

The IMS Beef Committee

The Short Term Market Prospects for African Beef (for the next 12-24 months) within the context of the point in the agenda dealing with beef prospects for the various regions of the world.

By: Ove Kjær Nielsen, Botswana Meat Commission.

The Short Term Market Prospects for African Beef is determined by a number of factors most of which are beyond our control. Major factors that affect the market prospects for beef from Southern Africa are availability that to a large extent is determined by rainfall or lack of it, the new EU trace-ability laws, the use or non-use of growth hormones and especially the rates of foreign exchange. Other factors are animal deceases, and here I must emphasise that in some areas there are large herds of African Buffalo's that are carrier of F&M. This makes vaccination of bovines in surrounding areas necessary with the result that large parts of the Beef production become un-acceptable for Export. These factors together with land reforms – lower production, and farms turned into game farms or catering for tourism are all major factors that has influence on the short Term Market Prospects for African beef and the ability to maintain export status.

Other factors that influence the prospects of marketing beef from Africa are nationalistic tendencies in the Importing countries. These initially emerged because of fears of BSE, but later in some countries have been used as an excuse for a policy of buying only locally produced beef claiming that the consumers do not trust beef produced outside own borders in spite of the facts that it is produced under strict veterinary control in conformity with the EU third country veterinary regulations.

One other factor is the general perception in Europe that Africa is a country NOT a Continent. This perception aided by the media can turn the buying public in Europe against buying beef from any country in Africa.

If for example starvation exist in some country in a far away corner of the Continent, then this would have a major impact on sales from Africa generally as the consumer feels that it would be wrong to buy beef from what is now seen as a starving Continent not an individual country without realizing that the distance from eg Ethiopia to Botswana or Namibia is some 5000 kilometres. The same adverse effect on sales are often caused by media attention is deceases such as Aids.

Finally what the effect will be of the opening up of world trade and reduction of farm subsidies if and when the World Trade Organisation enforces trade regulations that could have a major impact on sales. This could however also cause a potential negative impact on the exports of African beef – because of conception, even if wrong, that the reduction in farm subsidies will lower production in the EU and therefore create more opportunities for imports into the EU for beef including beef from Africa

In the Southern African region there are 5 Beef producing Countries, namely The Republic of South Africa, The Republic of Botswana, The Republic of Namibia, The Kingdom of Swaziland and the Republic of Zimbabwe.

Off these five The Republic of South Africa is a net importer of Beef whilst the other four are net exporters. I will therefore concentrate my remarks on the four net exporters and here leave out the Republic of Zimbabwe as this country for various reasons are not exporting Beef at present.

The cattle population in the other three countries are in total around 5 million and the off-take is between 11% - 14% meaning that a total of some 700,000 cattle are available for sale every year. Because of climatic conditions and different farming management the Cold Dressed Mass vary between the countries and in Namibia the CDM is the highest around 240 kilo and in Botswana the lowest with a CDM around 198 kilo.

In Botswana all cattle for export are processed by the Botswana Meat Commission,
In total app 175,000 cattle with a total de-boned mass of app. 25,000 tonnes.

In Namibia all cattle for export are processed by The Meat Corporation of Namibia,
In total app 150,000 cattle with a total de-boned mass of app 27,000 tonnes and

In Swaziland all cattle for export are processed by Swaziland Meat Industries,
In total app 45,000 cattle with a total de-boned mass of app 6,000 tonnes.

These tonnages viewed against huge production figures like in Brazil are of course small but the production of Cattle in all three countries has always been and remain an extremely important source of foreign exchange income for the countries and in particular is the mainstay of the income of a large part of the population and is the backbone of agricultural activities in Southern Africa besides being extremely important to job creation –

All sales in Europe are handled jointly through Allied Meat Importers a subsidiary Group of companies incorporating Cold Stores in UK and South Africa, Marketing offices in the UK, Germany and Holland and an in-house Captive Insurance Company, all fully owned by the Botswana Meat Commission.

With a human population in the three countries of a total of only app 5 million it is obvious that beef from cattle offered for sales has to find Export markets as the internal consumption is too small to consume what is produced, and in spite of the fact that all three countries are in a Custom Union with The Republic of South Africa, that is a net IMPORTER of Beef, and South Africa therefore so to speak is a local market, sales are low as the competition from Countries such as Brazil, Argentina and Australia with their low prices that are difficult to compete with makes sales difficult in the RSA market for Botswana, Namibia and Swaziland.

Other factors that makes sales into the Republic of South Africa difficult are that the South African Farmers continue to be allowed to use growth promoters/hormones in their production process, they have access to cheaper feed and their slaughterhouses/abattoirs do not need to be ISO/HACCP/export status and are therefore “cheaper” to operate.

The only viable alternative for the three countries therefore has for the last 30 years been and still is Exports under the ACP Beef protocol of the Lomé Agreement, succeeded by the Cotonou Agreement that continue to allow import into the EU from the ACP beef producing countries of a total of 52,100 tonne annually up until year 2008. These imports are allowed duty free but with payment of 8% levy.

The ACP Beef Quota has never in its time of existence been fully utilised for various reasons like drought and the occasional outbreak in certain areas of F& M and lately also caused by delays and difficulties in implementing the EU trace-ability laws. For example in 2003 only a total of 19,000 tonnes or 37% of the quota was used with exports from Zimbabwe, Madagascar and Kenya (the other three ACP Beef producing countries) being NIL.

The prospect for the short term as well as the long term is therefore pretty bleak. The expenses of marketing beef in markets 10,000 kilometre away are high and ever increasing and the world market prices have stayed low and static for years and returns has only been helped by increases in rates of exchange from Sterling and Euro to the Botswana Pula, the Namibia Dollar and the Swaziland Lilangeni. In spite of the fact that there recently seem to be movements in the prices upwards for beef in the world we believe that this situation will continue.

The difficulties and the costs in implementing and adhering to veterinary conditions and traceability rules, that seems to act more as trade barriers than health assurance schemes, makes it extremely difficult for us to see even the slightest silver lining. It would be commendable if more workable rules and regulations were put in place. Some of the present regulations are made in such an academic and theoretical way that it will simply become financial impossible to adhere to these and in countries that produce more Beef than the population can consume this will spell both financial and political disaster.

All of this together with the uncertainty in regard to the future after 2008 does also not make beef ranching in Africa for Export attractive and many farmers will go out of business or be forced to look to alternative income from game farming and or tourism.

In conclusion therefore we in our region take a dim view of the future, we cannot see that beef prices, although rising, will rise enough to counter the production and marketing expenses and without a crystal ball that will predict the rates of exchange of the Sterling and the Euro to our local currencies. and in spite of the fact the world consumer wishes and likes to buy beef, the availability of funds from the consumers constantly shrinking budget will in my view continue to be a barrier against viability in the Beef Production Sector for years to come and in particular

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