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## **South Africa, Republic of**

### **Livestock and Products**

#### **Annual**

#### **2002**

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#### **Report Highlights:**

**With cattle numbers and meat production constant, the main interest is in trade developments. The South African currency devalued substantially since September 2001 virtually cutting off overseas imports but opening up lucrative export markets. With the lifting of the FMD ban in July and a commitment to comply with the latest EU market requirements including traceability, good farming practices, high animal welfare standards, high product safety, minimum residues, etc., the industry hopes to increase exports to about 30,000 tons of high quality beef in the next few years.**

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

Executive Summary .....	1
CATTLE .....	2
Production .....	3
Prices: .....	4
BEEF AND VEAL .....	6
Production .....	6
Trade; .....	7
Prices .....	9

## Executive Summary

Although the composition of South Africa's national cattle herd was adjusted in the latest estimate, the herd numbers have been virtually constant over the past few years. Weather conditions have been favorable but the depreciation of the South African currency has pushed up production costs in this intensive industry. Fortunately for the farmer the weak Rand has also limited imports and opened the door for exports, while allowing a domestic price increase for meat. The emphasis will be on exports over the next few years to take advantage of the weak Rand while keeping domestic prices up. The export market will, however, need extensive adjustment to the production process to be able to enjoy the lucrative EU market.

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**CATTLE**

PSD Table						
Country	South Africa, Republic of					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Total Cattle Beg. Stks	13460	13460	13385	13505	13375	13520
Dairy Cows Beg. Stocks	1795	2010	1750	1955	0	1950
Beef Cows Beg. Stocks	7540	7415	7600	7520	0	7515
Production (Calf Crop)	3835	3770	3740	3790	0	3785
Intra EC Imports	0	0	0	0	0	0
Other Imports	105	105	125	140	0	80
TOTAL Imports	105	105	125	140	0	80
TOTAL SUPPLY	17400	17335	17250	17435	13375	17385
Intra EC Exports	0	0	0	0	0	0
Other Exports	10	0	5	0	0	0
TOTAL Exports	10	0	5	0	0	0
Cow Slaughter	1150	1280	1100	1290	0	1300
Calf Slaughter	35	30	35	30	0	30
Other Slaughter	1705	1895	1615	1900	0	1925
Total Slaughter	2890	3205	2750	3220	0	3255
Loss	1115	625	1120	695	0	620
Ending Inventories	13385	13505	13375	13520	0	13510
TOTAL DISTRIBUTION	17400	17335	17250	17435	0	17385
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**

The cattle number estimates are based on the August estimate of the previous year which is at the end of winter and before the new season's calves arrive. This estimate, done by the Department of Agriculture, also includes the composition of the herd. The latest four estimates were as follows:

Herd Composition	August 98=99	August 99=00	August 00=01	August 01=02
Bulls	293 218	316 186	320 604	321 399
Cows>2yrs, dairy	1 254 626	1 186 770	1 276 293	1 409 140
Other	5 766 408	5 831 819	5 862 560	5 801 550
Heifers, dairy	448 858	501 066	518 305	546 015
Other	1 818 361	1 909 062	1 675 636	1 720 207
Calves	2 511 380	2 445 244	2 433 618	2 446 943
Young oxen	1 162 466	996 805	1 016 065	909 463
Oxen	517 120	393 366	358 144	351 252
TOTAL	13 772 437	13 580 318	13 461 225	13 505 969

The national herd composition shows some variation for 2002 mainly due to a change in the way the calculations are done. The herd also seem to be in a downsizing phase from a high of 13.8 million in 1999 to 13.46 million in 2001. However, the August 2001 estimate shows an increase to 13.5 million again. This could be the normal cycle with slaughter showing an increase from 2.77 million in 1999 to 2.84 million in 2000 and 3.2 million in 2001. The latest slaughter figure, which is based on an updated commercial slaughter figure of 2.29 million, is probably the best figure since the demise of the Meat Board. Using the higher slaughter figure then brings the animal losses more in line. It is expected that 2002 slaughter will increase to about 3.22 million and 3.25 million in 2003. About 55% of the cattle are found in commercial herds with the rest in the developing sector. The ownership of livestock plays an important part in the tradition and culture of the indigenous people of South Africa. Although the production and sale of meat from the traditional herds is not an integral part of this culture, animals are entering the commercial sector at an ever increasing rate.

Weather conditions were favorable over the past few years, which should have led to increased animal numbers and a decrease in slaughter. The opposite has happened as the domestic livestock industry faced a series of problems. The Foot-and-mouth disease outbreaks at the end of 2000 curtailed the expanding export trade and put producers under severe financial pressure, while a major stock theft problem continue. 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 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.

Live cattle imports shown are basically all from Namibia where weaners were traditionally sold to South Africa for finishing. The Namibian government recently announced that the intention is to cut down live cattle exports in favor of domestic finishing and processing for the lucrative overseas export market. This will be difficult to achieve as Namibia is a semi desert country and imports virtually all its grain needs while pastures in the weaner producing areas are already taken up by the cow herds.

### Prices:

Since January this year domestic cattle prices have increased substantially as shown in the following table. The table shows average monthly auction prices of all classes of carcasses.

Prices Table			
Country	South Africa, Republic of		
Commodity	Animal Numbers, Cattle		
Prices in	SA Cents	per	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	995	21.73%
Jul	885.9	1161	31.05%
Aug	915.3		-100.00%
Sep	931.4		-100.00%
Oct	1057.6		-100.00%
Nov	1150.6		-100.00%
Dec	1084.1		-100.00%
Exchange Rate	R10.50=\$	Local currency/US \$	

The main reason for the increase in carcass prices was the increase in the corn and protein meal prices brought about

by the devaluation of the South African Rand. The rand depreciated by about 45% against the Dollar from May to December 2001 although it has now stabilized somewhat. Coupled with a regional food shortage it lead to corn prices more than doubling in a few months. In intensive livestock industries the corn price ratio broadly indicates the potential operating profit. Since 2001 there has been a significant decline in the feed margin. The historical corn price ratio for beef was about 13.1 while the estimated 2002 ratio is 8.3 or a decline of 37%. This has not dampened weaner prices as demand is strong due to a cutback in meat imports brought about by the weak currency.

In November 2001 the average monthly price of light weaners reached a record peal of R8.48/kg. live weight , but from November to May 2002 prices were in a downward trend. Since May prices increased again, reaching a record of R8.59 in July while further price increases are expected as feedlots start buying in for the Christmas period.

**BEEF AND VEAL**

PSD Table						
Country	South Africa, Republic of					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Slaughter (Reference)	2890	3205	2750	3220	0	3255
Beginning Stocks	0	0	0	0	0	0
Production	635	665	600	660		670
Intra EC Imports	0	0	0		0	0
Other Imports	48	23	55	10	0	15
TOTAL Imports	48	23	55	10	0	15
TOTAL SUPPLY	683	688	655	670	0	685
Intra EC Exports	0	0	0	0	0	0
Other Exports	7	14	7	20	0	25
TOTAL Exports	7	14	7	20	0	25
Human Dom. Consumption	676	674	648	650	0	660
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	676	674	648	650	0	660
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	683	688	655	670	0	685
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, the production of red meat 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 available grazing fields 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 (74%) are produced 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. This makes the

product unaffordable to the majority of the population. Commercial production can then be said to be out of phase with consumer requirements.

It has been mentioned that only about 55% 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 is lower than in the commercial sector making a meaningful analysis difficult.

Another problem with slaughter figures calculations is the result of the 14% value added tax, (VAT) that is payable on red meat. The formal market have to pay the tax while informal cash buyers are able to avoid paying the tax and may even fraudulently claim back tax not paid. On a R200,000 transaction for 100 weaners the cash buyers saves R28,000 by not paying VAT and can thus offer the producer a better price. The formal buyer at an auction pays the VAT and the 5% industry levy which leaves him R600 per head down on the informal marketer. The industry is trying to have VAT on meat removed as it is considered an essential food but have not yet been successful.

## Trade;

### Imports

Import Trade Matrix					
Country	South Africa, Republic of		Units:	mt.cwex1.36	
Commodity	Meat, Beef and Veal		Partial Begin		
			Partial End		
Imports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0	0	0		
Others					
Namibia	13620	15545	15250		
Ireland	12785	3945	1095		
Zimbabwe	1745	4530	3470		
Botswana	2790	3045	na		
Australia	1540	550	710		
Uruguay	3165	3750	1495		
Argentina	300	1065	70		



Total for Others	35945	32430	22090	0	0
Others not Listed	3955	4335	440		
Grand Total	39900	36765	22530	0	0

The import figures, on a cwe basis, show the decrease in imports over the past few years. In 2002 overseas imports have virtually come to a halt due to the low value of the Rand and the imports shown in the PS&D are mainly assumed to have come duty free from Namibia, a member of the customs union. Other imports face a 40% ad valorem or a R2.40/kg. minimum import duty.

Exports;

Export Trade Matrix					
Country	South Africa, Republic of		Units:	Mtcwe1.36	
Commodity	Meat, Beef and Veal		Partial Begin		
			Partial End		
Exports for:	1999	2000	2001	1999	2000
	Full	Full	Full	Partial	Partial
U.S.	0	0	0		
Others					
Mozambique	3045	1515	2310		
Angola	650	370	1535		
United Kingdom	135	200	3755		
Saudi Arabia	15	370	1040		
Total for Others	3845	2455	8640	0	0
Others not Listed	4205	3445	5220		
Grand Total	8050	5900	13860	0	0

At this stage South African exports are still small 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. This was further enhanced by the devaluation of the SA Rand which made exports very lucrative. In June 2002 South Africa regained its FMD free status and the industry is hoping to increase exports to about 30,000 tons annually over the next few years. Exports would mainly go to 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, this 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;

High standards of 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.

## **Prices**

The following table shows consumer prices on a carcass basis. It clearly shows the increase attained this year although the industry is still under pressure because of the higher increase in input costs.

Prices Table			
Country	South Africa, Republic of		
Commodity	Meat, Beef and Veal		
Prices in	Rand	per uom	Kg.
Year	2001	2002	% Change
Jan	21.56	27.05	25.46%
Feb	21.23	26.61	25.34%
Mar	21.35	26.54	24.31%
Apr	21.24	26.45	24.53%
May	21.29	26.25	23.30%
Jun	21.21	25.75	21.40%
Jul	21.34	25.95	21.60%
Aug	21.54		-100.00%
Sep	22.07		-100.00%
Oct	22.67		-100.00%
Nov	24.64		-100.00%
Dec	26.49		-100.00%
Exchange Rate	10.50=\$	Local currency/US \$	