MINISTERIAL POLICY BRIEF SERIES Number 1 – May 2009

Targeting Markets for African Livestock Commodities

Livestock play a critical role in the livelihoods of rural people in Africa. An estimated 200 million people in sub-Saharan Africa (SSA) keep livestock and many of the urban and peri-urban poor also benefit from livestock. Of the estimated 300 million poor people who live on less than US$1.0 per day in SSA, half of them are highly dependent on livestock for their livelihoods. The potential of the livestock sector to ensure food security and reduce poverty is therefore enormous. However, improvements in the productivity of livestock and greater access to markets for livestock and livestock commodities are essential for exploiting this potential.

There are abundant resources and technologies available for increasing the productivity of livestock. There are also enormous opportunities in domestic and international markets for selling livestock and livestock commodities, provided certain technical requirements are met and the appropriate markets are properly targeted. If African livestock producers, particularly the smallholders, are to be food secure and less poor, governments must provide an appropriate policy environment for removing production and market constraints and facilitating access to lucrative, high-price, high-value markets for livestock and livestock commodities. Policies need to be developed to enable smallholder livestock producers to access international markets and take advantage of the so-called "livestock revolution".

Trade in livestock and livestock commodities

African trade in livestock and livestock commodities is currently far below what is required to support the level of economic development needed on the continent. Based on annual averages for the period 2000 to 2006, Africa produces 11.9 million tonnes of meat and 31.0 million tonnes of dairy products (milk equivalent) annually (FAOSTAT, various years) but consumes 12.8 million tonnes and 36.4 million tonnes respectively.

About 0.9 million tonnes of meat and 5.3 million tonnes of dairy products are imported annually to meet the deficit in consumption. Seven percent of the total meat consumed is imported while 15 % of dairy products consumed are imported. Of the total meat and dairy products produced, only 0.8% and 1.0% are exported respectively. Africa accounts for 2.0% only of world trade in meat and 3.8% of world trade in dairy products!

FACT SHEET: LIVESTOCK COMMODITY TRADE

Africa accounts for 4.7% (11.9 m t) of global meat production and 5.0% (31.0 m t) of global dairy production

Africa consumes 12.8 m t of meat and 36.4 m t of dairy products a year

0.9 m t of meat and 5.7m t of dairy products are imported annually to fill the deficit

Only 0.8% of meat and 1.0% of dairy products produced in Africa are exported

Africa accounts for only 2.0% and 3.8% of global trade in meat and dairy products respectively

Imports of meat into Africa have almost doubled while imports of dairy products have risen by one third since 2000

Exports of meat and diary products have declined since 2000

Africa earned less than US$1.0 billion from exports of meat, dairy products and live animals in 2006. Live animal exports accounted for more than half of the revenues

Africa spent US$4.5 billion to import meat, dairy products and live animals

Africa incurred a deficit of US$3.6 billion in foreign exchange on these imports

This deficit is equivalent to 0.5% of sub-Saharan Africa's GDP

Table 1. Trade in meat, dairy products and live animals in Africa, 2000 – 2006.

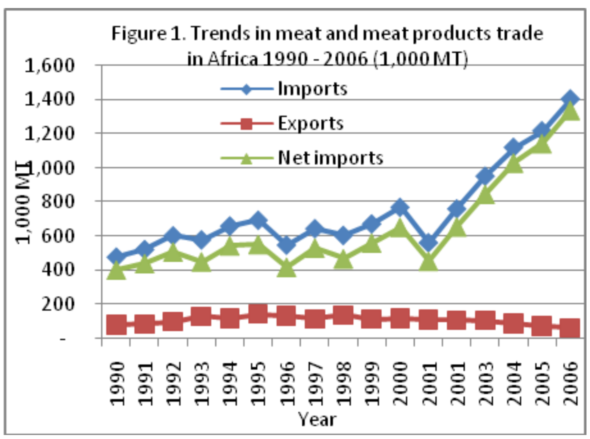
Product	Imports		Exports		Net imports (Deficit)	
	2000	2006	2000	2006	2000	2006
Quantity (000 tonnes)						
Meat	771	1,403	118	63	652	1,341
Dairy products[1]	4,875	6,380	357	347	4,518	6,032
Cattle (000 head)	1,011	911	902	996	109	-85
Shoats[2] (000 head)	2,536	2,305	6,074	5,079	-3,538	-2,774
Value (million US$)						
Meat	776	1,696	224	210	551	1,485
Dairy products	1,408	2,415	100	231	1,308	2,184
Cattle and shoats	522	391	450	458	73	-67
Total value	**2,706**	**4,502**	**774**	**899**	**1,932**	**3,603**

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009.

[1] In milk equivalent
[2] Sheep and Goats

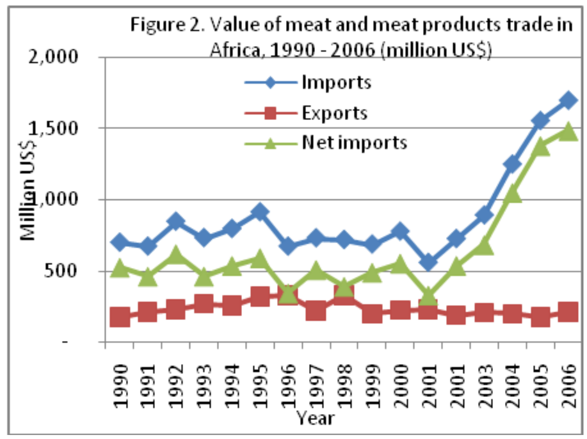
Judging from the deficit in consumption, there appears to be a largely unsatisfied market for meat and dairy products in Africa. These are markets where the sanitary and phyto-sanitary (SPS) requirements are not as stringent as is the case with markets in developed countries[3]. Evidence of an unsatisfied domestic market in Africa is available from the large quantities of livestock and livestock commodities that African countries import annually and the amount of money spent on these commodities.

In 2006 for example, Africa imported 1.4 million tonnes of meat at a cost of US$1.7 billion but exported 63,000 tonnes at a value of US$210 million (Table 1); leaving the continent with a deficit of US$1.5 billion. Imports of meat have been rising at about 10% per year since 1990; the most significant increase occurring after 2001 (Figure 1). Exports rose marginally until 1998 but declined thereafter while the deficit (net imports) more than quadrupled between 2001 and 2006 (Figure 2).



Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

Apart from Botswana and Namibia that have benefited from the ACP-EC (African, Caribbean and Pacific – European Commission) Partnership Agreement (Cotonou Agreement) to export small quantities of beef to the European Union (EU) market,[4] the other exports of livestock and livestock commodities have been to African and Middle East countries. The major exporters of meat are Botwsana, Ethiopia, Namibia and Republic of South Africa. Together, these four countries account for 75% of total exports. Namibia, Somalia and Sudan jointly account for 68% of total exports of sheep and goats while Burkina Faso, Chad, Ethiopia, Niger and Somalia together account for over two thirds of the total cattle exports. Most of the exports from Burkina Faso, Chad and Niger are to coastal West and Central African countries while most of the exports from Ethiopia and Somalia are to other East African countries and the Middle East.



Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

Regarding dairy products (milk equivalent), Africa spent US$2.4 billion to import 6.4 million tonnes but earned US$231 million only from exports of 347,000 tonnes (Table 1). Imports of dairy products declined from 1990 to 1996 but increased thereafter (Figure 3). In general, imports of dairy products increased by 3% per year between 1990 and 2006. The deficit (net imports) in dairy products remained relatively stable from 1990 but rose sharply from US$1.4 billion in 2001 to US$2.2 billion in 2006 (Figure 4).

Due to the stringent requirements for exports of meat and dairy products from Africa to the markets of developed countries, African countries are restricted to trade more in live animals rather than livestock commodities. This has given Africa the

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[3] High SPS standards are equally applicable to African countries. However, African countries do not constantly upgrade these standards as some EU countries do, to levels above those prescribed in the OIE Terrestrial Animal Health Code and by *Codex Alimentarius Commission*.

[4] Under the ACP-EC Partnership Agreement signed in Cotonou, certain ACP countries were allowed precisely determined quantities of beef to access European markets on a preferential basis. Botswana and Namibia benefited immensely from this preferential treatment until December 2007. The coming into force of the Economic Partnership Agreements in July 2008 eliminated the erstwhile preferences, leaving African countries to compete on equal footing with other beef producing countries.

advantage to become a net exporter of live animals. In 2006 for example, Africa exported 5.1 million head of sheep and goats (shoats) and close to one million head of cattle, valued at US$458 million (Table 1). Exports of cattle dropped from 951,000 head in 1995 to 902,000 in 2000 but rose to about one million head in 2006 (Figure 5). During the same period, exports of shoats increased from 5.6 million

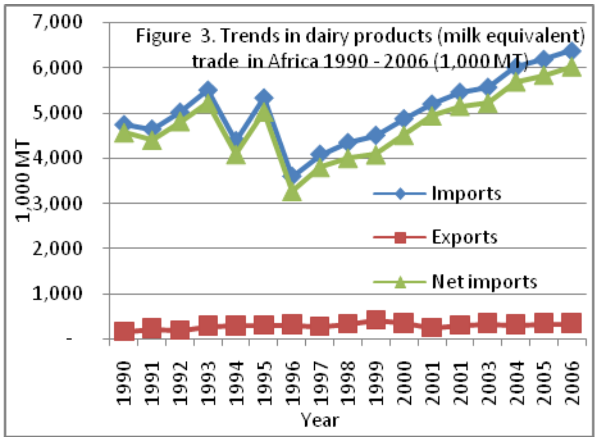

Figure 3. Trends in dairy products (milk equivalent) trade in Africa 1990 - 2006 (1,000 MT)

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

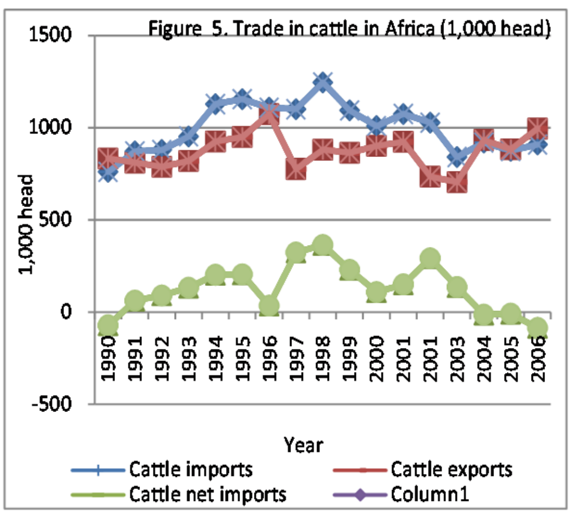

Figure 5. Trade in cattle in Africa (1,000 head)

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

Although revenues earned from live animal exports account for more than half of the total revenues, a significant portion of this money is spent to import the same, leaving Africa with a net income of US$67 million only from live animal exports. As a net importer of livestock and livestock commodities,

head to 6.1 million head but dropped to 5.1 million head (Figure 6). As shown in Figure 7, the value of cattle imports rose from US$286 million in 1990 to US$604 million in 1994 but declined steadily to US$302 million in 2006. The value of sheep and goat imports dropped by about half from 1997 to 2006 (Figure 8).

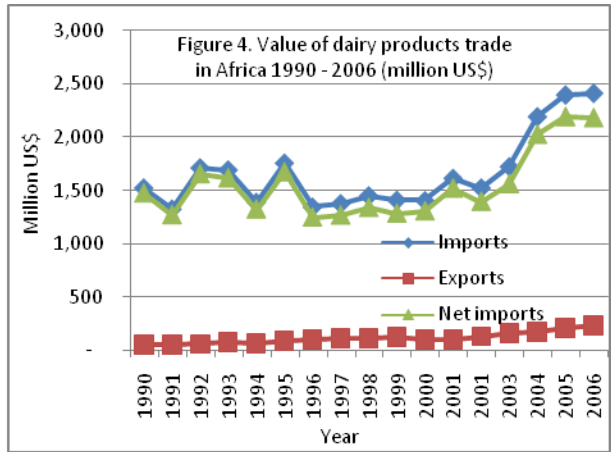

Figure 4. Value of dairy products trade in Africa 1990 - 2006 (million US$)

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

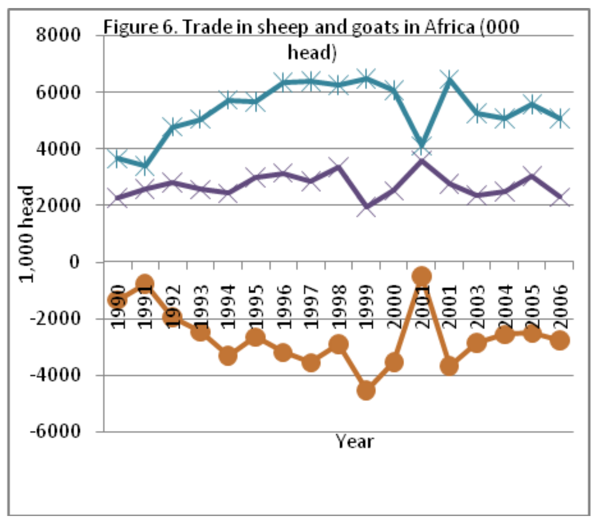

Figure 6. Trade in sheep and goats in Africa (000 head)

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

Africa spends US$3.6 billion a year in order to meet the deficit in consumption of meat and dairy products. This deficit represents 0.5% of sub-Saharan Africa's GDP and constitutes a valuable foreign exchange loss that would otherwise be used for other developmental purposes.

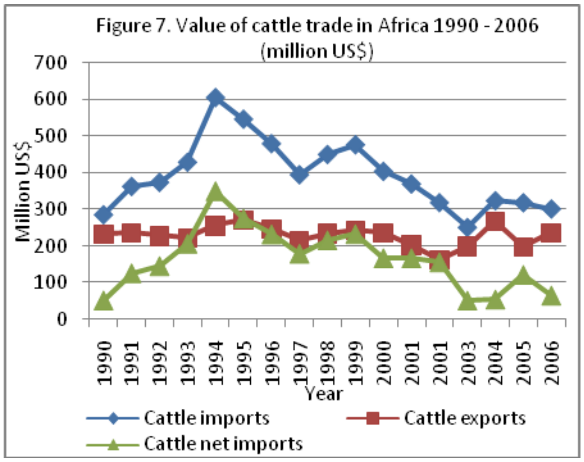

Figure 7. Value of cattle trade in Africa 1990 - 2006 (million US$)

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

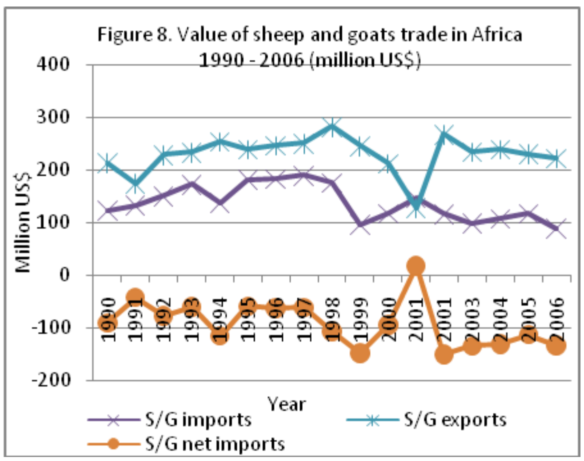

Figure 8. Value of sheep and goats trade in Africa 1990 - 2006 (million US$)

Source: Authors' computations from FAOSTAT – FAO Statistics Division, May 2009

Why is Africa a net importer of livestock and livestock commodities?

International trade in high-value livestock commodities has expanded enormously in the last decade, spurred by rising human population; increasing consumer incomes and rising standards of living; changing consumer tastes and preferences; advances in production, transportation, information and communication technologies; and growth of integrated international supply-chains. These provide opportunities for African livestock producers to target particular market segments for their commodities. Unfortunately however, and except for a few, many African countries have not been able to take advantage of these opportunities. Africa has therefore remained a net importer of livestock commodities mainly because it is unable to increase exports in volumes large enough to off-set imports.

A significant amount of literature exists on the reasons why Africa remains a net importer of livestock commodities, in spite of the market opportunities and abundant animal resources available on the continent. The reasons are many and complex but can be summarized to include the following:

- Low productivity of African livestock production systems and inability of smallholder producers to address a host of technical, physical and financial constraints that impinge on productivity.
- High incidence of trans-boundary animal diseases (TADs) and inability to effectively control/eradicate them. For example, 12 of the 15 OIE List A diseases are enzootic to sub-Saharan Africa, and many occur naturally nowhere else.
- Inability to fully meet international market standards, notably the sanitary and phyto-sanitary (SPS) requirements due to: (i) inadequate technical skills and the high cost of compliance with technical and SPS requirements; (ii) imposition of stringent food safety, human and animal health standards by importing countries under the guise of managing risks associated with the spread of animal diseases and the incidence of microbial pathogens or contaminants in food and feeds; (iii) increasing use (sometimes arbitrary) of technical barriers involving traceability, packaging, labeling, quality and compositional standards, as well as animal welfare and environmental considerations to prevent entry of African livestock and livestock commodities to markets in developed countries; (iv) outright restrictions of imports in view of a spate of food scares and concerns over bioterrorism and public concerns about human and animal welfare.
- Lack of competitiveness of African livestock production systems due to high costs of production, limited value addition and stiff

competition from imported livestock products.

- High levels of domestic and export subsidies provided by developed countries to their domestic livestock producers who then dump products in African markets at low prices, making it difficult for African producers to become competitive in both the domestic and international markets.
- Elimination of tariff and quantitative restrictions under GATT and the opening up of African markets without reciprocal opening up of markets in developed countries.
- High marketing costs due to poor transport and market infrastructure, poor processing and storage facilities and inadequate market information.
- Consumer tastes and preferences for particular imported meat and dairy products.
- Inappropriate government policies that create uncertainties and discourage investment in livestock production and marketing.
- Inadequate funding of animal research activities.

The preceding reasons, among others, explain why African smallholder livestock producers are largely disconnected from international markets in spite of the potential benefits that come with access to these markets. Appropriate policies are needed if smallholder livestock producers are to be connected to high value markets.

Policy options to target markets for livestock and livestock commodities

To target and sustainably participate in high-value international markets for livestock and livestock commodities, African policymakers must develop and adopt policy options and strategies that remove supply-side constraints and improve competitiveness of smallholder livestock producers in Africa. Policies should focus on targeting the African market first before looking for markets outside of the continent.

Policies to remove supply-side constraints

Successful entry and retention of international markets for livestock and livestock commodities depends on timely and sustainable supply of safe high quality commodities to these target markets. The presence and magnitude of supply-side constraints have a debilitating effect on market entry and retention. Therefore, policymakers must provide a suitable policy environment for minimizing the effects of these constraints.

An important policy area in this regard is to promote the adoption of productivity-increasing technologies. Technologies that help to remove supply-side constraints are critical for increasing the productivity of livestock. Policies to enhance technology adoption must focus on facilitating and promoting smallholder access to existing and new low-cost technologies on animal nutrition (e.g. high-value feeds – including pastures, agricultural by-products, concentrates and mineral supplements); watering facilities; animal health (new drugs and vaccines); animal breeding (high-yielding, disease resistant breeds); animal husbandry practices; and processing and conservation of meat and dairy products. Increased public and private sector investments in livestock research and technology dissemination are necessary for this.

Supply-side policies must also focus on strengthening the delivery of animal health and husbandry advisory services for effective disease control. Countries that are currently exporting beef to the EU market are those with a clear policy on animal disease control. To target such markets, countries must strengthen national Departments of Veterinary Services by equipping them well to undertake routine disease control and surveillance operations. They must also develop and constantly test their national emergency preparedness plans to ensure that they can effectively respond to sporadic outbreaks of disease.

If African smallholder livestock producers are to supply quality commodities to international markets on a timely and regular basis, a proper incentive structure that enables them to effectively participate in input markets is required. They need access to improved animal breeds, efficient drugs and vaccines, and low-cost feeds and supplements. They also need to invest in farm and market infrastructure (abattoirs, processing, storage and conservation facilities and equipment, roads, transport equipment, cold chains). The use of the innovation systems approach for improved access to input and output markets is important and a prerequisite for this is easy access to financial and credit facilities, for which a policy is required.

Policies to improve competitiveness of smallholder livestock producers

It is clear from a number of detailed studies[5] that lack of compliance with SPS measures is an important factor influencing the ability of African livestock producers to exploit export opportunities in markets in developed countries. African policymakers must understand that SPS compliance is critical for competitiveness and that failure to address these measures could prevent access to lucrative international markets and undermine any food security and poverty reduction efforts. Policies must facilitate and promote access to compliance resources, including scientific and technical expertise, information and finance.

One way of getting this done is to build scientific capacity at a wide range of levels for SPS compliance through training, dissemination of SPS-related scientific information, engaging in bilateral negotiations with developed countries and convincing them to take account of the special circumstances of African countries when setting SPS measures. Another way is to promote greater and more effective participation of African countries in SPS standard-setting meetings organized by the *Codex Alimentarius* Commission (CAC), the *Office International des Epizooties* (OIE) and the International Plant Protection Commission (IPPC). This will enhance understanding of the requirements for meeting SPS measures.

For countries that have already identified and are participating in markets in developed countries, they should be facilitated to stay abreast of shifting technical and commercial requirements that may occur in the targeted markets. They should always anticipate future changes and adjust to meet them accordingly, including adding value to their products. A good example to be emulated is the Kenyan marketing strategy for horticulture products that uses standards to stay at the top of the market for competitive gain.

While some developing countries of Asia and Latin America have gained access to livestock commodity markets in developed countries through policies that enhance value-addition, Africa is still grappling with exports of live animals. Over half of Africa's total value of livestock commodities exported consists of live animals. Processing of livestock commodities has the potential benefit of value-adding and provides effective disease risk mitigation. It offers additional opportunities for access to export markets by countries where trade-sensitive diseases/infections occur. Well organized and regulated commodity processing would enable African livestock producers and processors to capture value-added benefits while concomitantly reducing the risk of pathogen transmission.

Policies that provide incentives to livestock producers and processors to invest in systems that add value through processing are critical for African countries to access markets in developed countries. Governments must create an appropriate policy environment by facilitating access to credit to enable private sector individuals to invest in processing infrastructure such as export standard abattoirs, establishment of safety assurance hazard analysis critical control points (HACCP) systems, quality assurance laboratories, improved sanitary, hygiene, grading and packaging systems including cold chains. Government policy must also ensure that there is a credible system of certification of "acceptable risk" of livestock commodities that can be verified by importing countries, particularly those that have additional requirements to those of the OIE. The certifying national veterinary authority must be competent and command a high degree of integrity, impartiality and trust from importing countries/partners.

Commodity-based trade is currently being advocated as a pragmatic alternative risk mitigation strategy for gaining access to international markets without the benefit of complete disease eradication. Countries such as Botswana and Namibia that have successfully penetrated European markets in the

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[5] See for example: (1) Thomson, G.R., Tambi, E.N., Hargreaves, S.K., Leyland, T.J., Catley, A.P., van't Klooster, G.G.M. and Penrith, M-L. 2004. International trade in livestock and livestock products: the need for a commodity-based approach. The Veterinary Record, October 2004.
(2) Henson, S. and Loader, R., 2001. Barriers to agricultural exports from developing countries: the role of sanitary and phyto-sanitary requirements. World Development Vol. 29 No. 1, pp. 85-102.
(3) Gary, F. (Phylum) 2007. Subsidies and trade in animal products. ALIVE Policy Note.

past under the EU preferential beef export quota, have done so with beef rather than with live animals. These countries have combined effective animal health, hygiene and food safety policies with marketing strategies that promote vertically integrated systems incorporating small- and medium-scale out-grower producers and have been able to guarantee quality, safety and dependability on their livestock commodities. For example, Namibia has successfully met EU beef import requirements by demonstrating freedom from Foot and Mouth Disease (FMD), Bovine Spongiform Encephalopathy (BSE) and residues of drugs and other contaminants; implemented a trace back scheme based on branding and movement permits; complied with labeling requirements; and fulfilled EU hygiene and slaughter standards.[6] Other African countries can do the same.

Conclusions

Africa remains a net importer of livestock and livestock commodities, spending US$3.6 billion of scarce foreign exchange on imports of products that could well be sourced from within the continent. This is a huge deficit that is increasing in magnitude. Due to the stringent SPS requirements of developed countries, most of Africa's exports of livestock and livestock commodities occur within the continent with a small fraction (mainly sheep and goats)[7] going to countries of the Middle East. These exports, which account for about 5% of total trade in livestock and livestock commodities, and which have been declining since 2000, satisfy only a small fraction of the deficit in consumption. Thus, there is a large and growing market in Africa that needs to be strategically targeted. In targeting African markets, policymakers must bear in mind that it will take a while for the EU to fully wipe out subsidies that promote dumping in Africa, that as long as there are ever-increasing SPS standards, stringent rules of origin and tariff escalation on key value addition chains that make it hard to enter the European markets, Africa's best bet strategy for poverty reduction is to adopt policies that promote and facilitate trade among African countries.

African policymakers need to also understand that even if the EU market is fully liberalized, it is not the African smallholder producers that will benefit but the more efficient producers in other developing countries such as Argentina, Brazil, Uruguay and Thailand with low cost production systems, technical know-how and huge capital investments that are likely to be the major beneficiaries. Africa's chances of competing with these countries in the EU market are slim, but very high in African markets. If policies that target African markets were to be successful in meeting (say 50% of) the current deficit, African smallholder livestock producers and processors would earn an estimated additional revenue of close to US$2.0 billion annually. Policies that improve the productivity of livestock, enhance livestock commodity value chains and directly link livestock producers to markets in Africa are critical for food security and poverty reduction in Africa.

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[6] Perry, B.; Nin Pratt, A.; Sones, K. and Stevens, C. 2005. An appropriate level of risk: Balancing the need for safe livestock products with fair market access for the poor. PPLPI Working Paper No. 23. ILRI, Nairobi, Kenya pp. 73.

[7] Most of the live animal exports from Africa to countries of the Middle East come from East Africa, mainly from Somalia and Sudan. These two countries together, account for 52% of the total exports of sheep and goats in Africa.