



# Livestock fundamentals

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**T**he red meat industry in recent times was hampered by three main events, namely the drought, the outbreak of foot and mouth disease and the Covid-19-pandemic. However, certain mechanisms are in place to ensure that the industry is resilient and sustainable during good and bad times.

The South African red meat industry is the biggest agricultural industry in the country with a turnover of R80 billion on producer level and a turnover of R160 billion on consumer level.

The outlook for the red meat industry is very positive. Firstly, the industry is internationally competitive with prices 30% below the world norm. The one item that can lift the bar in the red meat industry, is exports. Exports have already indicated that the sky is the limit in this regard. The recent downgrading of the South African economy to junk status as well as the weakening of the rand against the dollar create opportunities for exports.

Furthermore, the local red meat market is very strong with good consumption.

98% of locally produced sheep meat and 95% of locally produced beef are consumed in the local market.



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Therefore, the local market should always be our first priority.

A number of factors are to the advantage of the red meat industry. The classification system facilitates a high quality of meat, with the feedlot industry contributing in this regard. Furthermore, South Africa has 46 brandmarks which ensure that the consumer has access to any type of red meat he/she desires. An example of this is grass-fed beef.

The South African red meat market is totally deregulated, it is dictated by market forces, and the industry is currently faring fairly good in terms of the export market.

Another important factor is the fact that the industry is 40% transformed, with 1,2 million households in the country owning livestock. This plays an important role in

food and income security.

Factors working against the red meat industry is the reality that the authorities do not have the necessary capacity to support the industry. For instance, there are no national extension services left in the agriculture department.

There are a lot of aspects that the industry will have to address by itself. The red meat industry can only be successful if certain interventions are undertaken and will also have to finance it. A good example of this is product development.

Farmers will have to create their own empowerment in terms of the authorities; performing its own services in terms of stock theft prevention, predation management, animal health, export promotion and import monitoring.

Research and development are also very important, and South African red meat producers will be unable to be internationally competitive if they are not at the forefront of technology.

One of the most important factors to be kept in mind is the fact that the consumer is all-important, rendering aspects like consumer assurance and consumer education very important. We must convince the consumer that we are providing a safe product and we must convince them of the good characteristics of red meat.

We must also ensure that all regulations in the industry are adhered to.

All these interventions are currently financed by the statutory levy and the national RPO is the service provider in terms of production development and consumer education.

The RPO is satisfied that the rest of the functions delivered with the aid of statutory levies are functioning well, with observation possible through the activities of the Red Meat Industry Forum.

If we look back at the statutory levy, the RPO is satisfied that during the seven years in which the levy has been in place, no interference took place from the authorities and that the industry has been able to dictate the whole process.

The statutory levy currently generates R40 million annually against a backdrop of a turnover of R80 billion

on the producer level. This means that the red meat industry has the lowest levy of all agricultural industries in the country in terms of the turnover of industries.



The industry requested an extension of the current levy for two years and we will have to reconsider how the nature of a statutory levy should be, given the fact that there are new challenges to be accommodated in future. These challenges include the implementation of a voluntary traceability system in the red meat industry and the implementation of a voluntary grading system which will ensure a good eating experience. The advantage

of a traceability system could be local and international market access, better management with specific reference to animal health as well as ensuring a collateral guarantee of financing as well as insuring livestock. A voluntary classification system will not replace the current classification system, which is essential. The mitigation of risks and specifically animal diseases will also become more important.

It is the RPO's viewpoint that the statutory levy should never be an expense but should rather be an investment to the benefit of the farmer.

All the fundamentals are in place for the red meat industry to prosper on the medium to long term, but it is very important to take this future in our own hands and not to be dependent on government to ensure that we have an enabling environment to prosper.