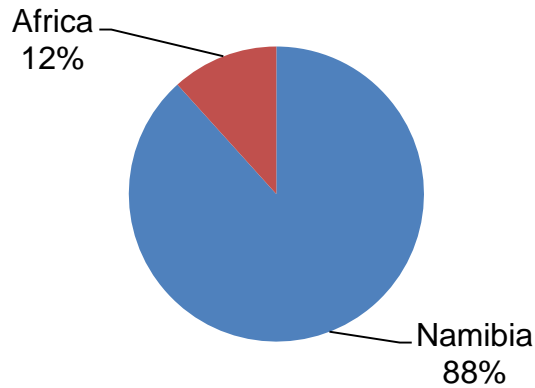


K. Rich (Norwegian School of Veterinary Science;
Norwegian Institute of International Affairs)

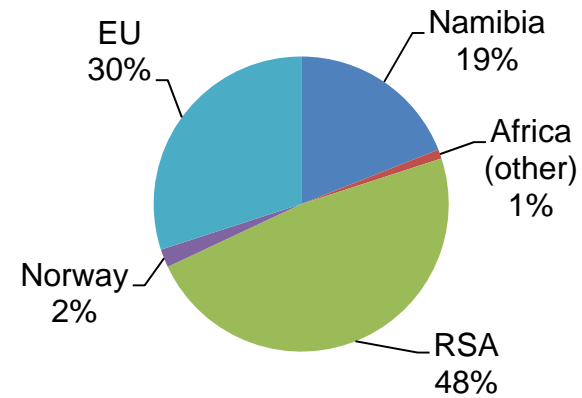


Expected benefits

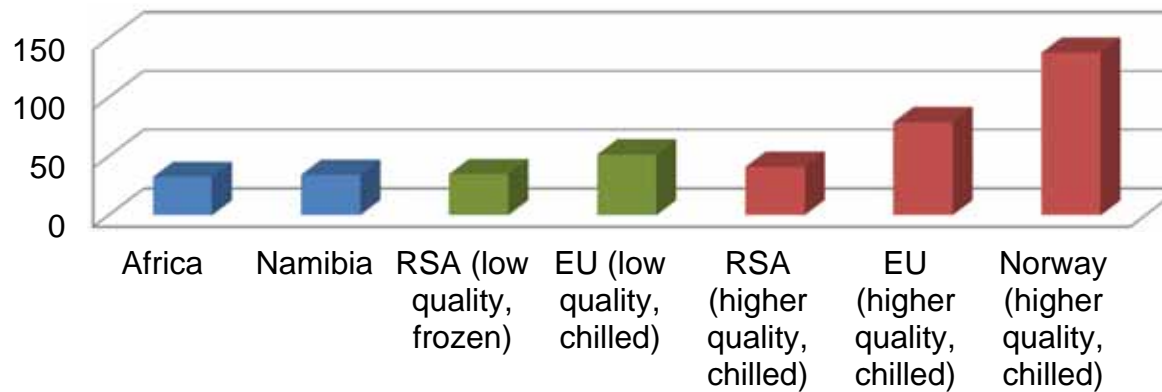
Caprivi - Destination markets (% volume)



SVF - Destination markets (% volume)



Price comparison for striploin (N\$/Kg)



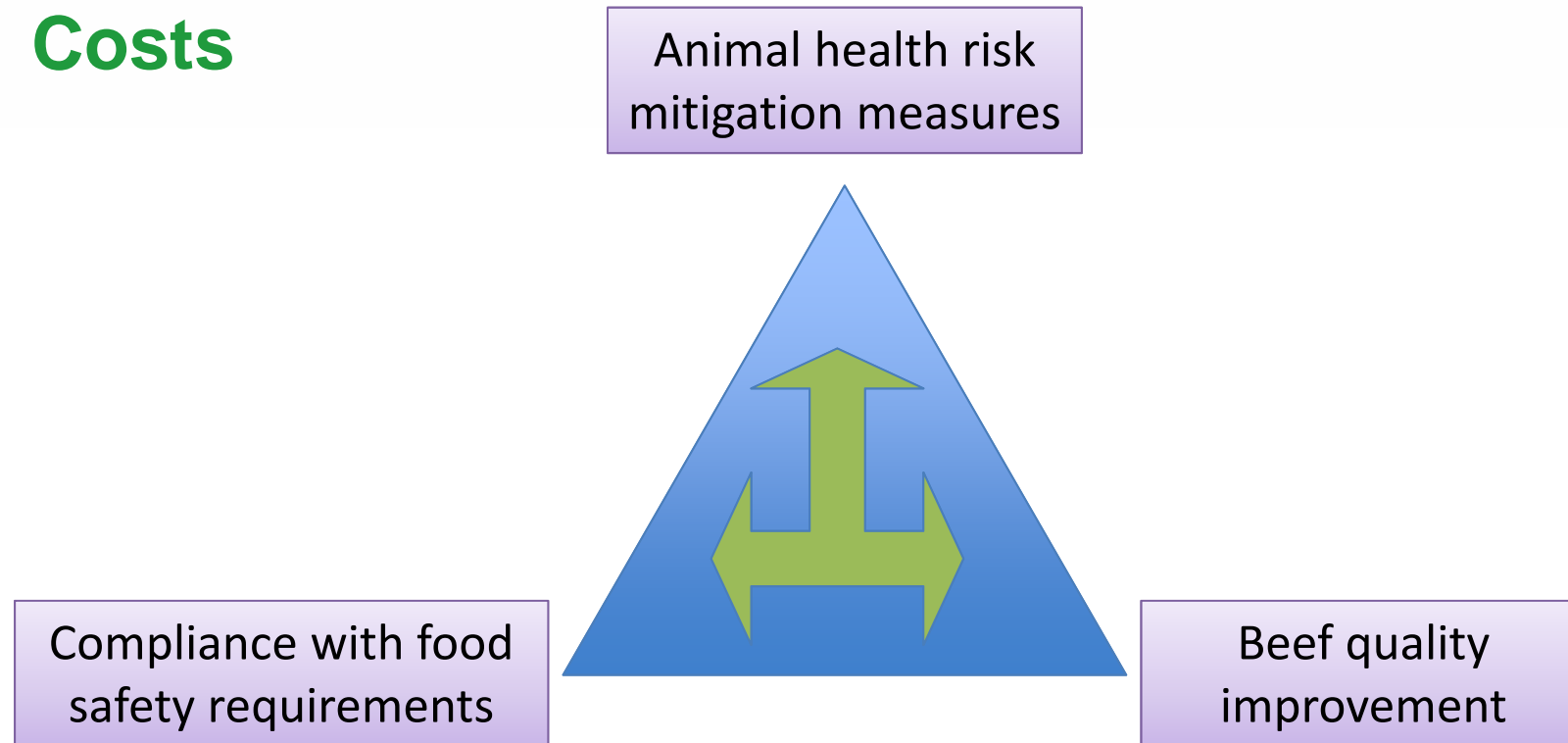
Expected benefits

- Trade diversion to more lucrative markets
- Increase the throughput of the abattoir
- Higher price paid to producers and decrease in cross-subsidization

Other benefits and spill-over effects (not included in analysis)

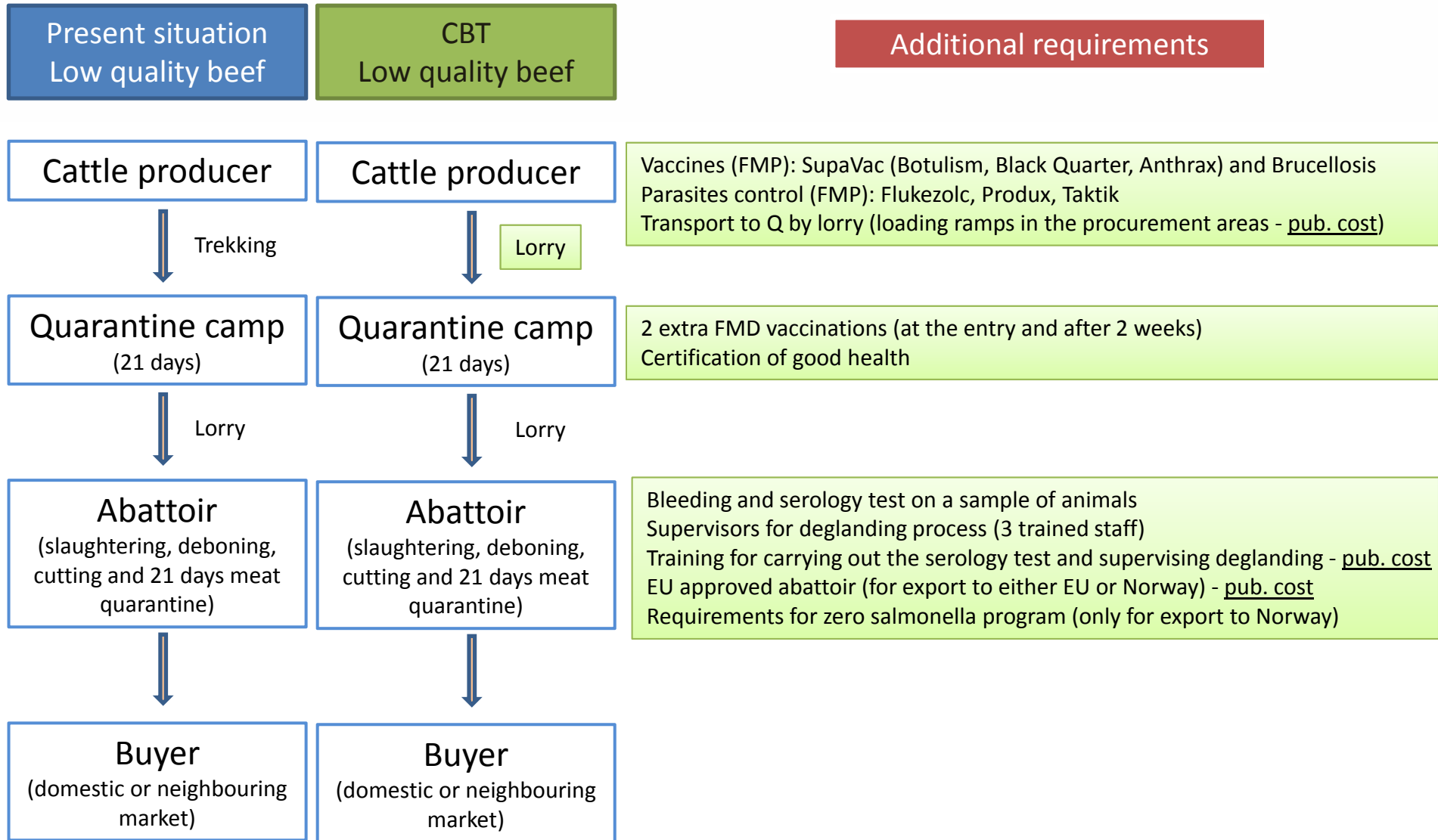
- Possibility of value addition
- Employment creation
- Decrease in cattle population and pressure on natural resources
- Increased tax earnings
- Enhanced compatibility wildlife conservation and ecotourism policies

Costs



Some costs are products and/or markets specific

Who incurs these additional costs? Private and public sector



CBT
Higher quality beef

Steer producer
(18 months old,
entry mass 250 kg)

↓ Lorry

**Combined
Feedlot /Quarantine
facility**
(standing period 4 months)

↓ Lorry

Abattoir
(slaughtering, deboning, cutting
and 21 days meat quarantine)

↓

Buyer
(domestic or international
market)

Additional requirements

New Milk formula (for calves)
One year supplementary feed (winter licks, eco-licks, P12 mixed with salt)
Vaccines (FMP): SupaVac (Botulism, Black Quarter, Anthrax) and Brucellosis
Parasites control (FMP): Flukezolc, Produx, Taktik
Transport to Feedlot/Q by lorry (loading ramps in the procurement areas - pub. cost)

2 extra FMD vaccinations (at the entry and after 2 weeks)
Certification of good health
Animal procurement and feed
Infrastructure (capacity 800 cattle for 2400 cattle/year): pens, loading ramps, troughs, shed
Equipment: computer and scale
Labour: 1 manager, 20 workers (labour intensive)

Bleeding and serology test on a sample of animals
Supervisors for deglandng process (3 trained staff)
Training for carrying out the serology test and supervising deglandng - pub. cost
EU approved abattoir (for export to either EU or Norway) - pub. cost
Requirements for zero salmonella program (only for export to Norway)

System Dynamics model: why?

Simulation technique to analyze the behavior of complex systems over time

It can compute the evolution of costs and benefits from each step of the process

It allows to understand the feasibility of SPS compliance and identify other constraints for competitive meat exports

It allows to easily conduct sensitivity and scenario analysis

It is a powerful tool to deal with the problem of uncertainty (no change in current FMD management system foreseeable in the short to medium term)

Thank you



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