

#### CATTLE REVIEW: PRODUCTION AND MARKETING TRENDS

## 1. INTRODUCTION

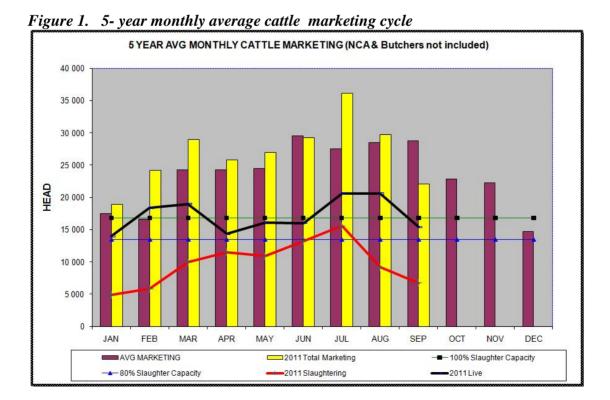
The aim of this report is to give a statistical overview of marketing and price trends in the cattle industry for the period ending September 2011.

Livestock farming is very important to the economy of Namibia and it contributes approximately 3% to the GDP of Namibia (Source: Bank of Namibia) (Definition: Marketing constitutes live exports as well as slaughtering)

## 2. **DISCUSSION**

# a. Marketing

It is estimated that 355 000 cattle will be marketed during the year 2011. Total marketing has increased with 9% in the first nine months of 2011 compared to the five year average marketing and can be attributed to the increase in the exports of weaners by 24.9% (Figure 1 & 2).



LONG-TERM TREND IN MARKETING

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Figure 2. Long term trend in marketing

Figure 2 indicates the long term relationship between slaughtering and live export. It is clear that live export presently exceeds slaughtering. It appears that numbers produced has stabilized around 350 000 head of cattle per annum.

Export volumes of beef carcasses and cuts during the reporting period were 22 042 tons, with an estimated value of N\$ 646 million while the total value of exports (incl. carcasses and cuts and live exports) is estimated at N\$ 1 300 million.

Namibia imported 21 tons of beef and 152 cattle mainly for breeding purposes in the first nine months of 2011.

**Table 1: Estimated value of Beef Exports** 

Total value of exports	N\$	1 300 113 565.42
%		86.86%
Total ton produced		66 870.09
Total ton exported		58 080.98
%		4.02%
Total ton exported		2 332.00
Export of cans	N\$	47 016 563.33
/0		22.23%
%	-	22.23%
Ton exported	144	12 911.00
Africa-Exports	N\$	301 110 943.33
%		11.71%
Ton exported		6 799.00
EU/Norway-Exports (Cuts)	N\$	297 860 660.01
%		62.05%
Ton exported		36 038.98
Export of live cattle	N\$	654 125 398.75

#### b. Slaughtering at export abattoirs

During the reporting period, Witvlei abattoir has slaughtered 6 734 head of cattle while Meatco abattoirs slaughtered 80 963 head of cattle. Total slaughtering in the SVCF has decreased by 10.4% compared to the 5 year average.

Slaughtering in the NCA increased by 20.6% totaling 16 596 head of cattle during the reporting period (Figure 3). According to Meatco this is due to a combination of factors such as increased producer prices, direct sourcing and restrictions on the export of cattle to Angola.

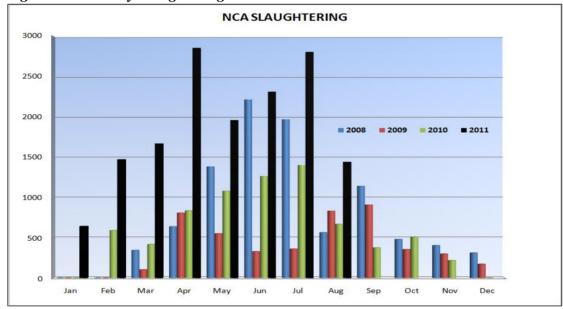


Figure 3. Monthly Slaughtering at NCA abattoirs

The highest utilization of slaughter capacity was reached in the Windhoek abattoir (62% of total capacity) while Witvlei only utilized 37% of capacity. In the NCA the Katima abattoir had the best utilization of 52% of slaughter capacity.

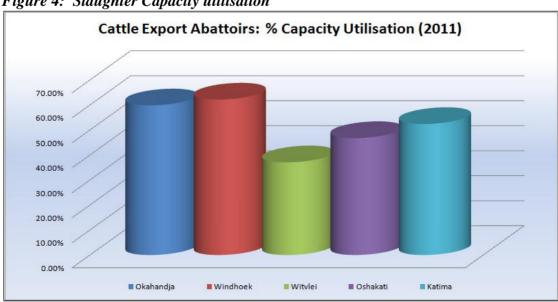


Figure 4: Slaughter Capacity utilisation

#### c. Cattle exports

Exports to South Africa has increased to 154 303 in the first nine months of 2011, a significant increase of 24.9% compared to the 5 year average and 8.2% compared to 2010. It is estimated that cattle exports might reach the 200 000 mark by year end possibly resulting in future lower capacity utilization at export abattoirs.

Live cattle exports slowed down since August (Figure 5) as a total of 176 commercial farms and 1153 stock inspection units in the communal areas of Omaheke and Otjozondjupa regions were put under movement restriction from the 23 of August as a result of two strayed buffalos entering these areas.

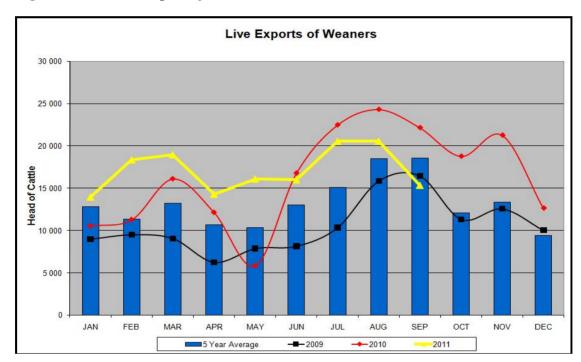


Figure 5. Live Export of Weaners

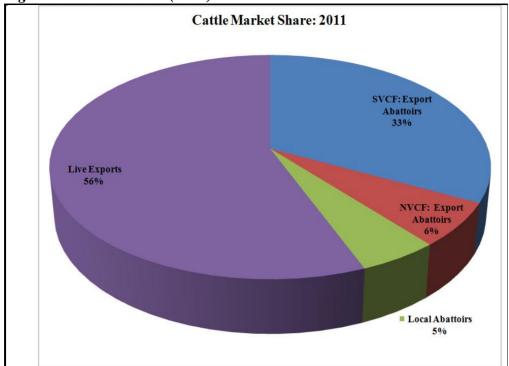
Export of cattle to Angola has decreased dramatically as a result of an export restriction imposed by the Ministry of Agriculture, Water and Forestry in an attempt to limit the export of genetic material (Table 2). The restriction only allows for 5 cattle to be exported per year per exporter.

Table	2.	Exports to Angola

	Cattle	Sheep	Goats
2008	2 436	50	146
2009	6 695	478	1 903
2010	4 769	79	2517
2011	1 460	256	12 212

Figure 6 give a summary of market share. Cattle exports represent 56% of market share followed by export abattoirs SVCF with 33%. Export abattoirs NVCF and local abattoirs represent 6% and 5%, respectively.

Figure 6: Market Share (2011)



## d. **Producer and Auction prices**

Figure 7 compares the Namibian B2 price with that of South Africa giving a trend line of the price movements over time. While the Namibian producer price was very competitive compared to the South African price in 2008 this trend has since changed and the Namibian price has been under pressure since the beginning of 2010. Exchange rate movements has been stated as one of the main reasons for price competitiveness as demonstrated in Figure 8.

Figure 7. Price movements of carcass prices at Meatco abattoirs

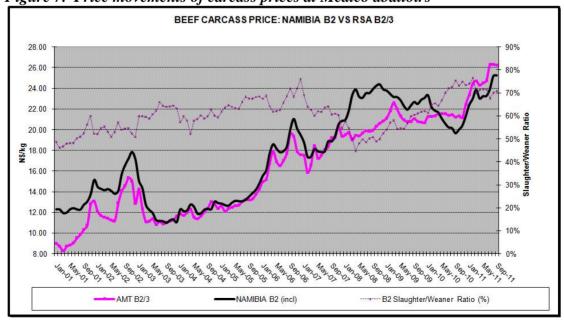
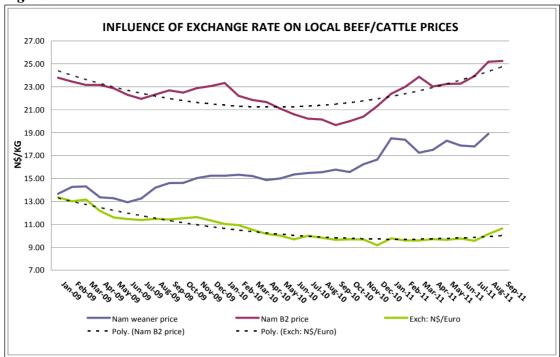


Figure 8



The impact of the unfavourable exchange rate is still noticeable (Fig. 8), but local export abattoirs have managed to optimize marketing and cost to such an extend that price increases are steeper than the influence of the exchange rate.

Because of transport and other costs, Namibian weaner prices are normally lower than that of South Africa. In 2011 auction weaner prices in Namibia has been higher compared to South Africa. Currently prices are on par not taking into account costs of transporting the cattle to South Africa (Figure 9).

Figure 9. Weaner prices

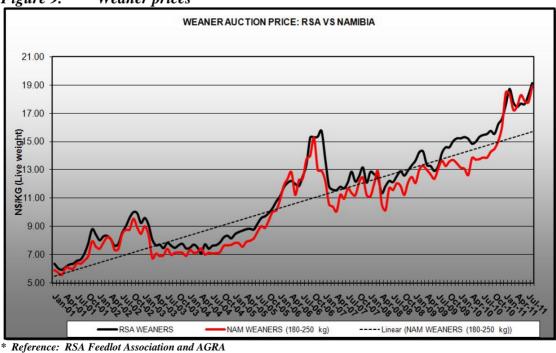


Figure 10 is a tool to indicate the price that export abattoirs should offer to retain cattle. According to this model the producer price for B2 carcasses at export abattoirs should have been in the region of N\$ 30 per kilogram in August 2011 to retain cattle, while the price was only N\$ 25.18 per kilogram. The resulting higher than average exports can clearly be seen in Figure 10 as the producer prices at export abattoirs were less competitive compared to these of live cattle exports.

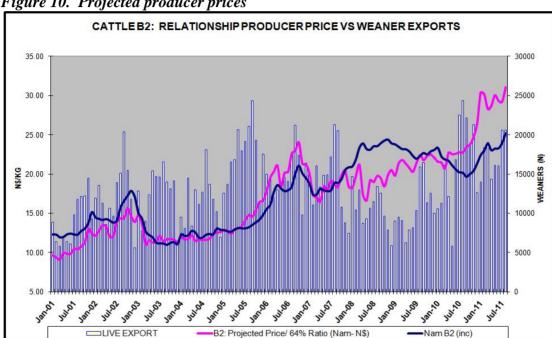


Figure 10. Projected producer prices

If producer prices is deflated using the PPI it clearly indicates that the real income of beef producers has decrease since 2000 and seems to be under pressure since 2010. It appears to be recovering slowly from the lowest point in November 2010 but still did not reach the levels of 2000.

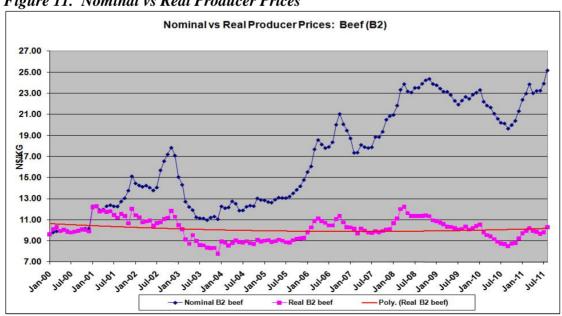
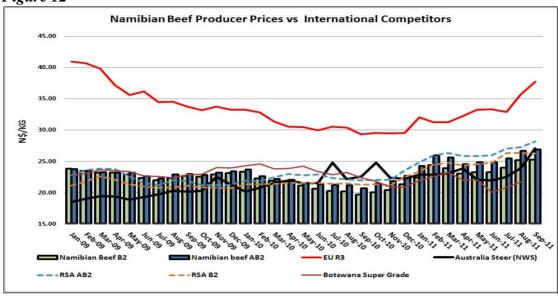


Figure 11. Nominal vs Real Producer Prices

Producer Price Index 2000=100: Meat and meat products

#### e. International price comparisons

Figure 12

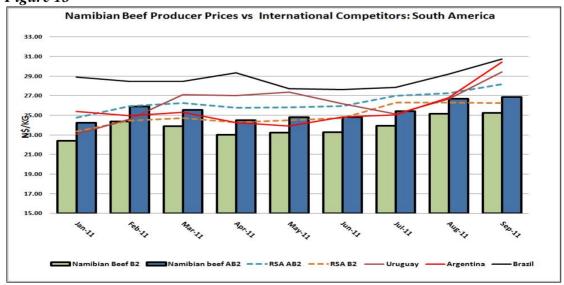


Source: SARMAA/BMC/MLA/EU

Figure 12 indicates the producer price differences between that of Namibia (AB2, B2), RSA (AB2, B2), Botswana (Super grade), Australia (Steer 220kg to 260kg) as well as EU (R3) prices. The effect of the exchange rate (Figure 12) is visible in the decline in EU price and the turnaround of the last few months. The Botswana price was higher than that of Namibia in 2010 but since November 2010 Namibian producer prices surpassed those of Botswana. Botswana can presently not export to EU and Norway resulting in Botswana not being able to compete with Namibia and South Africa with regard to producer prices paid.

Namibia compared favourably with the on-the-hook producer prices of Australian steers in 2011 but are becoming less competitive compared to Argentina, Uruguay and Brazil lately (Figure 12 & 13).

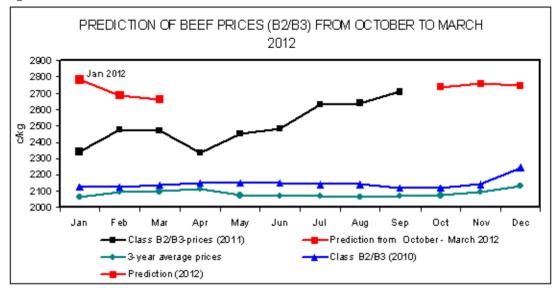
Figure 13



Source: World Beef Report/SARMAA/MLA

#### f. Market Forecasting

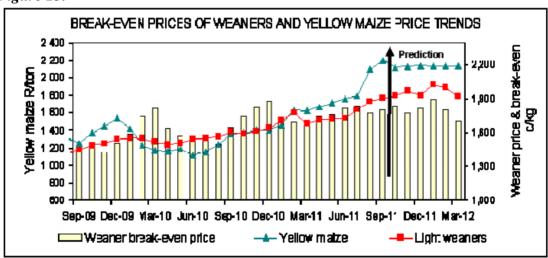
Figure 14.



(Source: Agrimark Trends)

It occurs from Figure 14 that the average beef producer price is expected to increase in the fourth quarter with a steep decline after the festive season

Figure 15.

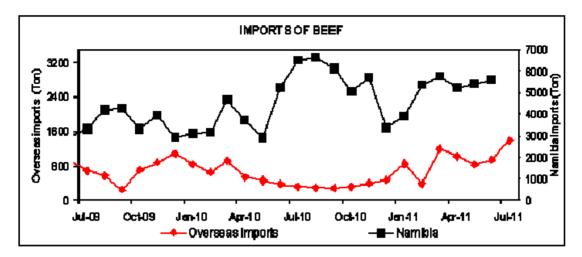


(Source: Agrimark Trends)

According to predictions by AMT, weaner prices will increase in the fourth quarter in general with a decrease in the first quarter of 2012 as a result of a predicted movement in the weaner breakeven price.

### g. <u>Imports and exports</u>

Figure 16.



In the first seven months of 2011 South Africa imported 39 278 tons of beef from Namibia (which included live animals and canned meat), while 6 592 tons of beef from overseas were imported (excluding tongues and livers). The main exporting countries (excluding Namibia) of beef to South Africa were Australia (58.9 %), Ireland (25.1%) and New Zealand (4.6 %).

## 3. <u>Conclusions</u>

The performance of marketing in the third quarter of the year were influenced by high weaner prices, uncompetitive producer prices and the discovery of buffalos in the FMD free area which influenced the numbers of cattle marketed.

In general marketing has increased compared to the five year average while prices have also increased resulting in an average to above average performance by the sector.

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