

Red meat industry overview

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The red meat industry is characterized by a complicated value chain and the fact that almost all red meat produced, is consumed locally. It's an industry which has been very stable over the past period and all indications are that the consumption of red meat is going to increase further.

There are certain weak points and threats which must be managed to keep the industry on track. However, there are also a number of opportunities which can favour the industry if it is utilized.

Weak points

Escalating input costs and cost pressure

The producer price of red meat increased in recent times at a much slower rate than the prices of input costs. This had the result that although producer prices have been fairly stable, producers realized a lower income.

Imports

A 40% ad valorem tariff is applicable to beef and sheep meat, but it must be accepted that there is a lot of pressure for the lowering of the tariff. Various role players already made a request in this regard, including the Federation of Meat Traders, the Federation of Meat Importers and COSATU.

In a study by the University of the Free State, which has been conducted on request of the RPO, it was clear the import tariff does not give any protection, but is only enough to level the playing fields with the highly subsidized first world countries. The Namibian meat scheme also has a significant impact on the South African producer price. The RPO already launched various actions to change his scheme.

Animal health

The single, most important threat in the red meat industry is the issue of animal health, specifically the government's animal health structures on national and provincial level. Serious problems exist in

terms of a lack of legislation to clear the issue of functions on national and provincial level, while there are a lot of vacant posts for state veterinarians and animal health technicians.

Another major threat is inefficient border control and ineffective border fences with our neighbouring states. Zimbabwe, Botswana and Mozambique recently experienced problems with foot and mouth disease. Recent investigations of border fences between South Africa and Zimbabwe revealed some critical shortcomings.

An Animal Health Forum, which is representative of all stock industries, addressed all aspects in respect of shortcomings in the national and provincial departments, including realistic solutions. However, the reaction to this initiative has been disappointing.

It is also true that producers themselves have a major responsibility in terms of animal health. One of the critical aspects is to have an effective biosecurity system on the farm and to stick to it.

Animal rights organizations

Various animal rights organizations which specifically focus on the negative aspects of the red meat industry are increasingly a threat to the industry. In spite of the fact that some of their arguments are absurd, they still enjoy some support.

One such an example is: "Did you know? To produce one portion of beef (250g) requires the same amount of drinking water that one person needs (at one litre a day) for 34 years of life!" - Capetonians Against Animal Abuse.

Damage causing animals

The loss due to jackal and lynx is more than R1,1 billion per year, almost four times more than the loss due to stock theft. Representatives of the stock and game producers' organization recently established a





Sheep kraaled overnight to protect them against stock theft

working group to effectively address the problem of damage causing animals. A working agreement has also been reached between the various organizations. The formulation of legislation in this regard will be critical.

Stock theft (see article below)

The industry annually loses R300 million due to stock theft.

Opportunities in the red meat industry

Local consumption

South Africa is a net importer of beef and sheep meat. The local producer prefers fresh meat. In recent times, the consumption of beef and sheep meat has increased to an extent and the forecast is that it will be increasing for a considerable period. It is clear that the consumption of beef will sharply increase in developing countries, but this is not the case in developed countries. Consumption in South Africa is expected to increase considerably.

Consumer trust

Misconceptions about red meat are still common. It includes the following:

- Red meat is unhealthy.
- Red meat contributes to coronary heart diseases.
- Red meat is expensive, compared to alternative protein sources.
- Red meat contributes to cancer.

The facts are the following:

- An increased consumption of low fat red meat can lead to lower blood pressure.
- Eating red meat four times a week can eliminate obesity, and lower cholesterol.
- An increased consumption of low fat red meat, in combination with a decreased consumption of carbohydrates, can lead to less acne.
- Naturally produced red meat is an excellent source of Omega 3 oils.
- The industry is currently in the fortunate position that these misconceptions can be addressed, partly because of the fact that statutory levies are available for this purpose.
- The Sheep Meat Marketing Forum is doing valuable work to promote the consumption of local sheep meat and lamb. A comprehensive promotion campaign is launched in various media.

The classification system

South Africa has a simple but effective classification system which name carcasses bought by the trade. The system is effectively

coordinated by the South African Meat Industry Company (SAMIC). It remains one of the pillars of the success of the industry. However, at this stage it is necessary to re-evaluate the system.

Buying power

It is now clear that the worldwide economic crisis did not have the same effect on meat prices which it had on other commodities. Locally, the cuts in the interest rate as well as lower petrol prices, stimulated red meat consumption. The government is currently spending a lot of money to develop infrastructure for the 2010 soccer tournament. The result of that is increasing buying power, which will have a positive effect on the red meat industry. Decreased commodity prices will have a positive effect on production. Indications are that the maize price will decrease further and that offal products of the grain industry will be available at lower prices. This will have a positive impact on the industry, specifically weaner prices.

All indications are that the consumption of sheep meat will increase and the production of sheep meat will remain on the same levels for the medium and long term. South Africa will become a bigger net importer of sheep meat. Forecasts for the medium and long term are therefore very positive, providing the threats to the industry are managed.

Stock theft in perspective

The announcement by the Minister of Agriculture, Forestry and Fisheries, Me Tina Joemat-Pettersson, that stock theft will in future be a priority crime, is welcomed by the chairman of the National Stock Theft Forum, Koos van der Ryst, as a positive sign that government is serious to combat the problem of stock theft.

Statistics of the South African Police Services' stock theft unit indicate that stock theft has increased when compared to the same period in the previous year. The number of animals recovered by the SAPS has, however, also increased. According to the compared figures, a total of 14 508 cattle have been stolen in the period 1 April to 30 June 2009, while in the same period in the previous year, 13 199 cattle were stolen.

As far as sheep is concerned, in the period 1 April to 30 June 2009 a total of 20 489 sheep have been stolen, while 14 916 were stolen in the

same period in the previous year. In the case of goats, a total of 9 125 were stolen in the period 1 April to 30 June 2009, while a total of 7 934 goats were stolen in the same period in the previous year.

Specialist committee

Stock producers convened in Bloemfontein to hold a strategic planning session on stock theft and established a specialist committee to address matters of critical importance. It consists of the chairman of the National Stock Theft Forum, the RPO and specific role players. It is only a producers' forum which connects on a high level with other role players.

One of the reasons for the establishment of the specialist committee is the fact that certain current structures do not have the necessary capacity to fulfil its task effectively. On provincial level, the same plan is applicable as on national level, but the provincial structures do not have any policy making powers. One of the objectives of the meeting was to provide the SAPS, the Department of Correctional Services, Agriculture and other role players with time schedules.

As far as stock theft is concerned, the producer has certain expectation, inter alia an increased impact of provincial and national stock theft forums in order for it to be more effective and also to have a single mouthpiece for the whole industry. An integrated national/provincial plan from producers is another need, as well as effective communication, coordination and liaison. Ineffective law implementation was identified as the core problem of stock theft and proposals were made as to how to improve it. Producers are also guilty, because not all their stock is marked.

Meeting with the Minister

At a later stage, representatives of the stock industry also held a meeting with the Minister of Agriculture, Forestry and Fisheries, Ms Tina Joemat-Pettersson, to discuss problems associated with stock theft. The following problems were outlined:

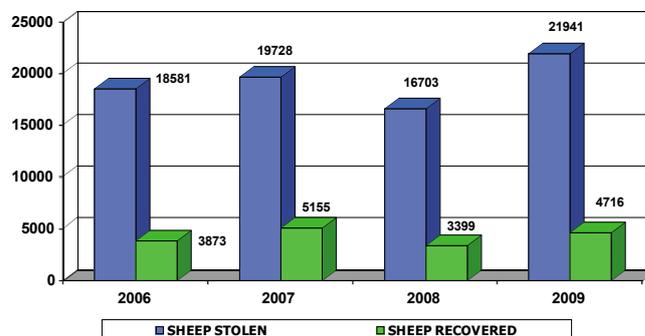
- Stock theft is one of the most difficult cases to solve.
- Vacant posts within the SAPS create capacity problems.
- The Stock Theft Units in South Africa goes a long way to fight stock theft but capacity problems do exist.
- Lack of knowledge within the SAPS and the court prosecutors.
- Emerging producers who owns at least 40% of all livestock are affected the most.



- Stock theft has become a business and there are very clear indications of syndicate involvement. The days of a sizable portion of stock theft being ascribed to pot slaughtering are long gone. Criminal syndicates are involved at a large scale.
- No capacity to mobilise specific operations. The Commando system was closed down, SAPS Area Head Offices were closed down and Sector Policing is not in place. Excluding Stock Theft units, there is no effective system to combat stock theft.
- The removal of SANDF troops from the Lesotho border is making livestock farming impossible in certain areas.
- Low success rate in terms of convictions versus court cases, which culminates in the fact that producers do not report stock theft cases any more. Farmers have lost their trust in the SAPS and the criminal justice system.
- Stock theft is in many cases destroying high potential genetic material.
- RSA is a net importer of red meat and stock theft threatens food security in the country.
- Stock theft is making the South African red meat industry uncompetitive internationally and also has a negative impact on the wool industry.
- Although South Africa has always been a net importer of red meat, stock theft has a very detrimental effect on the industry and agriculture in general. The solution of the stock theft problem will make a huge contribution to the country's self-sufficiency.
- The lack of a National Pounds Act is problematic.
- The marking/branding of livestock in the emerging sector is problematic.

RSA: Sheep

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Recommendations

- All vacant posts in the stock theft units must be filled and capacity issues should be resolved.
- Create permanent capacity for training and re-training of prosecutors and members of the stock theft units.
- Create mobile reaction units which can be involved in specific operations on short notice.
- Finalise the Pounds Act as soon as possible.
- Legislation must be amended to create heavier sentences.
- The process of bail and parole for stock thieves must be reviewed.
- SAPS members of Stock Theft units rendering service of a high order, could be given incentives for their efforts in inaccessible areas under very difficult working conditions.
- Department of Agriculture could assist in the marking / branding of livestock in the emerging sector.
- Grazing permits.

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