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South Africa, Republic of

Livestock and Products

Annual

2003

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Report Highlights:
Livestock production has been constant over the past few years as weather conditions have been favorable. The cattle population varies between 13.5 and 13.7 million while slaughter figures vary between 3.1 and 3.2 million. Beef production is around 650,000 tons per annum while imports and exports are small. The volatile South African Rand exchange rate aggravates trade uncertainties.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Pretoria [SF1], SF

Executive Summary

Livestock and meat production has been very constant over the past few years as weather conditions have been generally favorable. Unfortunately the absence of statistical information makes meaningful analysis of minor trends impossible. The cattle population is constant around 13.5 to 13.7 million while slaughter figures vary between 3.1 and 3.2 million. Live imports of between 100,000 and 150,000 annually, mainly originates from Namibia.

Beef production is around 650,000 tons while imports and exports are very small, usually less than 4% of the total. The main source of beef imports is again Namibia supplying 65 to 75%. The meat is imported free of duty as Namibia is a member of the Southern African Customs Union. South African meat prices are low by world standards which inhibits imports from other sources. The volatile Rand/Dollar exchange rate also aggravates trade uncertainties.

In spite of much publicity South Africa's beef export drive is not really getting off the ground, currently running at between 10 and 12,000 tons annually. The strong Rand is a factor making exports less profitable. The industry is, however, in the process of complying with the high international requirements for traceability etc. which could open markets when the Rand stabilizes.

2001; US$1 = Rand 8.50
2002; US$1 = Rand 10.52
September 1 = Rand 7.35

Source:

www.samic.co.za

Cattle

PSD Table						
Country	South Africa, Republic of					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Total Cattle Beg. Stks	13505	13505	13520	13635	13510	13790
Dairy Cows Beg. Stocks	1955	1955	1950	2025	0	2020
Beef Cows Beg. Stocks	7520	7520	7515	7540	0	7600
Production (Calf Crop)	3790	3790	3785	3825	0	3850
Intra EC Imports	0	0	0	0	0	0
Other Imports	140	145	80	120	0	110
TOTAL Imports	140	145	80	120	0	110
TOTAL SUPPLY	17435	17440	17385	17580	13510	17750
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	13	0	15	0	15
TOTAL Exports	0	13	0	15	0	15
Cow Slaughter	1290	1100	1300	1105	0	1120
Calf Slaughter	30	30	30	30	0	30
Other Slaughter	1900	2005	1925	2020	0	2045
Total Slaughter	3220	3135	3255	3155	0	3195
Loss	695	657	620	620	0	650
Ending Inventories	13520	13635	13510	13790	0	13890
TOTAL DISTRIBUTION	17435	17440	17385	17580	0	17750
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

Comprehensive, and in certain industries extremely swift, agricultural marketing reforms took place since the inception of the 199G6 Marketing of Agricultural Products Act. The red meat industry has undergone fundamental change during this process of almost total market liberalization. The most important of the former Meat Board’s control measures was the so-called controlled and outside areas. This meant that only live animals could enter the seven big consumer centers (controlled areas). After slaughter at the large city abattoirs, the compulsory sale of carcasses took place through public auctions at these abattoirs.

With the abolition of controlled areas came the first visible effect of deregulation, namely a shift in slaughter patterns from consumer areas to the production areas. The number of abattoirs, especially small and medium facilities increased dramatically leading to an oversupply in capacity. The city abattoirs suffered dramatic reductions in output leading to closing down of some big slaughterhouses. Today the abattoir sector fulfils a totally integrated wholesale function and the vertical integration has increased to include feedlots owning and operating the abattoirs. Feedlots supply about 75% of the commercial meat production.

The deregulation coincided with a rapid growth in the informal market, resulting in a strong dualism in the industry, in which formal and informal marketing systems co-exist. The latter is characterized by slaughter outside registered or approved abattoirs, followed by own consumption or direct selling to consumers. Aids related deaths has lately also pushed up the number of cattle informally slaughtered for funerals.

The net result of the deregulation was the total demise of reliable data aggravated by the dualistic nature of the South African agricultural economy. The sector consists of a highly productive commercial sector and a small scale subsistence sector. About two thirds of the cattle are found in the commercial sector. At this stage the only official data available is the estimate of the composition of the total national herd. The estimate is based on August numbers each year before the onset of spring and the new calving season. The August 2002 estimate is used for the 2003 herd numbers.

Herd Composition	August 99=00	August 00=01	August 01=02	August 02=03
Bulls	316 186	320 604	321 399	320 784
Cows>2yrs, dairy	1 1186 770	1 276 293	1 409 140	1 450 527
Other	5 831 819	5 862 560	5 801550	5 811 348
Heifers, dairy	501 066	518 305	546 015	575 951
Other	1 909 062	1 675 636	1 720 207	1 726 863
Calves	2 445 244	2 433 618	2 446 943	2 483 097
Young oxen	996 805	1 016 065	909 463	920 082
Oxen	393 366	358 144	351 252	348 744
TOTAL	13 580 318	13 461 225	13 505 969	13 637 396

The animal numbers PS&D is then calculated as follows:

Cattle	08/97=98	08/98=99	08/99=00	08/00=01	08/01=02	08/02=03	08/03=04
B/Stock	13667	13772	13580	13460	13505	13635	13790
Dairy Cow	1730	1705	1688	2010	1955	2025	2020
Beef Cows	7287	7585	7841	7415	7520	7540	7600
Total Cow	9017	9290	9529	9425	9475	9565	9620
Calves	3608	3716	3810	3770	3790	3825	3850
Imports	149	144	75	105	145	120	110
Supply	17424	17632	17465	17335	17440	17580	17750
Exports	26	28	8	10	13	15	15
Cow slaug	1100	1100	1125	1085	1100	1105	1120
Calf slaug	35	40	35	30	30	30	30
Other slaug	1400	1626	1675	1985	2005	2020	2045
T slaughter	3035	3166	3235	3100	3135	3155	3195
Loss	591	858	662	720	657	620	650
E/Stock	13772	13580	13460	13505	13635	13790	13890

About 65% of the animals are found in the commercial sector although the boundaries between the sectors are diminishing. About 45% of the cows in the commercial sector, including heifers, are expected to calve each year. The calving percentage in the subsistence sector is estimated to be about 30%. The approach to cattle ownership makes the difference, in many traditional societies owning cattle denotes wealth, and not the financial returns that can be made by higher volume production and sale.

Slaughter from the commercial herd exceeds 25% annually with 75% of the off take finished in feedlots. It is estimated that the off take from the non commercial herd exceeds 15% annually. Most of the live imports in the table are weaners from Namibia which goes into local feedlots. The very consistent cattle situation is due to the good weather experienced since 1993. No serious droughts have affected the normal patterns although the high feed prices in 2002 and early 2003 did lead to lower carcass weights.

The growth in game farming is affecting the livestock industry. Game farming, with its better utilization of the natural vegetation, coupled with lower theft problems and the potential for income from both tourism and meat production, appears to be the more profitable land use in the extensive livestock farming areas. Total grazing land in the country is put at 84 million hectares with 63 million hectares in use for animal production in the commercial sector. A big portion of this land is very arid and basically only used for sheep and goat farming. The area used for game farming on fenced farms is increasing and it can safely be assumed that private game conservation land now exceeds the national parks's 12 million hectares.

Prices;

Prices Table			
Country	South Africa, Republic of		
Commodity	Animal Numbers, Cattle		
Prices in	SA Cents	per uom	Kg. carcass
Year	2001	2002	% Change
Jan	847.1	1114.7	31.59%
Feb	806.2	1059.1	31.37%
Mar	789.9	1031.2	30.55%
Apr	843.6	1029.5	22.04%
May	870.9	1012.9	16.30%
Jun	817.4	994.3	21.64%
Jul	885.9	1165.2	31.53%
Aug	915.3	1279	39.74%
Sep	931.4	1377	47.84%
Oct	1057.6	1411.2	33.43%
Nov	1150.6	1367.5	18.85%
Dec	1084.1	1291.4	19.12%
Exchange Rate			

The table above reflects carcass prices at the abattoir. The increase in price realized in 2002 was mainly due to the doubling of corn prices over the year . Meat prices were able to follow the grain prices as the prices of imported chicken, the main competitor to beef, was pushed up by the exchange rate. The average 2001 exchange rate was R8.60 to the US Dollar which fell to R10.52 in 2002. The Rand has since strengthened again and was trading at R7.35 to the Dollar on 09/01/2003. Beef prices have, however, not followed suit and are still trading at 2002 levels.

Meat, Beef and Veal

PSD Table						
Country	South Africa, Republic of					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	3220	3135	3255	3155	0	3195
Beginning Stocks	0	0	0	0	0	0
Production	660	645	670	643	0	654
Intra EC Imports	0	0	0	0	0	0
Other Imports	10	17	15	22	0	16
TOTAL Imports	10	17	15	22	0	16
TOTAL SUPPLY	670	662	685	665	0	670
Intra EC Exports	0	0	0	0	0	0
Other Exports	21	11	25	15	0	20
TOTAL Exports	21	11	25	15	0	20
Human Dom. Consumption	649	651	660	650	0	650
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	649	651	660	650	0	650
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	670	662	685	665	0	670
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Production

In terms of both value and the number of producers involved in the industry, red meat production is the single most important agricultural activity in South Africa. Low rainfall precludes the production of crops over the largest portion of the available farmland and nearly 70% or 84 million hectares are used for grazing. On the land available for grazing, sheep and goat farming dominates, again due to the low rainfall creating semi desert conditions. The irony of the situation is that, due to climatic limitations, most of the commercial cattle production originates in highly sophisticated intensive farming operations. Most of the meat comes from high standard abattoirs, cutting rooms and processing plants and is comparable with the products from all of the larger exporting countries.

It has been mentioned that only a portion of slaughter goes through formal channels, the rest going through informal channels in the developing sector. Slaughter percentages and carcass weights, although not documented, in the developing sector are lower than in the commercial sector making a meaningful analysis difficult.

We have, however, attempted to calculated beef production as shown in the following table:

Meat production	2001	2002	2003	2004
Com. slaughter	2,310,000	2,320,000	2,335,000	2,365,000
Carcass weight kg.	224	220	218	222
Commercial prod	517,440 mt.	510,400 mt.	509,030 mt.	515,030
Non com. sl.	790,000	815,000	820,000	830,000
Carcass weight kg.	168	165	163	167
Non.com. Prod.	132,720 mt.	134,475 mt.	133,660 mt.	138,610 mt.
Total slaughter	3,100,000	3,135,000	3,155,000	3,195,000
Average cwe. kg.	209.7	205.7	203.7	204.6
Total ’000 mt	650,160	644,875	642,690	653,670

Retail prices of the different meats can be compared to explain the low, if any growth in beef consumption:

Rand/cents/kg.	Beef carcass ave.	Lamb carcass ave.	Pork carcass ave.	Whole broiler
January 2003	32.11	39.96	25.58	18.88
February	31.63	39.79	25.07	18.66
March	30.27	38.40	25.02	18.67
April	29.39	38.19	24.08	17.72
May	29.31	37.67	24.73	18.08

The red meat market is still dominated by beef as lamb and mutton availability is low, but the total meat market is dominated by chicken currently selling at a discount of nearly 40% compared to beef.

Prices Table			
Country	South Africa, Republic of		
Commodity	Meat, Beef and Veal		

Prices in	Rand	per uom	Kg. carcass
Year	2002	2003	% Change
Jan	27.05	29.31	8.35%
Feb	26.61	29.39	10.45%
Mar	26.54	30.27	14.05%
Apr	26.45	31.63	19.58%
May	26.25	32.12	22.36%
Jun			
Jul			
Aug			
Sep			
Oct			
Nov			
Dec			
Exchange Rate	R7.50	Local currency/US $	

Beef prices nonetheless showed increases up to May 2003 reflecting the still high feed prices. Since the onset of winter, prices have decreased, however.

Trade

Import Trade Matrix			
Country	South Africa, Republic of		

Commodity	Meat, Beef and Veal		
Time period	Jan -Dec	Units:	Metric tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Namibia	11215	Namibia	12488
Argentina	50	Argentina	1868
Paraguay	0	Paraguay	1099
Australia	522	Australia	569
Zimbabwe	2549	Zimbabwe	393
Brazil	100	Brazil	193
Uruguay	1101	Uruguay	177
Botswana	50	Botswana	18
Ireland	804	Ireland	0
Total for Others	16391		16805
Others not Listed	174		41
Grand Total	16565		16846

The import figures are as published by the different sources used. The bulk of South Africa's imports are from Namibia, which unfortunately does not show up in the official SA Revenue Service trade data, as it is a member of the Southern African Customs Union. Botswana is also in the same boat. Between 2001 and 2002 imports from Zimbabwe dropped by 2,156 tons reflecting the economic and disease problems experienced. Imports from Argentina and Paraguay, however jumped to 1,868 and 1,099 tons respectively. Imports constitute less than 3% of consumption as domestic meat prices are low in international terms. Imports from Botswana and Namibia are duty free while other imports pay a 40% ad valorem or R2.40/kg. import duty.

Export Trade Matrix			
Country	South Africa, Republic of		

Commodity	Meat, Beef and Veal		
Time period	Jan-Dec	Units:	Metric tons
Exports for:	2001		2002
U.S.		U.S.	
Others		Others	
U.K.	2758	U.K.	3771
Angola	1145	Angola	993
Norway	865	Norway	516
Germany	489	Germany	1320
Switzerland	342	Switzerland	495
Mozambique	1611	Mozambique	486
Greece	253	Greece	782
Saudi Arabia	884	Reunion	500
Total for Others	8347		8863
Others not Listed	1454		2505
Grand Total	9801		11368

Although much has been said about South Africa’s beef export drive, the total numbers are small constituting less than 2% of production, but the intention is to increase exports substantially.

Internationally, the unprecedented outbreaks of diseases, including BSE and FMD in major meat producing countries have to a large extent curbed exports by those countries and fundamentally altered the structure of the world market. The international shortage in red meat that has resulted from the outbreaks presented South African producers with an ideal opportunity to enter new markets. In June 2002 South Africa regained its FMD free status and the industry is hoping to increase exports to about 20,000 tons annually over the next few years. The emphasis would mainly be on the Middle East and Southeast Asia as the EU tariffs are high.

The industry is nonetheless preparing for a serious export drive. It is also preparing to sell more to the EU and is looking at the following aspects to increase exports:

Traceability has become the single most important marketing tool into the developed markets. It is a vital part of disease control, public safety, quality control and product identification and the industry is looking at its wider introduction. Both Botswana and Namibia who are extremely successful in the EU market are implementing traceability programs.
Other requirements include;
Good farming practices (GFP).
High animal welfare standards.
Environment protection.
High product safety standards including BSE testing.
Residue free meat.

EU standards and approval at abattoirs.
Quality assurance in the form of ISO and HACCP certification.
Accredited laboratories.
Acceptable ante and post mortem inspections.
Good industry codes of practice and standards.
Appropriate legislation enforcement.
Labeling.

Natural production also presents an entry into very lucrative niche markets and can be easily attained. Namibia exports all its best cuts to the EU, albeit duty free, and imports South African feedlot produced beef.