THE SOUTH AFRICAN RED MEAT INDUSTRY

A SWOT ANALYSIS

CORINE STEYN
MANAGER LIAISON: NATIONAL RPO
INTRODUCTION

BALANCE SHEET OF THE SOUTH AFRICAN BEEF SECTOR ON PRODUCER LEVEL

<table>
<thead>
<tr>
<th>BEEF</th>
<th>SLAUGHTERING</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2 294 241</td>
</tr>
<tr>
<td>2013</td>
<td>2 463 198</td>
</tr>
<tr>
<td>2014</td>
<td>2 706 946</td>
</tr>
<tr>
<td>2015</td>
<td>2 898 356</td>
</tr>
<tr>
<td>2016</td>
<td>2 977 804</td>
</tr>
</tbody>
</table>

FORMAL SECTOR / ANNUAL TURNOVER

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>R44 Billion</td>
</tr>
<tr>
<td>Offal</td>
<td>R1 Billion</td>
</tr>
<tr>
<td>Hides</td>
<td>R1 Billion</td>
</tr>
</tbody>
</table>

INFORMAL SECTOR / ANNUAL TURNOVER

| Beef / offal & hides | R14 Billion    |

TOTAL: R60 Billion per annum

| Beef exports for 2017 | 27 483 tons    |
| Beef and hide exports for 2016 | R3,3 Billion |
# INTRODUCTION

## BALANCE SHEET OF THE SOUTH AFRICAN SHEEP MEAT SECTOR ON PRODUCER LEVEL

<table>
<thead>
<tr>
<th>SHEEP</th>
<th>SLAUGHTERING</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>5 215 000</td>
</tr>
<tr>
<td>2017</td>
<td>104 300 ton</td>
</tr>
</tbody>
</table>

## TURNOVER IN FORMAL INDUSTRY

<table>
<thead>
<tr>
<th>Sheep</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sheep meat</td>
<td>R9 Billion</td>
</tr>
<tr>
<td>Offal</td>
<td>R300 Million</td>
</tr>
<tr>
<td>Skins</td>
<td>R400 Million</td>
</tr>
</tbody>
</table>

## TURNOVER IN INFORMAL SECTOR

| Total turnover in informal industry | R3.8 Billion |

## TOTAL TURNOVER : R13.5 billion

<table>
<thead>
<tr>
<th>Sheep meat exports</th>
<th>1 300 ton worth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R405 million</td>
</tr>
</tbody>
</table>
INTRODUCTION

BALANCE SHEET OF THE SOUTH AFRICAN GOAT SECTOR ON PRODUCER LEVEL

<table>
<thead>
<tr>
<th>GOAT</th>
<th>SLAUGHTERING / LIVE SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2 450 000</td>
</tr>
</tbody>
</table>

TOTAL TURNOVER: R4,4 Billion

Total annual turnover of the South African Red Meat Industry on producer level R77,9 Billion per annum
STRENGTHS
WE ARE COMPETITIVE!

Exports of red meat to 42 countries, we calculate the €uro’s £ounds and ¥en’s.

Prices as at 14 September 2018
STRENGTHS
WE ARE COMPETITIVE!

• Record keeping of animals and improvement
• Reproduction efficiency
• Genetic improvement / Genomics

• Livestock genetic resources
  – Cattle breeds: Indigenous – 9
    (http://www.embryoplus.com/cattle_sa_indigenous.html)

• Other – 25 (BEEF BREEDING IN SOUTH AFRICA, 2nd Edition, 2010)
  – Sheep breeds: Indigenous – 12 (Snyman & Herselmann, 2011)

• Other – 12 (S Afr J Anim Sci, 1999)
  – Goat breeds: Indigenous – 4 (Cambell, 2003; ARC,
    http://www.arc.agric.za/home.asp?pid=2701)

• Large gene pool for adaptable livestock
**STRENGTHS**

**INDUSTRY STRUCTURE**

**VALUE CHAIN APPROACH**

- Red Meat Producers’ Organisation (RPO)
- National Emergent Red Meat Producers’ Organisation (NERPO)
- South African Feedlot Association (SAFA)
- Association of Meat Importers and Exporters (AMIE)
- Gauteng Meat Traders’ Employees Union (GMTEU)
- National Federation of Meat Traders (NMFT)
- Red Meat Abattoir Association (RMAA)
- South African Federation of Livestock Auctioneers (SAFLA)
- South African Meat Processors’ Association (SAMPA)
- South African National Consumers’ Union (SANCU)
- South African Pork Producers’ Organisation (SAPPO)
- South African Hides, Skins and Leather Council (SHALC)

A common vision to take a future position!
**STRENGTHS**

**THE CONSUMER**

**ANIMAL PRODUCTS, QUALITY AND VALUE ADDING**

- **PRODUCT CHARACTERISTICS**

  Global and domestic decline in fat content as observed over time
STRENGTHS

THE CONSUMER

MARKET DEVELOPMENT, CONSUMERISM AND TRADE
National Animal Health Forum and 9 provincial Animal Health Forums

• Brucellosis eradication scheme

• PPR
STRENGTHS

Veterinary Strategy

Compulsory veterinary year for graduated students
STRENGTHS

ONDERSTEPOORT BIOLOGICAL PRODUCTS

A STRATEGIC PARTNER

• Develop critical vaccines

• Unique vaccines for South African animal diseases

• Future – road ahead?
STRENGTHS

• Relationship with emergent sector

• Relationship with structures within organised agriculture
STRENGTHS

- Independent Meat Inspection Scheme
- Value Chain Round Table for red meat industry (VCRT)
- PHAKISA
STRENGTHS

SAMIC – Classification system

• Classification is one of the pillars of the industry
STRENGTHS

A 40% ad valorem tariff

Source: OECD, Agricultural Policy Monitoring and Evaluation, 2011
IMPORTS SHEEP MEAT

Imports Under -SHEEP MEAT PER COUNTRY
2018-YTD  Quantity-KG

NEW ZEALAND; 825968

OTHER; 218680

NAMIBIA; 3675885

AUSTRALIA; 2463711
IMPORTS BEEF

Imports Under -BOVINE MEAT PER COUNTRY
2018-YTD  Quantity-KG

- ARGENTINA: 75415
- AUSTRALIA: 851848
- BOTSWANA: 5635739
- NAMIBIA: 2660353
- URUGUAY: 1612146
- NEW ZEALAND: 35166

OTHER: 11110856
STRENGTHS

A large percentage of the consumers’ Rand

- Fresh Mutton 65%
- Fresh Beef 56%
- Fresh Chicken 56%
- Gouda Cheese 48%
- Fresh Milk 38%
- Bread 19%
- Wine 5%
STRENGTHS

Self – regulating

- Brine injections
- Animal feeds
STRENGTHS

Code of Best Practice

• Animals
• Natural Resources
• Farm employees
• Stock Theft and Predation
**STRENGTHS**

**PRODUCER COMMUNICATION**

Red Meat magazine

Social media

Electronic newsletter

[www.rpo.co.za](http://www.rpo.co.za)
STRENGTHS

PRODUCER MANUALS
STRENGTHS

BEEF FUTURE’S MARKET
LAMB FUTURE’S MARKET
STRENGTHS

RED MEAT RESEARCH AND DEVELOPMENT S.A.

STRATEGIC PLAN WITH FOCUS AREAS

- Sustainable utilisation of the natural resource
- Livestock production with increased competitiveness
- Animal health and welfare
- Animal products - quality and safety, nutritional value and preference
- The economics of red meat consumption and production in South Africa
- Predation management
- Prevention of stock theft

R10 million annually
62 current projects
STRENGTHS

ANIMAL WELFARE

- The average city dweller only has interaction with his/her pets and expect livestock farmers to treat their animals the same way
- Code of Best Practice
STRENGTHS
CONSUMER EDUCATION PROGRAMMES

BEFF
WWW.BEEFTALK.CO.ZA

MUTTON
WWW.COOKINGWITHLAMB.COM
Why consumer education?

- The moderne consumer WANT TO KNOW
- Number 1 trend in 2018: “FULL DISCLOSURE”
- A product without INFORMATION is a product without CONSUMERS
STRENGTHS

Questions the modern consumer asks

• Where does my food originate from?
• Was my food produced sustainably?
• Is there anything artificial in my food?
• How does this food fit in with current trends like Banting?
• Does this product fit in with the way our forefathers have eaten and the way nature intended (Paleo)?
• How was this animal treated before slaughter?
• What is the impact of my food consumption on the environment?

CONSUMER EDUCATION MUST PROVIDE IMPARTIAL ANSWERS!!
WEAKNESS

Animal identification and Traceability system SA (LITSA)

- A PPP between industry and government
WEAKNESS

A DISASTER STRATEGY:
PROVINCES WHICH HAVE ALREADY BEEN DECLARED DISASTER DROUGT AREAS IN 2015 / 2016

- LMP: 13 Nov 2015
- E Cape: 4 Dec 2015
- KZN: 20 Nov 2015
- NW: 24 Jul 2015
- FS: 4 Sep 2015
- N Cape: 29 Jan 2016
- MP: 4 Dec 2015
- W Cape: Pending
WEAKNESS
GOVERNMENT DEPARTMENTS

- Capacity of government departments
- Agricultural extension services are poor or non existent
WEAKNESS

EMERGING SECTOR

- Poor offtake figures
WEAKNESS

POOR RESIDUE MONITORING
WEAKNESS

HIDES AND SKINS

• National and international

• Export levy at the cost of the producer?
**OPPORTUNITY**

**BASIS OF SOUTH AFRICAN PRODUCTION / ESTIMATED LIVESTOCK NUMBERS**

<table>
<thead>
<tr>
<th>OWNED BY</th>
<th>TOTAL</th>
<th>EMERGENT</th>
<th>PERCENTAGE OWNED BY EMERGENT SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>13.6 million</td>
<td>5.7 million</td>
<td>42 %</td>
</tr>
<tr>
<td>Sheep</td>
<td>24.6 million</td>
<td>3.1 million</td>
<td>13 %</td>
</tr>
<tr>
<td>Goats</td>
<td>5.9 million</td>
<td>4.3 million</td>
<td>73 %</td>
</tr>
</tbody>
</table>

- The industry is 40 % transformed
OPPORTUNITY

NUMBER OF HOUSEHOLDS IN SOUTH AFRICAN THAT OWNS LIVESTOCK

THE SOUTH AFRICAN EMERGENT SECTOR

- 215,034 households owning sheep
- 429,065 households owning goats

- Inkomste- en voedselsekerheid
THE CONSUMER

MARKET DEVELOPMENT, CONSUMERISM AND TRADE

• Consumer is more sophisticated

• Story food

• Consumers are skeptical about the use of growth hormones, beta-antagonists and antibiotics

• Free range / grain fed / grass fed

• 42 Brand marks are audited
## OPPORTUNITY

### STRATEGIC INTERVENTIONS WITH STATUTORY LEVY/YEAR

<table>
<thead>
<tr>
<th>Functions</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer assurance</td>
<td>R3,527,134</td>
</tr>
<tr>
<td>Industry liaison</td>
<td>R2,580,701</td>
</tr>
<tr>
<td>Consumer education</td>
<td>R9,047,619</td>
</tr>
<tr>
<td>Production development</td>
<td>R5,118,661</td>
</tr>
<tr>
<td>Development of developing sector</td>
<td>R8,218,931</td>
</tr>
<tr>
<td>Research</td>
<td>R5,158,561</td>
</tr>
<tr>
<td>Compliance</td>
<td>R3,946,221</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td><strong>R37,597,828</strong></td>
</tr>
</tbody>
</table>
South African Meat consumption
2026 versus 2016

Figure 68: South African meat consumption – 2026 vs. 2014-2016 base period

Source: BFAP – Baseline 2017
OPPORTUNITY

DEMAND FOR RED MEAT IN AFRICA

- Currently ± 1.2 billion people - 15.5% of the world
- Fastest growing population in the world
- Estimated to more than double by 2050
- By 2050 – more than 25% of the earths population will live in Africa
- Food market in East and South-east Africa will triple by 2040

(The Modernizing African Food systems (MAFS) Consortium)
INTERNATIONAL DEMAND FOR RED MEAT

- Growth is slower – BUT
  
  - There is currently 7.25 billion people
  
  - Another 750 million people will be added during the next decade
OPPORTUNITY

FOOT AND MOUTH DISEASE FREE ZONE

• R6 Billion annual advantage
ADDITIONAL VOLUNTARY GRADING SYSTEMS

- Guaranteed eating experience
- Competition on the consumers plate
GOAT STRATEGY

• Classification of goat lamb carcasses – blue ink
OPPORTUNITY

EXPORTS

- Export protocols
- SPS measures
BEEF EXPORTS

Exports Under -BOVINE MEAT PER COUNTRY
2018 Quantity-KG

CHINA; 3276279
GREAT BRITAIN; 2295188
JORDAN; 1243534
LESOTHO; 1585862
MOZAMBIQUE; 1876395
AE; 1738039
HONG KONG; 685269
SWAZILAND; 1587075
OTHER; 8814910
KUWAIT; 2261320
Exports Under -SHEEP MEAT PER COUNTRY
2018 Quantity-KG

- SWAZILAND: 99935
- ANGOLA: 11903
- MOZAMBIQUE: 36837
- NORWEGIAN SECTOR: 14946
- GHANA: 18427
- OTHER: 85736

- BOTSWANA: 143010
- LESOTHO: 116067
PROGRAMS WHICH UNLOCK THE POTENTIAL OF RED MEAT
IN TERMS OF COMMERCIALISATION, TECHNOLOGY
TRANSFER AND TRAINING

• Transfer of technology / extension services
• Mentorships
• Enterprise development
• Institute for Production Development
Commercial producers 30 000
Employees of commercial farms 60 000
Feedlot industry 2 000
Emergent producer sector 250 000
Families that own livestock 1 200 000
Abattoir industry 10 000
Livestock agents 5 000
Trande – formal 10 000
Trade – informal/street vendors 30 000
Hides, skins and leather 10 000

THE RED MEAT INDUSTRY MAKES A DIFFERENCE !
OPPORTUNITY

ZERO RATED VAT

• Level playing field for red meat and poultry meat
HOW DO WE PRODUCE MORE?

PRODUCTION DEVELOPMENT

- Better technology / management
- More intensified / production systems
- Empowering production environment / government
- Commercialisation of emergent sector
- Governments’ capacity to deliver necessary services is limited and still weakening
- The red meat industry must deliver services and support government in the delivering of services
Possible expropriation without compensation

- RPO – presentations at public hearings in all 9 provinces
- What is the impact on the profitability of the producer?
- What is the impact on the industry?
- What is the impact on the tax base?
THREATS

PREDATION

• Cost of predation
  R2.6 billion per annum in small stock, beef- and game industry?
THREATS

but we addressing it ....

Predation management

Source: Niel Viljoen
THREATS
but we are addressing it ....
Predation management

- PREDATION MANAGEMENT INFORMATION CENTRE – UFS R300 000
- PREDATION MANAGEMENT WEBSITE WWW.PMFSA.CO.ZA
NUMBERS OF STOCK THEFT CASES REPORTED FROM 2011/2016

- 2011/2012: 32,000
- 2012/2013: 30,000
- 2013/2014: 28,000
- 2014/2015: 25,000
- 2015/2016: 24,000
# THREATS

## STOCK THEFT

Non-reporting of stock theft

<table>
<thead>
<tr>
<th>Year</th>
<th>% Non-reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>36.3</td>
</tr>
<tr>
<td>2012</td>
<td>40.1</td>
</tr>
<tr>
<td>2014</td>
<td>64.4</td>
</tr>
<tr>
<td>2015</td>
<td>67.7</td>
</tr>
<tr>
<td>2016</td>
<td>70.7</td>
</tr>
</tbody>
</table>
THREATS

but ... STRUCTURES ARE IN PLACE TO ADDRESS IT

• National and provincial Stock Theft Prevention Forums

• Good liaison with SAPS

• STIC’s on provincial level

• Cross Border Crime Information centre (Gauteng/Free State/North West/Northern Cape)
THREATS

STOCK THEFT AND CROSS BORDER CRIME

- Lesotho Border visit
THREATS

CARBON AND WATER FOOTPRINT

• Global warming

• Blue, Green & Grey Water
ENABLING ENVIRONMENT

• Legislation

• Listeriosis

• Foot and Mouth (R6 Billion) and other animal diseases which threaten SA’s animal health status

• Myth that red meat contributes to cholesterol, heart diseases and other health issues
TAKE HOME MESSAGE

• The demand for red meat grows locally and internationally

• Red meat remains a consumer preference

• The consumer wants to KNOW, WHERE AND HOW?

• There is opportunity for increased production

• The commercialisation of the emergent sector is a huge opportunity

• South Africa has world class genetics

• We are internationally competitive

• We are optimistic about the future and there is trust in the industry?
THANK YOU !!

RPO VISSION

A competitive and sustainable red meat industry where value is added for producers and where they can unlock value!