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Outlook for South African livestock markets

Tracy Davids

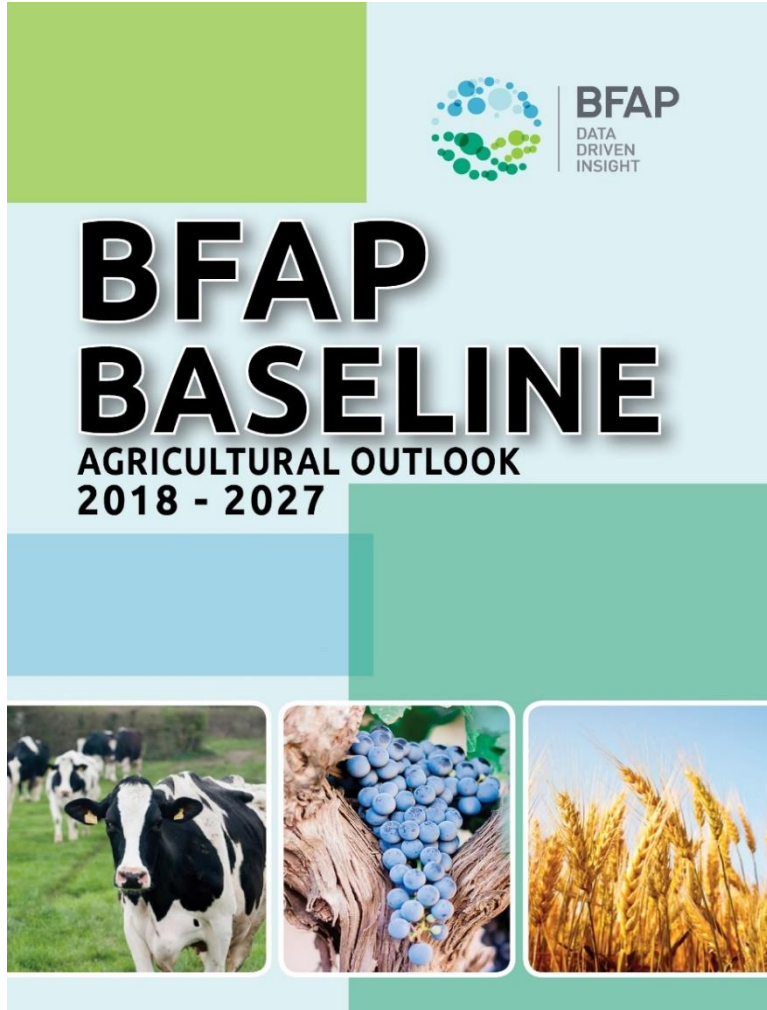
Bureau for Food and Agricultural Policy

Agribenchmark Beef and Sheep Conference

Namibia, 10 June 2019

- Independent research Institute, founded in 2004
- 15 Years: Market modelling, forecasting & understanding the agro-food, fibre and beverage sectors and value chains in Africa.
- Focus in South Africa, also growing in Rest of Africa
- Multidisciplinary team: Core team 18, wider network 40+
- Long-run strategic partnerships in private sector, industry bodies, universities and government.

Outlook for South African agriculture



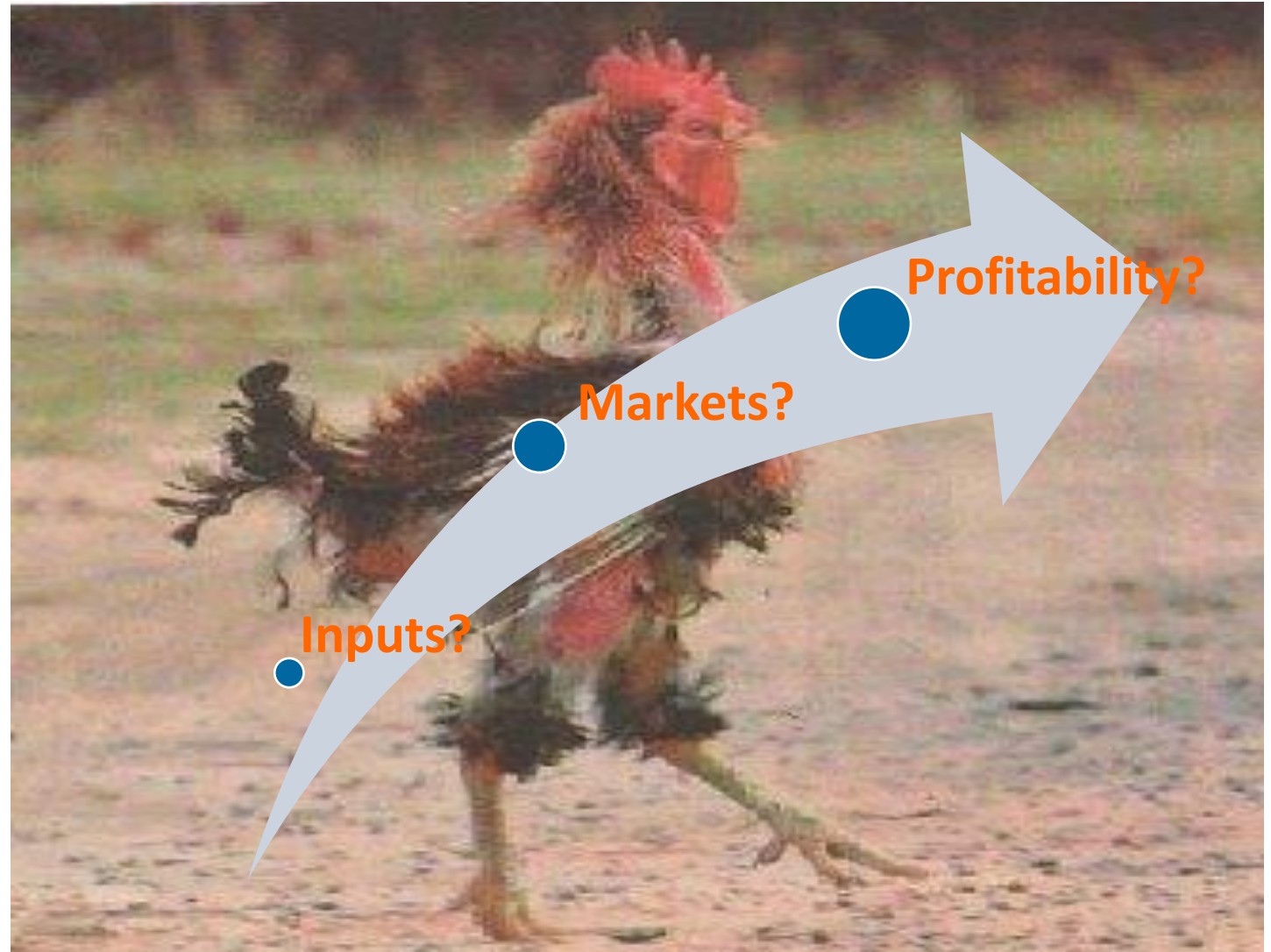
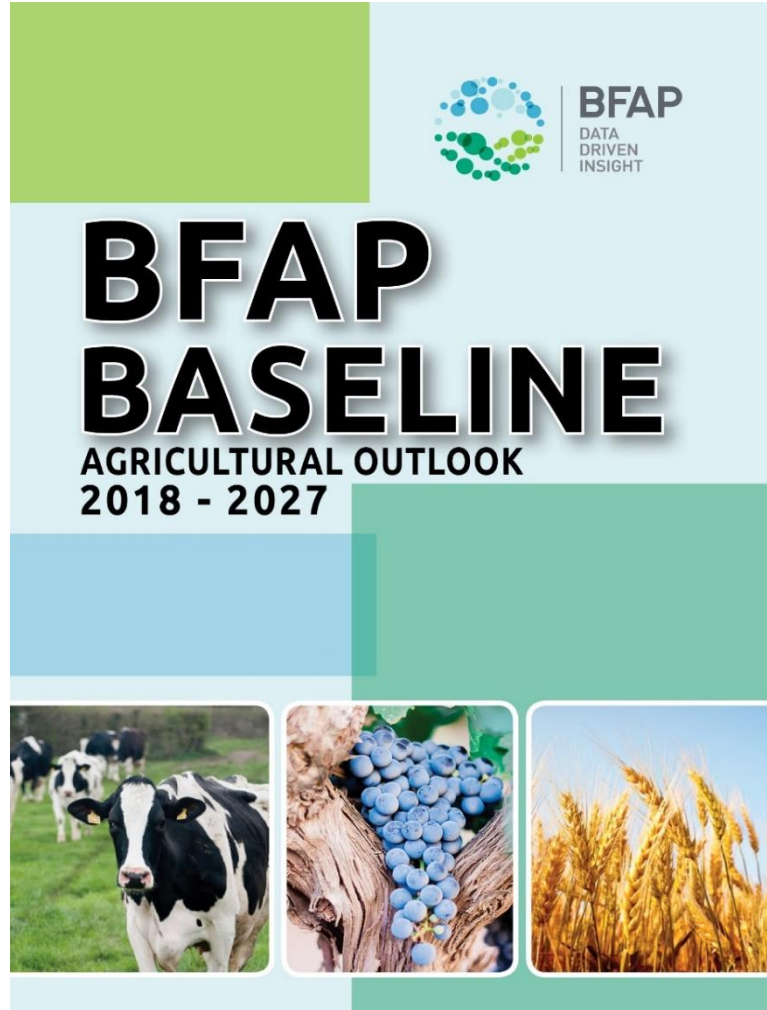
- Annual 10-year agricultural outlook on 52 commodities
- State of agriculture- & food systems across Southern Africa:
 - Commodity Markets
 - Field crops
 - Livestock
 - Horticulture



Outlook for SA Livestock: Optimistic view?

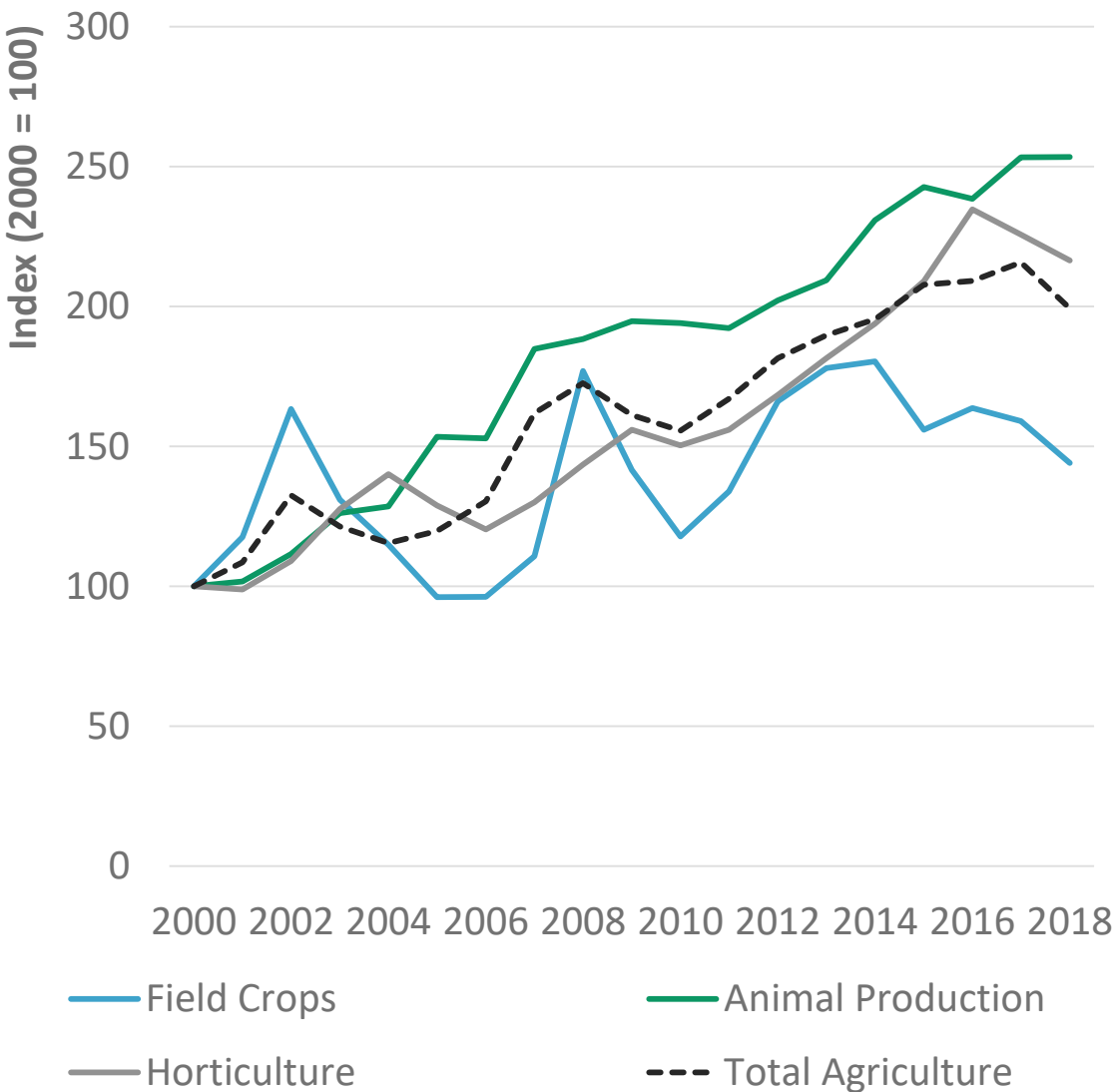
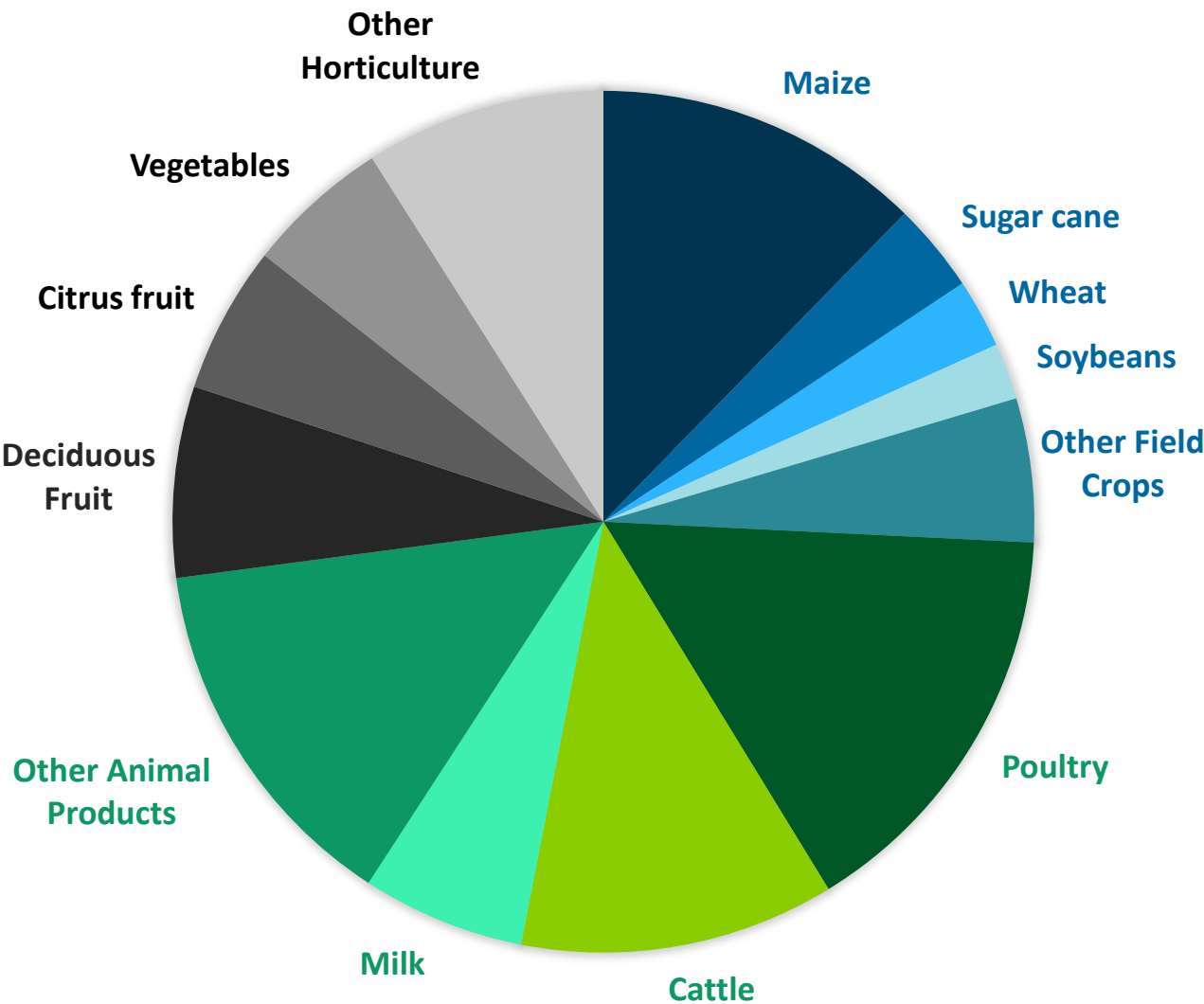


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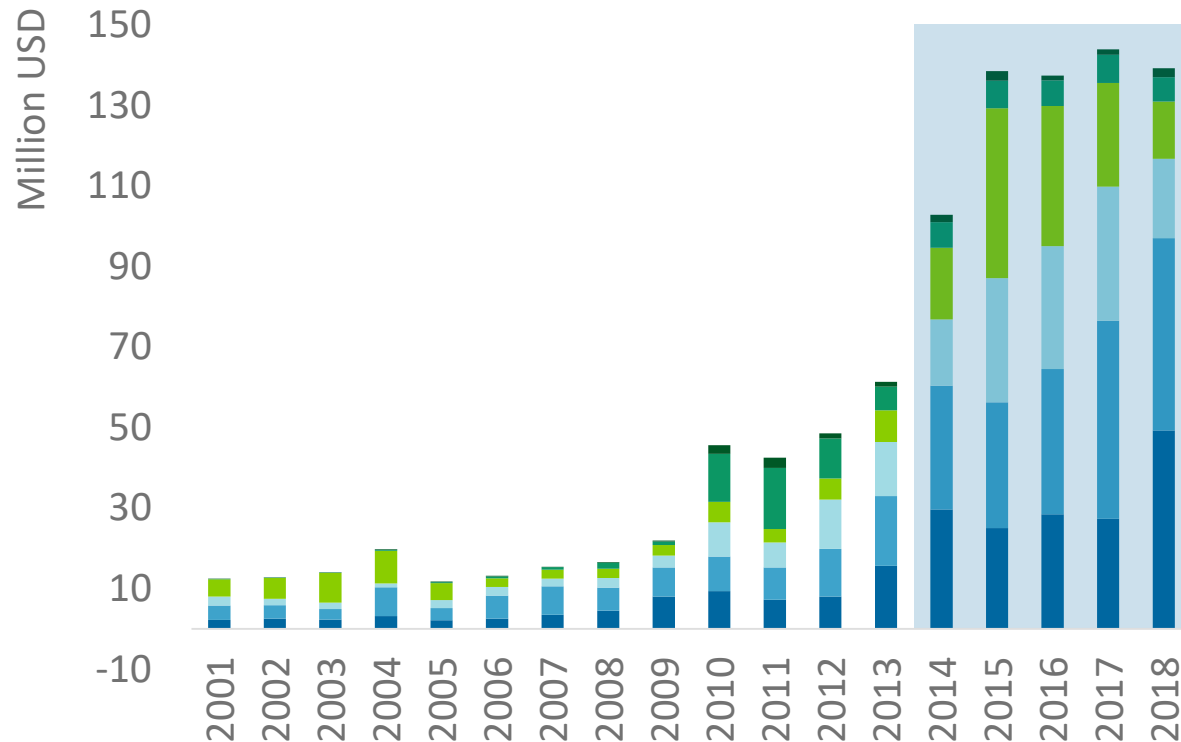
Gross Value of South African Agriculture

5 year average share in total gross value of agriculture



Beef export success

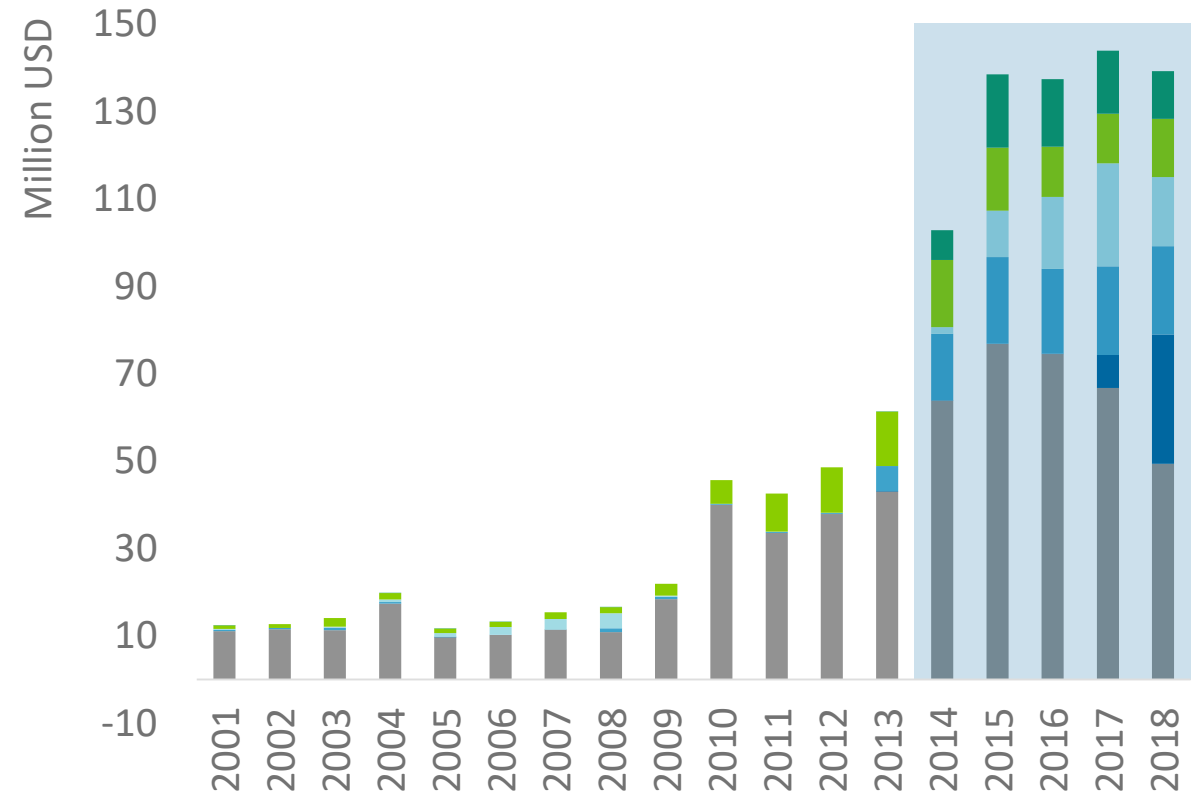
Beef exports by product



■ Frozen: Carcass & Half Carcass ■ Fresh: Carcass & Half Carcass
■ Frozen Cuts: Bone in ■ Fresh Cuts: Bone in
■ Fresh: Boneless ■ Frozen: Boneless

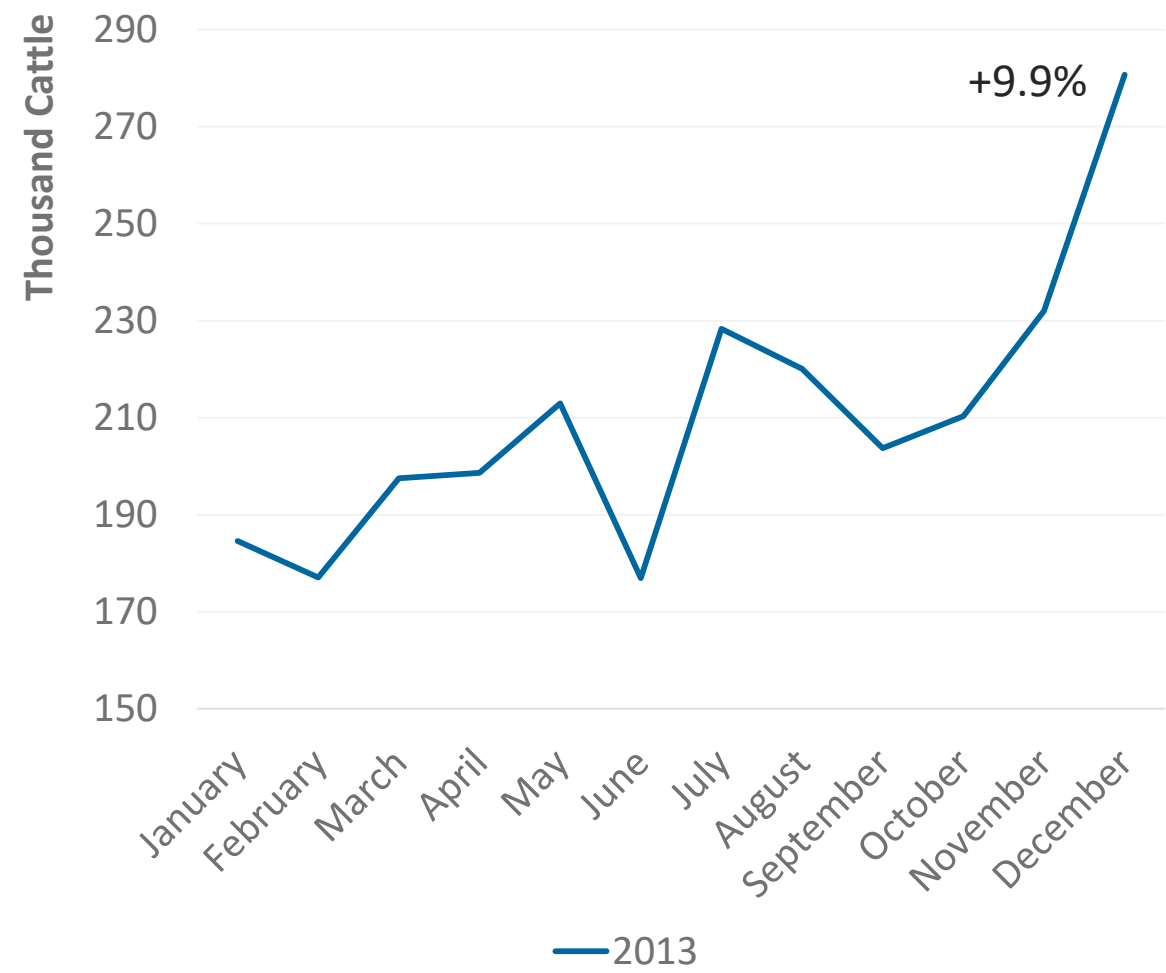
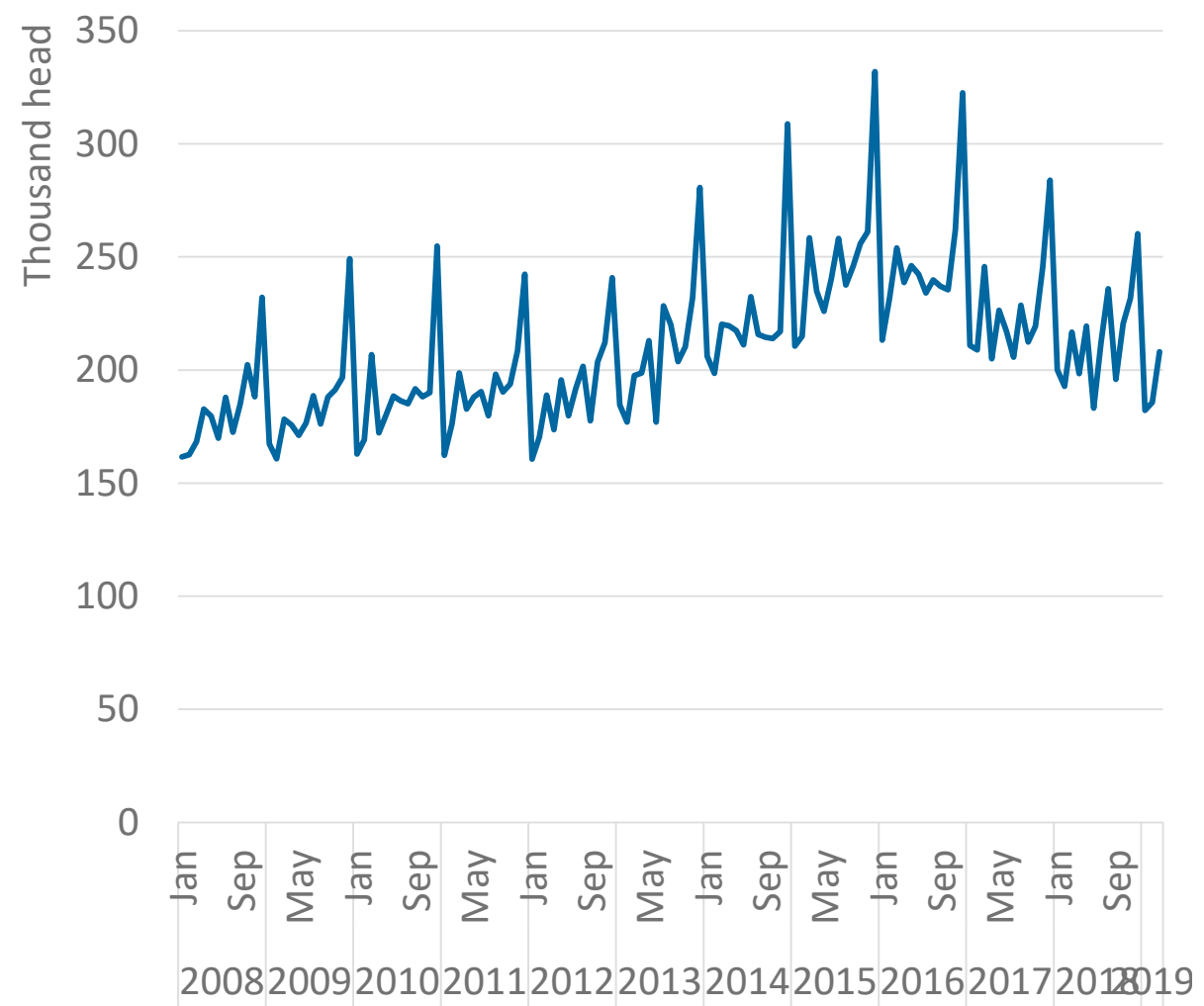


Beef exports by destination

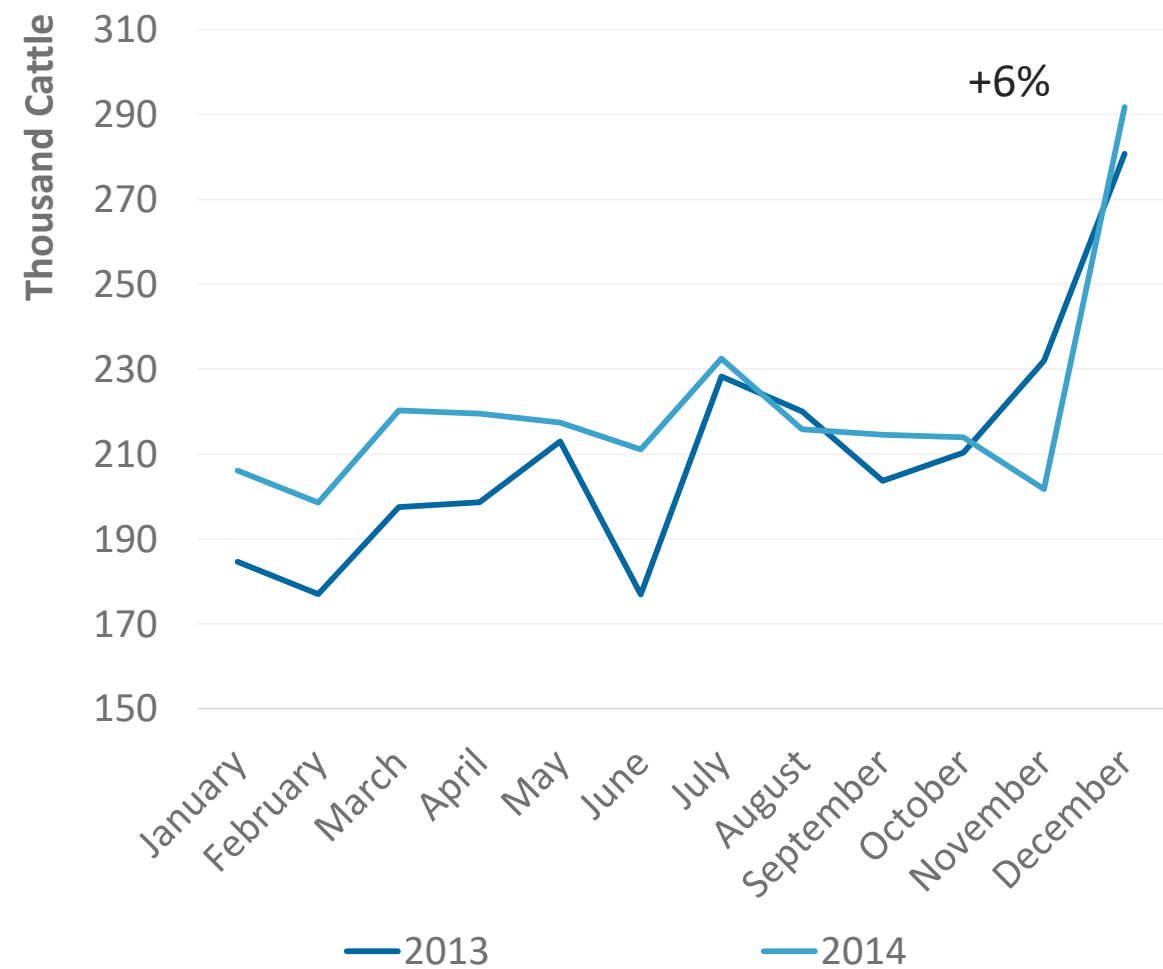
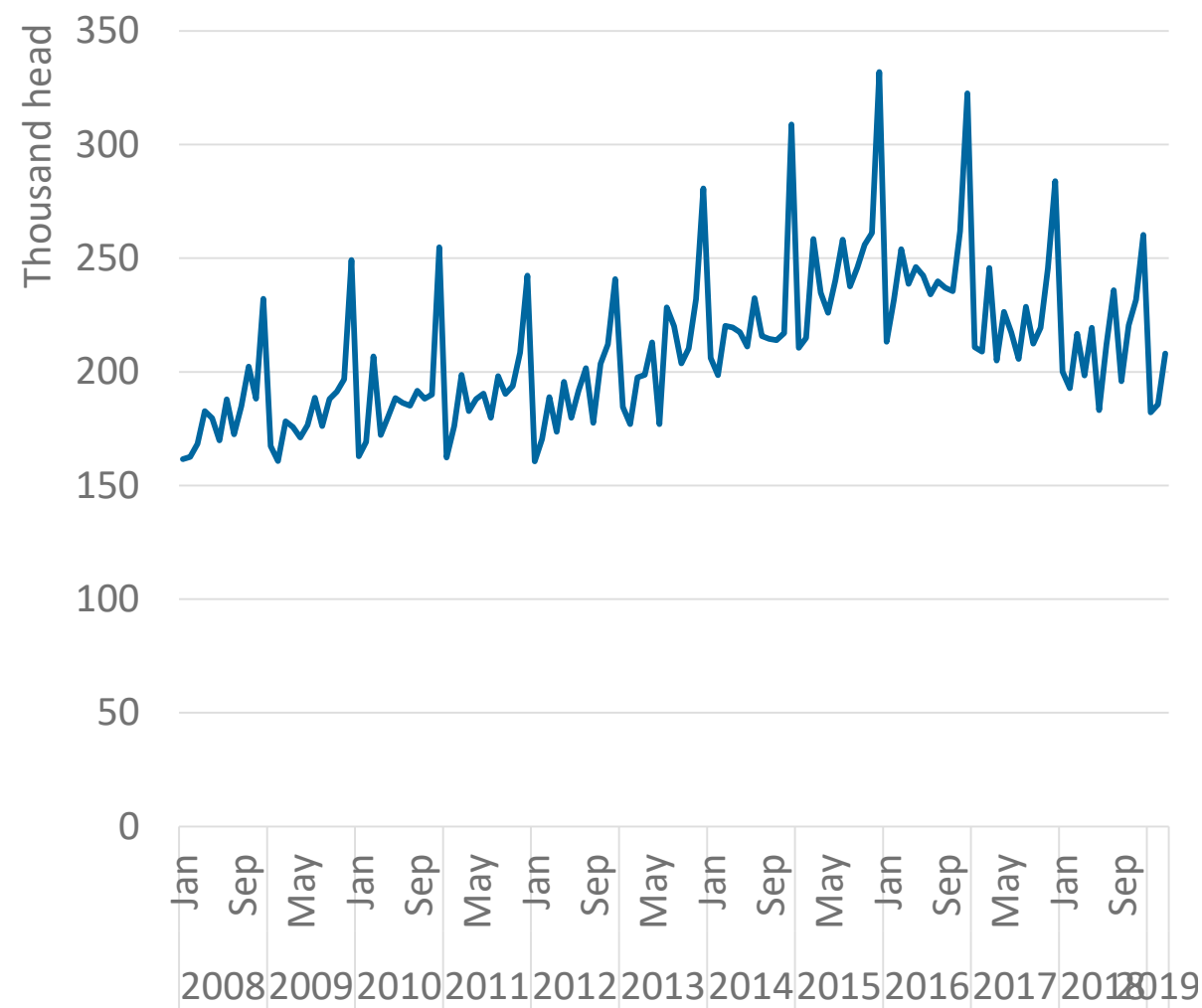


■ Other ■ China
■ Kuwait ■ United Arab Emirates
■ Mozambique ■ Jordan

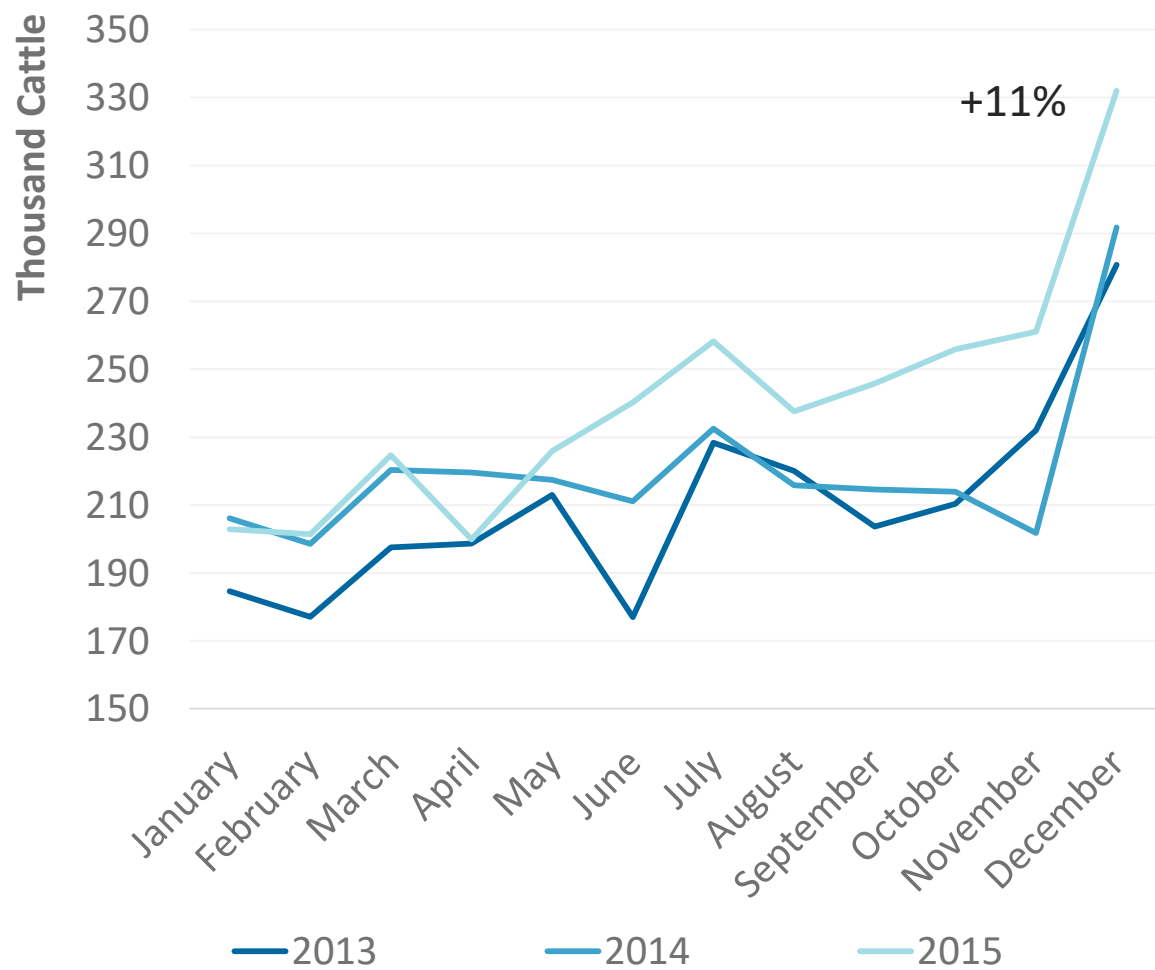
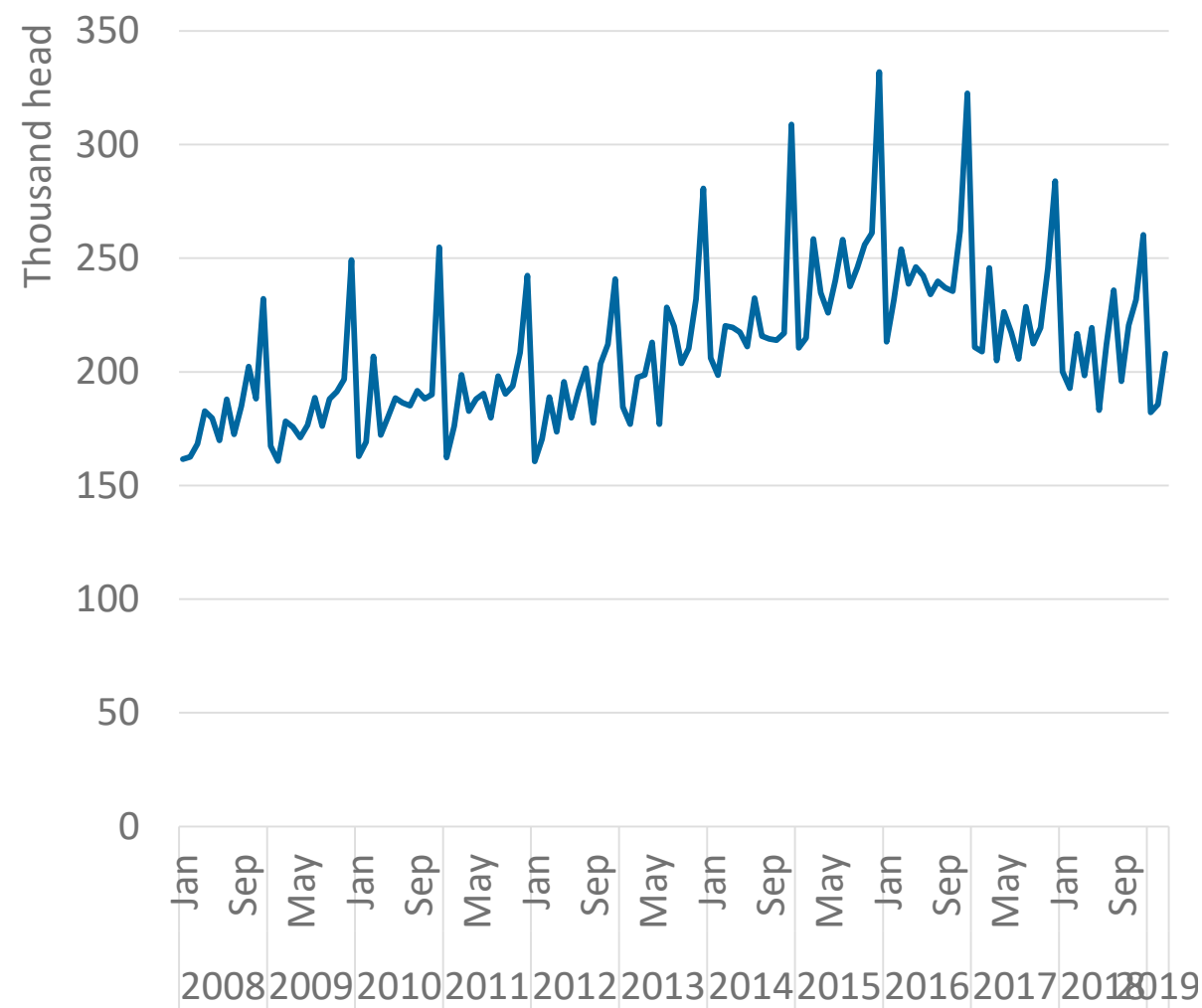
Cattle slaughter in South Africa



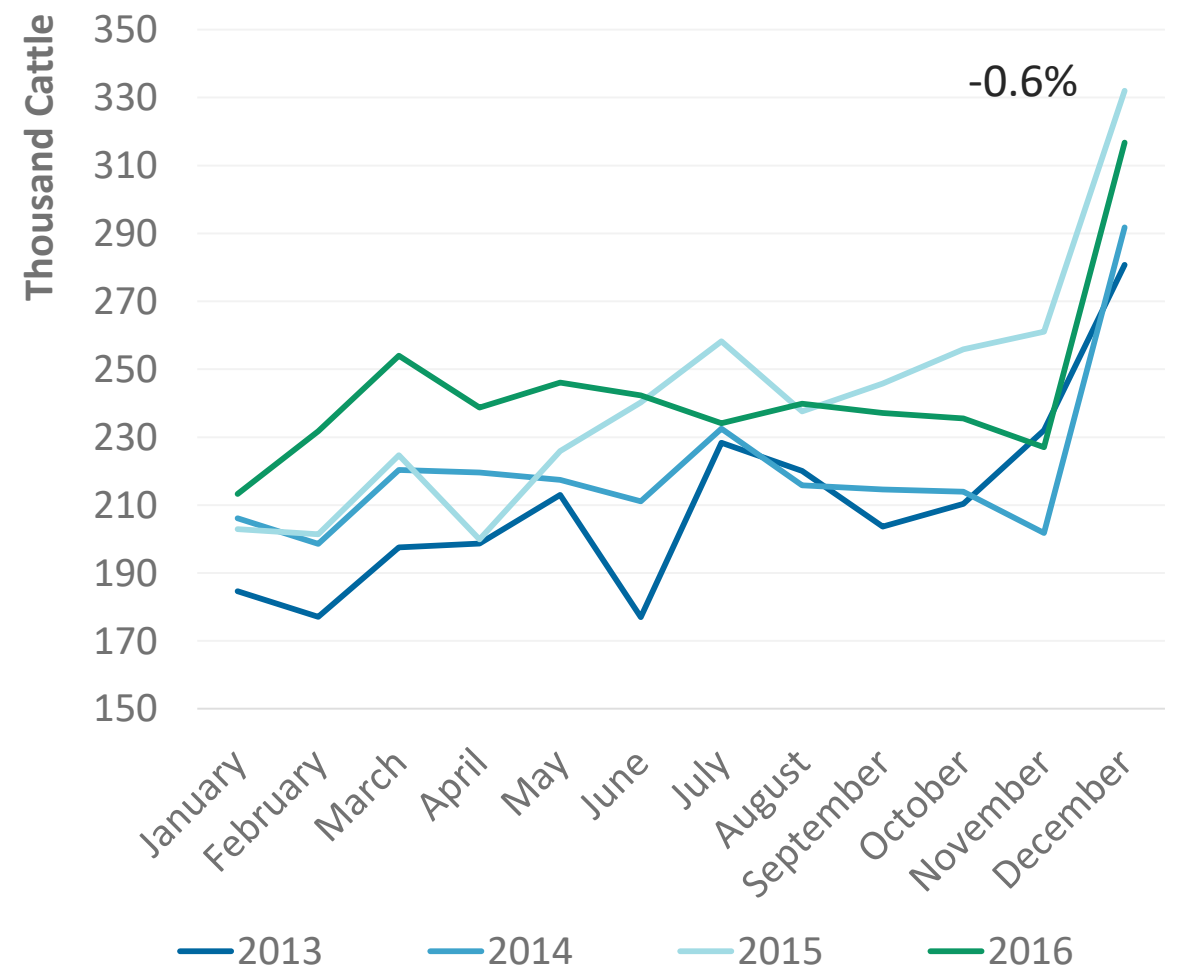
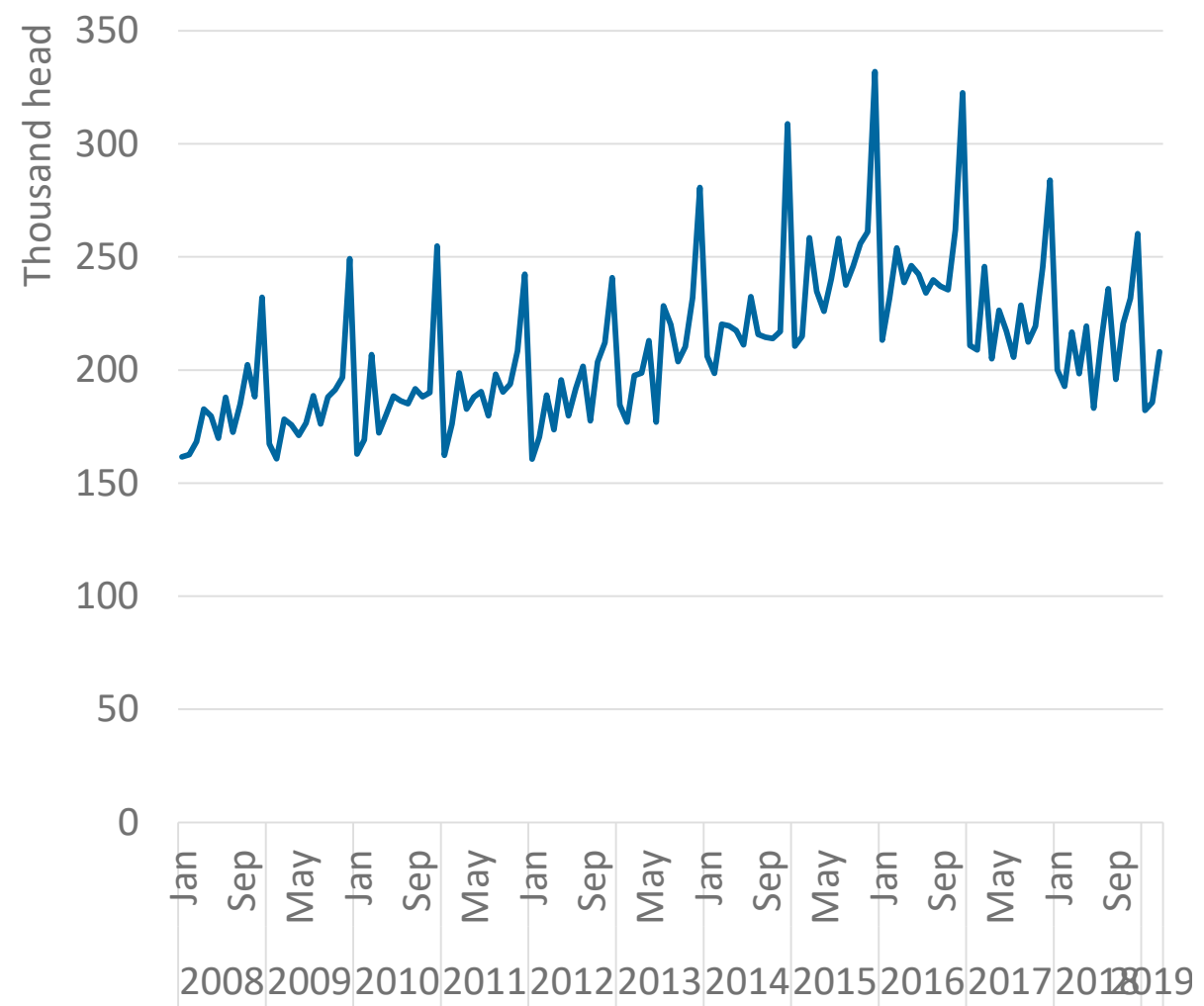
Cattle slaughter in South Africa



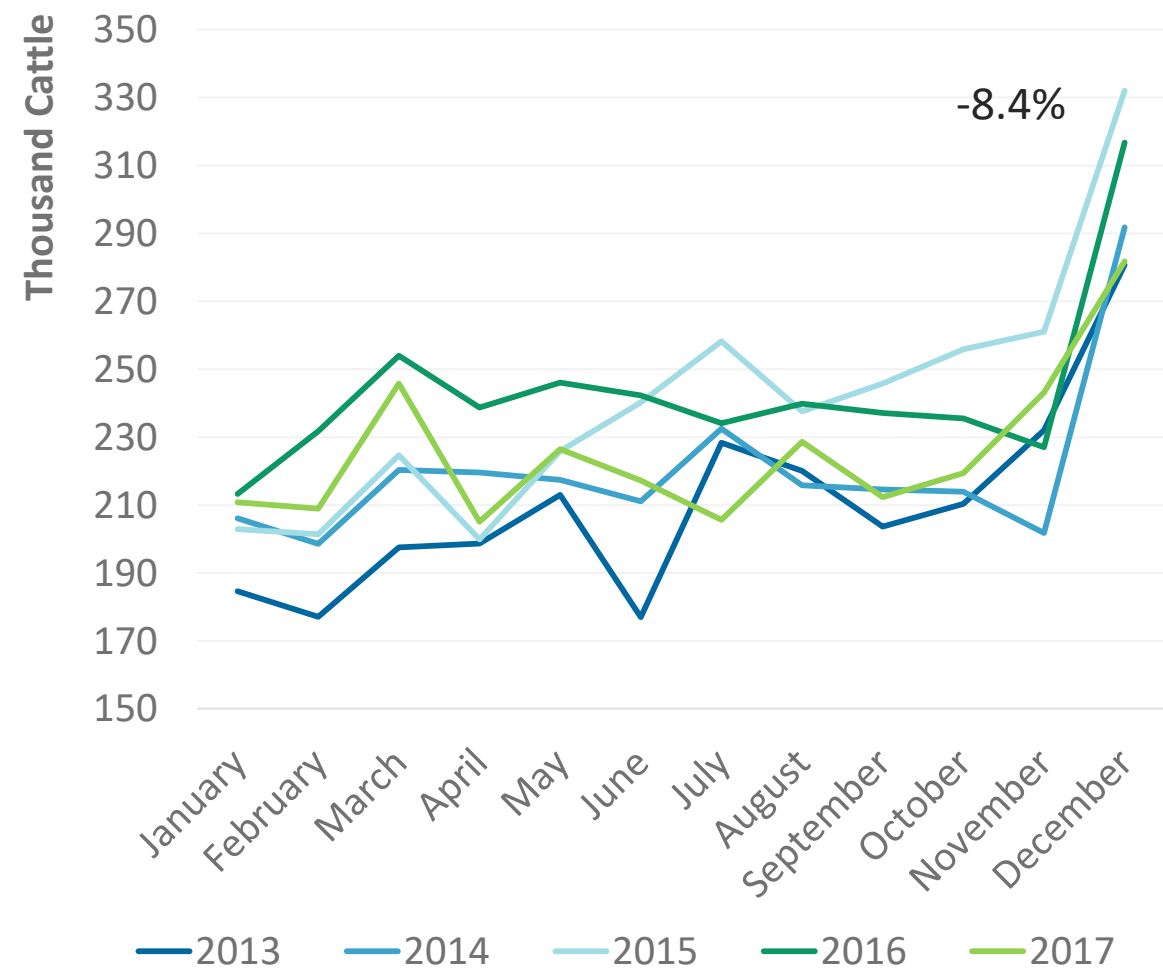
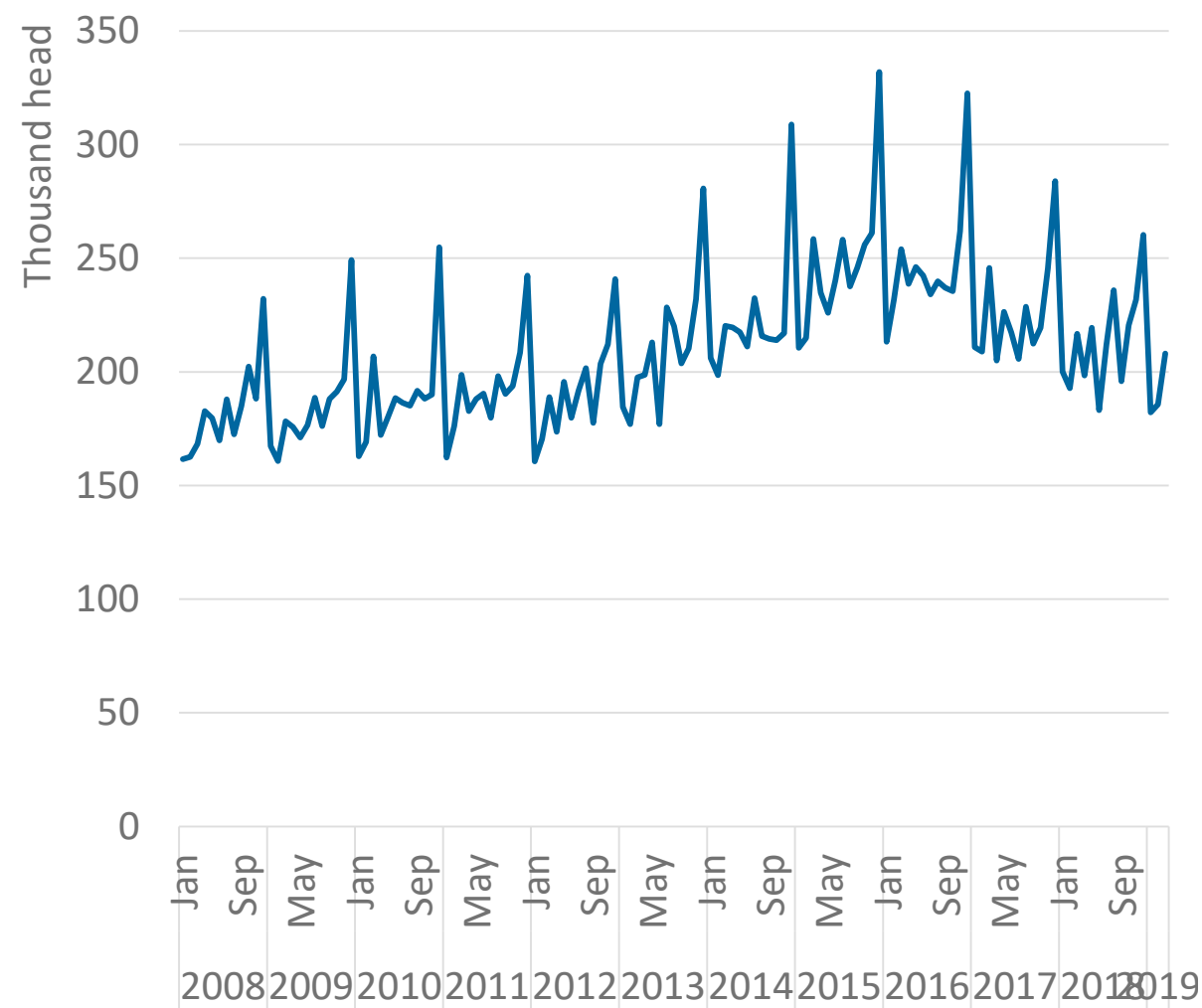
Cattle slaughter in South Africa



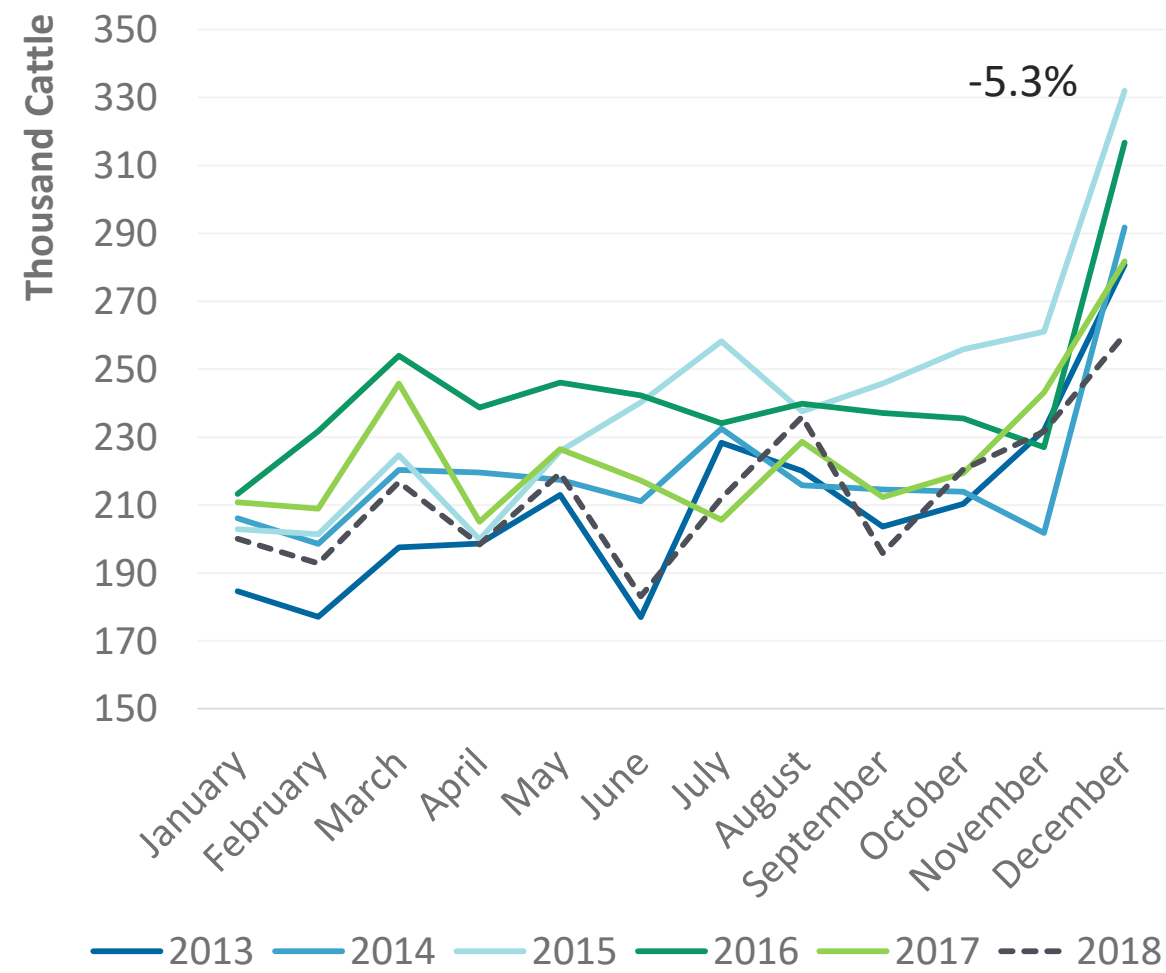
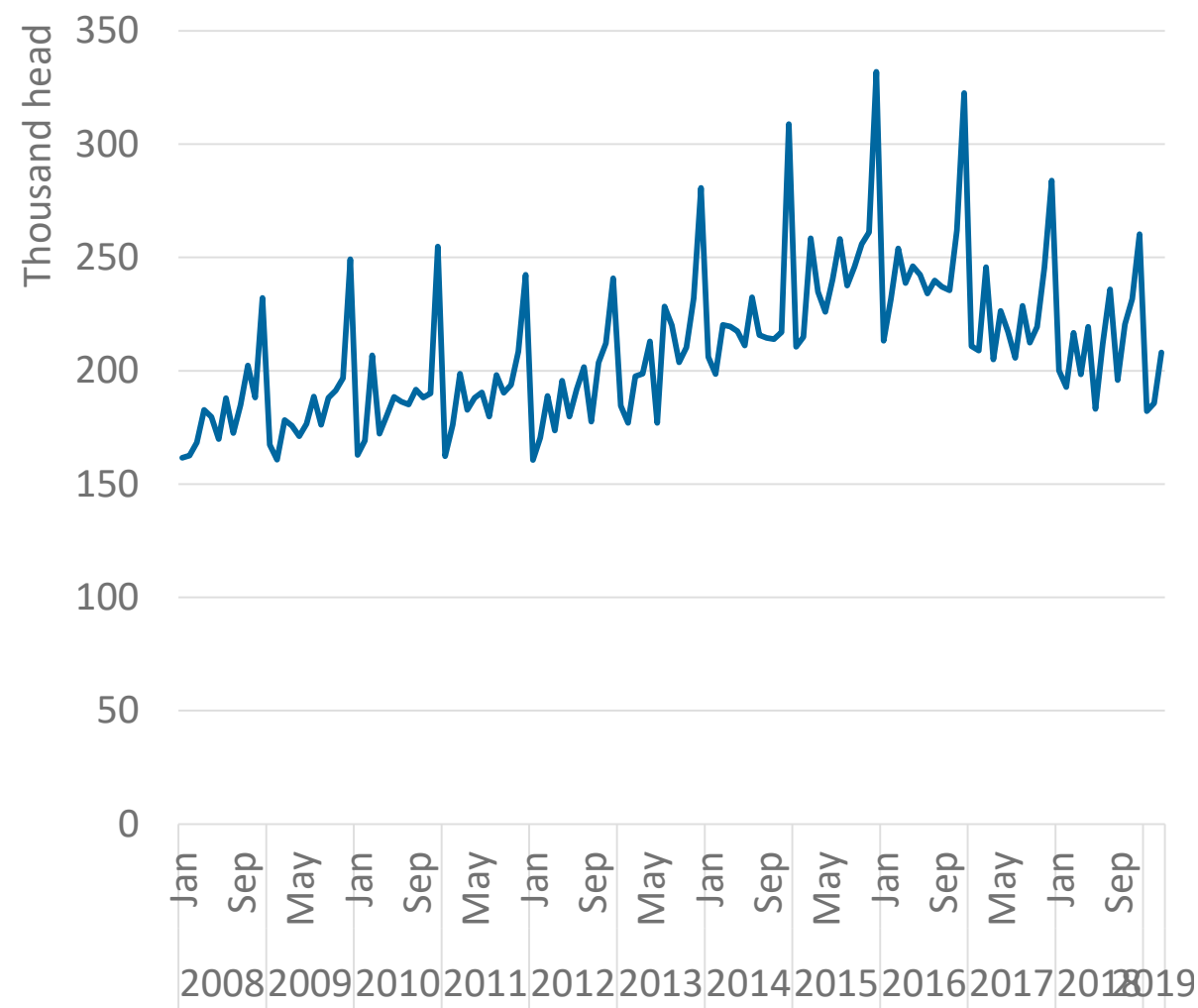
Cattle slaughter in South Africa



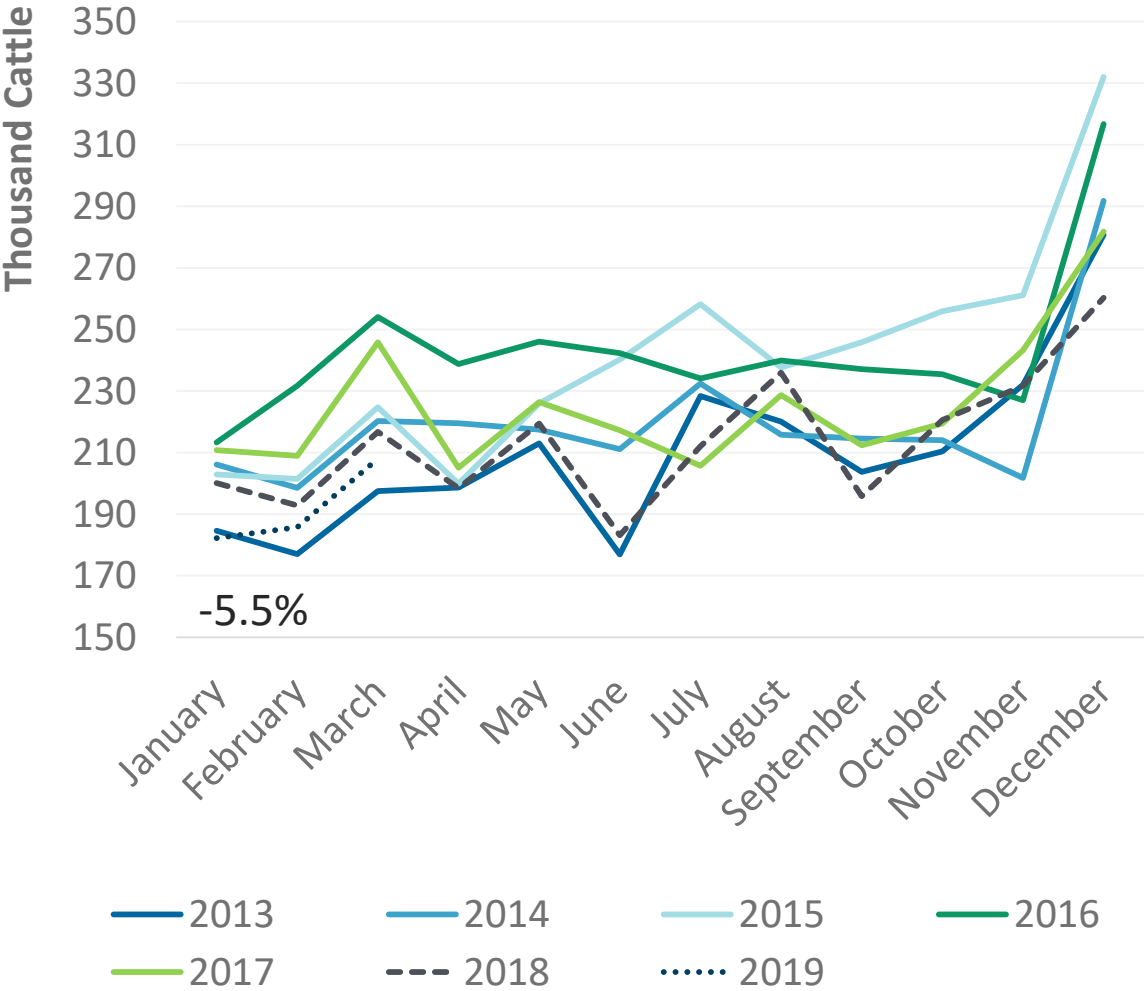
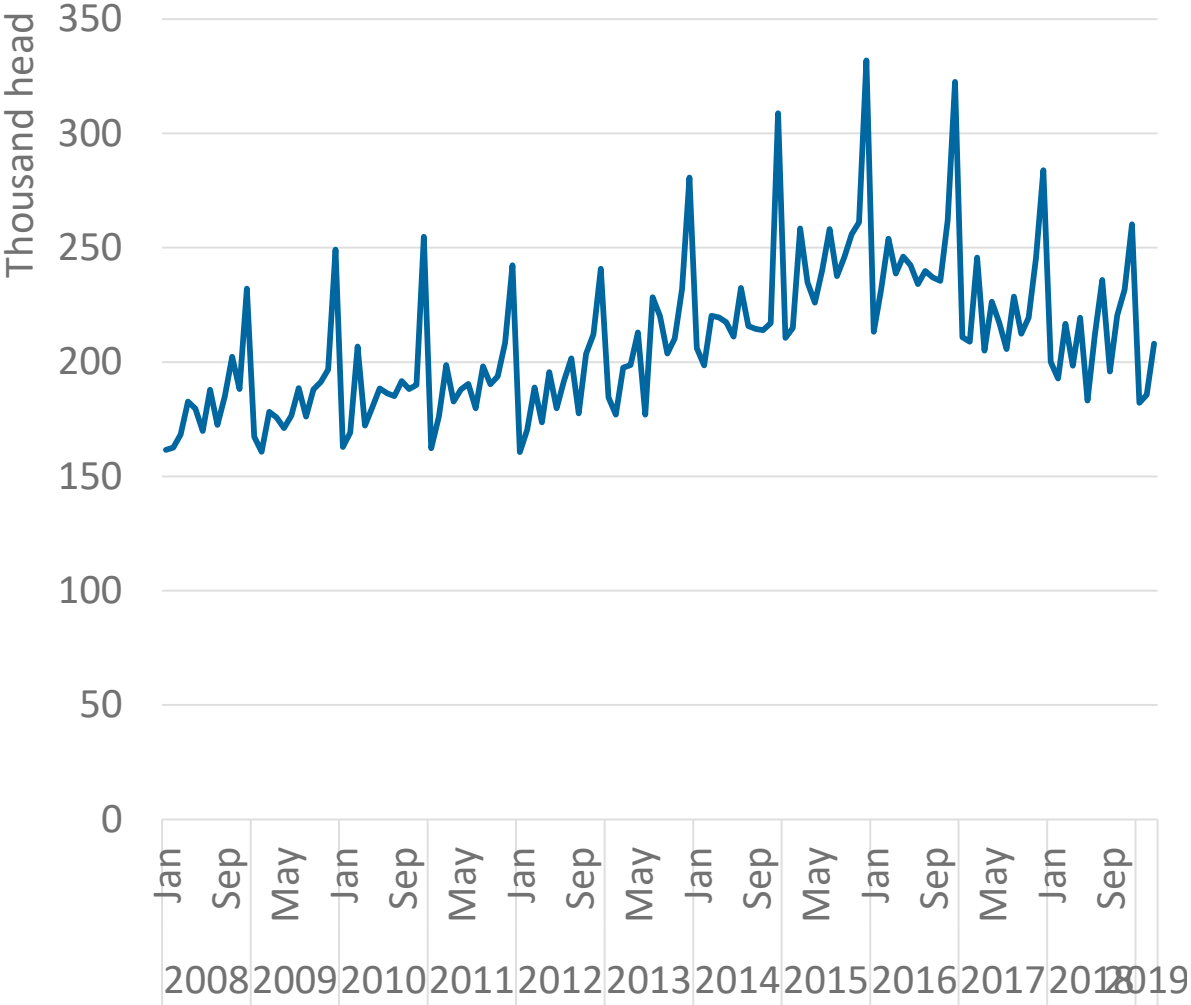
Cattle slaughter in South Africa



Cattle slaughter in South Africa



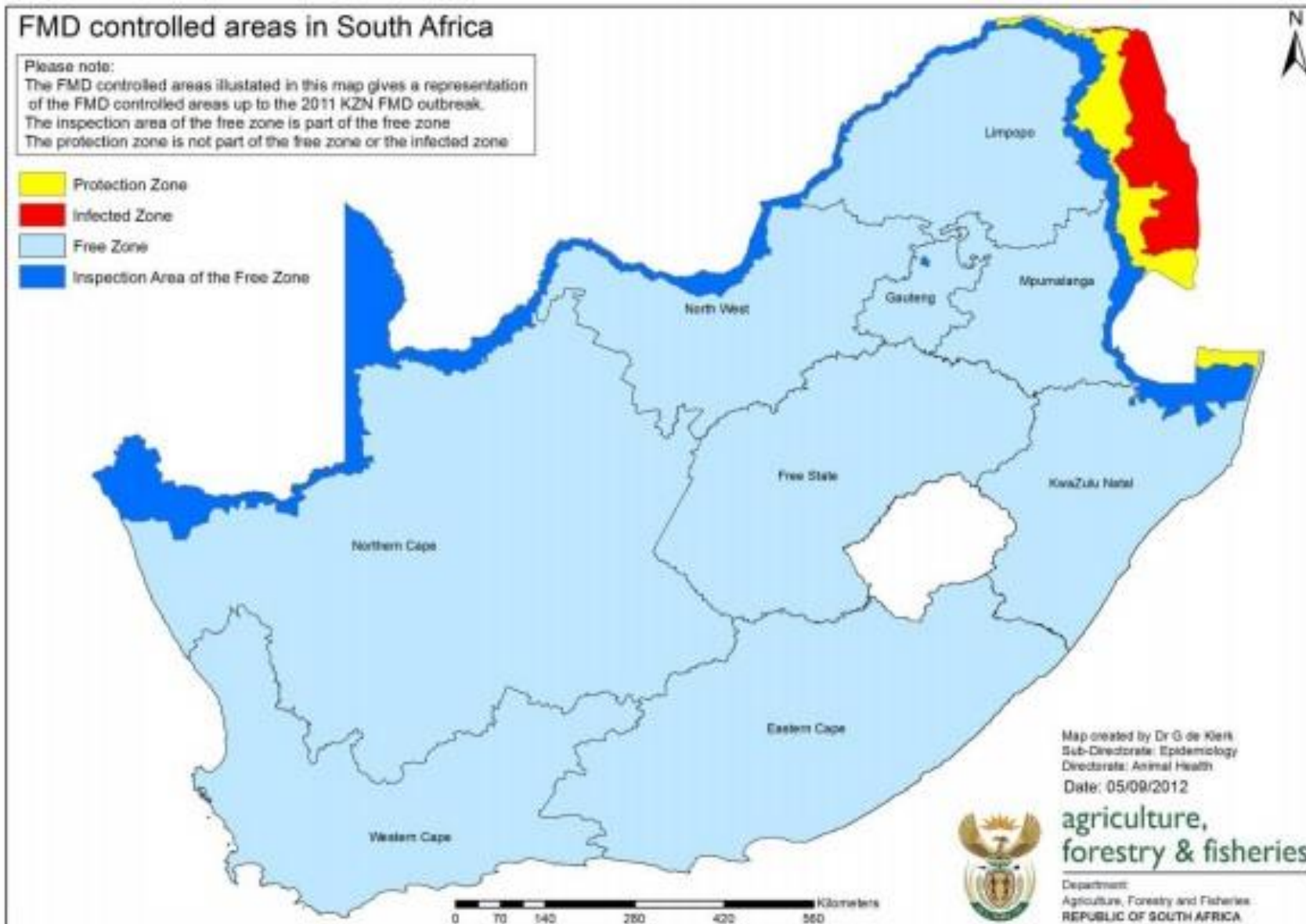
Cattle slaughter in South Africa



Further challenges... Foot and Mouth Disease



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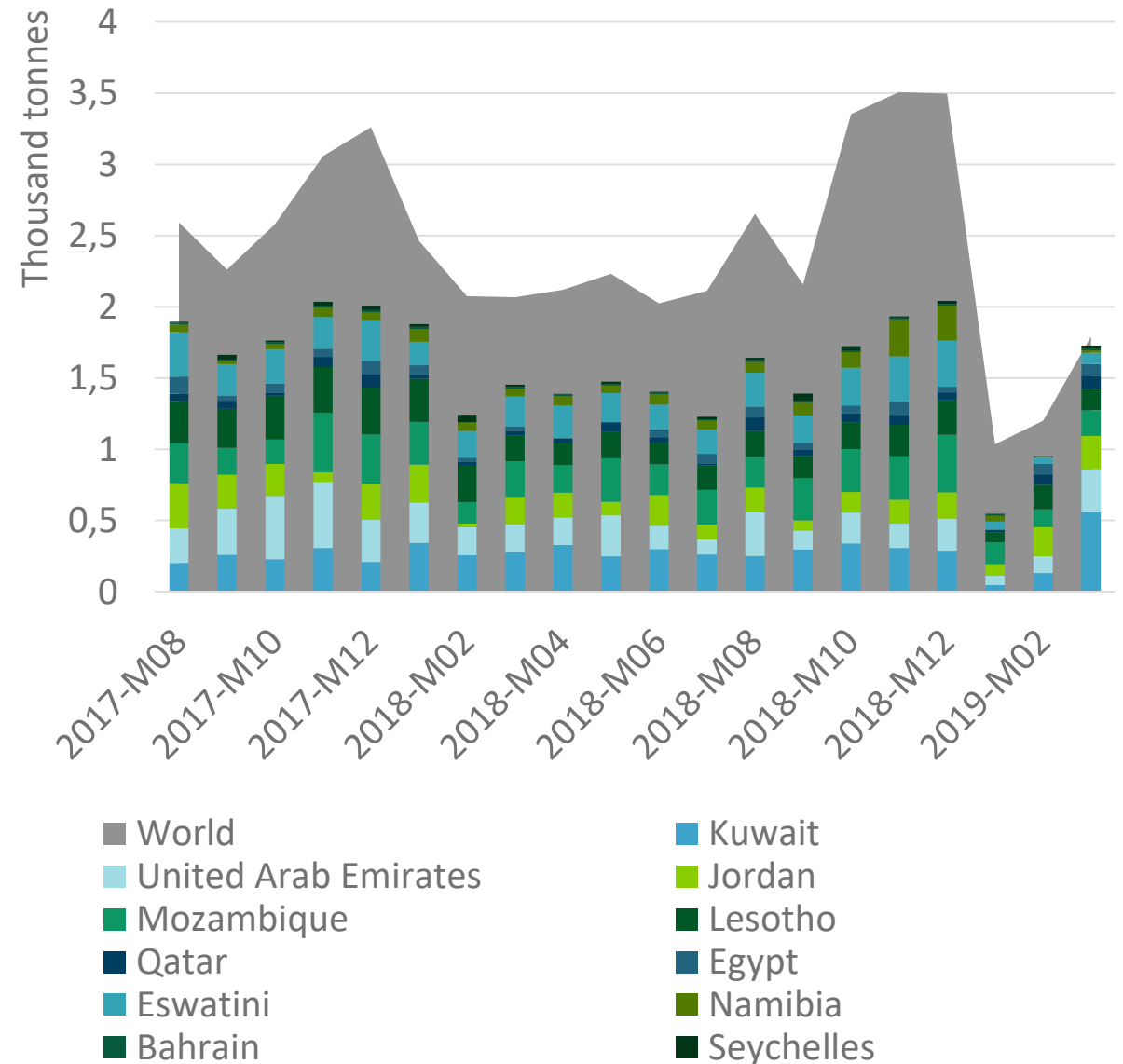
- Most of SA free of FMD without vaccination
- 2011 outbreak estimated to have cost industry R6 billion
- 3 years after 2011 outbreak to be declared FMD free again
- Estimates of 2019 outbreak reported up to R10 billion

Foot and Mouth Disease in South Africa



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- More than 13 000 cattle have been vaccinated since the outbreak in January
- Strict movement control measures that require state approval of animals within, into and out of the disease management area
- No new infections have been reported in the last 4 months
- Bilateral trade talks for exports of processed & “safe” products to continue
- Required veterinary certificates have been negotiated for beef with some trade partners
- Application for the reinstatement of the FMD free status for the rest of the country has been prepared
- Exports dropped to 4 thousand tons in the first quarter of 2019, while exports were 6.6 thousand tons in the same period in 2018





Outlook for the Beef industry in South Africa

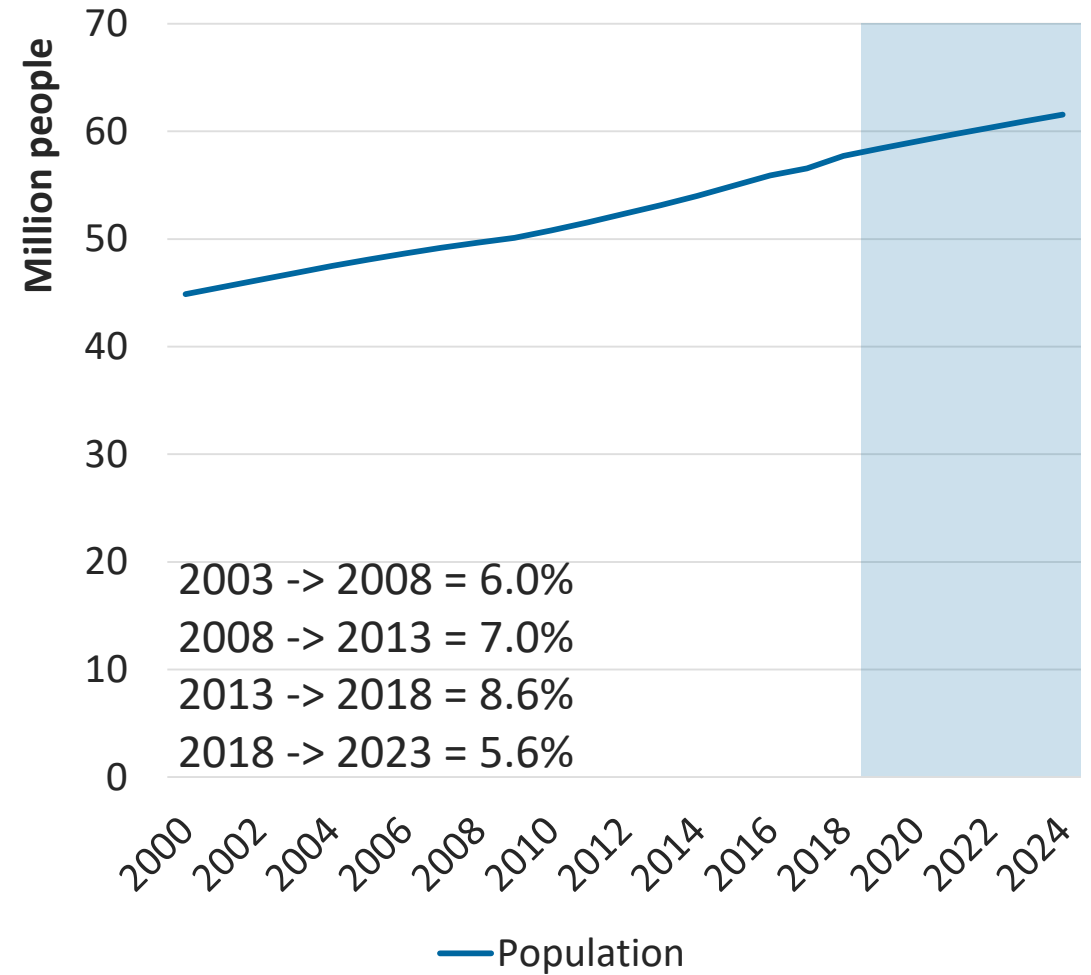
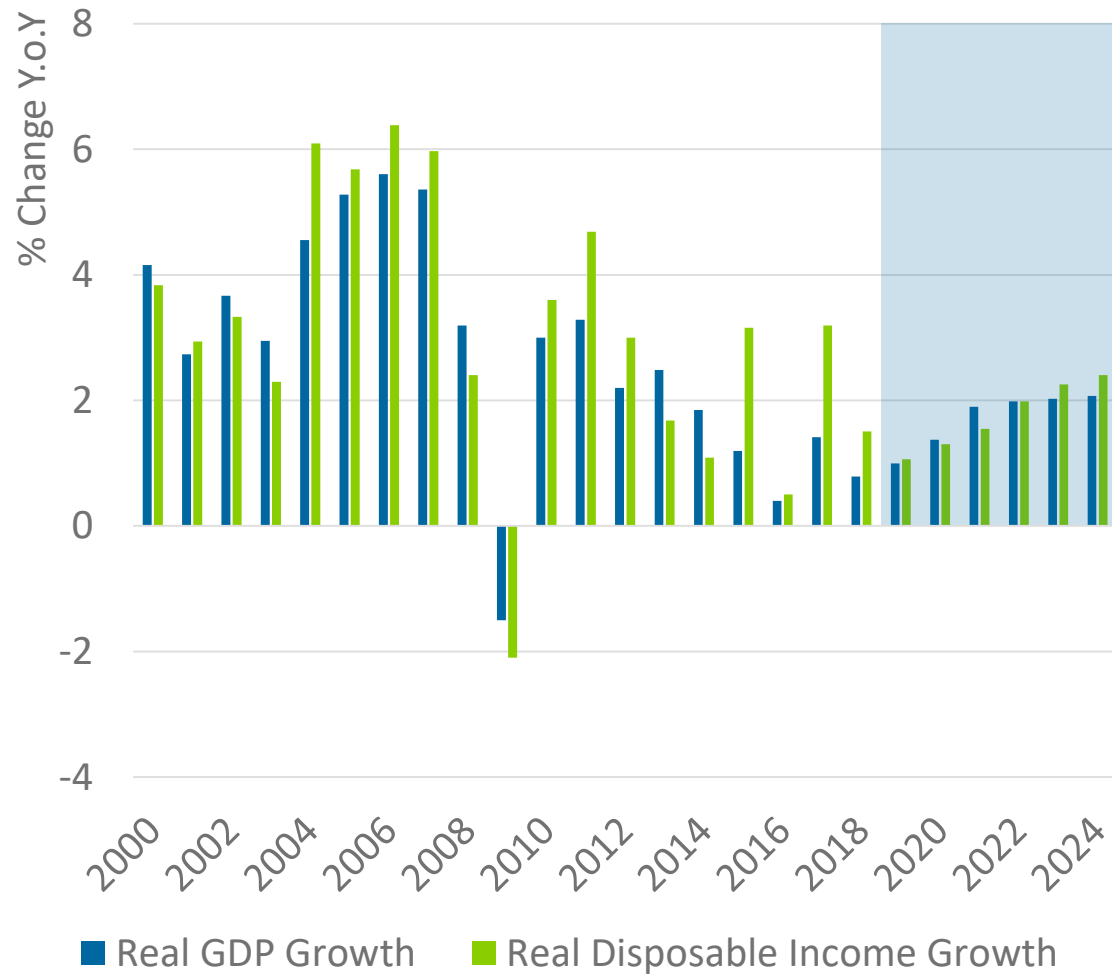


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Context: Macro-economic environment in SA



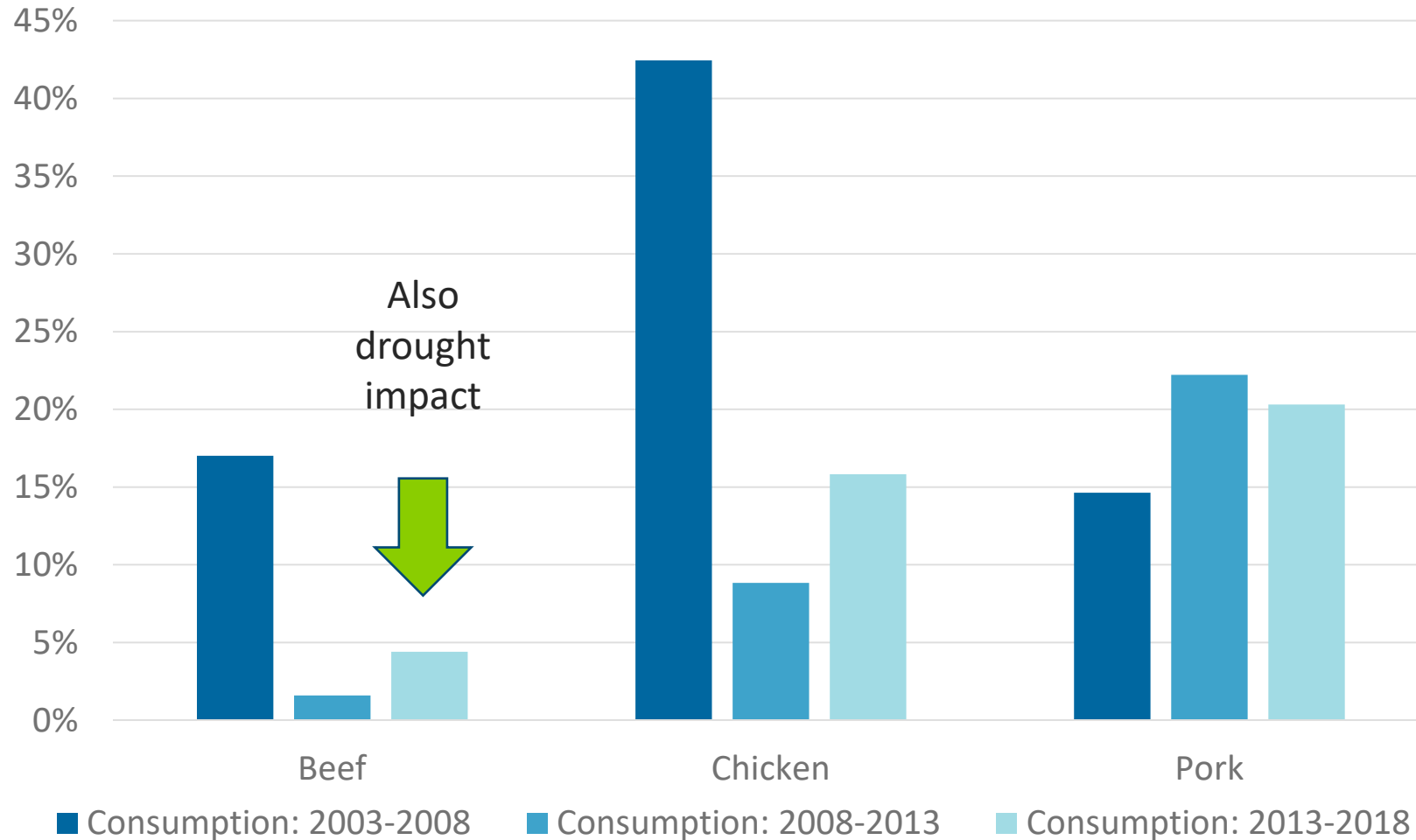
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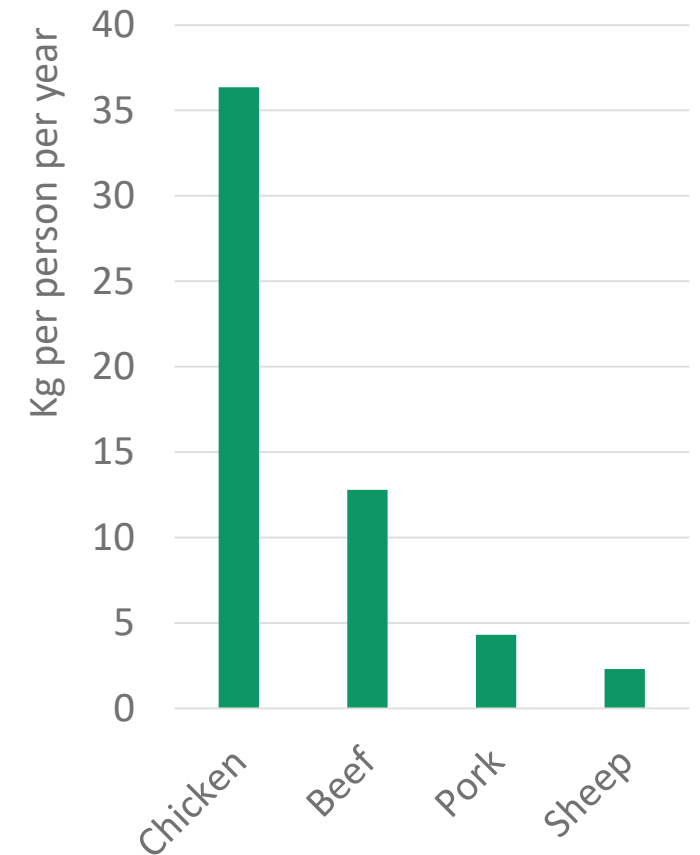
Source: Bureau for Economic Research, Stats SA & UN, 2019

Historic demand for growth: meat products

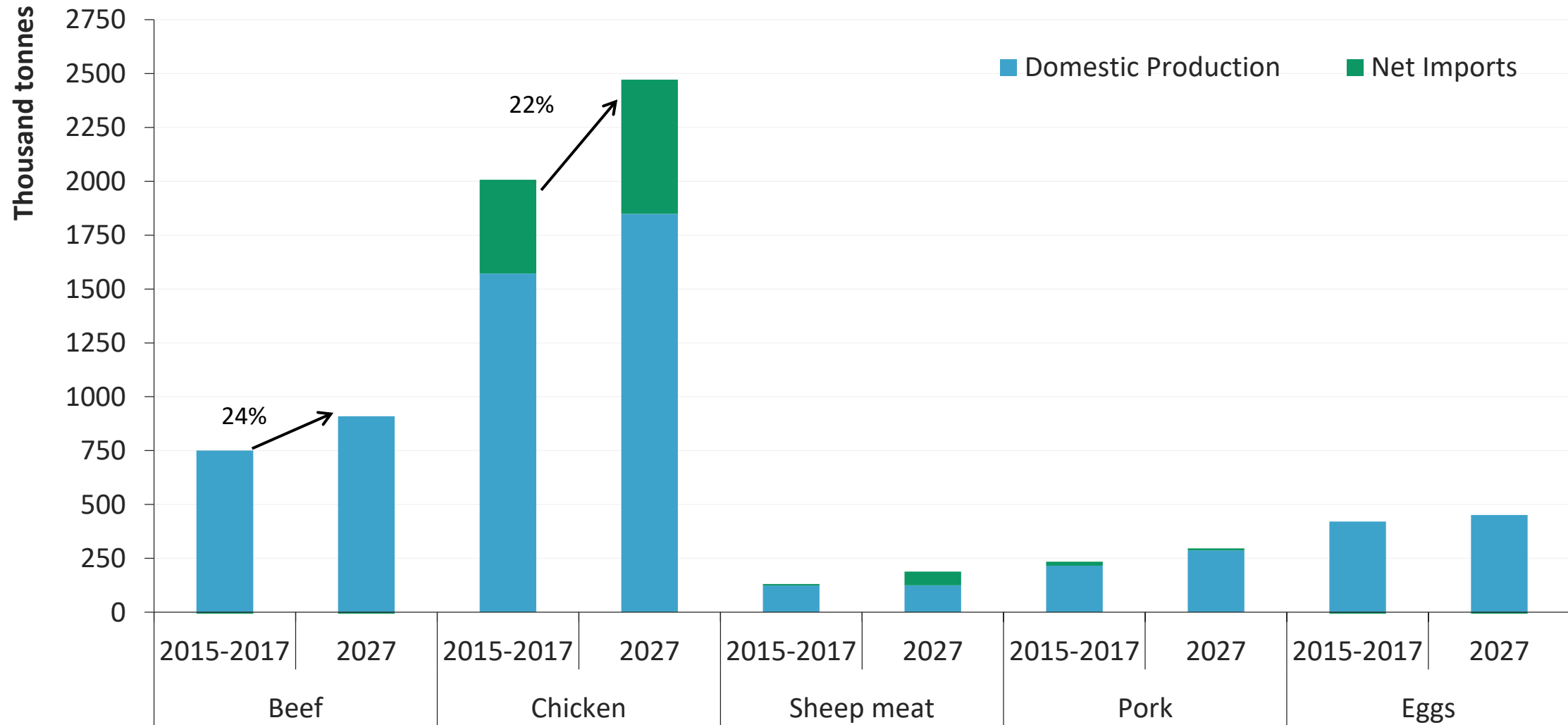
Growth in meat product consumption



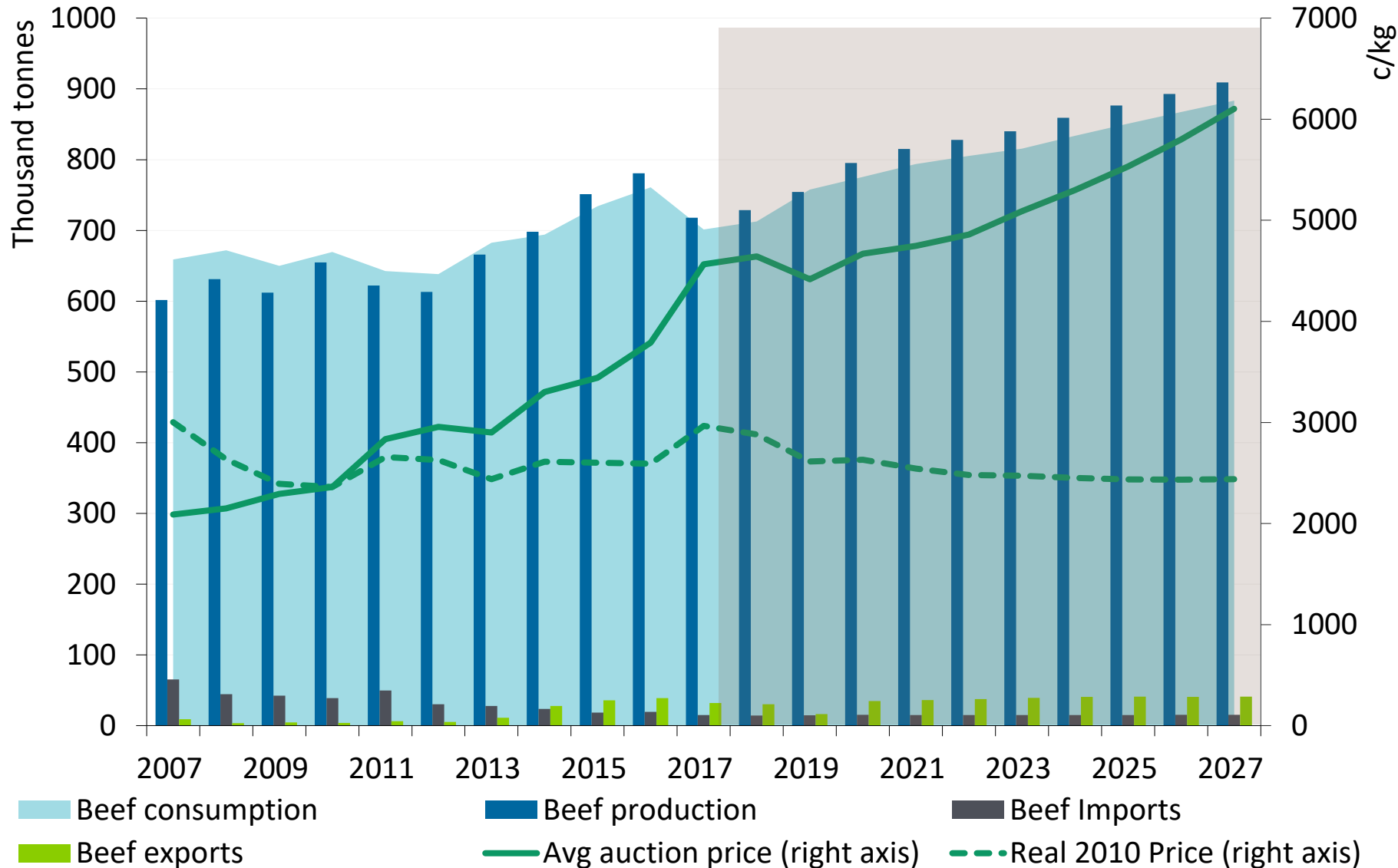
Per capita consumption 2016-2018



Outlook for meat & egg demand

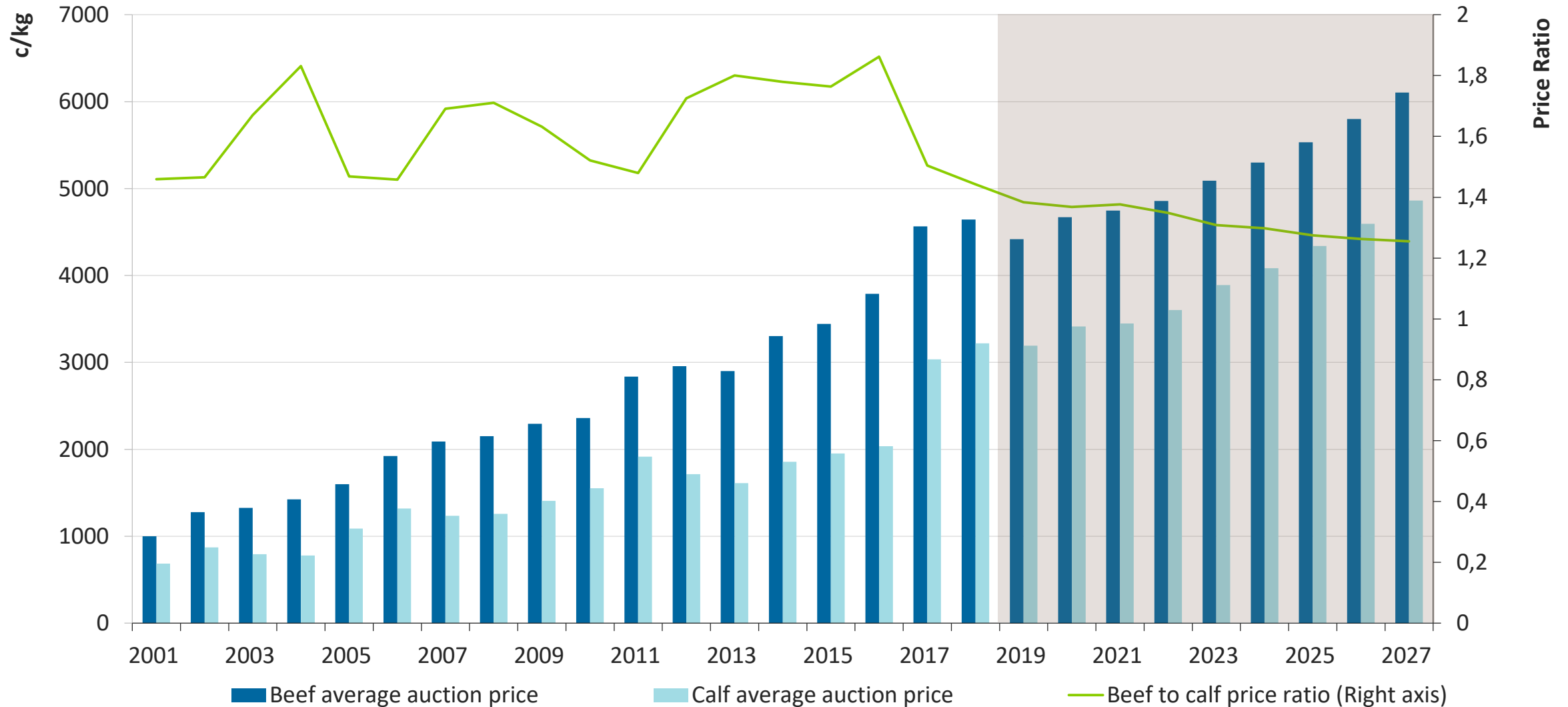


SA Beef market outlook

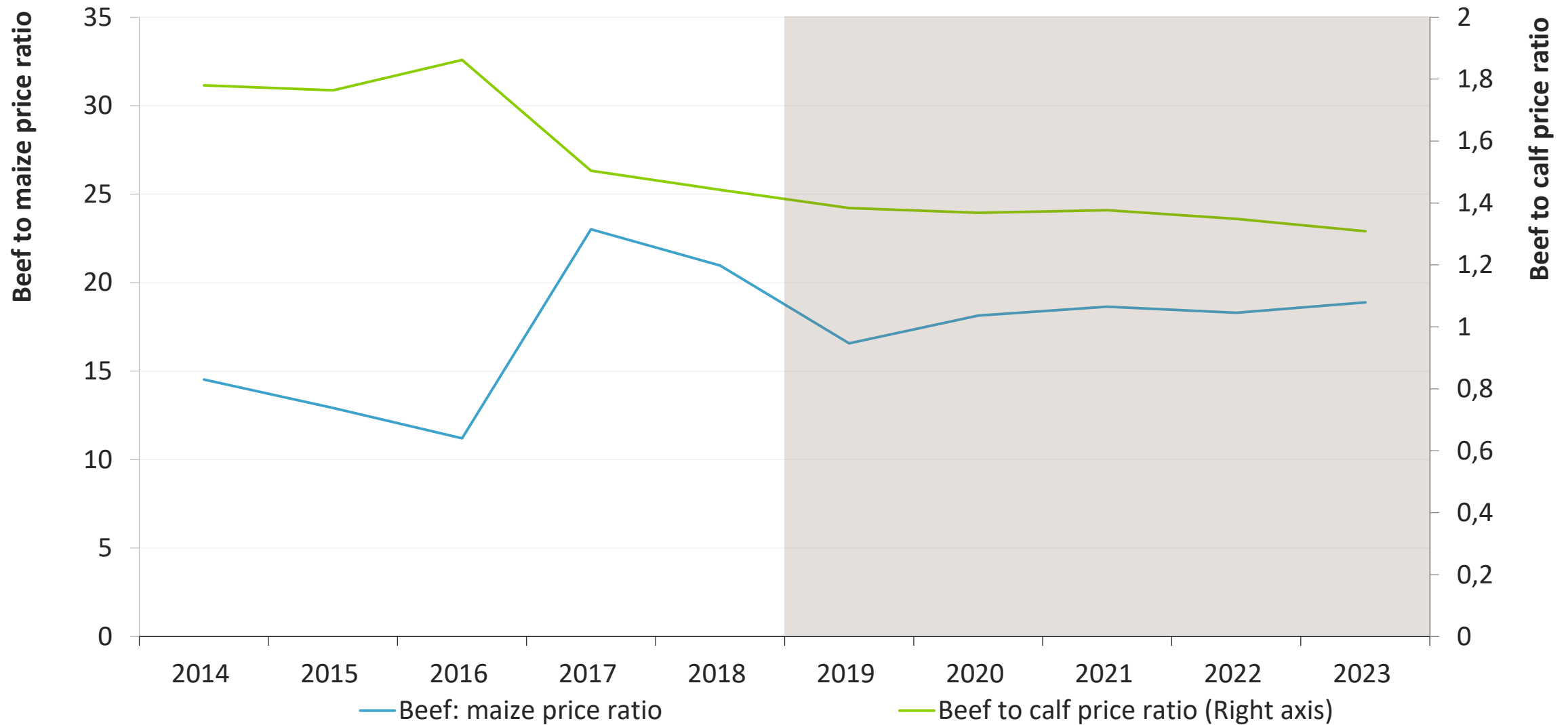


- 2019: Perfect Storm – FMD, drought, consumer pressure
- 2016 drought reduced cattle & sheep herd by 14% & 16% - Herds rebuilding, pace constrained by weather
- Real prices stabilise from 2020 onwards
- SA to remain net exporter – disease control critical
- FMD impact assumed short term...

Profitability of beef production



Profitability of beef production

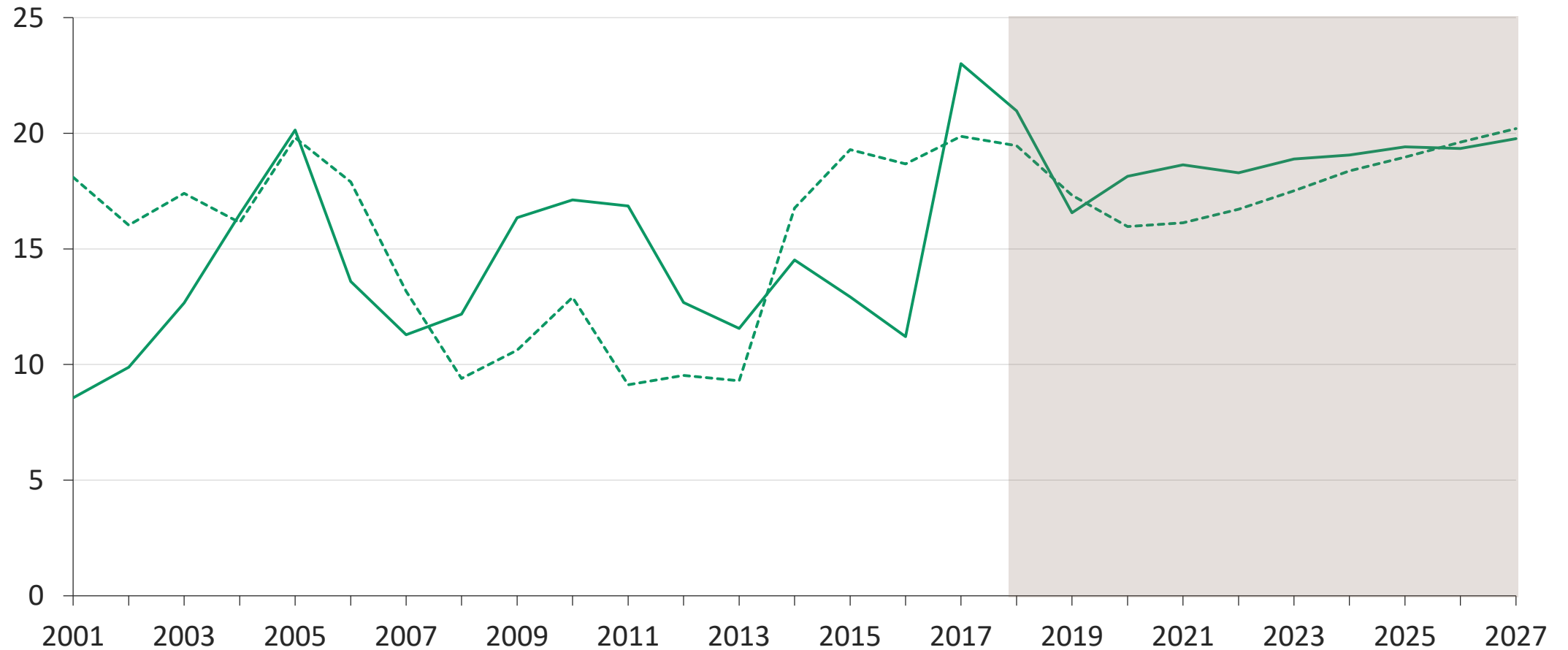


Profitability of beef production



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Ratio



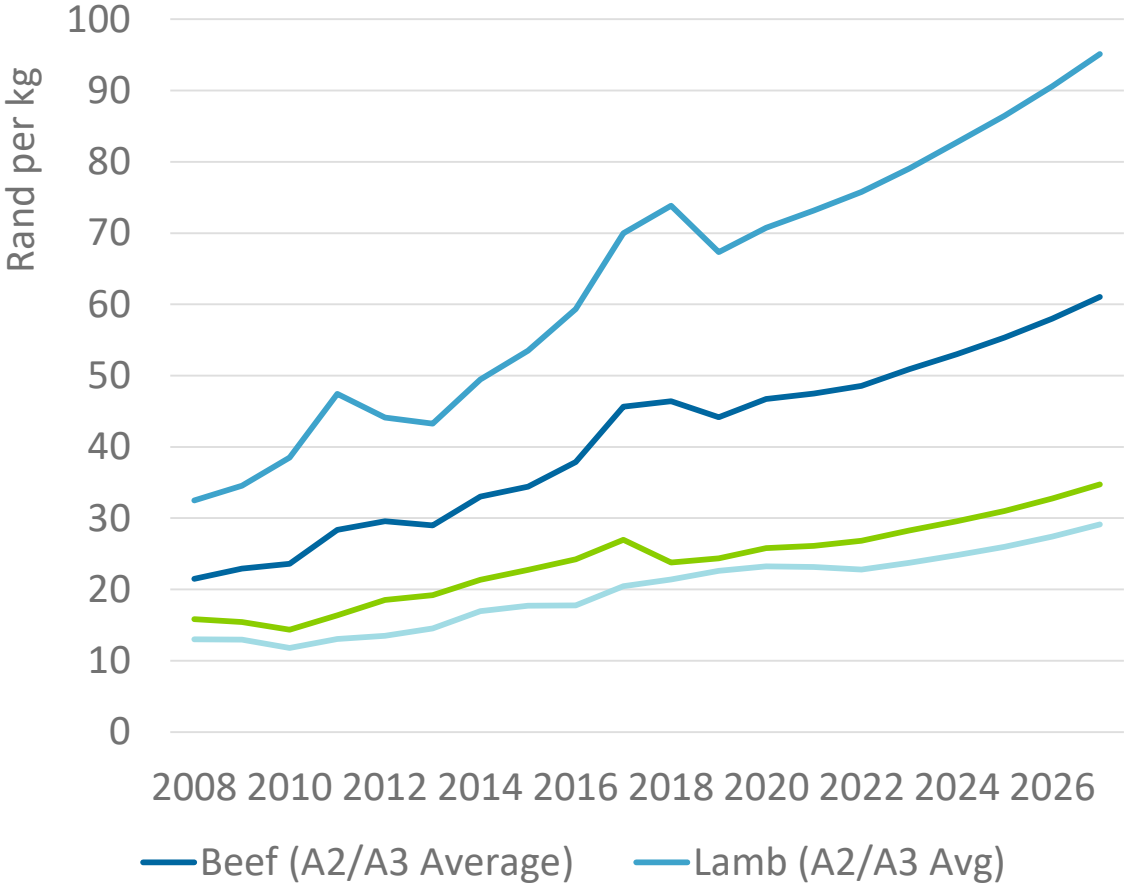
— Beef to maize ratio domestic

- - - Beef to maize ratio international

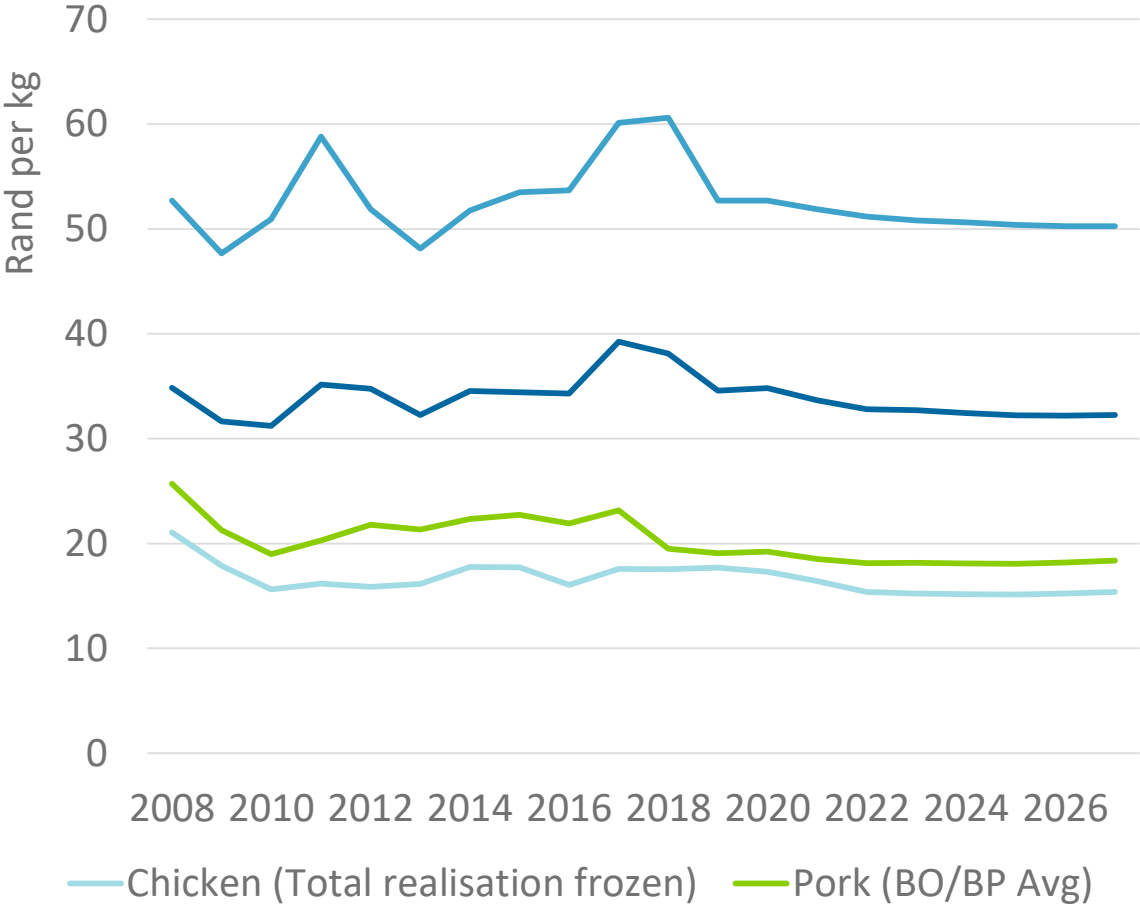
Outlook for meat prices



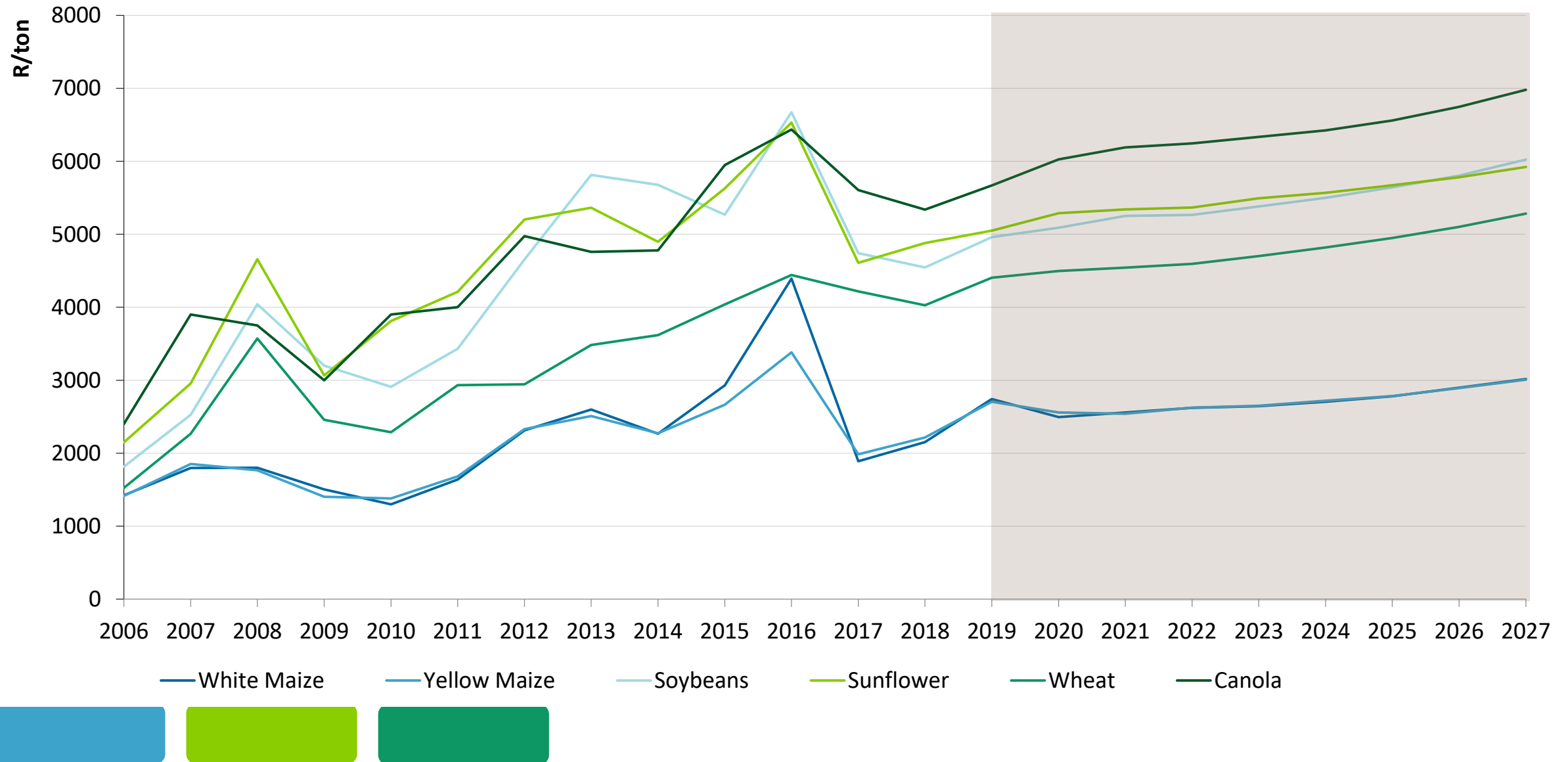
Nominal



Real



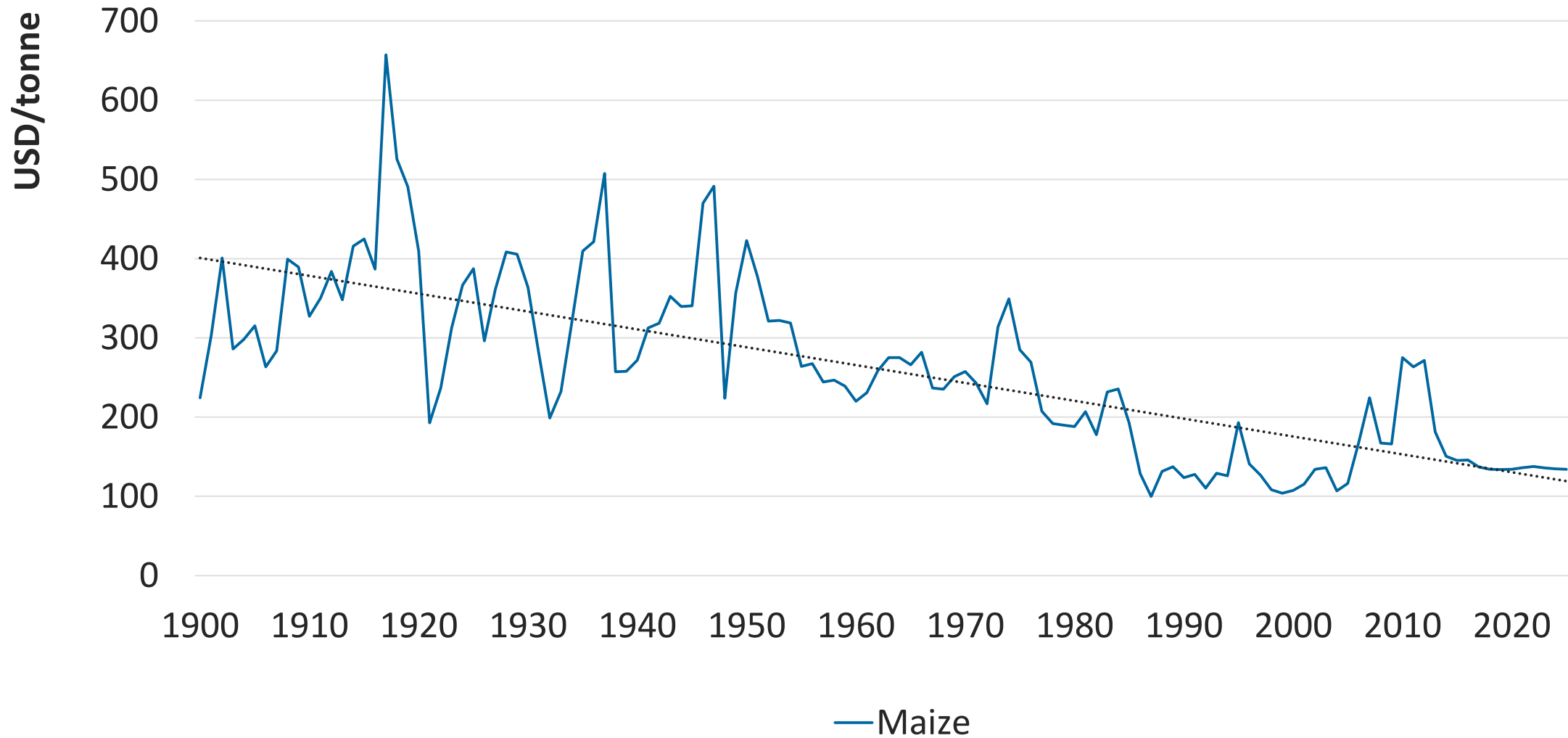
Price outlook – major grains & oilseeds



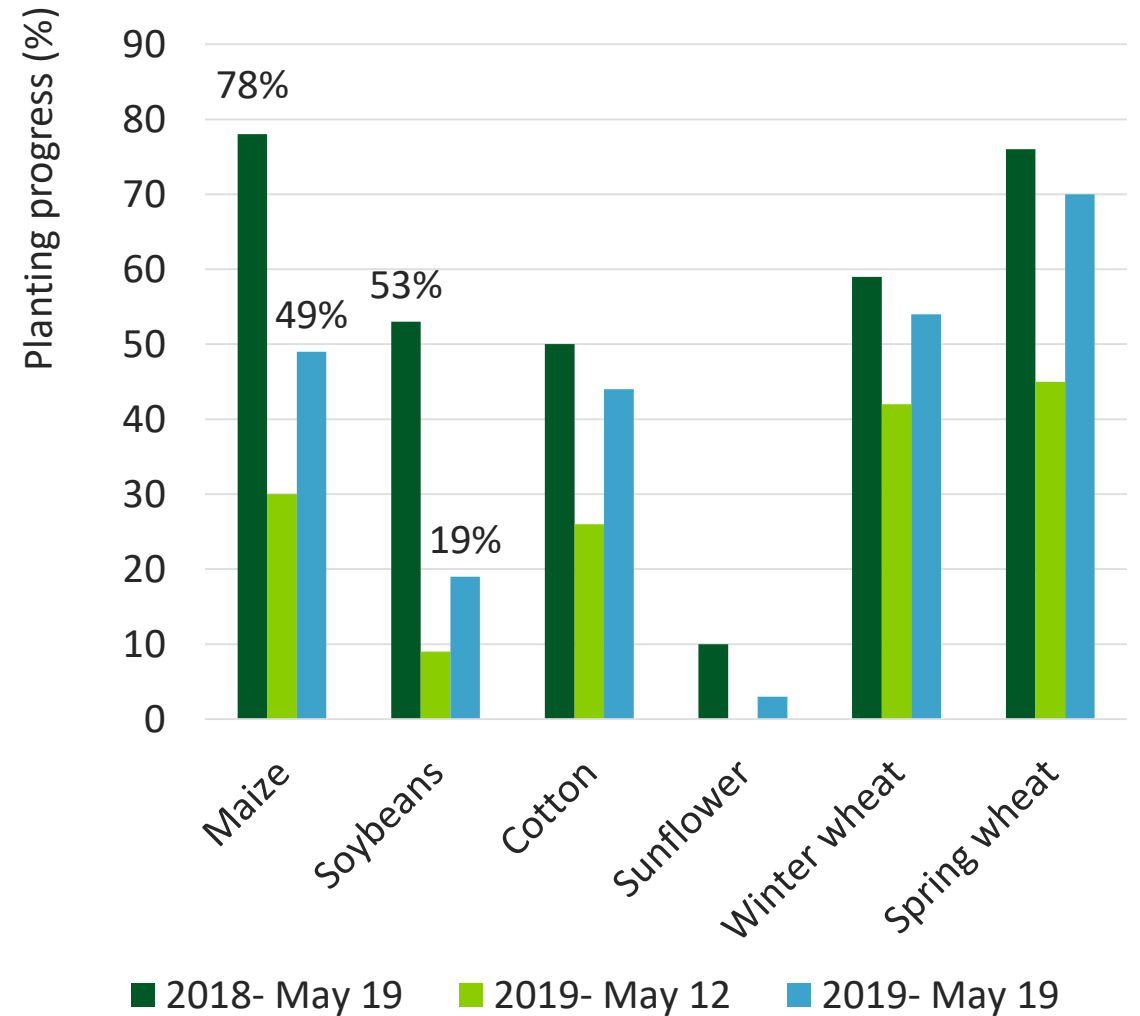
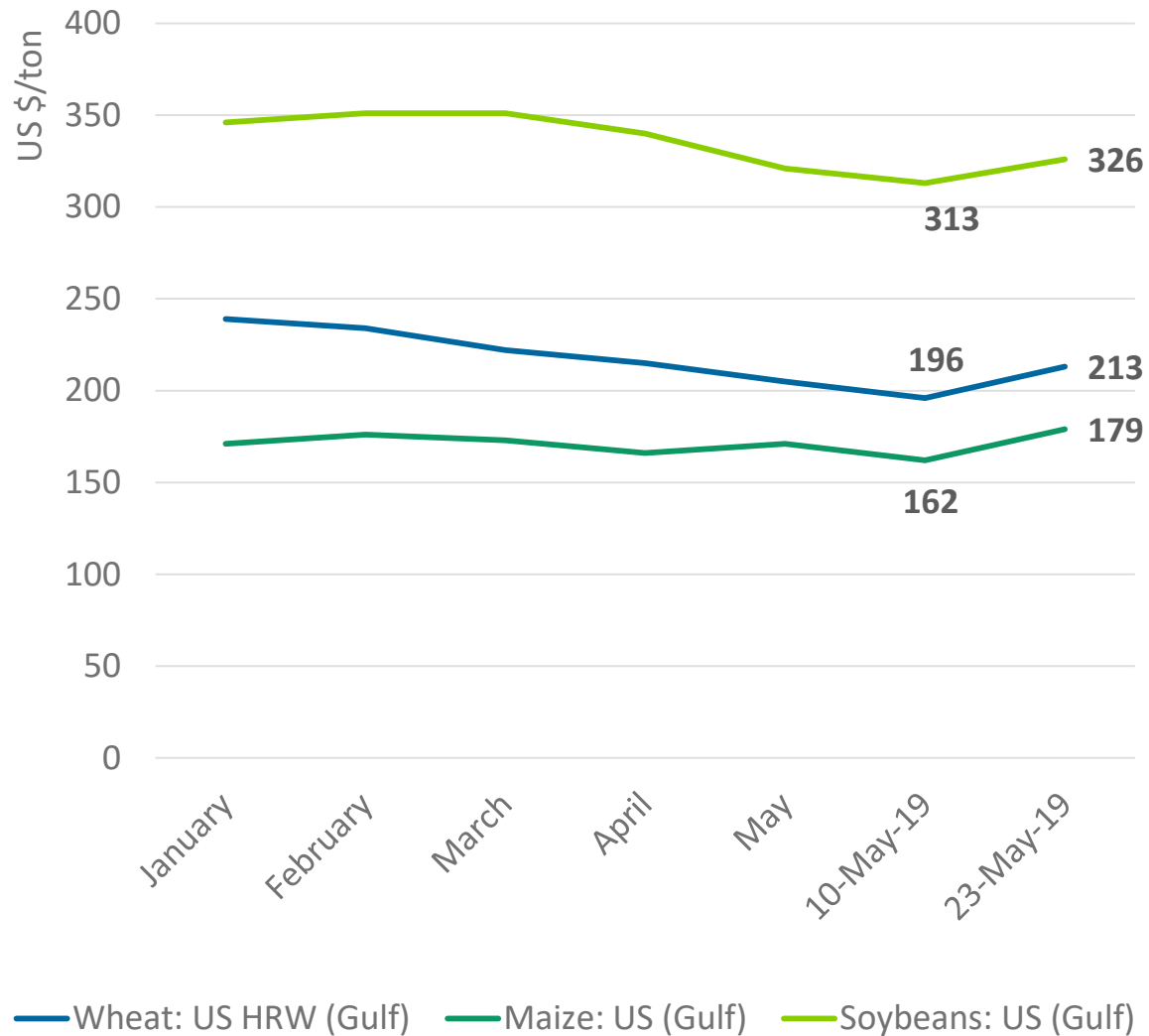
International price outlook



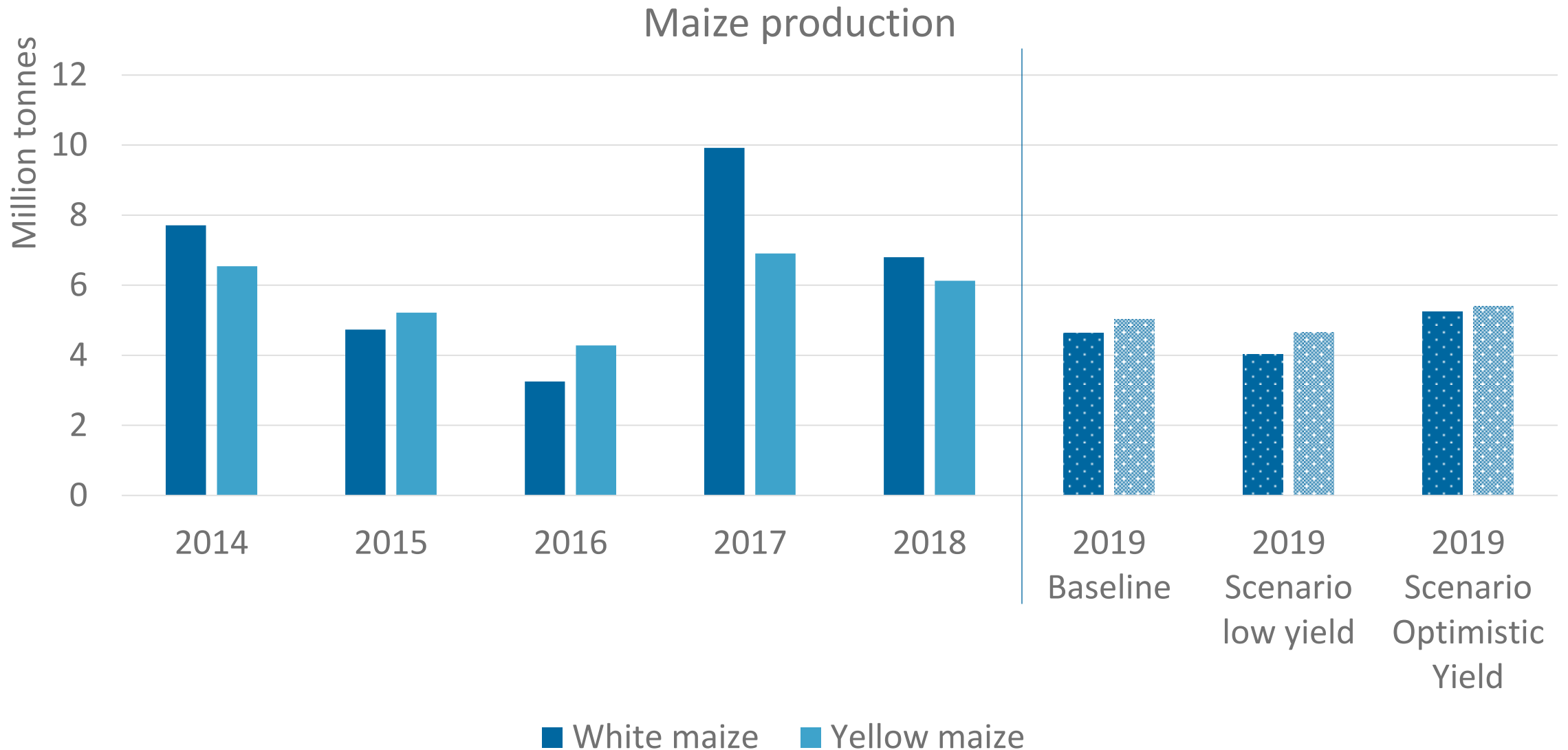
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Can change quickly... US crops



2019 Summer crop uncertainty

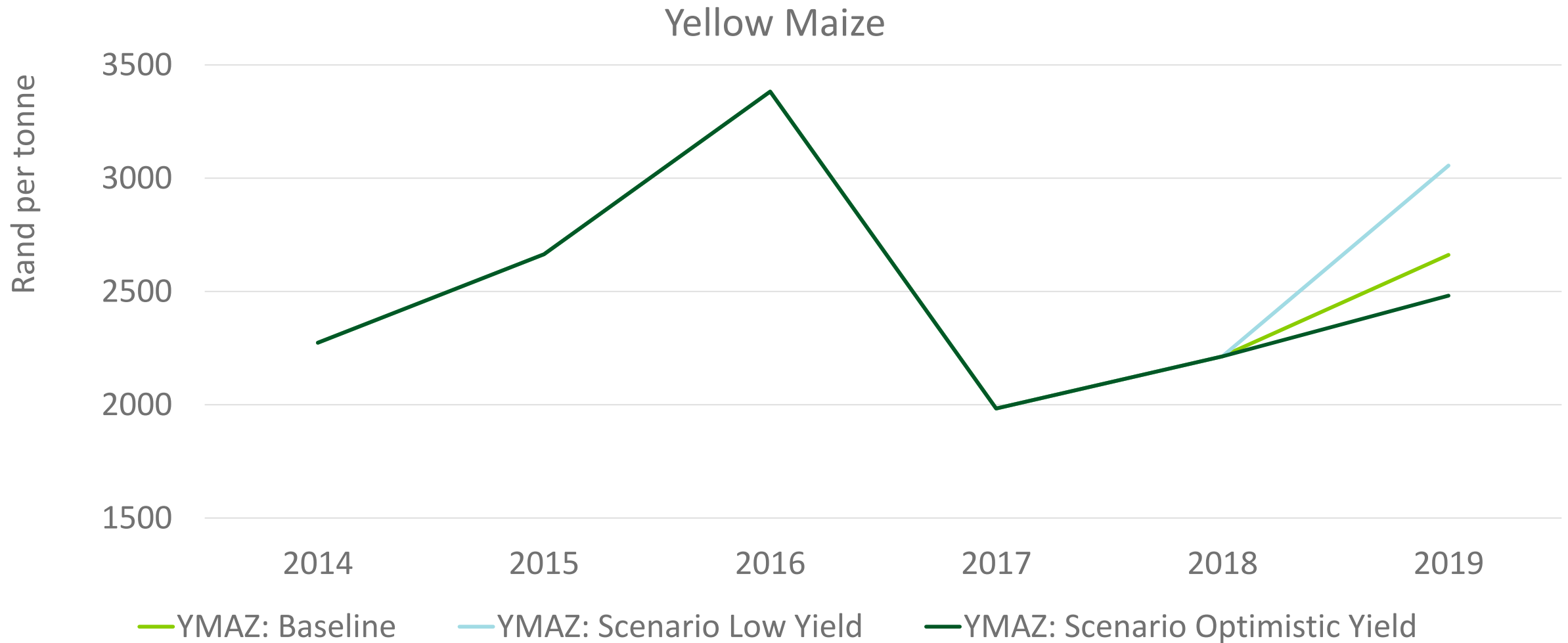


2019 summer crop uncertainty:

Yellow Maize Price impacts



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Summary

- In drought areas producer's cash flow under extreme pressure
- Long-run climate change important
- Beef & sheep herd still rebuilding following 2016 drought
- Feed intensive industries expanding - benefit from lower feed price cycle but drought in current season will increase feed costs
- Disease management & associated protocol critical for future growth



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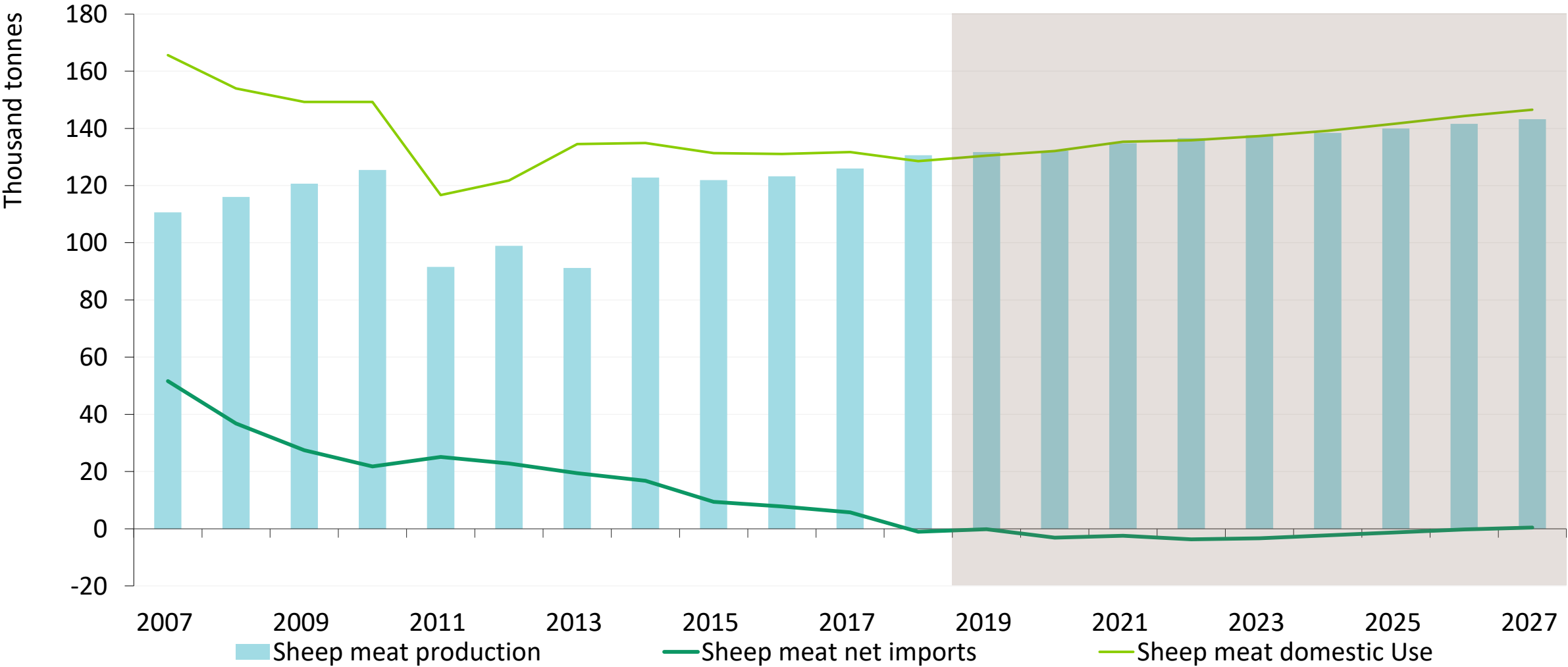


Outlook for sheep



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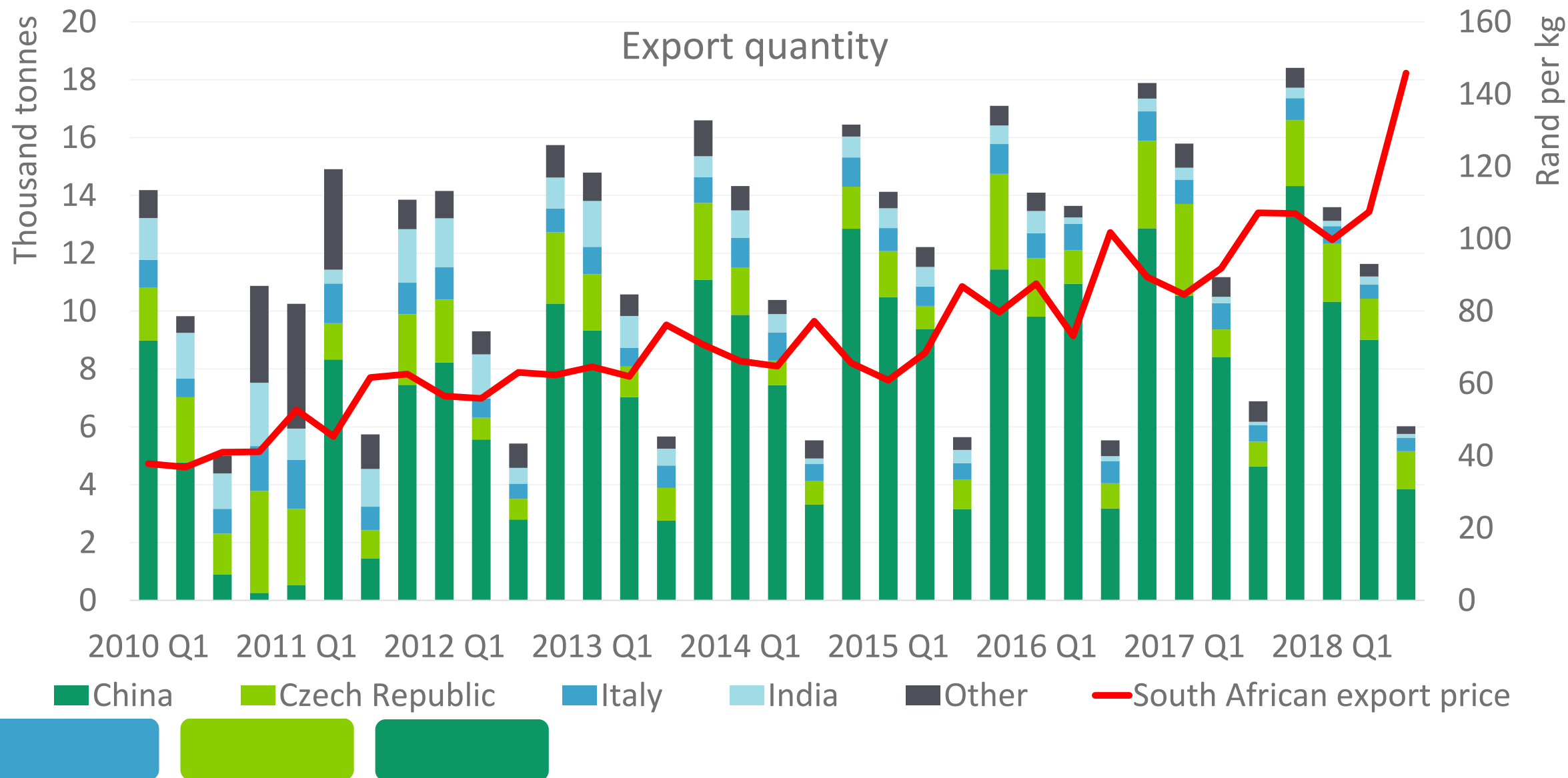
Outlook for sheep markets in South Africa



Success in wool production



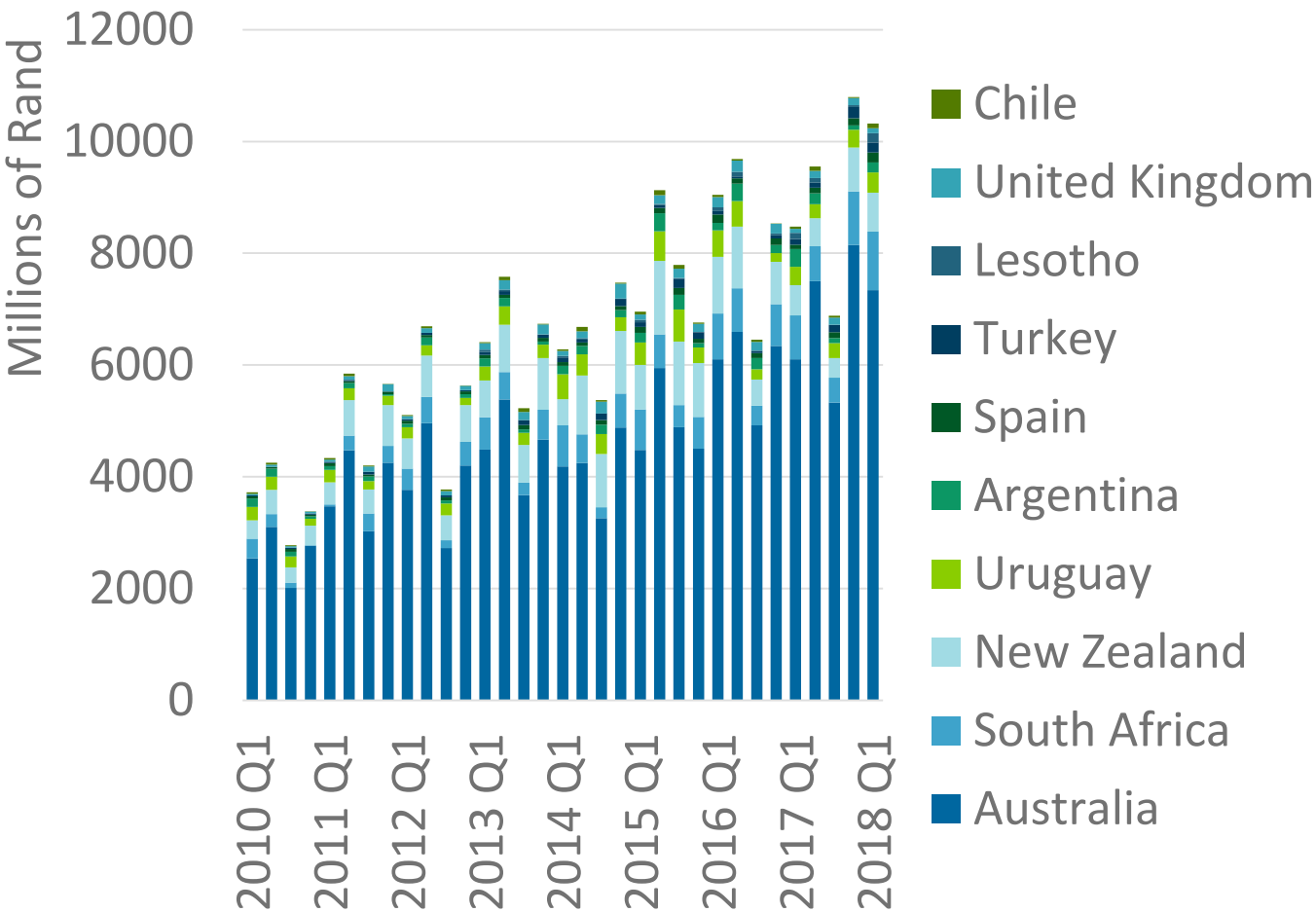
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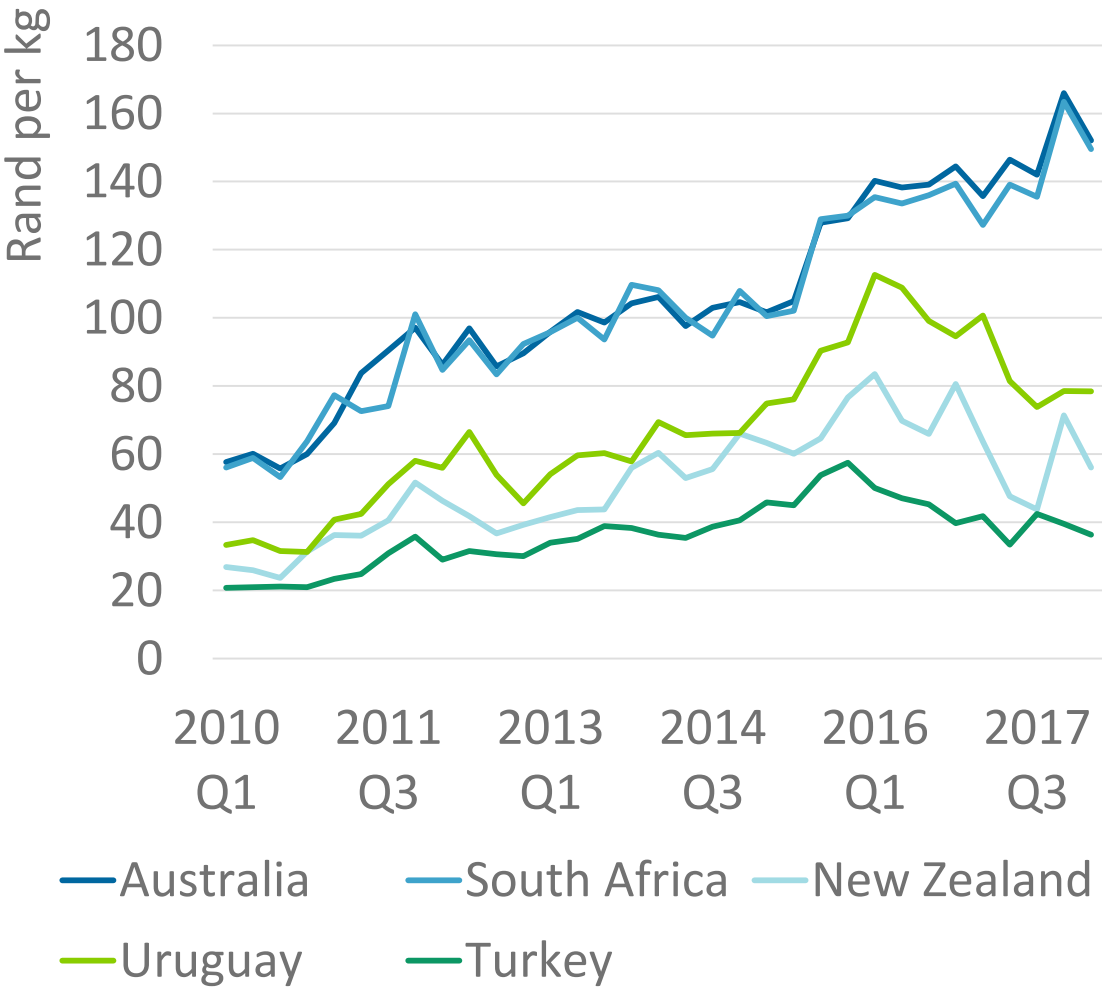
Chinese wool imports



China wool imports by origin



Wool prices into China





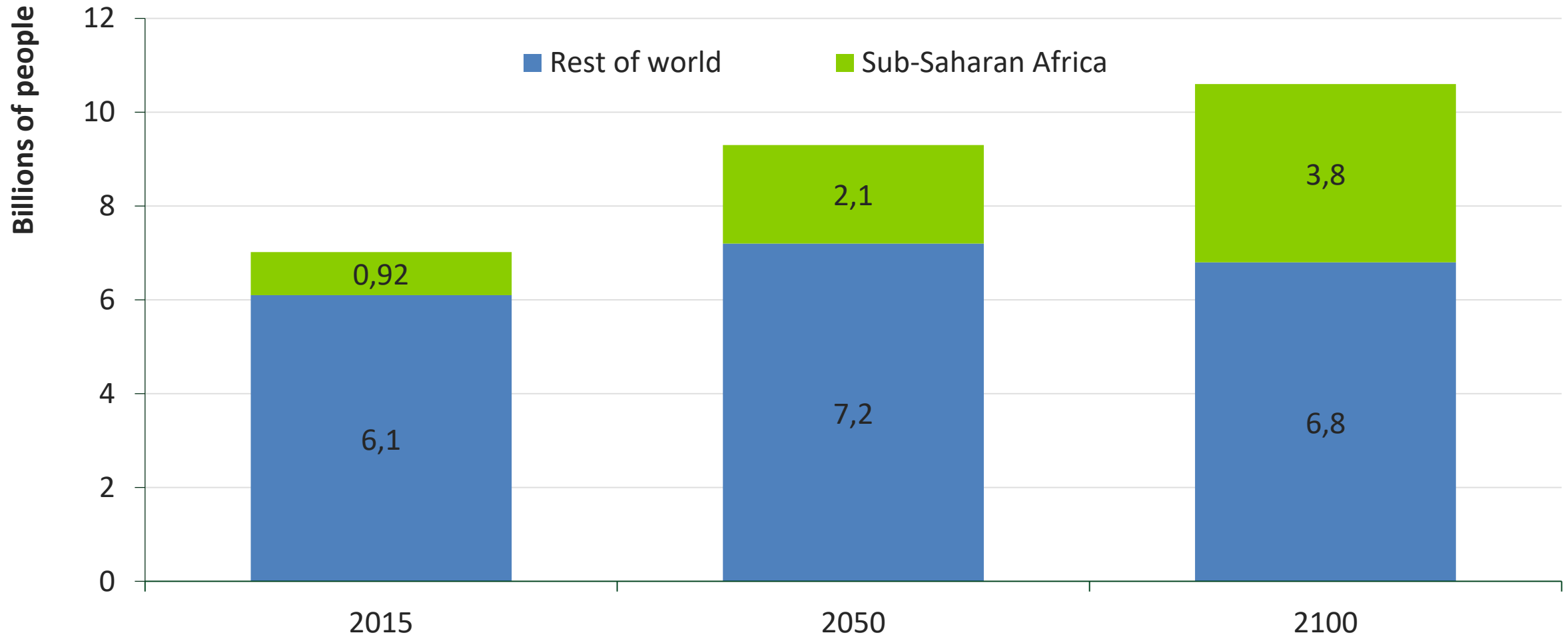
Thoughts on SSA

- Rapid economic growth rates, but from a small base
- Low productivity, mostly weak institutions and uncertain policy environment
- Under-developed supply chains in countries where initial growth has taken place
- Significant margins for investment



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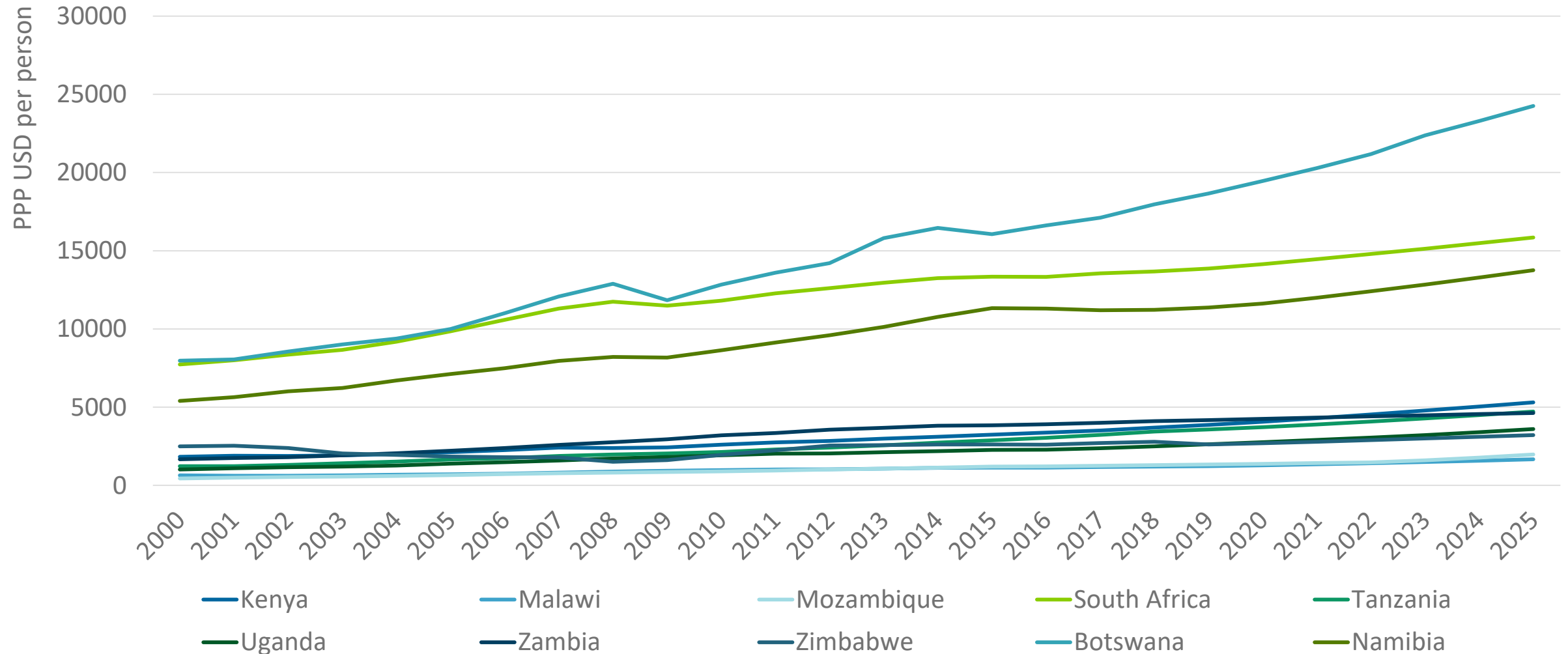
Rising demand for food in the region...



Per Capita income levels: PPP

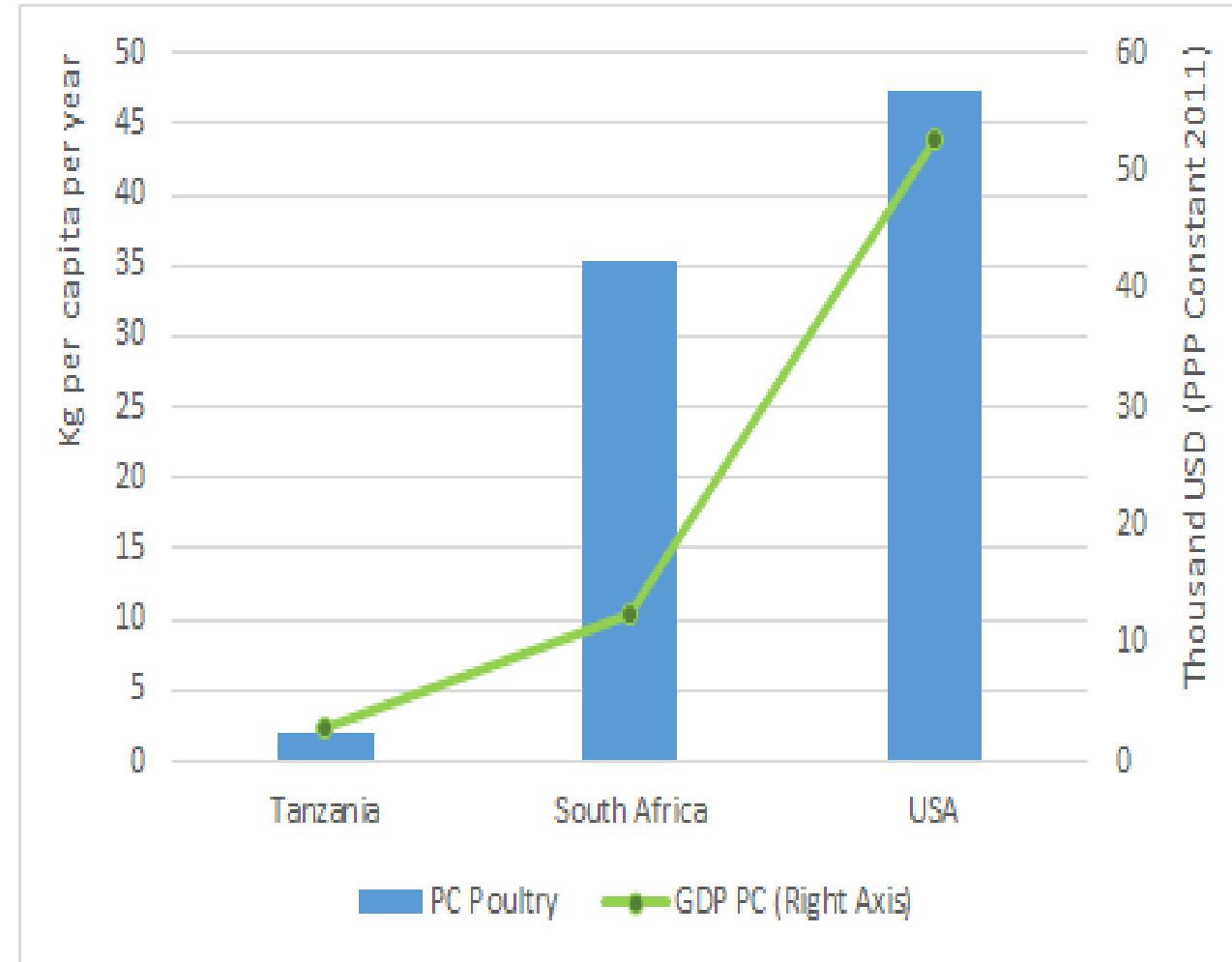
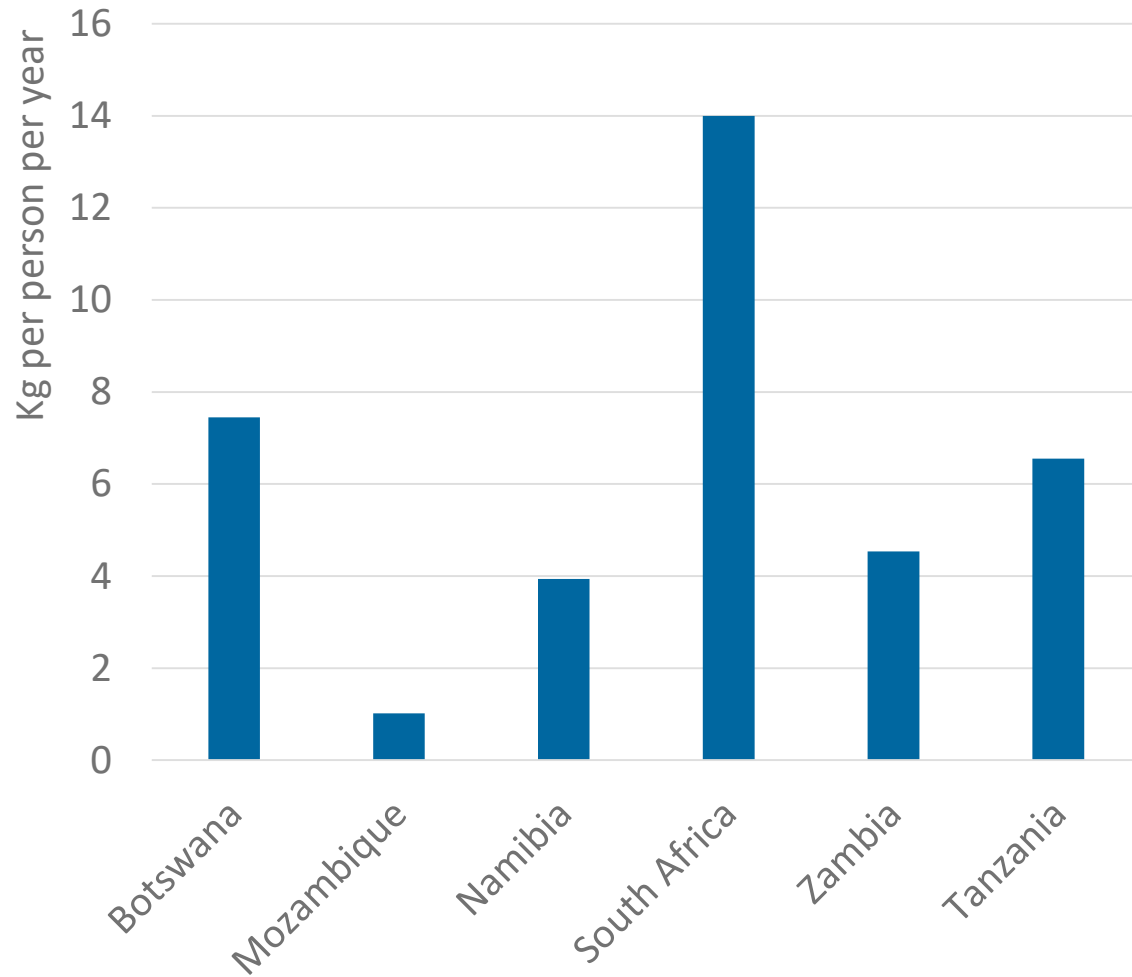


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Source: IMF WEO, April 2019

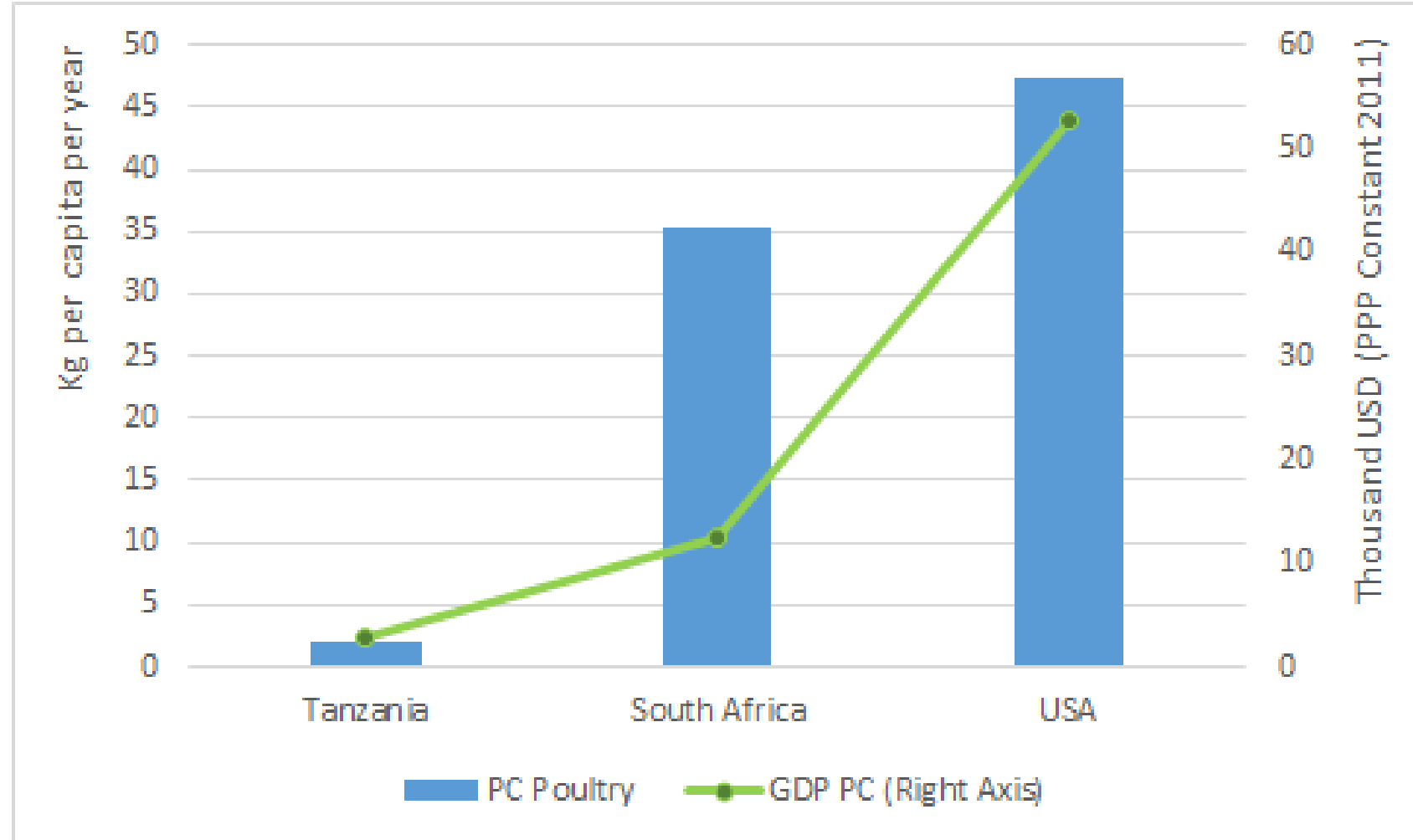
Per Capita Beef Consumption in SSA



Keeping growth within context of market size



Poultry consumption and PC GDP



An optimistic view??

