



AFRICAN INDABA

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US Import Suspension for Elephant Hunting Trophies from Zimbabwe and Tanzania

Gerhard Damm

On 4th April 2014, the US Fish and Wildlife Service (USF&WS) announced a [suspension on imports of sport-hunted African elephant ivory](#) taken during calendar year 2014 in [Tanzania](#) and [Zimbabwe](#). In Tanzania, USF&WS cited catastrophic elephant population declines resulting from uncontrolled poaching, questionable management practices, a lack of effective law enforcement and weak governance. For Zimbabwe the Service relied on what was called *“available, though limited data which indicated [sic] a significant elephant population decline”*. Ironically, the Service mentioned in the same announcement that *“legal, well-regulated sport hunting, as part of a sound management program, can benefit the conservation of listed species by providing incentives to local communities to conserve the species and by putting much-needed revenue back into conservation”*.

Estimates of the elephant population in Zimbabwe (listed on CITES Appendix II) put the total number at over 100,000 individuals. [Professor Nigel Leader-Williams](#) in a letter to Science magazine pointed out already in 2011 that controlled hunting was beneficial for Zimbabwe's elephants. *“Implementing trophy hunting has doubled the area of the country under wildlife management relative to the 13% in state protected areas, thanks to the inclusion of private lands”* Leader-Williams said. *“As a result, the area of suitable land*

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For hunter-conservationists and all people who are interested in the conservation, management and sustainable use of Africa's wild natural resources. African Indaba is the official CIC Newsletter on African affairs, with editorial independence. For more information about the International Council for Game and Wildlife Conservation CIC go to www.cic-wildlife.org

monitored hunting and the millions of dollars injected into management, conservation and the local economy is the best way to conserve lions.

Additionally, proponents of listing insist that adult male lions being harvested are in fact dominant pride males in their breeding prime. They assert that harvesting pride males destroys pride stability by instigating less dominant males to cull the former pride male's cubs in order to establish themselves, thereby disrupting the natural pride dynamic and throwing breeding cycles into chaos. If this were true, and management practices didn't focus on males who have passed their prime, then damage to pride stability would be a serious problem.

Hunting advocates have argued that it is irresponsible and unsustainable to harvest pride males in their prime. Responsible game management practices dictate only aging males that have passed their prime and are often alienated from the pride should be harvested. These are males that were possibly once dominant, but have become too old (6+ years) to maintain status within the pride structure. Although the idea of trophy hunting does not enjoy wide popularity, its value as a pragmatic conservation tool has proven to have merit. The questions are, will an Endangered Species listing relieve pressure on lion populations? Or will blocking American hunters from harvesting lions remove economic incentives necessary to protect a valuable resource?

Animal rights advocates dismiss the conservation benefits of hunting. However, a study of trophy hunting by the University of Zimbabwe supports claims of conservation success tied to responsible hunting practices. [Peter Lindsey](#), the lead author of the study, wrote, "trophy hunting is sustainable and low risk if well managed." Lindsey continued, "Trophy hunting was banned in Kenya in 1977, in Tanzania during 1973–1978, and in Zambia from 2000 through 2003. Each of these bans resulted in an accelerated loss of wildlife due to the removal of incentives for conservation. Avoiding future bans is thus vital for conservation." When local communities are not incentivized to protect lions they are subsequently killed. To date there appears to be no clear evidence that would support the premise that listing lions as endangered in the USA would inure conservation benefit to lions in Africa; to the contrary, listing could undermine real conservation efforts by diminishing the value of lions to local African communities.

Admittedly, oversight of hunting practices in Africa is not likely to be commensurate to standards in the west anytime soon. Trophy hunting is by no means a perfect solution, but the [IUCN Cat Specialists Group](#) says, "Properly managed trophy hunting was viewed as an important solution to long-term lion conservation." There will always be some abuse from unscrupulous individuals. But the monetary incentive to manage sustainable lion populations for hunting is the only protection lions currently have. Removing economic incentive for Africans to conserve lions has been demonstrated to be counterproductive. Working to improve oversight and lion management should be a priority. Until a better conservation model proves its mettle, responsibly managed hunts are the best chance for lions to survive in Africa.

A Model for a Smart Trade in Rhino Horn

Michael Eustace

The Chinese have always wanted rhino horn. South Africa can satisfy that demand without killing rhino. But, trade is banned by the Convention on International Trade in Endangered Species (CITES).

Current Market Supply: 1,004 rhino were reported as being poached in South Africa in 2013. Examination of the census numbers in the Kruger Park, relative to the reported numbers of poached

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animals, suggests that the numbers poached in Kruger were higher than the carcasses found. A total of 1,300 rhino poached in SA seems a more likely figure. Add to that number the rhino poached in the rest of Africa, horns stolen from official stocks and horns sold illegally from private stocks, and the total supply figure approximates 1,500 horn-sets, with an average weight of 4 kg, or 6,000 kg in total.

Current Market Demand: Supply and demand are equal, brought into balance by price. The price is thought to be \$60,000 per kg at the retail level and \$30,000 at the wholesale level. There will be many different markets and many different prices. The demand, in the past, has been mostly from China for Traditional Chinese Medicine (TCM). Recently Vietnam has been promoted as a major source of new demand but, according to the CITES representative in Vietnam, most of the trade there is in fake horn. Historically, Vietnam has been a conduit for horn into China.

The value of the *wholesale* trade in 2013 was about \$180 million (R1.9 billion). Costs are small throughout the trade pipeline and large profits are made exclusively by criminals, with nothing going to Parks and private owners, where the profits are rightly due. On the contrary, both have been faced with crippling security costs.

Prices of horn have risen steeply in recent years which must have attracted a significant speculative component within overall demand. Nobody knows the level of speculative demand but there is a need to take a view on the likely level when structuring a trade model. Assuming speculative demand in 2013 was 400 horn-sets then the balance of 1,100 horn-sets was sold to consumers. (If the speculative demand was higher, then the case for the trade model suggested below is stronger. If it was lower, the suggested level of farmed horn can increase as to fill the gap.)

Some 80% of Chinese, or one billion people, are said to use TCM, mainly herbal medicines. The underlying demand for rhino horn is huge and often referred to as “insatiable” by the donor agents. But, the very high price limits the actual demand to very few people. If a course of treatment needs 5 grams of horn then only 880,000 people use the entire 1,100 horns supplied to consumers, excluding speculators. This represents less than 0.1% of the Chinese population who have an interest in TCM. Any “demand reduction” strategy needs to persuade more than 99.9% of the TCM consuming population, or it will not be effective.

The Ideal Trade Model: The ideal model should be the one that is the most capable of reducing rhino poaching. Attributes might be that the model has the capacity to damage the illegal trade by increasing their risks, increasing their costs, reducing their prices and decreasing the size of their market. In addition, it should be able to capture high prices and profits for Parks and private owners over the long term. Ideally, the legal market should be a clearly differentiated trade channel that is insulated from the illegal market with no opportunity for illegal horn to find its way on to the legal market. The structure and process should be relatively simple and not depend on layers of bureaucracy to be effective. The profits from the wholesale trade should all go to Parks and to private owners without being dissipated. The current trade ban is not working and has never worked. It has favored criminals and been at huge cost to the rhino. A “one-off” sale has been suggested but that would achieve the worst possible prices and favor speculators, as was demonstrated at the ivory “auctions” in 2008. A monopoly of supply selling to a cartel of retailers may be the best structure to achieve what is wanted.

A Monopoly of Supply: A new company (“Newco”) can be formed to manage all sales of legal horn. Initially it can be wholly owned by the South African Government but the governments of Namibia, Zimbabwe, Kenya, Botswana, Swaziland and others can be invited to join with a shareholding that is appropriate relative to the number of rhino in their countries. Newco needs to outsource the management of the trading operations to a skilled trading company on a commission of, say, 2% of turnover or a likely income of \$2.6 million p.a. on a turnover of 1,100 horn-sets. The

commission charged to sellers might be 3% so as to allow Newco a small profit of, say, \$1 million p.a. It would seem fair for the suppliers of horn to receive 97% of the wholesale revenue, rather than Newco making higher profits, as Newco is purely a broker.

The Board of Newco can be small and made up from the main suppliers such as SANParks and KZN Wildlife, the Department of Environment and an equal number of business people who have trade experience and skills. The Private Rhino Owners Association ("PROA") should be represented as private owners have 25% of the SA rhino population and they own wildlife areas that are much larger than the Parks' estate.

SA has stocks of about 4,000 horns and a further 1,000 horns are thought to be held in other countries in Africa. Newco does not have to own those stocks and bear the financing costs but can simply set equitable quotas and call on stock from the various suppliers from time to time.

It is suggested that sales might take place at a secure room at Johannesburg International Airport. Suppliers such as SANParks, KZN Wildlife and PROA can deliver horn there in the quantities called for by Newco. Eight "sights" p.a. might be held at which an average of \$16.8 million (140 horn-sets) is offered to a select list of buyers at a given price on a "take it or leave it" basis. It will not be an auction. Once the horn has been sold it will be loaded on to a plane for China and payment will be made directly to the authorized suppliers such as SANParks. There will be no chance of illegal horn entering the sight or anybody other than legal suppliers being paid. Only properly marked horn with a DNA record will be "good delivery".

Newco sources of supply: Some 2% or 400 of SA's rhino population of 20,000 die every year from natural causes. With Newco prices of R1.3 million (\$120,000) for a horn-set there is likely to be a great deal of effort applied to collecting those horns.

Stocks of 4,000 horn-sets in SA can provide 400 horn-sets p.a. for 10 years. With the decline in poaching to, say, 200 rhino p.a. the population should increase at a net 6%, or double in 12 years. Natural deaths from double the population and increased farming of rhino will be more than able to substitute for the depletion of stocks after year 10. Private owners have 5,000 rhino and if they were to crop 2,000 of those sustainably and produce, on average, 1 kg per animal p.a. they could provide the equivalent of 500 horns p.a., assuming an average horn weight of 4 kg. (Horn can be cropped from rhino without any harm to the animal and the horn re-grows at the rate of 1 kg p.a.)

Thus, Newco can source 1,300 horn-sets p.a. from SA alone without the need to kill one rhino. In the absence of speculators, that should be more than enough to satisfy the market. In addition, natural deaths and farmed horn should grow at 6% net p.a. which will go some way towards filling increased annual demand. If demand was to grow more strongly, Newco could always raise prices in order to bring back the level of demand to sustainable supply levels or perhaps Parks will decide to crop some of their animals, maybe on farms established outside the protected areas. In addition, the private sector can always increase supplies.

Some purists would prefer to restrict trade to horns from stocks and natural deaths but in those circumstances the quantities are unlikely to be sufficient to satisfy the market on a sustainable basis.

The Buying Cartel: The main demand for horn is for Traditional Chinese Medicine. There are 3,000 TCM hospitals in China with revenues of \$37 billion. A group of, say, 20 buyers from those hospitals can be assembled as "sight-holders". They will need to sign a "best practice" undertaking which will include not dealing in any horn other than horn from Newco. If they are found to be dealing in illegal horn then they will be dropped from the list of sight-holders. They will also have the threat of being dropped from the list of sight-holders if they consistently turn down parcels of horn offered. Parcels will contain a variety of sizes and quality of horn but the parcel will be at a price that allows the hospitals to make a large profit margin of, say, 100%. TCM hospitals currently

sell drugs at a profit in order to finance their operations so selling horn shavings will be nothing new. They also buy their drugs through dedicated buying agents. Some 85% of total medicinal drug sales in China are via hospitals.

Trading Strategies: It would be best to remove speculative demand from the market. That is likely to happen naturally when speculators realize that a legal trade will provide a large and consistent supply of horn that will satisfy annual demand and, as a consequence, there will be little scope for price appreciation. In addition, and more concerning to the speculators, will be the fact that illegal goods in a market dominated by legal goods typically trade at a 30% discount. If there is the risk to the buyer of fake horn and poisoned horn, the discount will widen to, say, 40%. Speculators will turn sellers and fill the illegal market with horn. That will have the effect of reducing the demand for new supplies of poached horn because there will not be the market for it. Newco will have the ability to disrupt the illegal market from time to time by lowering prices and can withhold supplies in a weak market and increase supplies in a strong market. Newco's strategy should be to achieve the best possible prices and volumes in order to generate income for Parks and private owners in Africa, over the long term.

Outlook for the illegal trade: The Chinese government, via their TCM hospitals, will be invested in the legal trade and making some \$30,000 profit per kg on 1,100 horn-sets weighing 4 kg each which amounts to \$132 million p.a. That should encourage them to close down the illegal trade. (Nobody wants to accommodate criminals.) The risks to the illegal trade in China will increase, and their profits will fall. Poaching is unlikely to cease but a decrease in the number of rhino killed from 1,300 p.a. to, say, 200 animals p.a. would be a major achievement. The African population of rhino of 25,000 is capable of growing at 7% p.a. or by 1,750 animals p.a. so 200 is manageable and will allow the population to recover. The population of Asian rhino (3,500), given large legal supplies from Africa and a crowding out of the illegal market, should experience a decline in poaching.

The criminal trade will see total income decline from 1,500 horn-sets or 6,000 kg, at \$60,000, or \$360 million, to 200 horn-sets or 800 kg, at \$36,000 or \$29 million. That is a decline of 92%. The illegal horn trade will become much less attractive to the criminal syndicates. There will be more money for law enforcement and the risks to the local poacher will increase, his profits will fall and the volume of trade decline. Local poaching gangs are said to be receiving up to R200,000 (\$19,000) per horn-set. On 1,300 rhino that is a total of R260 million. That number should decline to R120,000 on 200 rhino or to R24 million.

Conclusion The current illegal trade is secret and the numbers used above are estimates. Other numbers might be preferred by some but the conclusions should not be different. If the genuine-horn market in Vietnam is found to be significant (100+ horn-sets p.a.) it may be necessary to establish a retail cartel there as well.

The value of the current illegal *retail* trade is about \$360 million or R3.8 billion p.a. The costs at each stage of the pipeline are minimal so the profits are extraordinary. Law enforcement is essential but the criminals are not going to withdraw easily...the profits are too attractive and the risks are low. It is more likely that the criminals will meet additional force with aggression and, also, they can be expected to sponsor increased levels of corruption.

Most commentators do not consider anything beyond standard trade models but there are much smarter ways of establishing a legal trade. The structure of the model above draws heavily on the old De Beers diamond trade model which operated successfully for over 50 years. It is a tried and tested model and has many advantages over free trade.

A monopoly selling legal horn to a cartel would satisfy market demand, at current high prices. There would be no need for poaching, although it is likely to continue at a low level. There

would be a clear legal channel. The Chinese government being invested in the legal trade would have an incentive to close down the criminal trade. The suggested model would increase the risks to the criminals, reduce their profits and greatly reduce the size of their market. It would remove the important speculative element from demand. Newco would be able to control prices in order to make the volume of trade sustainable. It would reduce poaching substantially and generate income for Parks and private owners in Africa of some \$132 million (R1.4 billion) p.a., if 1,100 horns were sold at the wholesale price of \$30,000 per kg. That income should allow for financially strong Parks and greatly improved conservation and tourism prospects (an additional 1 million tourists p.a. would generate income of \$2 billion if they stayed for 10 nights at \$200 per night. 50 million tourists visit Africa every year, which is less than Spain.)

With little poaching South Africa will have surplus rhino and may wish to sell, loan or give rhino to other parks in Africa in order to improve their tourism prospects and to establish a source of income for those parks from horn sales. SA can also establish rhino farms in communal areas and even accommodate rhino farms in SA for the financial benefit of Parks outside SA.

A monopoly selling to a cartel would provide for substantial conservation rewards at minimal risk and no capital investment and, most importantly, there would be no need to kill rhino. Surely that model must appeal to CITES?

South Africa owns 70% of the world's rhino and needs to take the lead in developing and promoting a more intelligent plan for the rhino. Nobody else is going to do it and the current situation is absurd. A smart trade is probably the solution.

News From and About Africa

Angola

Pedro vaz Pinto reported with [photos](#) of giant sable calves from trap cameras in Cangandala NP. The poaching curse is far from resolved despite of the significant successes. However, the recovery and survival of this magnificent and iconic species hangs by a thread.

Botswana

Botswana's Okavango Delta became the [1000th site](#) inscribed on the World Heritage List at the June meeting of the World Heritage Committee in Doha, Qatar. The delta, one of the few major interior systems that do not flow into a sea or ocean, comprises permanent marshlands and seasonally flooded plains during the dry season, with the result that the native plants and animals have synchronised their biological cycles with these seasonal rains and floods.

Congo, Democratic Republic of

[UNESCO's World Heritage Committee](#) and IUCN stated that no extractive exploration or extraction activities should be carried out in World Heritage sites. "Virunga has been danger-listed for 20 years but it has not lost its outstanding values and international efforts are still focused on its conservation" said Tim Badman, Director of IUCN's World Heritage Program.

Kenya

Kenya's central government will oversee the running of the country's wildlife authority for the next three months in a bid to stop poaching of the country's elephants and rhinos after six senior KWS officials were placed on leave to pave the way for investigations into the wildlife service's

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