

## **CURRENT SUPPLY AND DEMAND IN THE RHINO HORN MARKET - A MODEL FOR REGULATING THE RHINO HORN TRADE (REWARDS TO TRADE)**

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The total number of rhino killed in 2010 through poaching and pseudo trophy hunts was approximately 540 animals. In addition, private farmers probably sold around 100 horns illegally. It is assumed that 143 horns went into stocks and 500 went onto the market. 500 horns is an approximation of the total supply of horns from Africa.

The price of horn is estimated to be US\$ 40,000 per kg at the retail level and US\$ 20,000 at the wholesale level. Price brings demand into balance with supply, therefore at a lower price there would be more demand. Flooding the market to bring down prices to discourage poaching would not work as speculators would buy the horn for later sale. There is also not enough horn to allow for flooding the market over the medium and long-term.

A “central selling organisation” could be established, such as De Beers had, to control the supplies of legal horn. Partnerships with Chinese state pharmaceutical companies would be necessary in order to control the retail market in China and also for more effective policing of the illegal trade.

South Africa could sustainably supply 400 horns from natural deaths (from both private and state owned populations), 400 from stocks and 400 from game farmers cropping half their horns. That is 1200 horns without the need to kill one animal. The farmers are important to provide volume over the long-term.

Illegal goods typically sell at a 30 % discount so if the volume increased from 500 to 1200 and the wholesale price of legal horn dropped from US\$ 20,000 per kg to US\$ 15,000, illegal horn would fall from US\$ 20,000 to US\$ 10,000. Together with increased law enforcement risks, that price fall could put criminals out of business. It is probably best to assume that 100 per annum will continue to be poached but that is only 0.4 % of the population and is manageable.

Speculative demand should fall away given the role of a powerful “central selling organisation” that can reduce prices at any time.

1200 horns, at an average weight of 4 kg, selling at US\$ 15,000 per kg would raise US\$ 72 million per annum. In comparison, illegal horn sales and pseudo trophy hunts currently raise US\$ 14 million per annum. If poaching is controlled, the South African rhino population should increase by 20,000 over the next 12 years. That has a present value, at current prices, of ZAR 1.6 billion. The more money that wildlife can generate, the stronger is the case for having it.

The 60,000 rhino of 1970 should have increased to 600,000 today, however there is only 4 % of what we should have had. That is our scorecard. Banning trade has been ineffectual and has pushed the trade of rhino horn underground and money is being made by criminals rather than parks. To hope that things will change for the better, while following the same failed strategy, is senseless.

Changing the mind of CITES is going to be a challenge but the rewards will be substantial. South Africa needs conviction not disarray. A regulated trade is a better plan.