



ATF NEWS BRIEF

March/April 2012

Namibian Agricultural Trade Forum

Agricultural Boards' Building, 30 David Meroro Road
P.O. Box 5096, Ausspannplatz, Windhoek
E-mail: hkatjuongua@nammic.com.na / jurgen@nammic.com.na

Incorporated Association not for gain Reg. No.: 21/2003/690

Tel: (+264) (61) 379 508/507
Fax: (+264) (61) 225371
Cell: +264-817779179 / 811283637

WHAT IS NEW!!!

1. WTO

1.1 Doha!

Doha is practically at an impasse. A new approach is clearly needed. In this vein, WTO members pledged on 22 March 2012 to examine new approaches that might help move agricultural talks forward. Some members warned against backward steps from what has already been achieved in the talks as a result of heavy negotiating investment. Overall, negotiators broadly acknowledged that in the current climate, progress on these issues might not be possible.

1.2 World Food Prices and Policy Responses

Increasing world food prices continue to be a big concern for many countries. There were many reasons behind the food price crises of 2007-2008 and 2010-2011. These include rising production costs due to high fuel and fertilizer prices, weather related shocks, and the rapid increase in the demand of biofuels on food crops such as maize and edible oils. However, little attention is paid to the role of policy responses to food price volatility.

A recent paper by Giordani *et al* (2012) entitled, "World Food Prices and Multiplier Effect of Restricting Export Policies", sheds light on the impact of trade policy responses to the food price changes. Specifically, it focuses on the relationship between export policy and food prices. Its analysis is based on trade data across 125 countries and 29 food products for the period 2008-10. Below are some key findings (details can be found on the WTO website):

- When individuals are loss averse, food exporters may use trade policy to shield the domestic economy from large price shocks. This creates a complementarity between the price of food in international markets and export policy.
- Unilateral actions by exporting countries give rise to a "multiplier effect": when a shock in the international food market drives up (down) its price, governments respond by imposing export restrictions (subsidies), thus exacerbating the initial shock.
- Global restrictions in a product are positively correlated with the probability of imposing a new export restriction on that product, especially for staple foods.
- Large exporters were found to be more reactive to restrictive measures, suggesting that the multiplier effect is mostly driven by this group.
- Estimates from the study show that a 1 per cent surge in global restrictions increased international food prices by 1.1 per cent on average during 2008-10.

Overall: Well-informed policies with a long-term (LT) view are critical. Export restrictions by net producing countries can exacerbate food price volatility, creating more uncertainty in the market place. Investment in agricultural production and providing the tools and incentives for farmers to respond to higher prices are needed for LT stability & food security.

2. SADC

Technical meetings are scheduled for May 2012. The meetings will address Custom Union, Trade facilitation, 44th Trade negotiation forum and Industrial development. These meeting will serve to prepare for the SADC ministerial meetings scheduled for June 2012.

2.1 Tripartite Free Trade Area: COMESA, EAC & SADC

Negotiations are on-going. A meeting held in mid-March decided on two technical working groups: (1) Custom Rules and (2) Technical Trade Barriers & Standards. There may be a possible third working group dealing with Rules of Origin. Overall, there appears to be little senior guidance with respect to the process of the Tri-Partite Trade Negotiations. To address this, it was decided that senior official meeting be held simultaneously with the technical working group meetings.

2.2 SADC Economic Partnership Agreements: SADC-EC EPA

A recent technical working group meeting took place in April 2012 in preparation in preparation of the senior official meeting scheduled in May.

1. The SADC-EC EPA negotiations are on-going. The remaining thorny issue for Namibia is fishery. More deliberation on fish dispute issues (e.g. cumulation, rules of origin due to the migratory nature of certain fish species, and right of first refusal) is needed. Namibia notified the members that it was still awaiting the EUs response on the derogation of Tuna, on fish court in the exclusive economic zone (EEZ), and other products of Aquaculture and Mariculture. Other SADC EPA issues on market access include rules of origin and cumulation of ACP countries with overseas countries and territories.
2. The SADC EPA technical working group agreed that a collective (vs. individual) approach was necessary in dealing with sensitive tariff issues with the EU. Hence, even if Namibia was individually able to finalize an EPA agreement with the EU, it is impossible in the context of the group framework that the EPA configurations signed.

3. SACU

3.1 Industrial Development Policy

1. SACUs Development finance institutions (DFIs) met in mid-March to find a focused approach to develop the SACU Industrial Development Policy via cross-border project collaboration. Interests centred on projects with cross-border value addition. Agro-processing featured strongly in the discussion.

2. SA and Lesotho formalized respective lists of projects for cross-border collaboration. The other member states have up to June 2012 to submit identified projects. Namibia's Ministry of Trade and Industry indicated its need to consult the private sector. The private sector should add ideas and think of areas where cross-border collaboration and project co-finance via SACU DFIs can benefit respective industries and value chains.
3. SACU Commission & Council met beginning December: Key issues discussed pertain to the distribution of the Revenue Sharing Pool. Lesotho got a larger share of the pool than previous years. There are efforts to restructure SACU revenue sharing formula. South Africa contributes over 80% of SACU revenue, but receives the least. SA wants an increased share, and a fairer distribution of SACU's revenue pool.

3.2 Negotiations and Agreements

3.2.1 SACU India Preferential Trade Agreement (PTA)

The Indian Government sent a list of products based on the SACU tariff book with an offer of tariff reductions. The offer is currently being considered by the Namibian Customs and Exercise Directorate and the Min. of Finance.

3.2.2 SACU Mercosur (PTA)

There is nothing new to report. Negotiations are on-going. Namibia's Biltong producer, Kolswa, is negotiating to import processed meat from Paraguay and Argentina to address its challenge in procuring consistent supply in Namibia.

3.2.3 SACU EFTA Free Trade Agreement (FTA)

SACU-EFTA: The next SACU-EFTA review will be in 2013, but negotiation will be held on the Botswana Namibia Norway agreement. The increase in the beef quota to Norway is conditional on two factors:

- (1) Norway requested SACU to have an increased access for its processed agricultural products exports into the SACU market. SACU is considering the request. Namibian custom authorities met with their Norwegian counterpart, but did not address this request.
- (2) A delegation from Norway indicated that an increase in the requested beef quota in Norway is in essence a political decision. As such, there is a need for Namibia to lobby and convince the Norwegian politicians on the broader economic development impact of the beef quota increase. Some interests groups including well organized farmers' party have political clout in Norway; these groups are against increasing market access for developing countries in the Norwegian market in general. They strongly influence the Norwegian perception and public

opinion. On a practical level, the Namibian government with other key stakeholders need to invite Norwegian politicians to Namibia, dialogue with them to make a strong case on the importance of the livestock sector and the beef industry. This should also involve taking the Norwegian representatives to rural areas and farms to get a better impression of the importance of livestock on the livelihoods of Namibians.

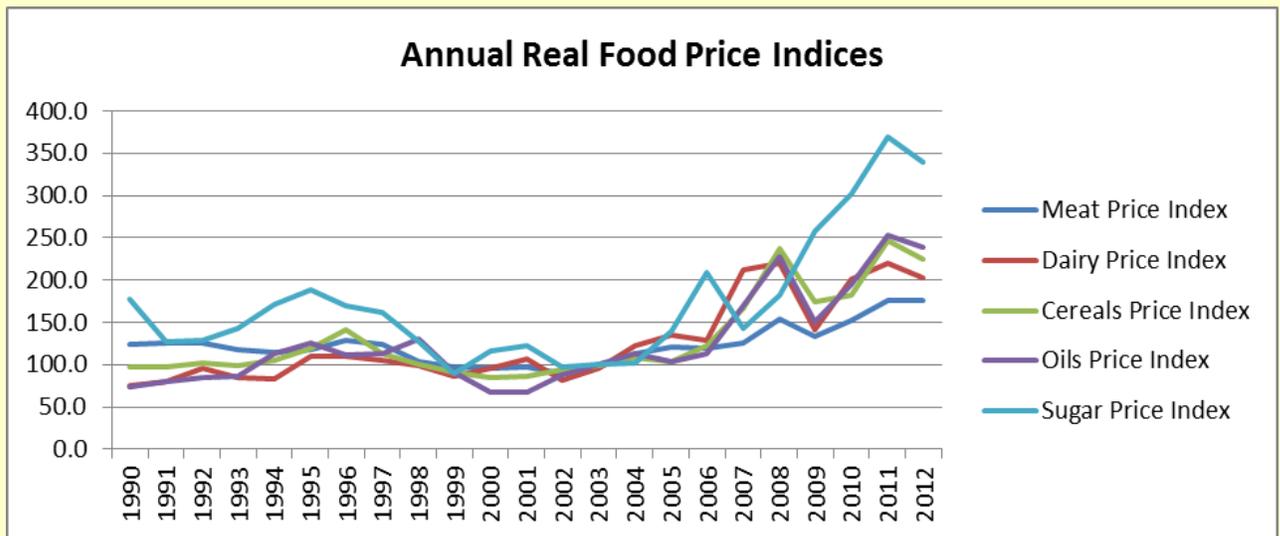
3.2.4 SACU OTHER

None

3.3 UNITED STATES OF AMERICA

1. According to the US Embassy Economic and Commercial Officer, Mr. Thomas Brouns, Namibia is well underway to become the first country in Africa to have its phytosanitary system of meat inspection certified as generally equivalent by the USDA's Food Safety and Inspection Service (FSIS).
 2. Mr. Brouns further noted that the USDA continues work diligently on Namibia's request for eligibility to export meat products to the United States and is moving forward with the rule making process. A work plan is completed to move ahead with the proposed rules for FSIS clearance and publication.
 3. The FSIS is proceeding with the development of the proposed rule with the intent to publish it in the Federal Register attentively by this summer (US Summer: June-August 2012).
 4. Once the FSIS reviews the public comments and incorporates any additional information into the published final rule, Namibia will supply an official list of the establishments that comply with FSIS requirements so that Namibia would then be eligible to export meat products to the US
- The health-conscious organic market segment on the US is growing. There is growing demand for free-range and hormone free meat products. Hence, there is potential for Namibian meat product exporters who are willing to go through the certification process to make profit. The realization of this potential depends among other things on having a smart marketing strategy that is focused on niche markets where consumers are willing to pay a premium for health attributes. Thus, targeting the wealthier consumer base and finding the right distribution channel are important. The fact that the US would allow the importation of bone-in meat has cost-saving implications for Namibian meat exporters.
 - It would be wise for potential Namibian meat exporters to start getting the right market information, build contacts and to obtain insightful advice on how best to market to the US meat consumer.

World Food Price Situation



Source: Author. Based on FAO food price data.

- The meat price index was marginally up in March, partially due to a slight rise of bovine meat prices.
- Dairy prices have followed a downward trend because of a rise in supplies in Oceania, EU and N-America.
- Maize prices registered some gain. This was supported by low inventories and a strong soybean market. Wheat changed little as supplies remained ample. Prices of rice recovered somewhat in March, due to large purchases by China and Nigeria.
- Sugar prices were volatile. India, the EU and Thailand all reported increased output, which contributed to keeping prices below their high levels of last season. The announcement by India to allow 1 million tonnes more exports also weighed on prices.



Source: FAO. The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices (representing 55 quotations), weighted with the average export shares of each of the groups for 2002-2004.

List of Acronyms

ACP	African, Caribbean and Pacific
BLNS	Botswana, Lesotho, Namibia and Swaziland
CET	Common external tariff (of the SACU)
COMESA	Common Market for East and Southern Africa.
DDA	Doha Development Agenda (current round of WTO negotiations)
DFQF	Duty and Quota Free market access to EU markets
DoP	Directorate of Planning at Ministry of Agriculture Water and Forestry
DVS	Directorate of Veterinary Services at MAWF
EAC	Eastern African Community
EC	European Council / Commission
EPA	Economic Partnership Agreements
EFTA	European Free Trade Area (Switzerland, Norway, Iceland and Lichtenstein)
EU	European Union
FAO	Food Agriculture Organization
FTA	Free trade Agreements/ Area
FSIS	Food Safety and Industrial Standards
FVO	Food and Veterinary Office – inspections from the EC
IPPC	International Plant Protection Council
ITAC	International Trade Administration Commission of South Africa
Mercosur	Latin American Common Market (Spanish translation) comprising Argentina, Brazil, Paraguay and Uruguay
MTI	Ministry of Trade and Industry
MAWF	Ministry of Agriculture, Water and Forestry
NAMA	Non Agricultural Market Assess
NCA	Northern Communal Areas
NTBs	Non Tariff Barriers
OIE	World Organisation for Animal health
RoO	Rules of Origin
SACU	Southern African Customs Union
SADC	Southern African Development Community
SPS	Sanitary and Phytosanitary
SSM	Special Safeguard measures
TBT	Technical Barriers to Trade
T-FTA	Tripartite Free Trade Area: COMESA, EAC, SADC
WTO	World Trade Organisation

Namibian Agricultural Trade Forum

Agricultural Board's Building, 30 David Meroro Street
PO Box 5096, Ausspannplatz, Windhoek

Phone:

+264 61 379 508 / 507

Fax:

+264 61 225371

E-mail:

hkatjuongua@nammic.com.na / jurgen@nammic.com.na