SADRN
SOUTHERN AFRICAN DEVELOPMENT RESEARCH NETWORK

POLICY BRIEF 4

The effects of the European Union-imposed livestock identification and traceback system on Botswana's beef exports and rural poverty

INTRODUCTION

In 1997 the EU introduced a requirement that beef imports be traceable through a computerised system. To ensure continued access to the EU market, Botswana introduced the livestock identification and traceback system (LITS). The objectives of this study are to estimate the costs associated with implementing the system and determine the effects on Botswana's beef exports to the EU market, government's export revenue from the beef sub-sector, and cattle producers' incomes and rural employment in the cattle industry.

Botswana has a national cattle herd of about three million, managed in open grazing areas. Traditional cattle farming is the biggest contributor to agricultural gross domestic product and to exports. More than 80% of the beef produced is exported, of which exports to the EU account for about 75% of deboned beef exports. As an African, Caribbean and Pacific country, Botswana benefits from the beef protocol under the Lome Convention allowing the country to export a quota of about 18 tonnes to the EU a year with exemption from 90% of EU import levies.

The country spends huge sums of money to control diseases to meet sanitary requirements in the EU and other markets. The high dependence on the EU market makes Botswana vulnerable to changes in market requirements or consumer demand. Similarly, the high dependence of the rural population on cattle sales for their income makes the population vulnerable to changes in demand, which can result in low incomes and exacerbate poverty. The introduction of traceability requirements has cost implications for both the government and cattle farmers, particularly as they do not control the price paid for the exported beef. It has multiple implications for the beef industry, households and export revenues.

RESEARCH FINDINGS

The study uses secondary data from private and government institutions, and data on meat exports. A comparative analysis examines whether there were significant differences in beef exports and cattle producers' income and rural poverty before and after Botswana introduced the LITS in 1999 to meet EU requirements.

Meat exports to EU countries

Frozen boneless bovine meat exports to the EU decreased from about 8 500 tonnes in 1998 to about 3 500 tonnes in 2008, a decrease of about 59%. Fresh or chilled boneless bovine meat exports followed a similar trend. They decreased from about 6 000 tonnes a year in 1998 to about 4 200 tonnes in 2008, a decrease of about 30%. Despite this, the Botswana Meat Commission considers that the EU beef market continues to offer the best returns. Botswana exports beef to the EU under a quota but its actual exports often fall short of the 18 916 tonnes quota.

The information in this brief is extracted from a report prepared under the SADRN programme: *The effects of the European Union-imposed livestock identification and traceback system on Botswana's beef exports and rural poverty,* by Davis Marumo and Milly Monkhel. Available on the TIPS/SADRN website www.tips.org.za/programme/sadrn
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Poverty in Botswana

In 2002/3, the national mean household Poverty Data Line (PDL) was estimated at P571.65 a month (US$1 is about 6.5 Botswana pula), with an average household size of 4.14 people. The mean PDL for cities and towns (P556.84) was lower than the PDL for villages (P587.15), while the PDLs for urban and rural areas were P570.09 and P572.76 respectively. Expenditure on food constituted 63%-84% of the total with rural and urban villages recording higher proportions for food compared to cities and towns. Overall, about 31% of the population was living below the poverty line in 2002/3 with a higher proportion in rural areas.

Ideally social safety net (SSN) beneficiaries should be poor people. However, a 2007 analysis by BIDPA of the 2002/3 household income and expenditure survey sample households shows that non-poor households constitute over two-thirds of the beneficiaries of government transfers.

Impact of LITS on poverty

Initial costs of the LITS project amounted to over US$35 million, with the Botswana government bearing the full cost. Based on this, the government spends P52 million annually to meet the EU requirements. The study shows that the SSN programme should be able to spend P52 070 331.60 a year on poor households, which is equivalent to the expenditure of the LITS programme. Therefore the LITS project costs the government P52 million a year on average. Redirecting this money to finance development programmes that would help households undertake businesses would go a long way to poverty alleviation in the country.

Contribution of cattle

About 62% of households did not own any cattle in 2002/3 but results for households that own cattle show that ownership rises with monthly household income levels between P600 and P8 000. Cattle income contributes about 62% of household gross income for cattle-owning households with a monthly income of less than P200, 25% for the income bracket P401-P400, and 18% for the P401-P600 a month bracket. For higher income cattle-owning households, the contribution of cattle income to gross income was estimated at about 2%. This emphasises the importance of income from cattle for poorer cattle-owning households in Botswana. As there appears to be higher cattle ownership among very low-income households., reducing income from cattle is likely to have a negative effect on the incidence of poverty.

RECOMMENDATIONS

The trace system, though not an international standard requirement, seems to have been accepted for use in the EU. It is also likely that other countries could apply the same measure. Implementing the system is expensive and not sustainable for the government in the long term and is a drain on country resources. It is therefore recommended that:

The government and BMC urgently explore alternative markets, including increasing exports the US and South African Custom Union countries, where it already has a presence,. This is particularly important in view of the fact that the quota and duty draw back, which are being offered by the EU are not permanent and can be withdrawn, are not permanent and can be withdrawn, as happened with sugar, and that the profitability is probably not as high when the cost of implementing the trace system is incorporated in the costs.

Diversification of products away from raw beef to off-the-counter products should be persued, which could open opportunities for marketing the products in other countries including the Southern African Development Community and in future the COMESA (Common Market of Eastern and Southern Africa) region.

There is need to explore ways to reduce the cost of the bolus, which uses radio frequency technology to install information about the animal, either through a competitive tender or aggressive search for cheaper sources, including attracting investment for local production. The study showed that the SSN is not well managed, as it is being accessed by non-poor households. An in-depth assessment of the administrative arrangements should be conducted, with the view to making the system more efficient as well as reducing costs for farmers and the government by identifying where savings can be made.

The Southern African Development Research Network (SADRN) was launched in 2007 as a broad-based policy and research network. It aims to increase the supply of policy-relevant research in the SADC region and strengthen evidence-based policy-making.
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SADRN focuses on three themes: industrial policy, services sector development at the regional level and trade policy and its linkages to pro-poor growth. The Botswana Institute for Development and Policy Analysis is the host of the trade and pro-poor growth theme working group, Trade and Industrial Policy Strategies hosts the industrial policy theme and the University of Mauritius hosts the services sector