



# Namibian Livestock Sector Strategy

Final report

1 Dec-11



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## 1. Disclaimer

The purpose of the document is to act as input to create discussion in order to determine the future strategy for the Namibian livestock sector. Information on especially the local market (both formal and informal), the National livestock herd, as well as financial information on local feedlots are not readily available, and assumptions were needed to be made in this regard. Input to improve the assumptions made will be welcomed to benefit the industry as a whole.

This report is for your exclusive use and purpose. The recommendations and proposals made in this report are based on information obtained from various sources available. The author can however not be held responsible for the appropriateness of information used herein. It must be emphasised that although the author have acted with the utmost good faith and to the best of his ability, it cannot be guaranteed that the recommendations or proposals or any part thereof is the best, or only solution to any or all the challenges identified in this report, or furthermore that these challenges are the only ones present.

Any decision taken to either accept or reject the above recommendations and proposals, as well as any decision as to whether or not to implement them and the risk attached thereto, rest entirely upon the client.

## 2. Acknowledgements

This report could not be possible without the help of all the role-players and stakeholders in the Industry, which include:

- Elected management, Sakkie Coetzee and Harald Marggraaff of the Livestock Producers Organisation, as well as various producers which provided valuable input.
- Paul Strydom & Willie Schutz of the Meat Board of Namibia
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The author wants to express his sincere gratitude to the above mentioned institutions and individuals with assistance to compile this document.

### 3. Executive summary

The structure of the Namibian Beef Industry changed during the last years. The contribution of producer's income from local slaughtering at export abattoirs declined, while local slaughtering for the local market and live exports grew. It is estimated that more than 400,000 head of cattle will be marketed in 2011 south of the veterinary cordon fence. 35% of income of the primary cattle producers SVCF is derived from slaughtering at export abattoirs; 17% from slaughtering for local consumption (both formal and informal); 41% from live exports to South Africa, and 7% from export from South of the Veterinary Cordon Fence (SVCF) to North of the Veterinary Cordon fence (NVCF). With a slaughter capacity of ±200,000 heads per year, it is clear that the live export market to RSA and the local slaughter market must be nurtured, and not negatively affected by non-tariff barriers and export restrictions.

Similarly the structure of the Namibian sheep industry changed from mainly exporting live animals to South Africa, to slaughtering locally. This was due to direct Government intervention, with the result that small stock production declined.

Government policy is clear what it wants to achieve in the Namibian Meat industry, with focus on increased livestock production, development of the livestock sector in the Northern Communal Areas (NCA) and increased value adding to primary products. The different policy statements (Vision 2030, NDP3, National Agricultural Policy, Namibia Agricultural Marketing and Trade Policy) is all having consensus about the above mentioned. The involvement and assistance of the livestock industry SVCF is of great importance to achieve this. Their current financial contribution and commitment to support the development of these areas must be communicated, coupled with concrete actions by the industry to assist the development of the NVCF.

The intervention in the lamb & sheep market by Government led to limited local value adding with virtually non-existent export of value added products to countries other than South Africa. Increased drought risk for historical small stock producing areas, which have converted to cattle production. Furthermore is it the opinion of industry experts that the main market for Namibian lamb will in future remain a whole carcass market, exported to the South African market. The costs to the industry as a whole outweigh the benefits of operating abattoirs locally. It is important for Government as custodian of the sheep marketing scheme to monitor the actual value adding which takes place in the slaughtering of sheep in Namibia. At the moment the lamb carcass is exported to the RSA market, and value adding is taking place outside the borders of Namibia.

It is proposed that the emphasis should be placed on providing business incentives to local small stock abattoirs, instead of a penalty on the export of live sheep. The main goal of the sector strategy is to grow production on a national basis. This will only happen if the production system is profitable. Growth will not happen if an industry is penalised. The development of the African market for Namibian lamb and goat is an opportunity that needs to be exploited

Live cattle export is expected to increase with  $\pm 20\%$  to 200,000 in 2011, against the average live exports of 167,000 from 2006-2010. The main reason for this is the local weaner price as a % of the carcass price (weaner: carcass ratio). This ratio is currently the highest in the last decade.

Beef production systems where weaners are bought in the open market and grow out either extensively on veld, selling to export abattoirs is not as profitable as a weaner production system, or a cow/ox production system. The expectation is that this is going to change with the devaluation of the Rand and the increase in maize prices.

The net income that a producer receives for slaughter cows was consistently higher at auctions, compared to slaughtering at export abattoirs, since the end of 2008. Producers are therefore expected to react on these marketing conditions and increase their female herd, selling more animals through auctions, and slaughter less female animals at export abattoirs. This will further reduce the competitiveness of export abattoirs as the slaughter cost/head increases further.

Value chains competing with the local export abattoirs value chain became more competitive. South African feedlots vertically integrated and invested in further value adding into the full value chain, selling directly to retailers. Currently they are buying weaner calves on a contract basis directly from the producer in South Africa, and sell value added carcass cuts and processed meat directly to the retailer. They therefore have control over the full value chain. These companies also have scale benefits, as one of these companies (Karan Beef) is slaughtering double the number of animals that is slaughtered in total in Namibia. They are furthermore making use of the latest technology available to increase the efficiency of converting feed into beef carcass, as well as achieving cost savings across the value chain.

The marketing strategy of Meatco changed significantly in the past years, with a much higher percentage of beef sold directly to retail customers than in the past. More benefits are therefore generated to the producer.

Feeding weaners intensively in a feedlot is currently not profitable in Namibia. Namibia is a net importer of feed, and a net exporter of meat, which reduce the Beef:Maize ratio, and negatively impact on the profitability.

The increasing impact of the predators is a major threat for small stock producers. This severely affects the profitability of the industry, and enhances the move from small stock to large stock in the traditional small stock areas. This increase the risk and impact of a drought in future in these areas. A National Predator Management must be develop and implemented to address this issue.

Industry data is currently not comprehensive, which hampers the effectiveness of timely identification of change in industry trends. Information on especially the national livestock herd, the size of the local formal and informal market and the productivity of primary production must be addressed.

## 4. Livestock sector strategy

The following is a summary of the strategy for the Namibian livestock sector for the next 15 years. The strategy consists of the following:

1. Growth goal – a measurable goal for the industry as a whole
2. Critical success factors (CSF) – the 5 most important factors that will ensure that the growth goal is achieved
3. Strategic initiatives – the different action needed to ensure that every CSF is achieved
4. Enabler – factors needed to support the implementation of the CSF's

<b>Growth goal</b>	<b>Grow the Namibian livestock sector to an annual production of 700,000 cattle &amp; 2 mil small stock by 2025</b>				
<b>Critical Success factors</b>	<b>Increase on-farm productivity</b>	<b>Competitive &amp; fully integrated value chain</b>	<b>Unlock market for NCA</b>	<b>Protect &amp; improve veterinary status</b>	<b>Reliable industry data</b>
<b>Strategic Initiatives</b>	Restore production capacity Reduce underutilised land Achieve 65% (cattle) & 100% (small stock) weaning% Predator management plan Improve producer management skills Support religious live goat market in KZN	Define producer involvement in value chains Compare value chain competitiveness Duty-free market access Update international competitiveness	Improve animal health status for NCA Increase offtake & productivity Support Government Identify all projects (active & planned)	Comply with DVS & FANMEAT requirements DVS maintain fences & infrastructure Lobby for more financial support for DVS Bone-in exports for mutton	Local informal & local market Namibian livestock herd Namibian on-farm productivity
<b>Enablers</b>	<b>Synergy between stakeholders</b>	<b>Enabling production environment by Government</b>		<b>Top markets &amp; best prices</b>	

After buy-in from all stakeholders in the Namibian live stock sector, the next step would be to develop detail action plans for each strategic initiative. These action plans must include the detail action steps required to achieve each strategic initiative must be listed, with the person responsible and time line included.

The strategy must be driven by a steering committee, consisting of all stakeholders in the industry, including Government.

## 5. Strategic issues affecting the Namibian livestock sector

The following industry pointers have been identified and will determine the future strategy of the Namibian Livestock sector:

- The local beef slaughter market and live export market grew to the detriment of the export slaughter market.
- The cost of impact of Government intervention in the small stock marketing sector, outweighs the benefits generated
- Since 2006, the cattle herd SVCF increased, while the small stock decreased.
- A key strategic determinant that will influence whether local value adding will increase in future is the competitiveness of the local export value chains against the other.
- **A detail analysis of the reasons for the loss in competitiveness of the Meatco value chain, vs. local slaughter chain, vs. RSA feedlot chain must be done to understand the change in relative competitiveness of the different value chains.**
- Due to the fact that the Beef:Maize ratio is currently on breakeven levels for South African feedlots, it is anticipated that Namibian weaner prices will stabilise in the medium term.
- Weaner production is currently the most profitable production system, with weaner-ox the least profitable. However due to the devaluation of the Rand and increasing maize prices, the profitability of weaner-ox production can recover over the medium term.
- The on-farm productivity of cattle, sheep and goats is low, with big growth potential for the industry.
- Feedlots are currently not viable in Namibia.
- Industry data is not comprehensive, especially information on the national livestock herd, the size of the local formal and informal markets, as well information on on-farm productivity.
- A change in the beef export marketing strategy took place with more direct marketing to international retailers by Meatco.
- The importance of involvement of the industry SVCF to assist in the development of the livestock sector NVCF cannot be over-emphasised.
- The goat industry is a key sector that enhances the livelihoods of especially small scale and communal farmers. The religious market for goats must be protected and provided with healthy, good quality goats.

These trends are described and analysed in more detail in the following section.

## 5.1 Importance of local marketing

- According to the official Meat Board figures, 15,866 cattle were slaughtered by butchers in 2010.
- However, the number of hides sold to tanneries is estimated at  $\pm 53,000$  cattle for 2010. This figure is however not officially reported.
- The movement of cattle from south of the VCF to north of the VCF, was calculated at  $\pm 32,000$ , both in 2009 and 2010. The source is however not officially reported. All this cattle is however not slaughter cattle as an unknown % is female animals kept as breeding stock in the NCA's.
- Long term information of the number of slaughter cattle (fat cows & oxen) sold on auctions is not available. According to Agra, the total number of slaughter cattle sold on Agra auctions from Aug-10 to Jul-11 was 18,466, of which 8,896 were fat & medium cows, 7,225 oxen heavier than 400kg, 1,442 bulls and 903 slaughter heifers.
- If it is further assumed that Agra has a market share of 60% of the slaughter cattle sold SVCF and an estimated number of the cattle bought by an export abattoir on auction is subtracted, it is estimated that  $\pm 25,000$  slaughter cattle were marketed for local consumption and the informal market during the last 12 months on auctions.
- Local abattoirs and the informal market also buy a large portion of their slaughter cattle directly from producers on the farm.

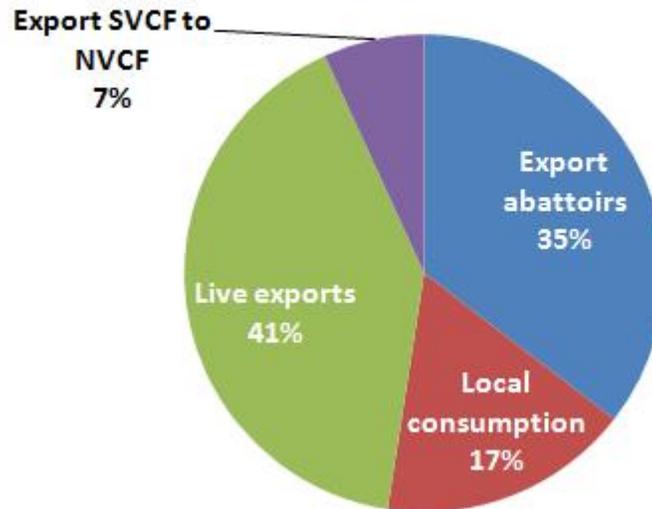
It is therefore estimated that  $\pm 60,000$  cattle is slaughtered for the local and informal markets during 12 months in 2010/11.

The following table indicates an estimated value for the producer for cattle marketed in 2011.

	Heads	Value/head	Total value	% contribution
Export abattoirs	125,000	\$ 5,605	\$ 700,580,569	35%
Local consumption	60,000	\$ 5,605	\$ 336,278,673	17%
Live exports	200,000	\$ 4,025	\$ 805,040,535	41%
Export SVCF to NVCF	30,000	\$ 4,500	\$ 135,000,000	7%
			\$ 1,976,899,777	100%

The following graph is an estimated contribution of the producer value for 2010/2011 in terms of slaughtering for export abattoirs, slaughtering for local consumption, live exports from SVCF to NVCF and live exports to South Africa.

## Estimated contribution of cattle producers' income for 2011 - SVCF



The local slaughter market and live export market is very important for the Namibian cattle producer, especially communal and emerging commercial producer. The total marketing of cattle SVCF is estimated at  $\pm 400,000$  heads for 2011. The slaughter capacity of beef export abattoirs is  $\pm 200,000$  heads per annum.

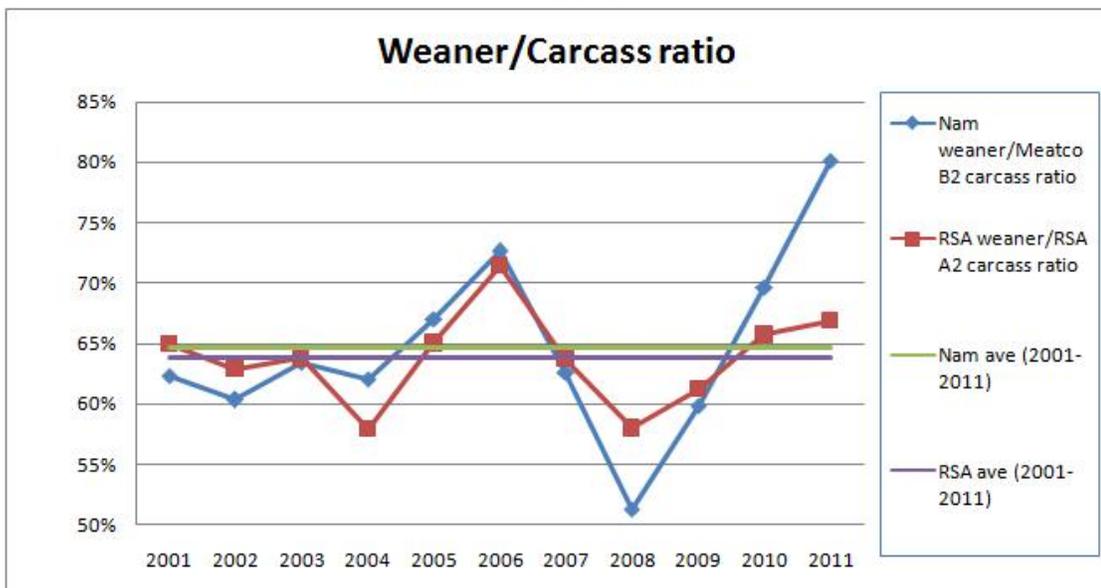
It is therefore of critical importance to ensure that the local market for beef is further developed. Similarly, the live export market to South Africa, which contributes the biggest portion of income for producers SVCF, must not be limited and/or neglected.

## 5.2 Increase in live exports

Live exports are expected to grow with  $\pm 20\%$  to an estimated 200,000 heads in 2011, from an average of 167,000 during 2005-2010.

### 5.2.1 Weaner/carcass ratio

The ratio between the South African A2 carcass price and the South African weaner price is a key determinant, which determines the profitability of feedlots. Similarly the ratio between the Namibian weaner price and the Meatco B2 carcass price is a key decision making tool which determines whether a Namibian producer decides to invest in weaners and grow them to oxen in Namibia. Producers do not know what the price of oxen will be in 2 years in future, and use the current information available. The following graph indicates the trend since 2001:



Source: Meat Board of Namibia, SAFA, own calculations

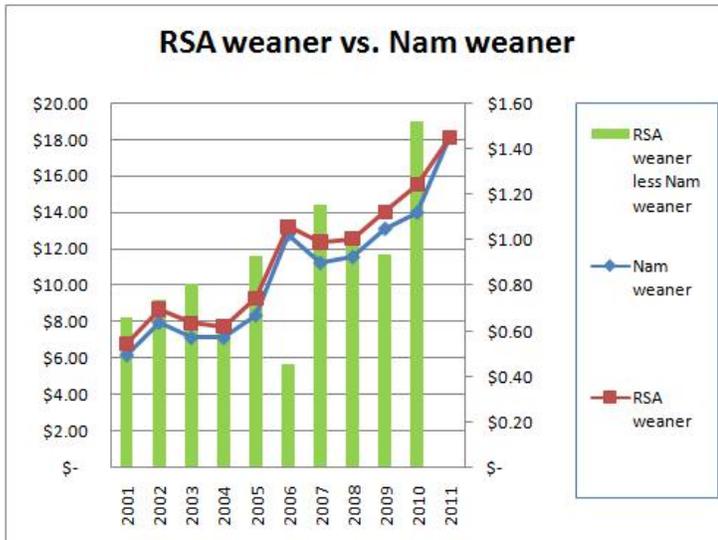
The following can be derived from the above mentioned graph:

- The Namibian weaner price as % of the Meatco B2 carcass price is the highest in 2011, and was on average more than 80% for the first half of 2011.
- This ratio is very unstable from 2006 to 2011 varying from more than 70% in 2006, to  $\pm 50\%$  in 2008, with the current figure at  $\pm 80\%$ .
- The 10 year average rate of Namibia and South Africa is very similar.

The current unfavourable weaner/carcass ratio is one of the most important reasons why live exports to South Africa have increased in 2011. Due to these exports, local slaughtering will be affected negatively in 24 months time when these weaners were scheduled to be slaughtered.

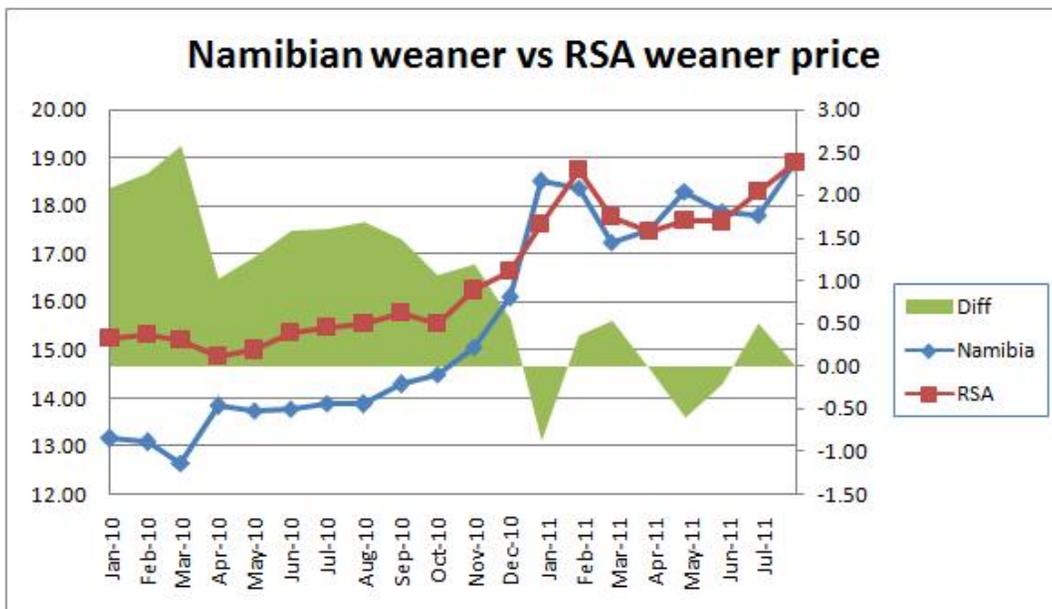
## 5.2.2 Namibian weaner price versus RSA weaner price

The following graph indicates the average weaner auction price in Namibia, compared to the weaner price paid by the members of the South African Feedlot Association (SAFA).



Source: Meat Board of Namibia, SAFA, own calculations

Since 2001, the difference between the Namibian weaner auction price, and the South African weaner price paid by feedlots were on average N\$0.80/kg live weight. The first eight months of 2011 was the first time in the past 10 years when the Namibian weaner auction price was equal to the weaner price paid in South Africa. The monthly Namibian weaner price vs. the RSA weaner price is compared in the following graph:



Source: Meat Board of Namibia, SAFA, own calculations

It is clear from the above graphs that:

- The RSA weaner price during 2010 was still on average N\$1.40 higher than the Namibian weaner price, which is very close to the transport cost of weaner from Namibia to South Africa.
- However the major change occurred in Jan-2011. The possible reasons for this are as follows:
  - From Jan-11 an increase in demand for Namibian weaners from South Africa took place, with an increase in the number of South African buyers on the Namibian auction market.
  - Shortages of weaners exist currently in the RSA market, which further explains the increase in Namibian weaner prices.

According to Willemse (2011), the current strong price increases in South African beef and lamb in South Africa, is the result of serious supply shortages. Estimates show that the number of cattle and sheep slaughtered decreased with 20%-30% in 2011 due to disease outbreaks like Rift Valley Fever and Foot and Mouth Disease, coupled with stock theft and predator problems.

It is expected that prices will not increase further due to substitution competition from pork and chicken in a consumer market which is financially under pressure.

## 5.3 Impact of policies on livestock sectors

### 5.3.1 The case of Argentina

According to the AHDB (2011), world beef and veal production have remained stable for 2010, despite many countries increasing their production. This is largely due to Argentina which has suffered the most significant change in production which reduced with 22% in 2010. The impact of Government intervention could have played a role. According to a document prepared for NDP4, the following happened in Argentina.

#### **"The impact of policies on livestock competitiveness: The case of Argentina**

In Argentina, restrictive trade policies and domestic price setting for beef introduced by the Government over the past three years have driven away investors, reduced the size of Argentina's herd by 6 million head and allowed Uruguay, the nation's smaller neighbor, to capitalize on the three years of decline in Argentina beef exports, estimated down 60 percent. The political decision to micro-manage the sector in order to reduce domestic food price inflation led to introduction of export restrictions and price controls on certain beef cuts. Reduced returns to the industry prompted many ranchers to convert their pastures into land for soybean cultivation. Policy distortions continue to lead to difficulties in 2011 in sourcing eligible cattle for the lucrative EU "Hilton High Quality" beef quota, 28,000 tons, and exports are estimated to continue their three year decline. Meanwhile, despite the devastating impact of government imposed policies on the sector, the Government persists in price fixing, as recently as June, 2011, fixing maximum retail and sales prices paid to producers and wholesalers of meat products, as well specifying prices for live cattle and carcasses (source: USDA)."

### 5.3.2 The impact of Government intervention in sheep marketing in Namibia.

The role of Government is to create an enabling environment in which the private sector must do business, and not to intervene in the market economy. The recent experience of direct involvement by Government in the sheep marketing economy, by limiting live exports is analysed as follows:

#### **5.3.2.1 Type of market for Namibian lamb**

The main market for Namibian lamb is South Africa. Furthermore, according to various experts in the small stock industry, Namibian lamb will remain in future a fresh carcass market delivered in South Africa, and not a market for bone-in or deboned carcass cuts.

#### **5.3.2.2 Limited value adding**

Limited value adding is taking place after the lamb was slaughtered in Namibia,

The value added by the abattoir (margin between the buying price from the producer to the selling price to the retailer amounts to N\$1-2/kg carcass, plus the income generated on the 5<sup>th</sup> quarter (skins & offal).

As mentioned above, no high value cuts is sold in specialised markets.

The most value is added to the lamb carcass in South Africa, where it is processed and packaged for the retail market.

#### **5.3.2.3 No exports other than RSA**

Very limited exports of any lamb are currently taking place other countries than to RSA.

#### **5.3.2.4 Loss in market for communal sheep farmers**

Communal sheep farmers lost a local market for their off-grade small stock. Communal sheep farmers, especially in Omaheke sold their sheep live in a competitive market. With the demise of small stock agents in the live market, competition from buyers was lost, with the communal producer the biggest loser.

#### **5.3.2.5 Increased risk for south**

Due to the market intervention, producers in the historical small stock producing areas, moved away from small stock production, and diversify to game and cattle production.

According to the Directorate of Veterinary Services (DVS), the total small stock south of the VCF in 2006 was still 2.6 million. This reduced with 1 million head to 1.57 million in 2010, if it is assumed that the small stock herd in Karasburg remained constant since 2006, as no information is provided by DVS. Although it is evident that the small stock herd reduced since 2006, the actual severity of the reduction of 1 million head is questioned by the industry.

The result of this is that a lot of cattle are currently found in the historical small stock areas. Due to the good rainy seasons of the past decade, the cattle can be sustained on the veld.

However the risk of drought is significantly increased, as cattle are not as hardy as small stock to sustain a drought.

It can be concluded that the market intervention by Government in the sheep industry were not to the benefit of the producer.

## 5.4 Increase in cattle herd & cattle production potential

### 5.4.1 Increase in cattle herd

The official information on cattle numbers SVCF, as supplied by the Directorate of Veterinary Services is that the cattle numbers remained constant at 1.1mil since 2006 - 2010.

However this is in contrast with the number of eartags that was sold by the Meat Board. According to this information, 1.897 mil eartags were sold till 14 Sep-11.

The accuracy of the official information on the National Livestock herd (both cattle and small stock) is questioned.

### 5.4.2 Production potential of Namibian cattle herd south of the VCF

The Meat Board of Namibia is requesting information on an annual basis from registered livestock producers regarding their livestock numbers in different age and sex groups. The following table provide the % of animals in different groups as % of the total herd:

	% of total
Breeding Bulls	3%
Cows with Bull	36%
Heifers with Bull	9%
Calves Unweaned	19%
12 - 24 Months	15%
Over 24 Months	10%
Weaners Under 12 Months Bought	10%
<b>Total</b>	
Bull to cow+ heifers with bulls ratio	17
Calve unweaned as % of cows	53%
Cows and heifers with bull as % of total	45%

Source: Meat Board of Namibia, own calculations

The following assumptions were used to determine the annual production potential of the Namibian cattle herd:

Namibian cattle herd south of the VCF	1,500,000
Cows & heifers with bulls as % of total herd	45%
# of cows and heifers with bulls	668,847
Namibian weaning%	53%
# of calves weaned south of the VCF	355,039
Potential Namibian weaning%	65%
Potential # of calves weaned south of the VCF	434,750

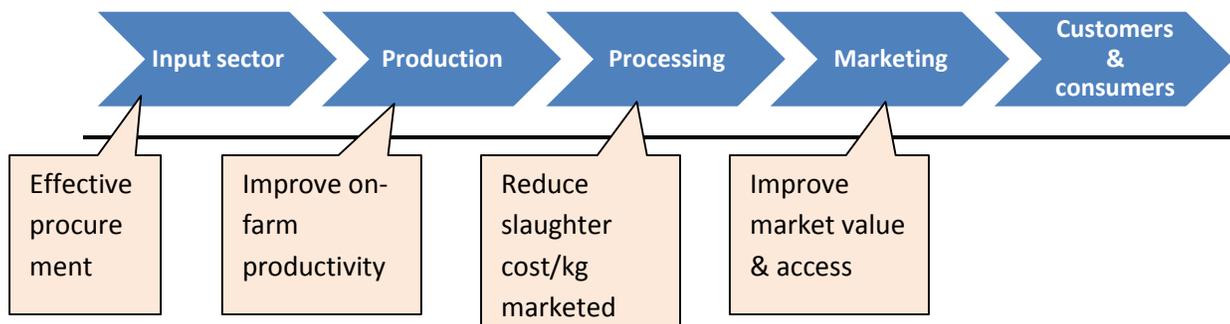
The production potential of the Namibian cattle herd south of the VCF is estimated at  $\pm 435,000$  head per annum if a 65% weaning% can be achieved.

The Namibian cattle export abattoir slaughter capacity is estimated at  $\pm 200,000$  head/annum.

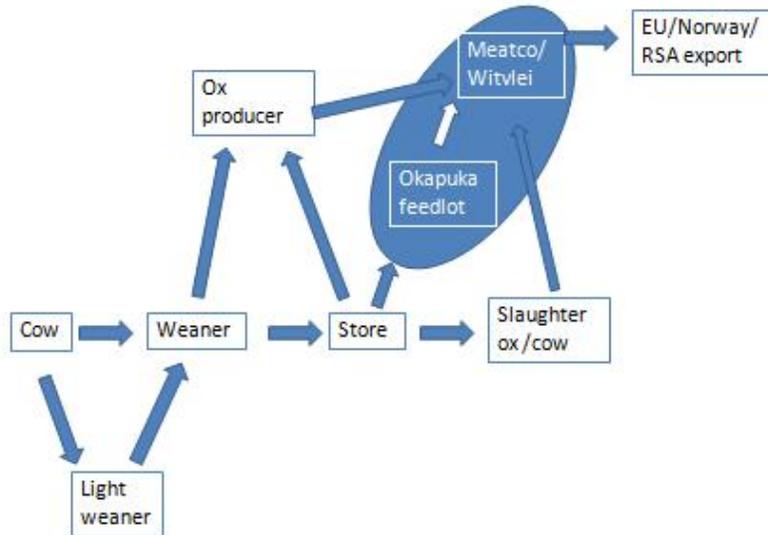
The South African live export market is therefore very important to ensure available markets for Namibian cattle.

## 5.5 Competitiveness of value chains

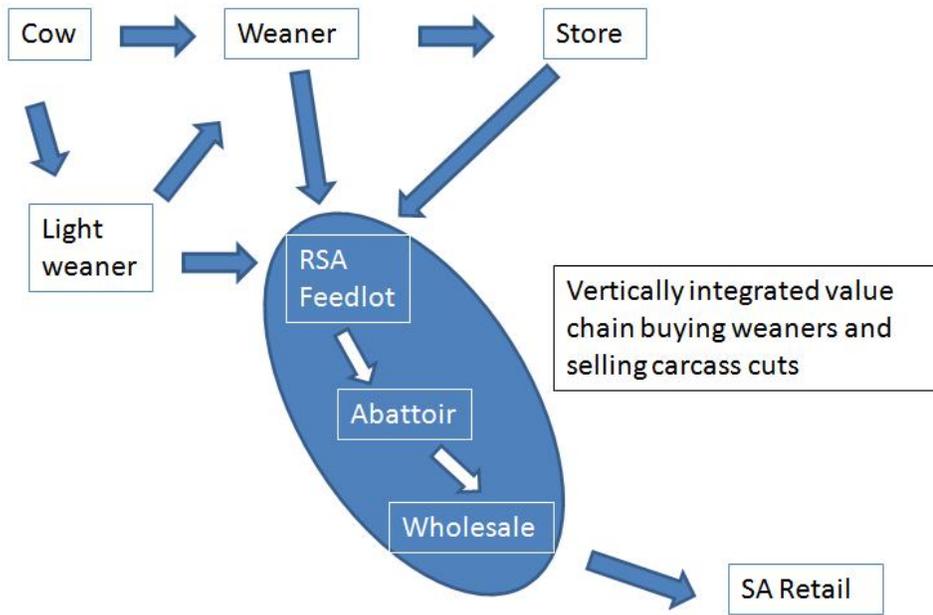
The Namibian livestock sector will benefit from a clear understanding of how value is created and destroyed across the sector (both domestic and internationally). According to the New Zealand Red Meat Strategy Report (2011), a value driver is a critical organizational ability that gives it a competitive advantage. The following diagram gives an indication of the different value drivers in the Namibian livestock sector.



### 5.5.1 Namibian cattle export slaughter chain

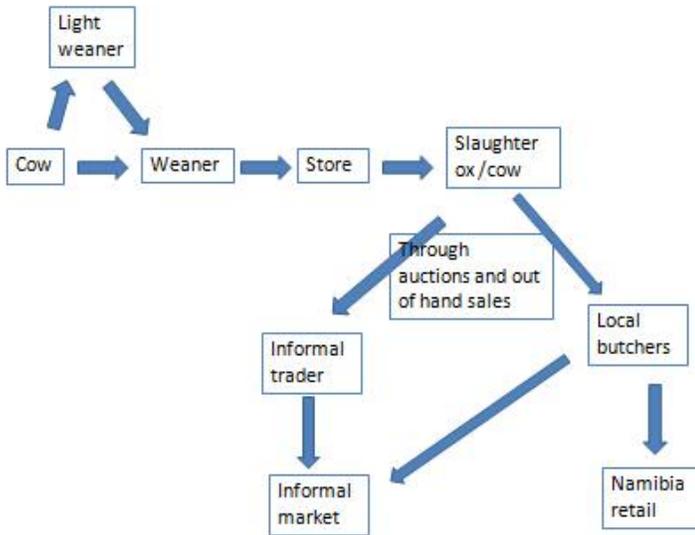


### 5.5.2 South African cattle feedlot chain



The South African feedlot value chains has vertically integrated into the meat chain, and is buying inputs like weaner calves and feed and selling carcass cuts/products to the market. They have been able to increase their competitiveness, using vertical integration resultant savings, technology (like hormones, ionophores) and excellent management and control systems.

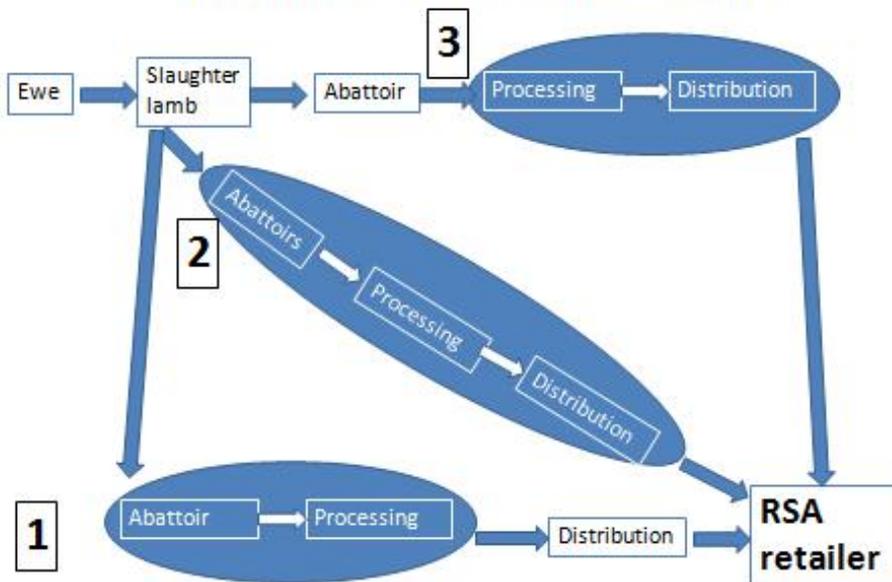
### 5.5.3 Local cattle slaughter value chain



The local Namibian consumption value chain also increased their competitiveness with higher prices paid by the local market for C-grades than what is realized by producers selling to Meatco.

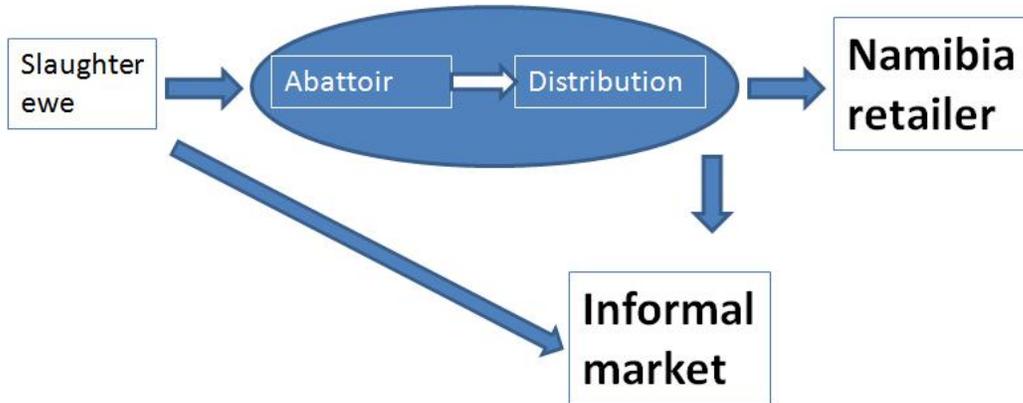
### 5.5.4 Namibian slaughter lamb value chain

#### Namibian Lamb Value Chain



### 5.5.5 Namibian mutton value chain

## Namibian Mutton Value Chain



### 5.5.6 Auction prices vs. Meatco slaughter prices

The net income received when a producer takes animals to an auction, versus slaughtering at Meatco was further analysed. The monthly average auction prices were obtained from Agra, and the slaughter prices from the Meat Board of Namibia was used. 6% commission was subtracted from the auction prices, where after the live price was converted to a slaughter price, with a 52% dressing% for slaughter cows and 55% dressing% for slaughter oxen.

The following graph indicates the comparison of the slaughter cow prices:



Source: Agra, Meat Board of Namibia, own calculations

Since December 2008 the net income received by the producer if fat cows were sold on auctions, was consistently higher than what should have been received when the producer slaughter at Meatco.

The following graph indicates the comparison between the slaughter oxen price of Agra, vs. the B2 price of Meatco. The net price realized by a producer was consistently higher at Meatco vs. auctions. However since Jul-09 ox prices on auctions realized is very similar than Meatco.



The result of this was the reduction in the number of C-grades slaughtered at Meatco. The following table indicates comparison of different grades slaughtered at Meatco:

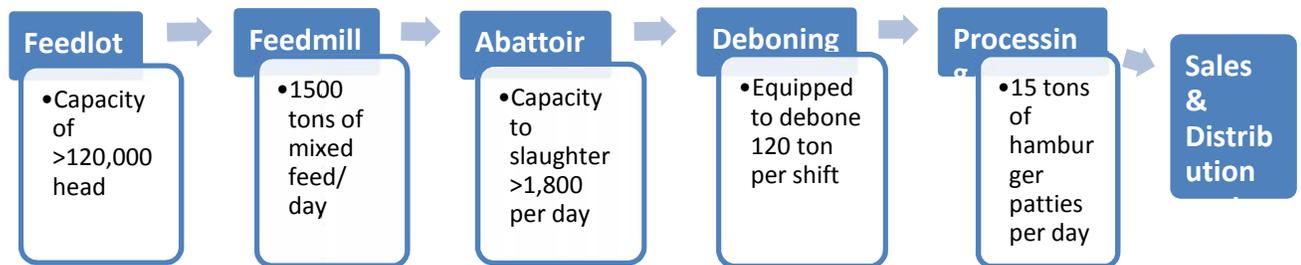
	2008/9	2010/11	Change
A, AB & B	84,322	93,245	8,923
C	34,411	20,905	(13,506)
Total	118,733	114,150	(4,583)

C-grades therefore moved from Meatco to slaughtering in the local market. This reduces the total number of cattle slaughtered by Meatco, increasing their slaughter cost and reducing their competitiveness against other chains.

This is happening while high quality C-grade beef is exported to the most lucrative Scandinavian market by Meatco.

### 5.5.7 Cattle procurement strategies of RSA feedlots

The big South African feedlots have enormous scale compared to Namibia. A feedlot like Karan Beef is producing as a single entity about the same as Namibia as a whole. They are vertically integrated in the total meat value a chain follows:



According to a FNB Agri-outlook on Feedlots of June 2011, the following:

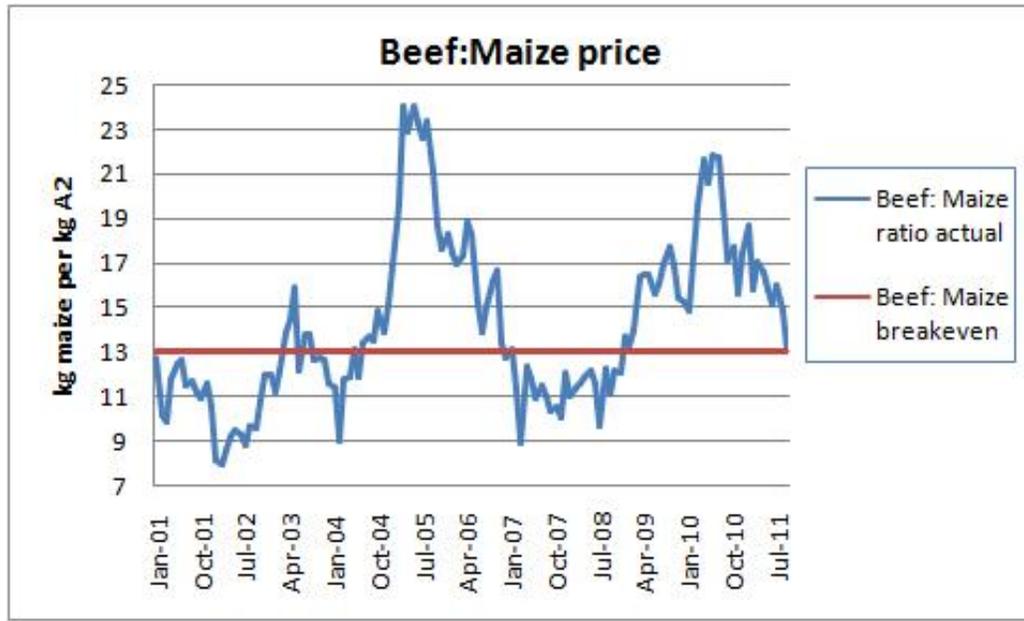
- **Calf acquisitions:** ±80% of feedlot calf acquisitions are through direct negotiations with primal producers. It is expected that this tendency is expected to grow more in future and that the importance of livestock auctions will continue to diminish. Feedlot operators have therefore become price makers instead of price takers and have therefore gained control over their biggest expenditure.
- **Carcass selling price:** In the past feedlots were price takers, as they had to sell everything at carcass auctions if they wanted to gain access to the metropolitan markets. Since the deregulation of the meat industry, the responsibility of marketing has shifted from the marketing boards to the feedlots. To ensure a more stable price, feedlots started to integrate vertically into the meat chain, where they currently control ±70% of the wholesale market. Due to the vertical integration by the feedlots, the bulk of carcasses are currently sold forward on a three monthly basis, therefore reducing their price exposure.

### 5.5.8 Beef:Maize ratio in South Africa

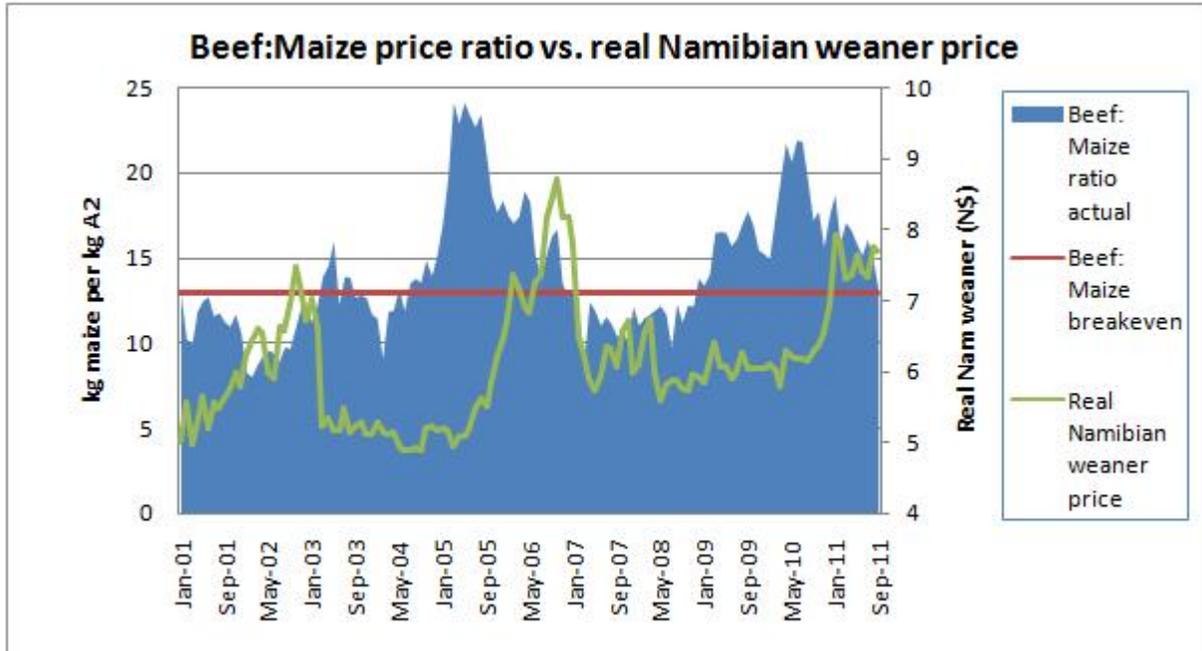
The cost of feed makes ±40% of the slaughtered animal. The cost of feed is primarily determined by maize prices:

- The maize price declined to a record low of R1200/ton (±R300 below the export parity price level).
- Since the beginning of 2011, maize prices increased dramatically to the current ±R2400/ton.

- The carcass price has remained at strong levels with current A2 price higher than R31/kg.
- According to the FNB Agri-outlook, the break-even beef price to maize price ratio for South African feedlots is ±13 (13 kilogram maize buys 1 kilogram A2 carcass).
- The current Beef:Maize Ratio is ±13 (R31/kg A2 carcass divided by R2.40/kg maize) therefore at current maize prices, feedlots are under pressure to remain profitable. The following graph indicates the South African Beef: Maize ratio since 2001.



The following graph indicates the correlation between the South African Beef:Maize ratio and the real Namibian weaner price. The real weaner price decreased when the Beef:Maize ratio decreases under the break-even level of 13. As the Beef:Maize ratio is currently on break-even levels, it can be anticipated that the real Namibian weaner price will decrease in real terms in the following year. Therefore the current Namibian weaner price is not expected to increase further in the medium term.



- The competitiveness of the South African value chains must be understood better to determine the reasons why these value chains are able to buy weaners at the current prices in Namibia.
- A detail analysis of the reasons for the loss in competitiveness of the Meatco value chain, vs. local slaughter chain, vs. RSA feedlot chain must be done to understand the change in relative competitiveness of the different value chains.
- The fact that a producer realized a higher net price on auctions for slaughter cows, reduces the slaughter number of cows at Meatco, thereby reduces the competitiveness of Meatco.
- This also shows that local slaughter value chains is competitive in the local market, and remains an important market element for the Namibian producer.
- The cost for Meatco to slaughter an animal was requested, but not made available. Due to the reduction in numbers slaughtered, it is expected that the slaughter cost per head for Meatco increased.
- The scale, effectiveness and use of technology of South African feedlot value chains ensure that they are very competitive.
- Due to the fact that the Beef:Maize ratio is currently on breakeven levels, it is anticipated that Namibian weaner prices will decrease in real terms in the medium term.
- In Sep-11 a sudden devaluation of the Rand took place and maize prices rose dramatically, in conditions very similar to 2007/8.
- If this trend continues the competitiveness of Namibian Beef Export Value Chain will increase, compared to South African Feedlots value chains, and ox production system can become more profitable.

## 5.6 Profitability of beef & sheep production systems

The following table gives an indication of the profitability of different production systems for beef and lamb in Namibia. The actual financial figures of the Karsfeld study group were used as guideline for expenses.

System	Cow-Weaner	Cow-ox with planted pastures	Weaner-ox	Lamb	Lamb
Area	East	North	Central	Kalahari	South
Farm size	6000	5000	6000	6000	6000
Total Capital employed	8,670,000	9,830,000	15,423,500	10,922,500	7,520,000
Total herd	603	686	700	2,945	2,233
Total biomass/ha (kg/ha)	35	45	38	21	16
Total heads marketed/annum	266	180	343	1160	860
<b>Income</b>					
Total kg carcass sold	9,691	45,800	80,903	19,160	15,510
Ave price/kg carcass	\$22.00	\$ 23.78	\$ 23.78	\$ 42.03	\$ 41.44
Total kg live sold	54,050				
Ave price/kg live	\$17.50				
<b>Total income/annum</b>	<b>\$ 1,159,077</b>	<b>\$ 1,089,320</b>	<b>\$ 1,924,229</b>	<b>\$ 805,300</b>	<b>\$ 642,663</b>
<b>Expenses</b>					
Labour (cash cost)	(\$67,520)	(67,520)	(\$50,640)	(\$50,640)	(\$33,760)
Buying of animals	(\$20,000)	(20,000)	(\$1,046,500)	(\$40,000)	(\$32,000)
Diesel	(\$64,600)	(93,100)	(\$82,175)	(\$47,500)	(\$47,500)
Feeds & Licks	(\$110,349)	(102,690)	(\$83,967)	(\$81,783)	(\$47,777)
Repair & maintenance	(\$80,000)	(80,000)	(\$80,000)	(\$50,000)	(\$50,000)
Medicine & Veterinary	(\$30,000)	(30,000)	(\$15,000)	(\$20,000)	(\$10,000)
Insurance & Licenses	(\$24,000)	(24,000)	(\$24,000)	(\$24,000)	(\$20,000)
Marketing cost	(\$15,948)	(84,380)	(\$127,001)	(\$11,250)	(\$17,000)
Rent of pasture	(\$177,000)	(234,360)	(\$210,000)	(\$194,400)	(\$144,000)
Telephone	(\$24,000)	(24,000)	(\$24,000)	(\$24,000)	(\$24,000)
Bank cost	(\$12,000)	(12,000)	(\$12,000)	(\$12,000)	(\$12,000)
<b>Total expenses/annum</b>	<b>(\$625,417)</b>	<b>(\$772,050)</b>	<b>(\$1,755,284)</b>	<b>(\$555,573)</b>	<b>(\$438,037)</b>
<b>Margin above specified cost</b>	<b>\$ 533,660</b>	<b>\$ 317,270</b>	<b>\$168,946</b>	<b>\$249,727</b>	<b>\$204,626</b>

Weaner production is currently the most profitable of all production systems investigated, which is explained by the high weaner prices.

Weaner-ox production is currently the least profitable beef production system. The calculation was based on buying weaners at N\$13/kg in 2009, and marketing at current prices in Sep-11. With the devaluation of the Rand, the profitability of this production system can improve in the medium term.

Profitability of lamb production recovered with the current increase in sheep prices. However with the current high weaner prices, past good rainy seasons, intervention in small stock market and the increasing predator problem, small stock producers were converting to weaner production.

## 5.7 Marketing % at farm level in small stock industry

One of the biggest threats affecting the profitability of small stock production is the low marketing% (lambs marketed as % of ewes). According to the Directorate of Veterinary Services the number of sheep SVCF is as follows (if assumed that Karasburg herd remain constant from 2006-2010):

	2001	2006	2010
North	98370	89361	59859
West	115090	131046	130822
East	277194	278086	206779
Central	175379	119343	99517
South	1601464	1951524	1058727
<b>Total</b>	<b>2267497</b>	<b>2569360</b>	<b>1555704</b>

According to the Directorate of Veterinary Services the number of goats SVCF is as follows (if assumed that Karasburg herd remained constant from 2006 to 2010):

	2001	2006	2010
North	131087	121666	101526
West	269894	326135	245071
East	156010	155242	92309
Central	145149	66170	53104
South	393722	416438	328143
<b>Total</b>	<b>1095862</b>	<b>1085651</b>	<b>820153</b>

The following table indicates the marketing% of sheep and goats from 2001 to 2010.

	Sheep	Goats
Ave live stock herd	2130854	1000555
Ave marketed	1074843	264291
Marketing%	50%	26%

The main reason for this low % is the escalating predator problem, which is needed to be addressed on a micro level (between different neighbours on the farm), and on a macro level (National Predator management Strategy).

The marketing% of goats is about 50% of the marketing% of sheep. The main reason for this is the much higher volume of own consumption by goat farmers, compared to sheep. Pasteurella also have a significant impact on mortalities in the goat market, both on farm, as well as from the point of selling to the point of marketing of live goats in Kwazulu-Natal.

- A National Predator Management Strategy must be developed to reduce the losses of small stock at farm level.
- Compulsory inoculation of all goats in Namibia must be implemented to reduce the impact of Pasteurella on the productivity of the goat industry.

## 5.8 Viability of Feedlots in Namibia

The financial viability of feedlots in Namibia is a contentious issue for a long time already. The opportunity exists to add value to the weaners exported by fattening the cattle in feedlots and slaughtering them locally.

### 5.8.1 South Africa vs. Namibian situation

Before the viability of feedlots is analysed, it is important to note the difference in market situations between Namibia and South Africa that determine the viability of feedlots:

- **Namibia:**
  - is a **net importer of food** in terms of maize and wheat. Producer prices are therefore derived based on the import parity price. The input price for a feedlot in terms of energy products (maize, maize products & wheat products) is determined on the cost in the exporting country plus transport to Namibia.
  - is a **net exporter of meat**. Producer prices are therefore derived on the price that can be realised in the importing country, less the transport and other cost required to deliver the products in the importing country.
- **South Africa:**
  - is a **net exporter of maize**.
  - is a **net importer of meat**. Producer prices are therefore derived based on the import parity price.

Feeding animals intensively in a country like Namibia should be more challenging to comparing to South Africa.

Feedlots in Namibia buying stores, fatten it and slaughter at export abattoirs is **not currently financially viable**.

Financial information on the profitability of local feedlots is not readily available. The following information is based on the average performance figures in South Africa. These figures are achieved with the use of growth hormones, ionophores, etc.

The following table indicates the purchase cost for the 3 scenarios. Information from Aug-11 of the South African Feedlot Association (SAFA) was used in the calculations:

	RSA feedlot	RSA feedlot	Namibia feedlot
	buying RSA	buying Namibia	buying stores
Purchase kg at source	245.00	245	320
Purchase price at source	\$ 19.15	\$ 18.90	\$ 17.00
Cost at source	\$ 4,691.75	\$ 4,630.50	\$ 5,440.00
Transport/head	\$ 135.00	\$ 367.50	\$ 60.00
Total purchase cost	\$ 4,826.75	\$ 4,998.00	\$ 5,500.00
Interest rate at prime	8.50%	8.50%	8.50%
Interest at 100% of purchase cost	\$ 145.00	\$ 150.15	\$ 115.27
<b>TOTAL PURCHASE COST</b>	<b>\$ 4,971.75</b>	<b>\$ 5,148.15</b>	<b>\$ 5,615.27</b>

The following table indicates the feed cost, operational cost and total cost of the three scenarios. Please note that these prices is based on Aug-11 prices

	RSA feedlot	RSA feedlot	Namibia feedlot
	buying RSA	buying Namibia	buying stores
Dry matter % of feed	73.97%	73.97%	73.97%
Daily intake of feed as fed	11.83	11.83	14.4
Daily intake of feed @ 90% dry	9.72	9.72	11.84
Average daily gain	1.55	1.55	1.3
Feed cost per ton in bunker (as fed)	\$ 1,355.00	\$ 1,355.00	\$ 1,355.00
Feed cost per ton in bunker (90% dry)	\$ 1,648.64	\$ 1,648.64	\$ 1,648.64
Feed cost/day/head	\$ 16.03	\$ 16.03	\$ 19.51
Days on feed	129	129	90
Total feed cost/head marketed	\$ 2,067.82	\$ 2,067.82	\$ 1,756.08
Interest on 50% feed cost	\$ 31.06	\$ 31.06	\$ 18.40
<b>Total feed cost</b>	<b>\$ 2,098.88</b>	<b>\$ 2,098.88</b>	<b>\$ 1,774.48</b>
Overheads/head/day	\$ 3.57	\$ 3.57	\$ 3.57
Total overheads for period	\$ 460.53	\$ 460.53	\$ 321.30
Mortality rate for period	0.7%	0.7%	0.7%
Cost of mortalities	\$ 35.32	\$ 35.32	\$ 35.32
Transport cost to market	\$ 43.90	\$ 43.90	\$ 83.33
<b>Total cost per head</b>	<b>\$ 7,610.39</b>	<b>\$ 7,786.78</b>	<b>\$ 7,829.71</b>

The actual Namibian feed cost can be very similar to the feed cost in the Western Cape, if maize silage is included as main roughage source and hominy chop is imported from Zambia. Feed cost in Gauteng should be lower than the feed cost in Namibia

The profitability of the three scenarios under current maize prices is under pressure, as seen hereunder:

	RSA feedlot	RSA feedlot	Namibia feedlot
	buying RSA	buying Namibia	buying stores
<b>Sales/head</b>			
Out live kg	444.95	444.95	437
Dressing%	58.03%	58.03%	57.88%
Out carcass kg	258.2	258.2	252.9
A grade carcasses	100%	100%	75%
AB grade carcasses	0%	0%	25%
Price A grade (Sep-11)	\$ 29.20	\$ 29.20	\$ 27.35
Price AB grade (Sep-11)			\$ 25.71
<b>Income/head</b>	<b>\$ 7,539.57</b>	<b>\$ 7,539.57</b>	<b>\$ 6,814.09</b>
<b>Cost/head</b>	<b>\$ 7,610.39</b>	<b>\$ 7,786.78</b>	<b>\$ 7,829.71</b>
<b>Profit/(loss) per head</b>	<b>(\$70.81)</b>	<b>(\$247.21)</b>	<b>(\$1,015.62)</b>

Since Aug-11, the SAFEX maize price has stabilised.

However feedlots in South Africa are currently under pressure to remain profitable, with a break-even A-grade price of R29.49/kg carcass in Aug-11

### 5.8.3 Availability of maize and wheat by-products as energy source

A typical feedlot ration consists of 70% of mainly hominy chop (as energy source). A weaner needs  $\pm 7$ kg of hominy chop per day, or  $\pm 840$  kg to fatten it from 240kg live to slaughter weight. If  $\pm 200,000$  weaners are fattened in feedlots in Namibia per annum,  $\pm 168,000$  tons of hominy chop would be required. The local hominy chop production is estimated by experts at about 22,000 ton/year. A big part of this is used as basis to add value and produce concentrated feeds and licks. It is estimated that about 2,000 – 3,000 ton of hominy chop is available in the market as hominy chop. This is further only available in the summer months.

Import of by-products from Zambia is taking currently place on the back of loads of fish, meat etc. from Walvis Bay to Zambia & DRC. Prices are competitive against import of hominy chop from South Africa. The total estimated capacity of back-load transport is  $\pm 12,000$  ton/year. Borders for export from Zambia is also closing in times of shortage (May-December)

The big issue is therefore a **supply issue**. During the rainy season in Zambia (January to May), not much by-products is used by feedlots etc., while simultaneously the mills are milling at full capacity as the next maize harvesting season has not yet started. An oversupply of hominy chop is available that time of the year. During the latter part of the year (June to December), the opposite is happening. Zambian maize meal demand is reducing due to own produced maize consumption, demand is increasing for maize by-products by Zambian feedlots. This is also the time of the year when Namibian producers would need maize by-products to fatten cattle on veld for the peak demand season in December.

Hominy chop further has a limited shelf life of  $\pm 3$  months. Therefore Hominy chop cannot just be acquired in the months of oversupply to be utilized in the months of under supply. The treatment of hominy chop with anti-oxidants can increase the shelf life to maximum of 5 months, but a need for further technology exist to increase the shelf life.

It can therefore be concluded that not enough energy sources for local feedlotting is available.

#### **5.8.4 Development of fodder production capacity in Namibia**

The Green Scheme project is an irrigation development project aiming to increase food security in Namibia by utilizing the available irrigation water of mainly the northern perennial rivers (Kunene, Okavango & Zambezi). Maize silage is a very good roughage source to fatten cattle, which can be produced cost competitively under irrigation. Maize silage can replace  $\pm 25\%$  of the hominy chop requirements in a feedlot ration. Therefore an opportunity exists to replace  $\pm 40,000$  tons of hominy-chop with maize silage. As maize silage has a moisture content of 65%, the 40,000 of hominy chop (10% moisture) would be replace by  $\pm 120,000$  ton of maize silage. An average yield of 50 ton/hectare per production season can be realized with the soil conditions next to the Kavango River, with a possibility of two production seasons of maize silage per annum. This determines that  $\pm 1,200$  hectares of irrigation land can produce 120,000 ton of maize silage per annum. However a rotational cropping system would be required to improve soil health and reduce plant diseases over the long term. A possible crop that can be used is soya beans (which could also be utilized as a protein source in the feedlot ration), which makes the estimated hectares required closer to 1500ha.

Maize silage however cannot be transported over long distances due to the bulkiness of the product (65% moisture), as well as the fact that maize silage immediately starts to ferment when it is not anymore in anaerobic conditions. The feedlot therefore needs to be situated next to the source of fodder production, which in this case is not in a FMD free zone. However this is a possible opportunity and the financial viability must be further analysed for marketing of beef in Zambia, Angola, DRC and international markets like Asia & China.

- Feedlots in Namibia can only be viable if:
  - Maize prices in Namibia are not based on import parity price under a protected market. This is leading to the fact that maize prices (including by-products like Hominy Chop) is ±N\$800-N\$1000/ton more expensive than in South Africa or Zambia.
  - Irrigated maize production capacity increase under the Green Scheme, which makes by-products, maize silage, etc. available to feed weaners.
- Veld fattening – Fattening on the natural grasslands in Namibia is a possibility as well. Protein sources (cotton oil cake sourced from Zambia) can be fed on a daily basis to the weaners, while the cattle are grazing the natural veld. In this system, a weaner of 240kg live can be fattened to slaughter weight (240kg carcass) within one year. A price gap of N\$10/kg is however required to fatten weaners financially viable on the veld, under the current feed price conditions. Therefore if a 240kg weaner costs N\$19/kg live weight, the realized carcass price of an AB-carcass must at least be N\$29/kg for a break-even scenario.

## 5.9 Availability of industry data

Data on the industry that is available is not comprehensive enough to effectively determine trends in the Namibian livestock sector. This is an issue of strategic importance for the industry as a whole. Information on especially the following issues needs to be more comprehensive:

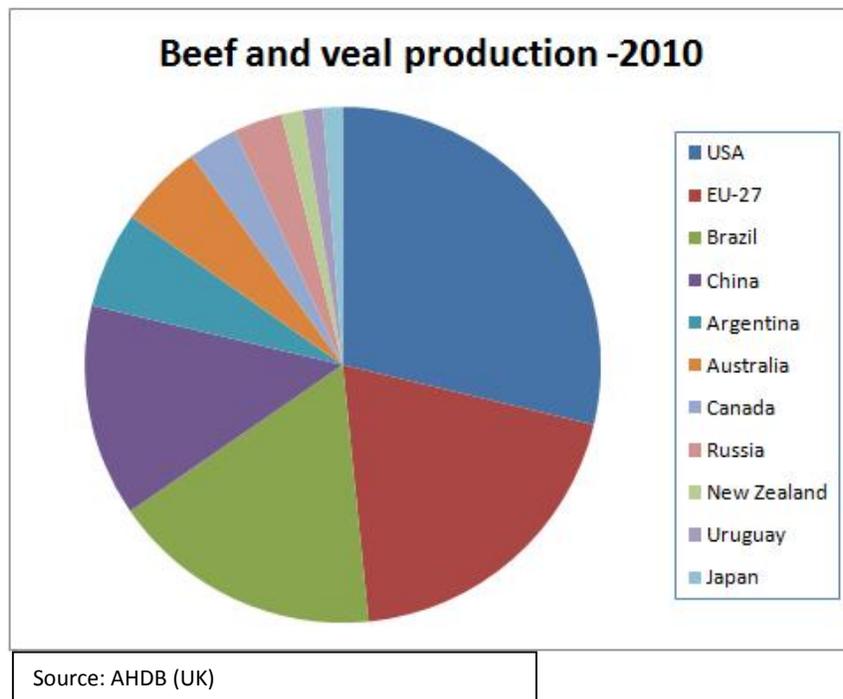
- National livestock herd – the current NAMLITS system can be a very good tool to more accurately estimate this figure.
- Informal marketing – information on movement permits can be used to make estimations more accurate
- Local marketing for the formal market by registered abattoirs - information on movement permits can be used to make estimations more accurate
- On-farm productivity, which include the following specific information:
  - National herd composition (shown per region)
  - Annual weaning% (number of offspring weaned as a % of female animals mated) for both cattle and small stock is a critical factor that will lead to growing the industry and productivity. Information must be collected per region to determine trends in different areas.
  - Hectares of land converting to game fenced areas per region.
  - Kilogram meat produced per hectare of land per region

## 5.10 Change in beef export marketing strategy

### 5.10.1 International beef situation

Of the other major producing countries, there was a notable rise in Brazilian production following recent herd rebuilding and similarly in Australia the recent good growing season has encouraged retention of breeding cattle.

The following graph indicates the relative size of different countries regarding beef production volume. It is clear that 4 countries (USA, EU, Brazil & China) produced  $\pm 75\%$  of global beef production.



### 5.10.2 Competitors in International markets

During 2010 EBLEX (2011) estimated that 238,000 tons of beef was imported into the United Kingdom (main international market for Namibian Beef). 79% of the imports were boneless beef, while the main market is a fresh/chilled market, which constitutes 72% of total imports). 70% of all imports into the UK originate from Ireland.

The imports from non-EU countries were as follows:

	2010 import (tonnes)	% contribution
Uruguay	9,000	27%
Namibia	7,500	23%
Botswana	6,400	19%
Australia	4,300	13%
Brazil	1,900	6%
Argentina	700	2%
Other	3,200	10%
TOTAL	33,000	

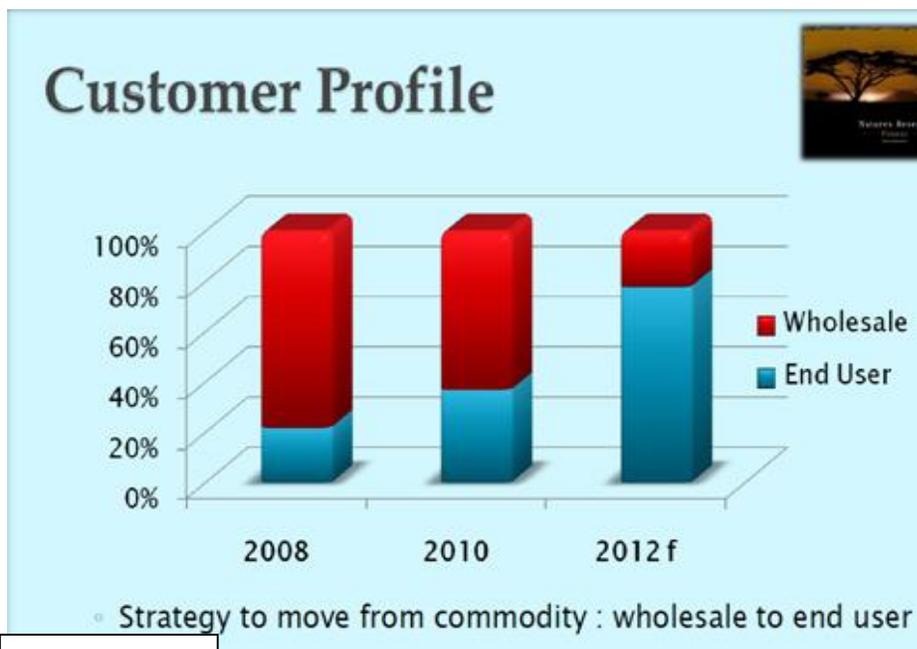
Source: EBLEX (2011)

The main EU competitor in the market therefore is Ireland, and non EU is Uruguay.

#### 4.10.3 Meatco marketing strategy

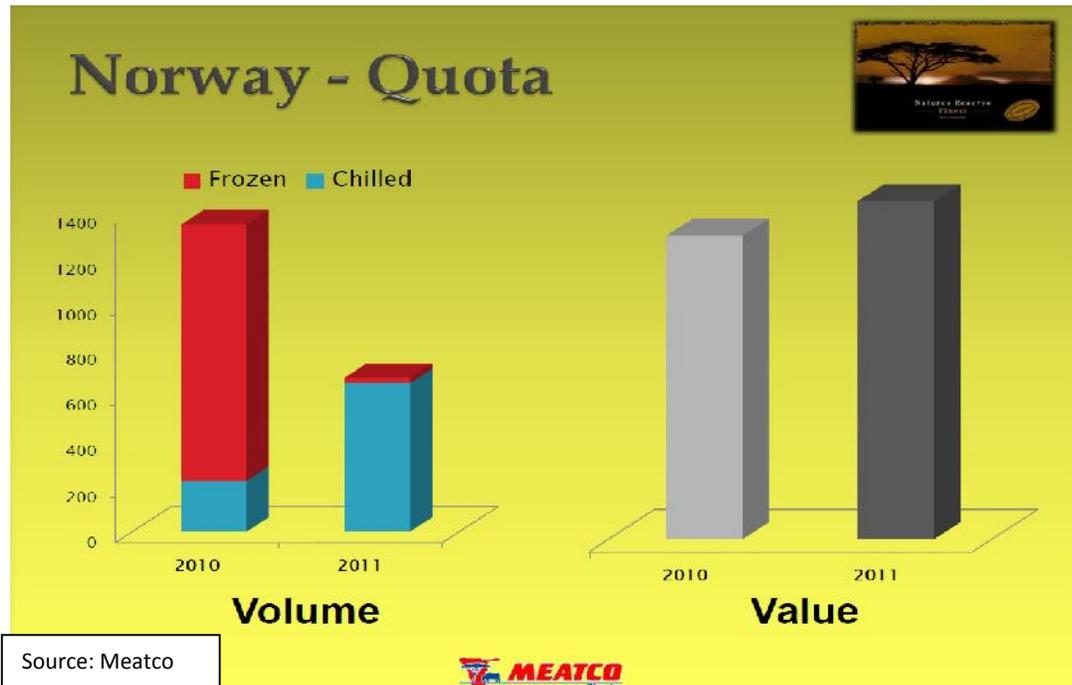
The Meatco Marketing strategy changed significantly in the last years.

The following graph indicates the change in the marketing strategy of Meatco from selling beef internationally in the wholesale commodity market, to selling directly to the end-user. During 2008 ±20% of the beef sold internationally was directly to the end-user. It is forecasted to turn this around and sell ±80% directly to end users by 2012.



Source: Meatco

During 2010 ± just more than 20% of the 1,400 tons of beef exported to Norway was exported as chilled, while the rest was sold frozen. The export quota for Meatco was reduced with 50% during 2011. However of the 700 ton quota, it is expected that more than 90% of this beef will be sold as chilled beef. The result is that although the export quota was reduced with 50%, the export value generated is still expected to increase from 2010. The following graph indicates the change in the marketing of beef to Norway.



### 5.11 Importance of involvement in NCA

Government’s main priority and focus is to develop the livestock markets of the Northern Communal Areas (NCA), and according to Vision 2030, “the so-called Red Line has been removed and this promotes effective integration of the domestic agricultural market by 2030”.

The contribution and commitment of the producers south of the VCF to support the development must be communicated, coupled with actions by the industry to assist the development of the NVCF.

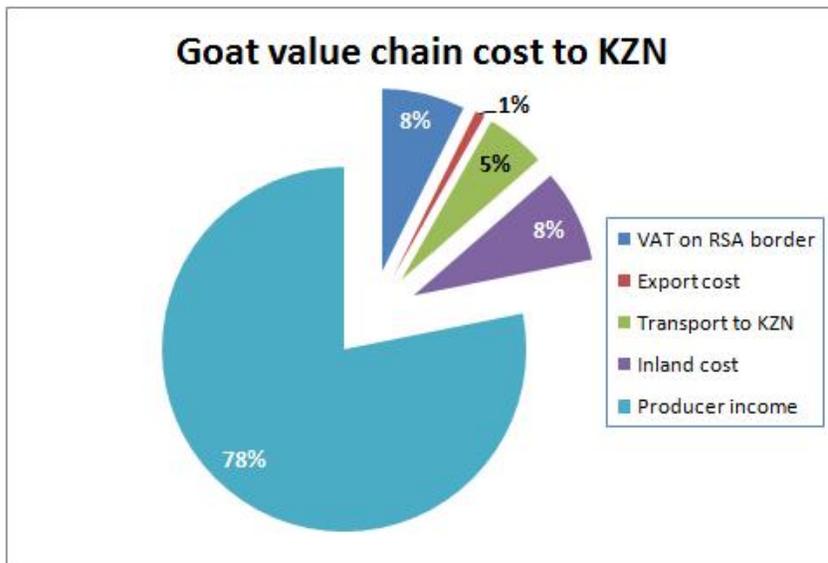
### 5.12 Importance of religious market for communal goat farmers

According to Rossouw (2011), the meat of the goats does not play such an important role as the stomach/paunch contents and the blood itself. The Zulu tribe still believe very strong in their ancestors. Their ancestors speak to them and they speak clearest if a live goat is slaughtered and offered to them.

Their traditional healers or as they call them, Sangomas, is one of the mediums that speak to the ancestors through offering of goats. According to the Zulu tradition it is customary to slaughter a goat for numerous reasons. To name only a few:

- When an old man dies, a large castrated animal (kapater) must be slaughtered
- When a young man dies, a small kapater must be slaughtered
- When an old woman dies, a large ewe must be slaughtered
- When a young woman dies, a young ewe must be slaughtered.
- Goats are also slaughtered for consumption

The Zulu therefore need live goat. A goat that is already slaughtered and then exported is less worth than a slaughtered sheep or calf to them. The cost of the export chain to KZN is as follows:



## 6. Namibian Government Policy Environment

### 6.1 Vision 2030:

The Namibia Vision 2030 is very clear in what it sees as the meat sector of the future. **It is a modernized agriculture that operates on a commercial basis, with maximum value adding to the primary products.** The following is quotes from the “Policy Framework for Long Term National Development” (2004) on [www.npc.gov.na](http://www.npc.gov.na)

- “A prosperous and industrialized Namibia, developed by her human resources, enjoying peace, harmony and political stability.”
- “The Vision is designed to promote the creation of a diversified, open market economy with a resource based industrial sector and commercial agriculture, placing great emphasis on skills development.”
- “Off-farm livelihood options are created so that subsistence farming is almost non-existent”
- “The so-called Red Line has been removed and this promotes effective integration of the domestic agricultural market”
- “there is improved value adding to meat”
- “In essence, Namibia operates a macroeconomic framework which has transformed the economy from a primary commodity economy to a diversified one, with manufacturing exporting industries forming the base and supported by a well developed and modernized agricultural sector”

### 6.2 Definition of value adding

Value adding is a critical part of Government policy and is defined as follows according to Cabinet decision 6/17.04.07/07,

***“Value addition is the transformation of an original product into a new product or products by processing and/or manufacturing operations across the value chain of the industries with special emphasis on the degree of transformation”.***

### 6.3 3<sup>rd</sup> National Development Programme

Under the Third National Development Programme, the agriculture sector is called upon to increase agricultural production at national and household levels by volume and value, through support to, inter alia, increased productivity, diversification, market efficiencies and exploiting trade opportunities.

### 6.4 National Agricultural Policy

The overall goal of the National Agricultural Policy is to increase and sustain the levels of agricultural productivity, real farm incomes and national and household food security. The National Agricultural Policy aims at improving the profitability of agriculture and increase investment in agriculture;

contributing towards the improvement of the balance of payments; and expanding vertical integration and domestic value added for agricultural products; amongst others.

## **6.5 Namibia Agriculture Marketing and Trade Policy and Strategy**

According to the **Namibia Agriculture Marketing and Trade Policy and Strategy** (2<sup>nd</sup> draft 19 Jul-11) the policy objectives for livestock and meat industries are:

- (a) Improving the marketing of livestock to sustainably satisfy the demand of the local market as a production inputs into livestock farming and processing, at competitive prices;
- (b) Increasing the local meat industry's share of the domestic market across the value chain;
- (a) Promoting the quality of livestock, meat and agro-industrial produce through backward and forward linkages in the meat industry; and
- (c) Promoting the safety of meat and meat products marketed in the country.

It further states under Policy statements that Namibia shall have to:

- (i) Utilize its policy space to preserve breeding material and discourage uncontrolled/unrestricted exports of livestock;
- (ii) Promote value addition to diversify the product range;
- (iii) Promote the optimal utilization of the domestic market for Namibian products;
- (iv) Develop, promote, maintain and where appropriate improve sanitary requirements, and ensure compliance with standards and quality of livestock and livestock products marketed in Namibia;
- (v) Support and ensure that Namibian products meet local standards;
- (vi) Devise, maintain and improve where appropriate the efficient and effective marketing system for livestock and livestock products in order to stimulate production;
- (vii) Develop domestic livestock and livestock products markets through amongst others promotion of local consumption of locally originating meat and meat products;
- (viii) Promote integration of the informal market into mainstream economy;
- (ix) Promote the development of a competitive agro-industry; and
- (x) Ensure equitable/equal/fair distribution of benefits across the value chain.

The following implementation strategies proposed for the Livestock and Meat Industry is:

- (a) Devise and provide incentives for fodder production in order to enhance value additions to livestock by way of feedlotting;
- (b) Improve the marketing conditions of the NCAs in order to bring them on par with their counterpart in the FMD free zone through:

- (i) Continued animal vaccinations and surveillance services to improve and maintain the animal health status of the NCAs;
  - (ii) Implementation of the traceability system;
  - (iii) Upgrading of NCA abattoirs;
  - (iv) Continued implementation of the LMIS; and
  - (v) Promotion of contract slaughtering at state-owned abattoirs.
- (c) In the medium term, provide marketing incentives through the LMIS, in order to mitigate the lower prices received by NCA producers through formal marketing channels;
  - (d) Devise and provide incentives for the development and improvement of downstream meat and hide processing industries;
  - (e) In the FMD Free zone:
    - (i) Design and provide necessary incentives to maintain eligibility of access to lucrative export markets, such as subsidies for the traceability system;
    - (ii) Provide incentives for the development and improvement of the meat and hide processing industries
    - (iii) Continue to conduct market research and negotiate access to identified external markets potentially suitable for Namibian livestock products; and
    - (iv) Provide incentives for domestic meat industry to participate in international agricultural trade fairs and exhibitions.
  - (f) Provide laboratory testing services to ensure that external market requirements are not violated;
  - (g) Support diversification into broiler production for local market; and
  - (h) Support expansion of pork production and supply to local market.

Value adding to primary products is an important concept which is supported by the industry. However value adding must also be financially beneficial to the total value chain, including the producers. Therefore a profit must be created in adding value, and the value added must be higher than the cost of adding the value.

## 7. Meat Board Strategy

The Meat Board is an important stakeholder in the Namibian livestock Industry and appointed under the Meat Industry Act of 1981. The summarized 2010/2011 strategic plan of the Meat Board (as available on [www.nammic.com.na](http://www.nammic.com.na)) is as follows:

**Vision** - The Vision of the Meat Board is to be a world-class organisation leading a world-class meat industry

**Mission (Role)** - The mission of the Meat Board is to effectively and efficiently manage, promote, safeguard and represent the mutual interests of the meat industry of Namibia

**Core purpose of the Meat Board is** - to assist in improving the meat industry's competitiveness and efficiency by rendering services in making Namibian livestock and livestock products the preferred choice in the world.

**Core values of the Meat Board are** integrity and commitment to quality services; and commitment towards harmony and unity in the meat industry.

### **Critical Success Factors (Key drivers)**

- **CSF 1.** *Facilitate Exploration of* **MARKETS**
- **CSF 2.** *Coordinate and improve* **LIVESTOCK MARKETING**
- **CSF 3.** *Enhance and promote* **QUALITY ASSURANCE**
- **CSF 4.** *Delivering* **MEAT STANDARDS**
- **CSF 5.** Supporting **VALUE ADDITION**
- **CSF 6.** *Communicating* **STRATEGIC INFORMATION**
- **CSF 7.** *Enhance and promote* **MEAT BOARD AND MEAT INDUSTRY IMAGE**
- **CSF 8.** *Efficient* **ADMINISTRATION**
- **CSF 9.** Rendering cost effective **INDUSTRY SUPPORT SERVICES**

## 8. 2006 Strategy on value addition by Meat Industry

The meat industry decided in 2006 on a strategy on value addition in Namibia. The main objectives at the time were:

1. To add economic value to the benefit of all components of the value chain;
2. To add economic value to the industry;
3. To increase the industry's contribution to the GDP through value addition; and
4. To increase sustainability of industry.

The objectives of the meat industry with respect to local value addition on cattle were:

- to strive for 100% utilization subject to availability of cattle, on an annual basis of existing export abattoirs (190 000 slaughter capacity and with the inclusion of Witvlei, 210 000); and
- to perform optimal value adding on cattle and cattle products, by the development of value chains, including markets, locally by 2030;
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with the proviso that:

- producer prices paid by abattoirs are equal or better than the agreed upon Namibian reference price for all classes and grades as well as being complimented by international market prices at export abattoir gate
- producer prices paid by exporters for weaners are in comparison with the South African Feedlot Association Prices;
- bush eradication is satisfactorily spearheaded by the Directorate of Forestry; and
- viable feedlots have been established through support of the Green Scheme or otherwise.

In terms of the cattle industry, it was decided at the time that the Meat Board of Namibia must manage the export of cattle through the Meat Board Export Permit system to allow for the export of maximum 120 000 cattle (inclusive weaners) only, to be reviewed on an annual basis pending the optimum utilization of existing slaughter capacity with effect from 1 January 2007.

Important to note that the emphasis was on “economic value adding”, therefore the added value must be higher than the cost of adding the value, and that management of export of weaners can only took place in an environment where feedlots are viable

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