

## New opportunities for the red meat industry

The current drought that has put many red meat producers in a state of despair, and a lot of international travel over the past 3 years to countries such as India, Pakistan, Sudan, Ethiopia, Kenya and a few trips to Australia, has given me a lot of food for thought about a possible future vision of our red meat industry, especially for the beef sector. My article in the Landbouweekblad of 9 October 2015 titled “what you should pay for a bull” was also a real eye opener for me. The average American or Australian commercial producer uses 5 - 6 weaners to pay for a stud bull, that is sold for an average price of between R45000 -R50 000. In South Africa the amount of weaners required for the same price is closer to eight to ten. This discrepancy is largely because of the low price we obtain for beef compared to our international peers in the developed world.

My other concern is that there is the risk of our red meat product slowly becoming a commodity instead of being marketed as a high value, premium product. Our health status also precludes us from exports to premium markets where a premium price is obtained. On price, especially for beef, our meat price is almost the same as countries such as India and Pakistan (Table 1) whom have no classification or grading system. These two countries also sell meat into the international market, especially to the middle east and indirectly into China, where they sell beef as a cheap source of protein from old, emancipated cattle or buffaloes whom have finished their productive life as dairy or draught animals (i.e. our C3 grade). Our A2 grade is almost similar in price to the C grade product produced in Pakistan. The price that producers of beef obtains in Australia and the USA is twice as high as that obtained in South Africa. The average Australian probably has 2-3 times the size of herd than the average South African producer.

Price of RSA Beef and lamb compared to some other countries

Product	USA	Australia	RSA	UK	India	Pakistan	China
Beef	R64.05	R67.26	R34.80		R30.04	R36.08	R82.50
Lamb	R126.72	R60.61	R55.02		-	-	

Price in Rand for Carcass weight per kg

AUD \$1 = R11.0 <http://www.mla.com.au/Prices-markets>

US\$1=-R17.00 [http://www.ams.usda.gov/mnreports/lm\\_xb402.txt](http://www.ams.usda.gov/mnreports/lm_xb402.txt)

<http://landbou.com/markte/lewende-hawe/>

Whilst our red meat industry does not spend nearly as much money in research and development compared to the developed world, we still have a good, marketable and hygienic product that should be selling at a premium. As an industry we should not allow ourselves to be in the position that we are forced to compete with many third world countries whom now simply sell meat as a commodity.

There is no doubt that one of the major challenges for entering high value markets is South Africa's perceived disease status and the lack of investment into research and development, and the lack of marketing of our product internationally. We can overcome these challenges if we take stock of where our industry is at the moment compared to our international peers, and work together as an industry to look for new opportunities, In my opinion there are two approaches to adding value to our product. The first is to collectively aim to establish an export market for the high value cuts, and the second is to ensure that we invest sufficiently in our own product to increase the value of beef domestically.

*Create a high value export market for the high value cuts*

South Africa is a net importer of meat, similar to the USA. The USA exports a significant proportion of its high value cuts to high value markets such as Russia, Europe, Japan and under the radar because of BSE, into China. Meat consumption in China for example has increased fourfold since the 70's and again since the 1990's. The value of Chinese imports has jumped by nearly 40% in 2015 and is now worth an estimated \$1.35 billion (R22 billion). The rise in imports is expected to continue despite the economic slump as China moves to a service delivery industry. However, China is not the only high value market. The price of meat in most European countries is almost double the price of that in South Africa.

To make up for the shortfall countries such as the USA imports their processed meat from countries such as Australia and Brazil. Namibia and Botswana are also good examples of countries whom have managed to access lucrative contracts with some European Union countries, even though they only have small export quotas and are continuously looking at accessing higher value markets. Namibia may soon export meat to China and the USA and this would be a big breakthrough for their industry. I am under no illusion that to access these export markets is difficult, but once you get your foot in the door the export value becomes highly lucrative.

#### *Increase the value of our product locally*

The reality is that South Africa sells more chicken than meat from cattle, sheep and pork combined. This decline will continue unless we somehow come up with innovative and creative ideas to reverse this trend. Meat Standard Australia (MSA) reversed the decline in beef consumption by investing heavily into their product by creating a grading system that ensures that consumers are guaranteed a tender, juicy and flavourful product. Doing this moved meat as a product away from being a commodity that competes with chicken, into its own higher value niche market. MSA is probably too complex for South African conditions and consumers but certain components could be applicable. On a positive note, the South African industry is currently reviewing our meat classification system and we look forward to the final outcome.

#### *We must improve the perception internationally regarding our health status*

To get into the high value export markets will require an improved rating of our health status. Much is being done by many actors including the department of Agriculture, Forestry and Fisheries (DAFF), whom are also working closely with the RPO. These bodies have recently put in place a new strategy to combat diseases such as Foot and Mouth (F&D), especially on our borders. We also need to start with a recognised traceability system that is deemed to be internationally credible. I have personally been involved in the development of traceability systems for seven countries in Africa including the Ethiopian Government where the industry exports nearly 1 million live cattle to Middle Eastern countries. The implementation of some of these projects are being funded by the European Union or World Bank, whom I believe would also be in a position to assist our industry to get started. The Ethiopian beef exporters noticed that they were being outmuscled by other international producers of meat for export to more lucrative export markets. Sadly, South Africa is way behind regarding an implementation of a traceability system whilst many African countries have taking the lead. Any hint of a possibly of an outbreak of a disease such as Foot and Mouth for example, makes it very difficult to convince international buyers that as a country we have the required health status and more importantly, the mechanisms in place to control disease outbreaks.

#### *Collectively market our product*

Anybody that has ever visited an International meat trade fair, such as Gulfood held annually in Dubai, will soon come to realise the value of working together as an industry and collectively marketing our

product. The USA for example has every actor in the value chain working together to market the USA product. This even includes embassy staff in every country. At international trade events such as Gulfood, you can quickly differentiate between the serious role players (Canada, USA, Australia, Brazil) and the smaller more fractioned entities. There is no silver bullet in this industry and the value of the product is more about perception than reality. What is important however is that a country and all its role players work together to market the product.

#### *Be innovative and decide your target market*

To create and market our product we need to be innovative. Ireland, Namibia and Botswana for example promote their product as clean and green, i.e. hormone free and mostly off the veld. The USA promotes the higher well marbled eating experience. Australia markets their "Meat Standards Australia system that guarantees juiciness and taste and that the product is also free of any hormones. India, the world's largest exporter of meat, simply sells by volume and markets itself as a cheap source of protein (mostly buffalo). South Africa could easily market its red meat in a similar way that we market our wine, i.e. a product that is of high value, as good as anything in the world and is competitive on price. The fact that we have a very well structured feedlot industry is a big plus as we are able to produce a consistent A grade product. The fact is that we have meat that is of high value that should be commanding a premium price.

#### *The need to innovate and invest*

Most of the leading countries, and even normal business and industries, realise that to make progress you have to be prepared to invest in your own industry. As an industry, we need to get away from the notion that we always need to look to government for support for Research and Development. FAO and World bank reports clearly show that the government spend for R&D has declined markedly internationally relative to industry that now funds the bulk of its R&D spend. My experience is also that the government in South Africa will be prepared to support those industries that are prepared to invest in themselves. We have for example, as a beef Stud industry, managed to secure R30 million over a three-year period for a beef genomics project. It was only when government learned that producers were willing to raise the money themselves that they were willing to partner with the industry. As a rule of thumb, an industry such as the beef sector should be prepared to invest at least 1.5% of its GDP into research and development to ensure that it remains competitive and viable over the long term. This effectively means that we should be willing to invest RXXX as an industry. In this regard we need to strongly support the Meat industry (including RPO) whom raises funding through its levee system. However, more is required to realistically be able to compete internationally and the implementation of a traceability system for example will require significant investment from the industry.

In summary. In my opinion we as an industry need to collectively aim to establish an export market for the high value cuts and a lot of work still needs to be done to ensure that our health protocols don't preclude us from international markets. Secondly, we need to ensure that we invest sufficiently in our own product to ensure that our meat rises above the commodity value. As was demonstrated in other markets, improve the product will increase the value of beef domestically.