



Beef Industry in Namibia June 2023

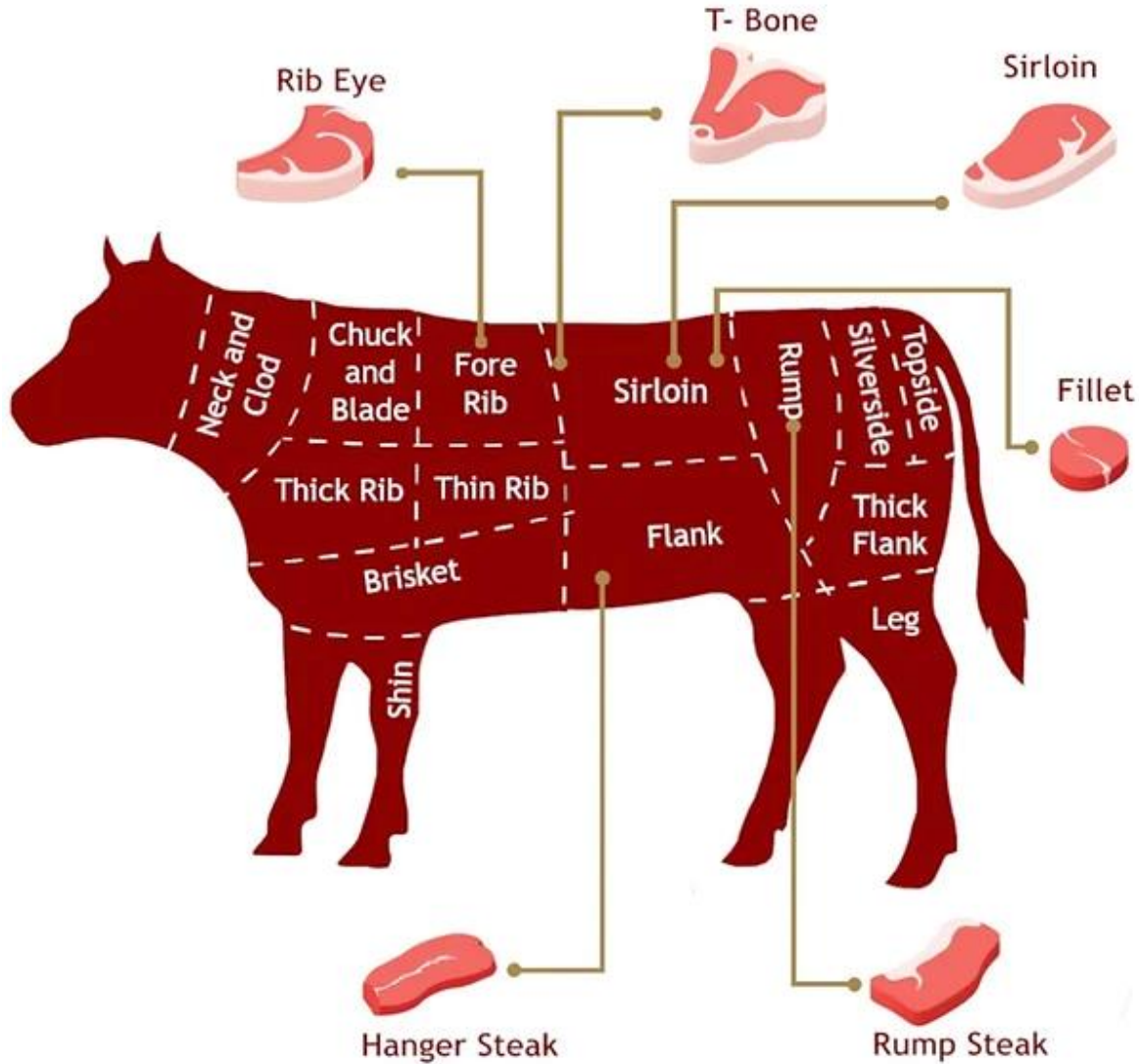




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1. Background

The agriculture sector contributes significantly to the country's Gross Domestic Product (GDP). Over the past 9 years, the sector has contributed an average of 4.8% to the Gross Domestic Product (GDP), with the livestock farming subsector (mostly cattle and sheep) contributing about 2.9% on average. Additionally, the Namibian beef industry is the backbone of the local agricultural sector and contributes about 70% to the country's agricultural Gross Domestic Product (GDP). During the third quarter of 2022, Namibia exported meat and meat products valued at N\$ 420.7 million, of which beef accounted for 40.5% of the total meat and meat products exported.

The Meat Board of Namibia plays a crucial role in facilitating the export of livestock, meat, and processed meat products to importing countries. The company is tasked with allocating the Norwegian beef quota annually. Namibia exports the majority of its locally produced high-quality beef at a premium price and imports lower-priced beef for domestic consumption. The quality of Namibian beef has enabled the country to compete in lucrative international meat markets such as the European Union, the European Free Trade Area (Norway), and the United States of America. Over the years, Namibia has experienced severe drought, leading to a decline in the number of cattle available for slaughtering and live exports. Apart from drought, the industry is also affected by issues such as transboundary animal diseases and bush encroachment, which affects land grazing for cattle.

During times of drought when the country's production capacity is low, Namibia uses a restocking measure to supplement the effects of drought by tapping into the Botswana market. The export of live cattle dominates the cattle marketing industry in Namibia, with the production system being weaner-dominant (cattle that are approximately 1 year of age), and most of the producers who produce weaners or steers are communal farmers. The country's main live cattle export destinations are South Africa, Botswana, Zimbabwe, and Norway.

2. Analysis

2.1 Cattle Marketing

Between 2010 and 2022, Namibia marketed a total of 4,432,695 cattle, of which 1,718,289 were slaughtered, and 2,712,380 were exported live (Figures 1 and 5). Out of the total number of cattle slaughtered during the period under review, 1,328,625 were slaughtered by export abattoirs, while 390,165 cattle were slaughtered by butchers for the domestic market. Cattle marketing for the years 2012, 2014, 2016, 2020, and 2021 declined significantly as farmers were restocking to recover from the losses incurred during the drought seasons. The number of cattle marketed in 2022 increased by 2.33% compared to 2021 (Figure 1). Namibia marketed a total of 240,463 cattle in 2022, compared to 234,984 cattle marketed in 2021. The growth was attributed to increased marketing as a result of relatively good prices at export abattoirs. Out of the total cattle marketed for 2022, only 100,850 cattle were slaughtered. Of these, 30,282 cattle were slaughtered by the



South and Northern Veterinary Cordon Fence butchers for the local market, and 70,586 cattle were slaughtered by the export abattoirs (Meatco, Beefcor, Hartlief, and Zamcor) for the international market. A total of 139,613 cattle were exported live. South Africa took up the largest percentage share of 99% of live cattle marketed at a standard value of N\$ 9,498 per cattle.

According to Meatco's 2022/2023 annual report, Namibia's cattle herd inventory depicted a herd size of approximately 1.2 million. A total of 800,000 thousand were found in the areas South of the Veterinary Cordon Fence (SVCF), while about 400,000 thousand cattle were found in the North of the Veterinary Cordon Fence (NVCF). The Meatco export abattoir dominates the cattle slaughtering industry in Namibia. Meatco slaughtered the highest number of cattle, totaling 35,933, followed by Beefcor abattoir with a total of 29,968 cattle, and the Hartlief abattoir slaughtered the least number of cattle, totaling 1331 cattle for the year 2022. Maintaining the slaughter industry is crucial, especially in terms of foreign exchange earnings, employment creation, and risk mitigation. The industry experienced a decline in local slaughter, while the export of livestock to South Africa gained momentum for the period under review. The decline in the number of slaughtered cattle resulted from an increase in the export of young livestock. As a predominantly livestock and meat exporting country, Namibia should maintain a healthy slaughter industry operating in an optimal environment. At the rate at which the country is exporting live cattle, this may result in local abattoirs becoming unproductive due to a low number of slaughter-ready cattle leading to underutilization of Namibian abattoirs.

2.2 Live Cattle Imports/Exports comparative analysis (Namibia and Botswana)

Botswana has restrictions in place on the export of live cattle to rebuild its cattle herd after every drought season, while Namibia has no restrictions on the export of live cattle. During the period under review, Namibia exported about 2.7 million live cattle, and Botswana exported about 2.6 million live cattle. Additionally, Namibia recorded no importation of live cattle for the years 2012, 2013, and 2019 due to sufficient local supply. South Africa was the main source of Namibia's import of live cattle, but after the outbreak of foot-and-mouth disease in South Africa in 2019, the country ceased importation of live cattle from South Africa from 2019 until March 2021. The country imported a total of 1,898 live cattle from Botswana last year. According to the Meat Board of Namibia (2021), Botswana was identified as a source due to its similar environmental conditions and being a Foot-and-mouth disease-free zone, just like Namibia (Figure 2). After taking Namibia's historic position as the number one exporter of live cattle to South Africa, Botswana remains Namibia's main competitor in live cattle in the South African market.

2.3 Beef Imports and Exports

During the year 2022, Namibia exported a total of 10,020,827 kg of beef. The main export destination of beef during the period under review was the EU, accounting for 46% of the total beef exported, followed by South Africa with 20%, while Norway and China accounted for 13% each. The least beef was exported to Tanzania, accounting for only 0.6%, and no beef was exported

to the USA market in 2022. The beef exports increased by 27% when compared to the same period in 2021. Marketing activities at export-approved abattoirs improved due to attractive prices throughout 2022.

Botswana and Namibia export bovine meat duty-free to Norway on an annual basis, with each country allocated around 50% share of 3,200 tons. According to the Meat Board of Namibia, despite a decrease in beef marketing numbers during 2022 when compared to 2021, Namibian beef exporters were able to make full use of the 50% share of the available Southern African Customs Union (SACU) Norwegian beef quota of 3,200 tonnes. The countries were approved for export in 1995 under the Generalised System of Preference (GSP) quota, and exporters have since then had preferential and duty-free market access to Norway. The Norwegian market is a highly lucrative market that has increased the profitability of the Namibian meat industry and significantly generated foreign currency in the country.

Additionally, Namibia imported a total of 2,230,439 kg of beef, with Africa contributing the largest share with a total of 1,675,797 kg, followed by the Rest of the World (ROW) which includes China, Australia, New Zealand, and the USA, with 279,116 kg. The least amount of beef came from the European market, totaling 275,526 kg of beef at the end of December 2022. Total beef imports increased by 15% when compared to December 2021, mainly due to the high local demand for beef (Figure 4).

2.4 Namibia and South Africa Producer Prices

According to the Meat Board of Namibia, most of the live cattle exported to South Africa are weaners. This is because South Africa has a high demand for weaners, causing Namibian abattoirs to become heavily underutilized. Over the years, the majority of Namibian cattle producers have opted to sell weaners directly to South African feedlots. Figure 3 shows that Namibian abattoirs have often offered higher prices per kg for the slaughtered meat of full-grown cattle than South African feedlots offered for live weaners. This suggests that there is no price incentive encouraging Namibians to produce weaners instead of full-grown cattle.

However, figure 3 also demonstrates that South African feedlots provide higher prices for weaners than Namibian auctioneers. The price difference is because Namibian and South African feedlots utilize different kinds of fodder to feed the weaners they have acquired. High fodder costs in Namibia make the raising of cattle very expensive for Namibian farmers. As a result, selling weaners that require little fodder before their sale has become increasingly profitable relative to selling mature cattle, which require large amounts of fodder before their sale. This explains why many Namibian farmers are choosing to sell weaners to South African feedlots, which offer the highest weaner prices, due to the lack of affordability of fodder to raise cattle until they are slaughter-ready. Nevertheless, selling slaughter-ready cattle is slightly more profitable compared to selling weaners in Namibia, and high Namibian fodder prices play a significant role in the underutilization of Namibian abattoirs.



Secondly, the environment has a significant impact on the beef sector by increasing production costs, reducing productivity, and heightening risk. More specifically, the dry climate of Namibia makes it difficult to produce the grains necessary for the manufacturing of animal feed, which creates the necessity for expensive South African imports. Additionally, most cattle are grass-fed and depend upon the fragile, dry ecosystem, which is in constant danger due to several environmental factors. Among these, desertification threatens to reduce the availability of both the amount of land and the quality of grasses necessary for raising animals. Droughts and the process of global warming create an environment that exposes commercial farmers to high degrees of risk. The detrimental effects of these natural phenomena are such that they act as negative incentives for investment in the sector. Additionally, Namibian farmers also opt to sell a large percentage of their live weaners to South Africa, largely due to the high risk on their livestock investments in Namibia.

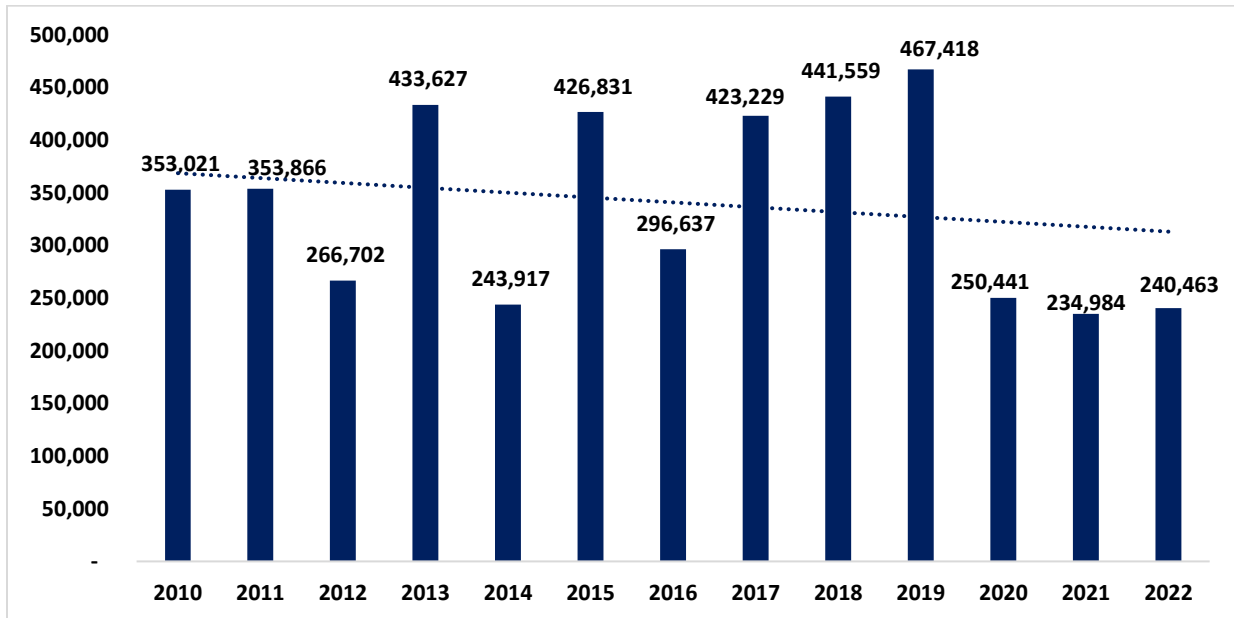
2.5 Meatco's 2022/2023 annual report review

The Meat Corporation of Namibia (Meatco) is the main meat processing and marketing entity for beef in Namibia. Meatco purchases cattle from farmers and processes them through the value chain, realizing a significant premium in carefully selected markets across the globe. Meatco plays a vital role in the industry, as the sustainability of the beef industry is associated with the sustainability of Meatco. The corporation has integrated backward into the value chain in partnership with Namibian farmers to produce high-quality, slaughter-ready cattle. Meatco serves niche markets locally, regionally, and internationally with the finest quality products that can be traced 'from farm to fork'. Their products consist of boneless, raw beef in frozen or chilled vacuum-packed cuts, manufactured meat products, and wet blue hides. These products are either nature reserve, canned beef products, or from MeatMa.

According to Meatco's 2022/2023 annual report, fixed-price contract slaughters accounted for 87% of its cattle procurement, followed by the Okapuka feedlot with 6.1%, while Communal Producers (SVCF) and Meatco Own Cattle accounted for only 1% each (Figure 6). During the period under review, Meatco slaughtered 33,144 cattle compared to 32,127 recorded during 2021/22 in the area South of the Veterinary Cordon Fence (SVCF). An additional 1,214 cattle were slaughtered for private consumers, bringing the total number of cattle slaughtered SVCF during the reporting year to 34,358. Cattle supply North of the Veterinary Cordon Fence (NVCF) increased to 3,717 from 2,348 recorded in 2021/2022.



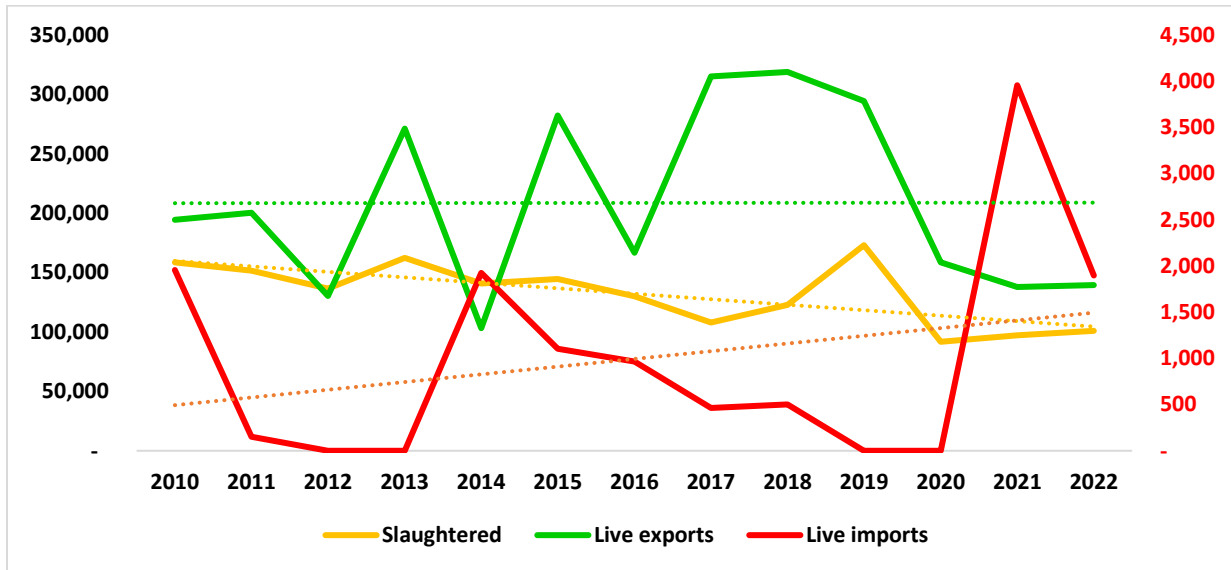
Figure 1: Total cattle marketed (2010-2022)



Source: Meat Board of Namibia & HEI Research

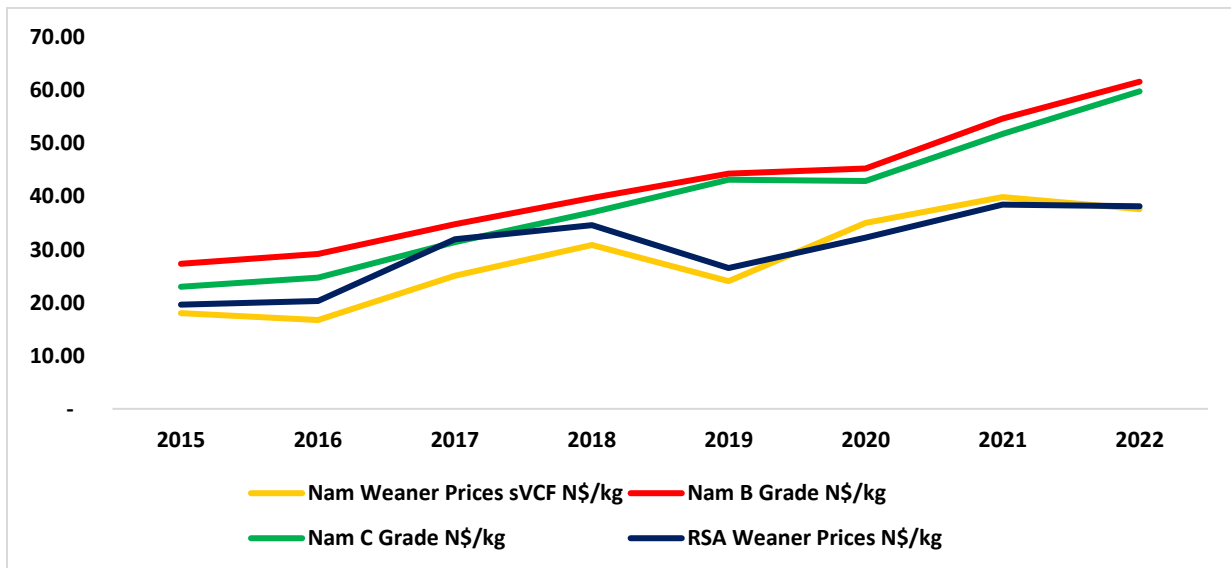


Figure 2: Number of cattle slaughtered vs. live imports & exports, Namibia (2010-2022)



Source: Meat Board of Namibia & HEI Research

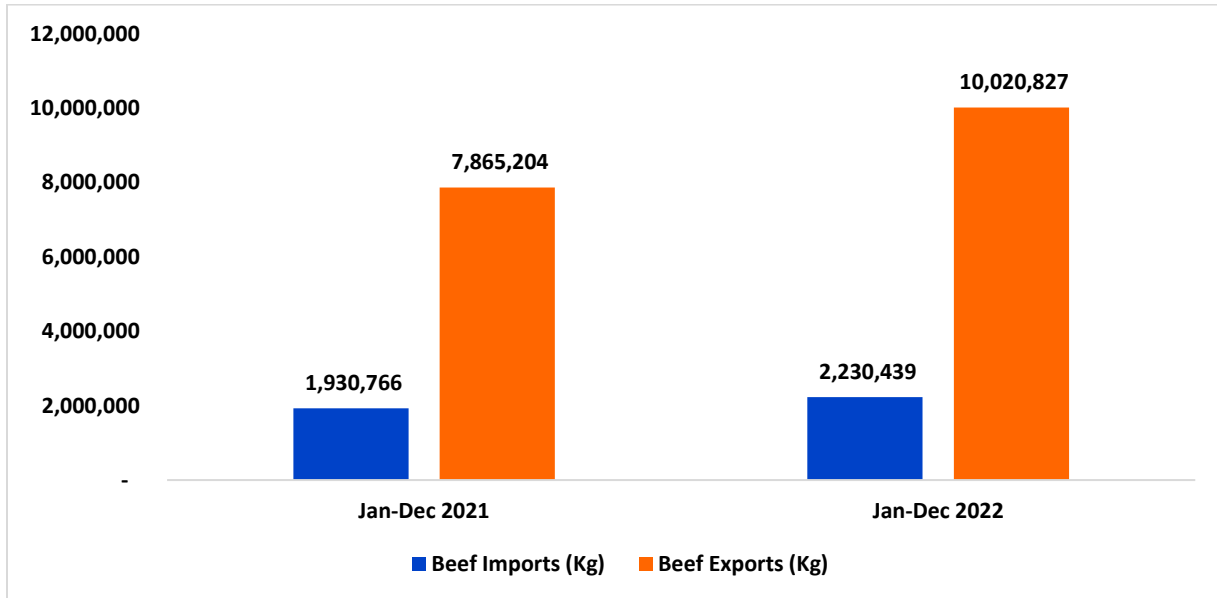
Figure 3: Average prices offered to Namibian cattle producers (N\$/KG) (2015 – 2022)



Source: Meat Board of Namibia, Stats SA & HEI Research

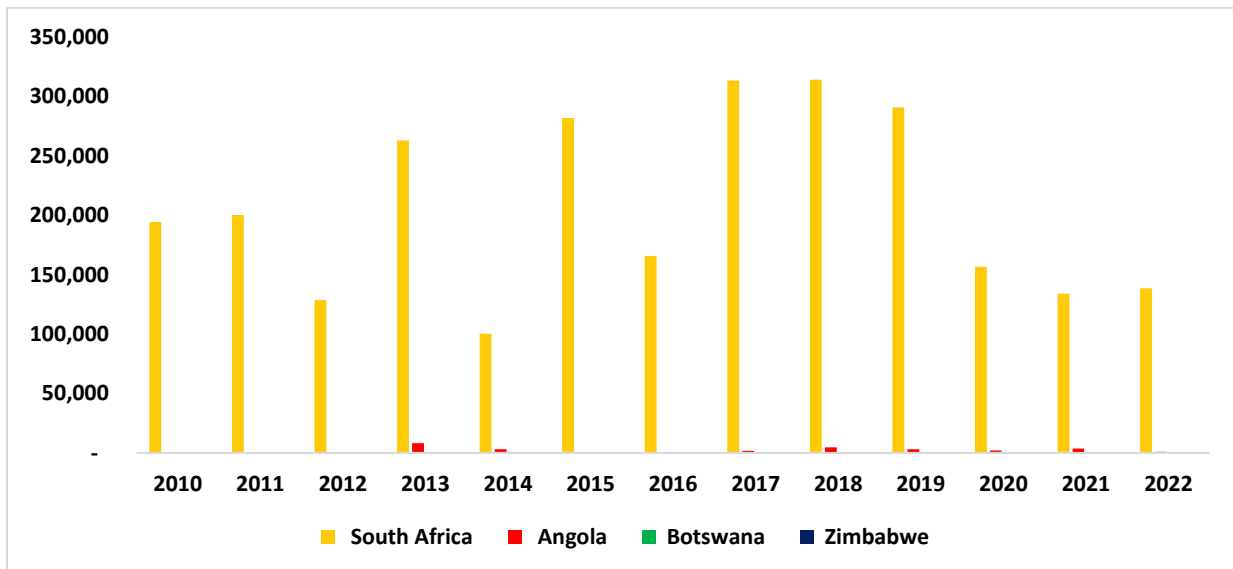


Figure 4: Imports and Exports of the Beef KG (2021/2022)



Source: Meat Board of Namibia & HEI Research

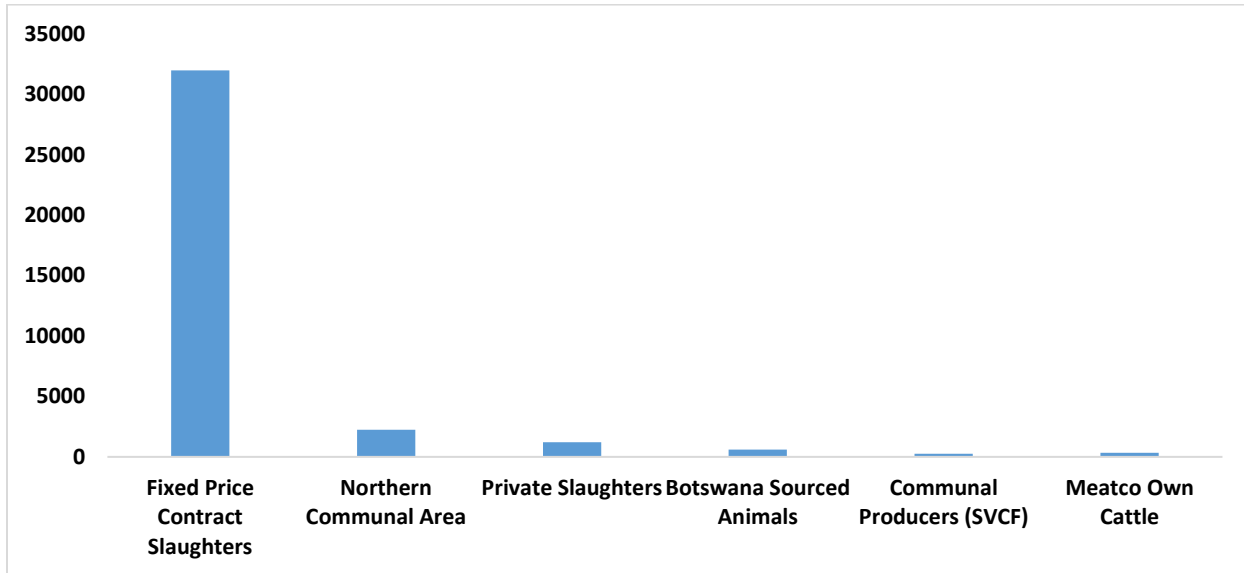
Figure 5: Exports of live cattle for selected economies (2010-2022)



Source: Meat Board of Namibia & HEI Research



Figure 6: Cattle sources procured (2022/2023)



Source: Meatco & HEI Research

3. Recommendations

The future of the Namibian beef industry depends on implementing measures to address the challenges faced by the industry. These measures may include: investments in new efficient infrastructure (feedlots), equipment, and drought-restocking schemes to ensure the industry's sustainability, provision of incentives to small-scale beef processors to support their operations, prioritization of the enhancement of rangelands and grazing capacity for cattle, along with initiatives to produce and store animal feed for use during times of drought, effective national and transboundary vaccination programs and disease control measures to safeguard the health of the cattle population, modernizing farming practices and encouraging the adoption of modern agricultural techniques, including improved breeding, feed management, and herd management to increase productivity and produce higher-quality beef, investment in research and development to promote advancements in cattle genetics, nutrition, and health. This can lead to the development of more productive and disease-resistant cattle breeds and better feeding strategies, foster collaboration among industry stakeholders, including farmers, processors, researchers, and policymakers, to encourage knowledge sharing, technology transfer, and the exchange of best practices for continuous improvement and innovation within the Namibian beef industry.



Outlook

Cattle marketing activities showed growth during the 2022 period compared to 2021, and this upward trend is expected to continue throughout 2023. However, climate change, rising input costs, and animal diseases remain significant risks to the industry's outlook for 2023 and beyond. Addressing these challenges through the aforementioned measures will be crucial for the sustainable growth and development of the Namibian beef industry.