

It is suggested that that this is dealt with by a structured programme of market access development supplemented by awareness building among trade negotiators and opinion formers.

The use of internationally recognized standards and certification is key to the success of the natural products sector. Natural products must meet and exceed even the normal trade standards within their categories because the consumers of these products expect both safety and the embedded natural values such as fair trade, high environmental sustainability guarantees and organic origins.

"Issues such as ownership of intellectual property and eco-labelling put these products at the cutting-edge of trade rule development."

Complex overlap between trade rules and multi-lateral trade agreements are widespread in the natural products sector.

In the absence of cohesive, high level engagement of the NP sector by trade negotiators, the onus is on producers and their supporters to engage and solve some of these issues from the grass-roots up. Natural products should be seen as an opportunity for the countries of Southern Africa to actively participate in this important area of promoting coherence between trade and environmental rules.

Case Study Baobab – Malawi:

The case study considered the existing value chain for baobab and its by-products as well as the market and trade environment. It goes on to review aspects of the tariff regime for baobab and to consider the bio-trade implications of Malawi's proposed bio-diversity legislation. Considerable additional investment will be needed for baobab to transform from its current scale to meet the potential demand. The price to be paid to harvesters for wild gathered products is a challenge to new entrants: a price that is too high will result in over-harvesting and over-supply whereas a price that it is set lower than the effort of gathering will result in no harvest at all. The role NPs play in land and resource right confirmation should not be underestimated.

Currently there is no support to develop favourable market access for NPs in Malawi. This reflects both the general paucity of the trade support mechanism and a specific ignorance of NPs and their trade potential. This could be addressed by providing key decision makers with details of the potential and market access problems of the target.

Case Study Marula – Namibia:

This case study is of an existing and, to some extent, mature NP industry. The "new" market for marula consists of products based on the fruit pulp and seed oil. A description of the potential chain for the marula pulp based products is elaborated. Given the (solvable) technical problems, it seems likely that the products will need to enter high value markets to cover production expenses.

Namibia has done rather better at engaging with the trade process than some of its less well-resourced neighbours. There is little strength in depth and very limited private sector trade support capacity. Awareness of the potential for expanded trade in NPs, and what negotiating positions and domestic policies are needed to facilitate this is scant.



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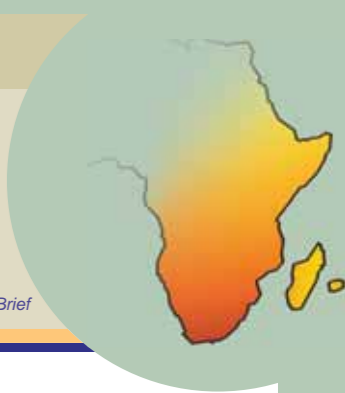
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Could the trade in natural products become larger than that from traditional agriculture? What trade issues impede development?

The following are extracts from a comprehensive study entitled: "Natural Products: The New Engine for African Trade Growth" which was commissioned in 2006 from Ben Bennett of the UK's Natural Resources Institute by the RTFP with financing from DfID. The study was specifically carried out in order to develop the trade negotiation component of the "Natural Futures Programme" which is being developed by the International Union for the Conservation of Nature (IUCN) and which will also be financed by RTFP. The IUCN programme involves the development of the trade in NPs in southern Africa through 5 components (Certification; Promoting NPs in trade negotiations and Multilateral environmental Agreements; Consumer and decision-maker awareness; Fibres handicraft sector; Lipid oils sector). Readers are encouraged to access the full report on www.rtfp.org and programme information on www.iucnsa.org.za

Size and Scope of the Opportunity that is emerging in the NP Sector:

The scale of the emerging opportunity in natural products (NPs) exported from southern Africa is substantial and market access should be prioritised, particularly since NPs are produced in some of the poorest regions with collection commonly done by the vulnerable. Considering that domestication will inevitably follow as wild species produce economic gains, this 'second-wave' of growth may mean that traditional low value agricultural activities could be replaced with NPs.

Table 1: Current and potential trade and employment by Product assuming full sustainable utilization of existing resources (10 SADC countries)

Product	Current trade (US\$/yr) 2006	Potential trade (US\$/yr)	Current house-holds employed (gathering only)	Potential house-holds employed (gathering only)
Baobab	11,203,928	961,358,568	1,165,965	2,640,333
Kigelia	375,563	1,588,050,000	441,125	1,764,500
Marula	425,000	263,001,008	3,475,250	2,436,667
Ximenia	58,500	37,566,884	303,933	1,514,667
Trichelia	-	501,665,967	1,144,833	2,289,667
Kalahari Melon	58,500	21,126,226	745,083	1,483,167
Manketti	-	19,677,684	197,208	42,597
Parinari	-	36,516,431	1,774,250	2,365,667
TOTAL	12,121,491	3,428,962,767	9,247,649	14,537,264

Markets:

Initially, the main markets will be RSA and the EU and most efforts should be focused on policies and support which build capacity to enter those markets. Other markets are yet to mature.



Some Key Points:

- In some countries given the right conditions NPs could become the most important export earning natural resource sector.
- The large scale growth markets for NPs are almost entirely for export, so market access issues are key to success in the sector.
- Tariffs are largely favorable but work needs to be done to remove residual barriers and to ensure NP inclusion in future trade negotiations.
- NPs face serious non-tariff barriers in the shape of stiffening regulatory environments in important markets.
- The ability to meet international certification standards for fair, ethical and organic production will be fundamental for market access and consumer acceptability of NPs.
- NP development has the potential to mitigate against possible environmental damage and to promote conservation.

Analysis indicates two important facts for the development of the NP sector. Firstly, many of the products proposed are already on the verge of some form of market breakthrough. Secondly, in almost all cases the potential market is for export and, therefore, NPs will need to overcome significant market access barriers. A final observation is that in several cases the short-listed NPs have multiple properties. This greatly enhances the range of market possibilities open to each species.

Eight sample natural products with significant commercial potential were chosen to represent the sector. These were: baobab (*Adansonia digitata*), kigelia (*Kigelia africana*), marula (*Sclerocarya birrea*), ximenia (*Ximenai sp.*), trichelia (*Trichilia emetica*), Kalahari melon (*Citrullus lanatus*), manketti (*Schinziophyton rautanenii*) and Parinari (*Parinari curatellifolia*).

If a pipe-line approach of developing a wide range of potential products and markets is adopted, the risk of not meeting the hoped for export expansion is greatly reduced. Application of business development methods to the NP pipe-line should result in greater focus of resources on important markets and overcoming key market access barriers.

One of the key problems the NP sector has had is supply management. Either not enough of the commodity is available when a market opening occurs, or rent-seeking in the marketing chain captures all the benefits that should accrue to the producers. By supporting a regional initiative based on producer groups and companies, some of these traditional hindrances could be turned to advantages.

Table 2: Regional share of NP opportunity

Country	Current trade (US\$/yr)	Share (%)	Potential trade (US\$/yr)	Share (%)
Angola	10,000	0.08	101,822,693	2.97
Botswana	270,508	2.23	51,843,932	1.51
Malawi	1,293,861	10.67	284,603,854	8.30
Mozambique	1,577,235	13.01	589,963,484	17.21
Namibia	670,804	5.53	25,122,552	0.73
RSA	1,366,767	11.28	385,261,436	11.24
Swaziland	6,563	0.05	66,559,211	1.94
Tanzania	3,584,375	29.57	692,266,522	20.19
Zambia	516,887	4.26	170,106,680	4.96
Zimbabwe	2,824,492	23.30	1,061,412,403	30.95
TOTAL	12,121,491	100	3,428,962,767	100

From a trade standpoint, four key characteristics of natural products are important. Firstly, each plant tends to have a range of different parts that can have commercial use and these parts in turn are often for distinct market sectors or commercial uses. Secondly, for each plant product there is often a range of different potential end markets for the active ingredient, each with a separate market access requirement. The degree to which upgrading and value addition is possible for each commodity is an important factor here. Thirdly, it has to be remembered that markets are not homogeneous; what works in one may not work in another and this multiplicity of target markets for natural products is an added layer of marketing complexity. Finally, the qualities inherent in natural products as a result of their source and methods of production need to be taken into account.

The broad categories of products and derivatives in the natural products sector include foods; nutraceuticals (products isolated or purified from foods that are generally sold in medicinal forms not usually associated with foods); functional foods (with physiological benefits); pro-biotics (purported to enhance the natural activity of the digestive system); cosmetics; pharmaceuticals; herbal remedies; veterinary remedies and industrial products. The report provides insight into these markets and their potential for the NP sector.

"NPs will be a significant productive sector in the region within the next decade providing that the right conditions for development are put in place now."

Natural Products and Trade

The complete report comments upon the regulatory environment in depth.

After describing the current trade and preferential market access conditions in the region, the report goes on to consider some of the important aspects of regional trade integration that might impact on future trade in NPs. The tariffs currently applied to NP are considered in detail; one of the reasons for problems with market access for NPs is that they are often not specifically defined by the existing tariff code system. This means that their trade is under-represented since they are 'lumped' together with other products.

A wealth of non-tariff issues were identified during the research reflecting the high degree of product differentiation in the sector, highly fragmented final market for NPs and broad range of formal non-tariff barriers to trade that might have impact on trade. The issue of formal and private standards and certification for NPs is considered as well as the impact on the sector of national and international environmental rules. The emergence of ethical, organic and sustainability standards is analysed.

"The most threatening area of NTBs is that of formal government regulation. In recent years, national food safety scares, public security issues and the emergence of bio-technology have permanently changed the way sovereign states deal with all products entering their borders." This presents a particular problem for NP's that are often traded in relatively small quantities.

The report develops a framework for the assessment of possible environmental risk that might result from the bringing to market of NPs allowing the reader to locate areas of resource conflict and risk at an early stage in the market development process.

Environmental Risks:

The environmental balance sheet for these products is complex but potentially highly skewed toward the positive. However, environmental management plans need to be put in place at an early stage in the pipeline of development. Mechanisms for monitoring the impact of harvesting (and ways to pay for them) are required. A comprehensive knowledge of the biology of the species to be exploited should ideally be a pre-requisite. Evidence to support recommendations for sustainable harvesting has to be gathered through proper scientific means. Economic advantage to adopting sustainable harvesting should be built in to NP business plans.

Conclusions and summary of recommendations

This review of the potential for trade in natural products in Southern Africa suggests that the sector could be a source of substantial trade growth whilst also achieving positive developmental and environmental impacts. Excellent market development work already undertaken means that many of the products and by-products reviewed could be on the verge of significant market entry.

A comprehensive programme of work to address constraints is needed, including the development of in-country expertise at the level of commodity marketing and trade negotiation. The lack of knowledge and 'feel' for the products identified as 'winners' in the natural product sector among those responsible for supporting and facilitating trade is worrisome.

The Natural Products sector needs to become aware of its potential and to persuade policy makers, negotiators and officials who facilitate trade to take these new commodities seriously by including them in development plans. The relative 'invisibility' of natural products means that non-tariff barriers have evolved (and more are evolving) which impact upon trade in these commodities but where recourse to trade remedies and requests for capacity building have not occurred in the way that they might have done for traditional agricultural exports.