



Government of Botswana



European Union



## Private Sector Development Programme, Botswana

A Government of Botswana initiative supported by the European Union, the Centre for the Development of Enterprise and Botswana Confederation of Commerce, Industry and Manpower

## Public Private Dialogue on Beef Value Chain Development From Assets to Investments

## Global Opportunities and Challenges for African Beef

Mr Brian Perkins, Global Protein Solutions,  
Chairman

**Gaborone, Botswana**  
**November 17 – 19th**



GPS FOOD GROUP



# Global Opportunities & Challenges for African Beef

Author Brian Perkins



17th November 2014

# Global Herd & Prices Trends



## United States

- Continuing decline in herd
- 87.75m cattle
- Circa 10% decline since 2009
- Record prices being paid
- Same cattle prices as EU
- YOY Oz imports up 36%
- NZ/Can/Mex imports up 20%
- Net importer



## Mexico

- Herd in 5 years decline
- 17.2m cattle
- Circa 25% decline since 2009
- YOY cattle prices 15% up
- US demand a strong driver
- Home consumption decreasing
- Net exporter



## Europe

- Herd size declining slightly
- 88.0m cattle
- 2007-2012 cattle prices rose
- 2012 – 2014 cattle prices fell
- 2015 – cattle price forecast to rise
- Net importer



## Brazil

- Herd in growth phase
- 212.7m cattle
- Circa 10% increase since 2009
- YOY cattle prices 18% up
- Exports up 11% YOY
- Record prices being paid for cattle



## Argentina

- Herd size slightly increasing
- 51.7m cattle
- Inflation is running at 40%
- Cattle price YOY have risen
- Q2 = 76%, Q3 = 95%
- Exports remain difficult to EU



## Uruguay

- Herd size slightly increased
- 12.1m cattle
- EU & US key export markets
- EU hind quarter cuts
- US manufacturing cuts
- 2<sup>nd</sup> largest supplier to China



## Australia

- Herd size slightly declining
- 2012/2013 slaughter topped 8m head
- First time in 35 years
- Prices low due to drought slaughter & FX



## China

- Herd is in 5 years decline
- 4% reduction in Herd
- Cattle prices YOY 17% up
- Importers YOY up 20.3%
- Same period 2013 up YOY 380%



## New Zealand

- Herd size stable
- 2014 cattle prices continually rising
- YOY exports 15% up
- Pacific Rim, US, China main export markets

# Global Market Overview

- Global Beef Supply is in a tightening phase
- The US, EU & Brazil produce almost half of the worlds beef today
- China produces 10% of the worlds beef
- The Brazilian Herd is estimated at 212m head
- The Cattle Herd across Africa is estimated at 200m head
- Of the 200m Cattle in Africa , less the 8% are commercially bred for processing

# Global Concerns

- TBDs (Trans Boundary Disease)
  - BSE
  - FMD
  - Lung Disease
- Carbon footprint
  - Beef generates six times more greenhouse gas emission per unit of protein than pork, chicken or egg production
  - Sustainability
    - Agriculture accounts for 70% of fresh water drawn from rivers, lakes and aquifers
  - Animal Welfare

# Animal Welfare – As a marketing tool

- “We place as much emphasis on the importance of humane treatment and quality of life for all animals as we do on the expectations for quality and flavor.”
- Everything that is alive is going to die someday (even you). What matters is the quality of life while something is alive. The fact that food animals are going to eventually die to feed humans **doesn't mean that the quality of their lives is therefore irrelevant and should be ignored**



Whole Foods' CEO John Mackey

# The Internet Exposes Everything



The screenshot shows the CBS News website interface. At the top is the CBS News logo with 'WORLD' in red. Below it is a navigation bar with links for VIDEO, U.S., WORLD, POLITICS, TECH, HEALTH, ENTERTAINMENT, and BUSINESS. The article is dated 'TOKYO, Oct. 10, 2009' and has a breadcrumb trail: Home > World > AP - Asia. The main headline is 'Mad Cow Fear: Japan Suspends Beef From US Plant' with a sub-headline 'Japan Suspends Beef Shipments From Nebraska Meat Packer After Finding Mad Cow Risk Parts'. There are icons for font size, print, email, share, and 0 comments. The article text begins with '(AP) Japan has suspended beef shipments from an American meat-packing plant after finding cattle parts banned under an agreement to prevent the spread of mad cow disease, the agriculture ministry said Saturday.' It continues with details about the discovery of bovine spinal columns in a box of beef from Tyson Fresh Meats, Inc. The suspension affects Tyson's factory in Nebraska. The Japanese ministry also asked the U.S. Department of Agriculture to investigate. A historical note mentions Japan's 2003 ban on U.S. beef imports due to mad cow disease. A final line defines mad cow disease as bovine spongiform encephalopathy.

**CBSNEWS**  
WORLD

VIDEO U.S. WORLD POLITICS TECH HEALTH ENTERTAINMENT BUSINESS

Home > World > AP - Asia

TOKYO, Oct. 10, 2009

## Mad Cow Fear: Japan Suspends Beef From US Plant

### Japan Suspends Beef Shipments From Nebraska Meat Packer After Finding Mad Cow Risk Parts

Font size Print E-mail Share 0 Comments

(AP) Japan has suspended beef shipments from an American meat-packing plant after finding cattle parts banned under an agreement to prevent the spread of mad cow disease, the agriculture ministry said Saturday.

Japanese quarantine inspectors found bovine spinal columns in one of 732 boxes sent by Tyson Fresh Meats, Inc., which arrived in Japan last month, the Ministry of Agriculture, Forestry and Fisheries said in a statement. The box contained 35 pounds (16 kilograms) of chilled short loin with spinal bones.

The suspension only affects Tyson's factory in Nebraska, one of 46 meat-packing plants approved to export beef to Japan.

The Japanese ministry also asked the U.S. Department of Agriculture to investigate how the box containing the banned parts ended up in Japan.

Japan banned all U.S. beef imports in 2003 after the first case of mad cow disease was discovered in the United States. Japan resumed buying American beef in 2006 after a bilateral trade agreement setting new safety standards.

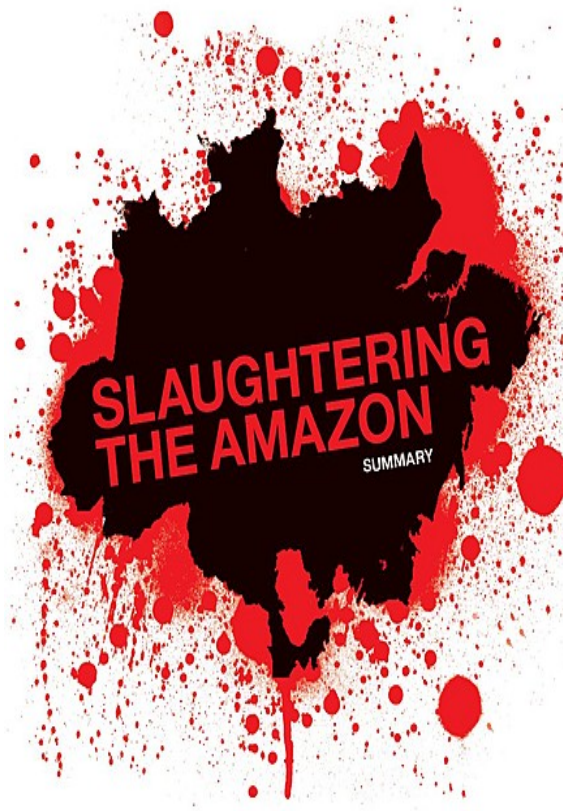
Mad cow disease, formally known as bovine spongiform encephalopathy, is a degenerative nerve disease in cattle.

- Washington has repeatedly criticized Japan for its tough import restrictions, which authorities say have no scientific basis.

**TOKYO, Oct. 10, 2009**



# Another Issue Looms



GREENPEACE

[www.greenpeace.org](http://www.greenpeace.org)

GREENPEACE

Monday, 1 June 2009 Greenpeace Website

“A three-year, undercover investigation by Greenpeace into Brazil’s booming cattle industry has exposed links between some of Britain’s biggest brands and the destruction of the Amazon rainforest. Cattle ranching in the Amazon region is now the single biggest cause of deforestation in the world, and the expansion of this industry is being driven by the global export market”



# Summary – The Public Debate

- The sustainability debate is now very B2C with a “viral media” and less B2B driven
- The drivers themselves are more subjective and less scientifically driven



**The gatekeeper criteria controlling market entry to the global retailer and manufacturer brands are not radically changing in food safety but are expanding quickly into provenance or credence issues.**

# Global Concerns +

- Within the context of beef from Africa you can add the following:
  - Food security
  - Water security
  - Disease control
  - Drought
  - All standards
  - Population growth
- All concerns have to be satisfied to hope to serve the premium global customers

# Drivers – Campaigns & Media

- ***“To you it is a bag of salad, dropped into the supermarket trolley with the weekly groceries”***
- ***“The world is running out of water and British supermarket shoppers are contributing to global drought”***
- The Independent



# And Then There is the..."AFRICA" Drought



John Vidal  
guardian.co.uk,  
3 September 2009

"One of the main water sources outside Moyale in Kenya runs dry"



Food prices have doubled across Kenya. A 20-litre jerry can of poor quality water has quadrupled in price. Big game is dying in large numbers in national parks, and electricity has had to be rationed, affecting petrol and food supplies.

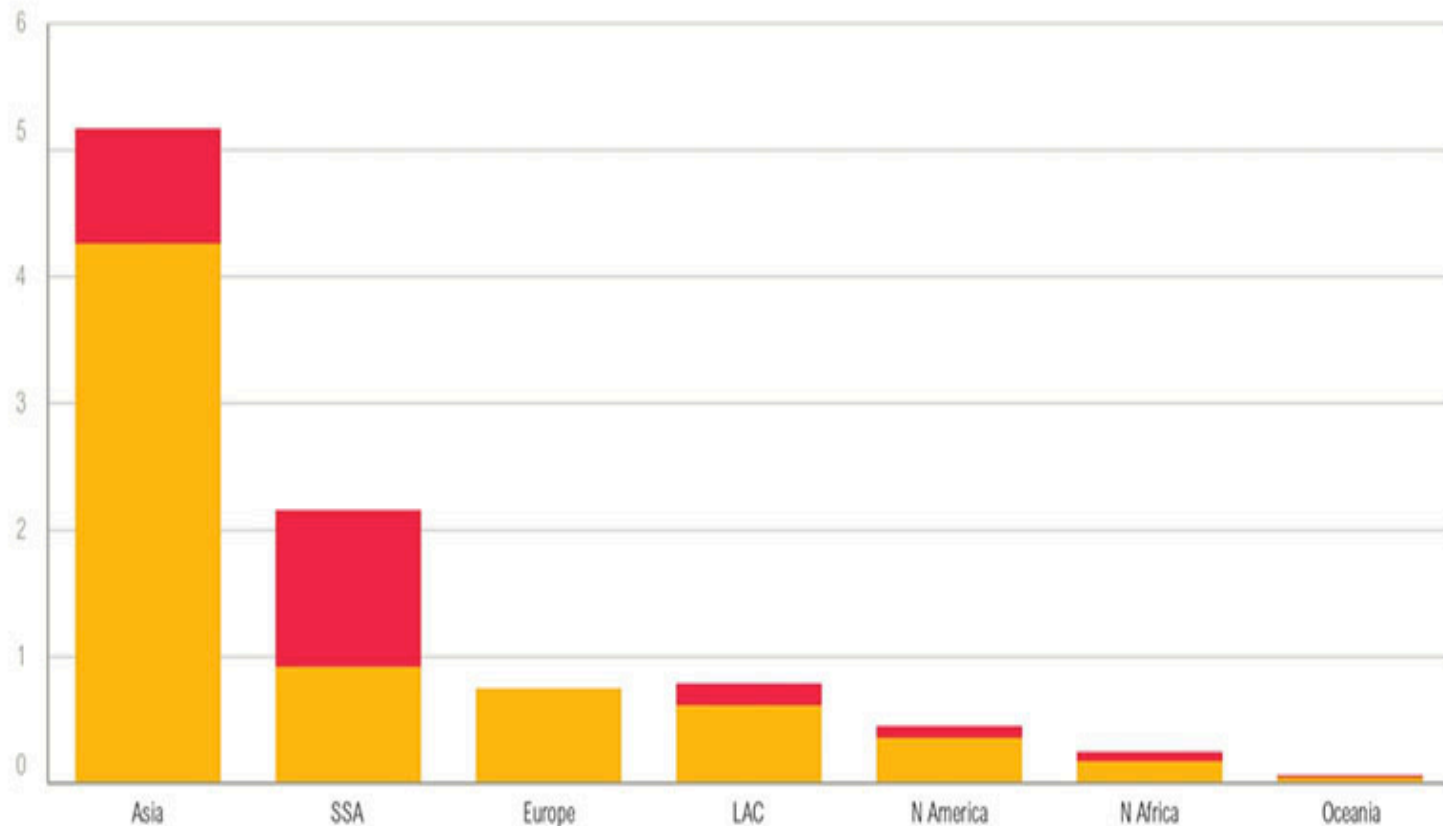
**For the first time in generations there are cows on the streets of Nairobi as nomads like Isaac come to the suburbs with their herds to feed on the verges of roads. Violence has increased around the country as people go hungry.**

# Livestock's Long Shadow – FAO 2006



- Botswana is experiencing water stress
- Livestock, major user of fresh water resources in Botswana
- The water table in the Kalahari has fallen substantially
- The lifetime of surface and ground water resources in Botswana is limited to a few decades

# Projected Population Growth in Billions



The world's population is projected to grow from about 7 billion in 2012 to 9.6 billion people in 2050.

**More than half of this growth will occur in sub-Saharan Africa, a region where one-quarter of the population is currently undernourished (World Resources Institute)**

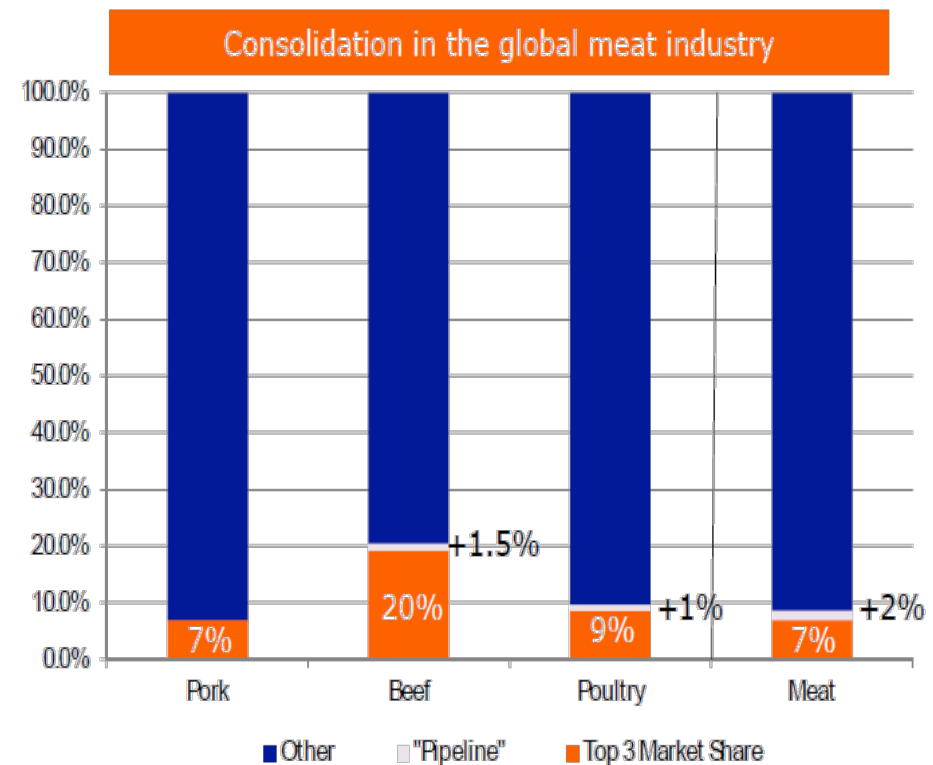
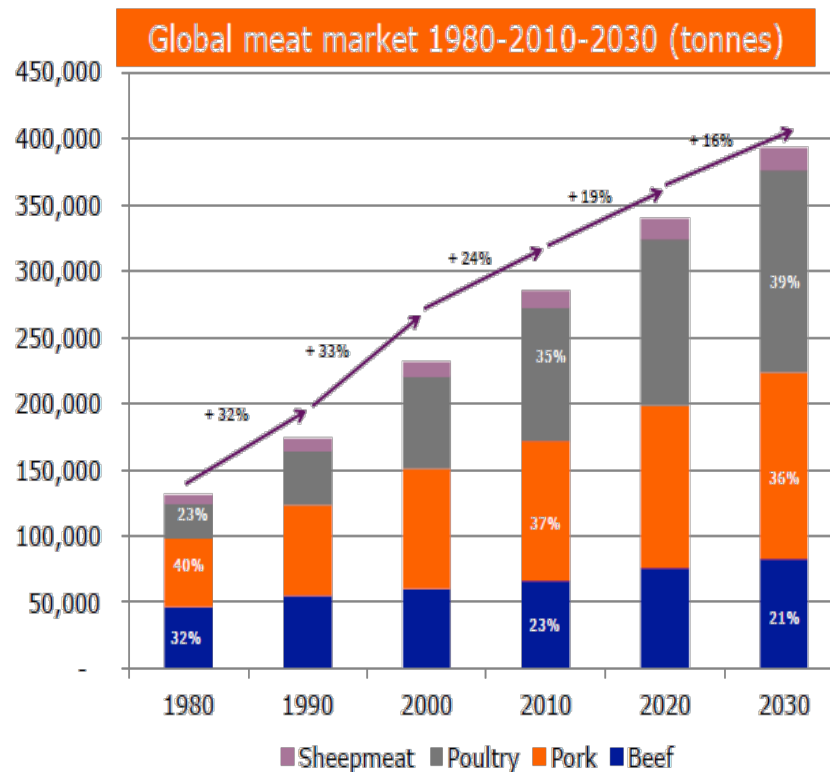
# Marketing Beef

- The market acceptance of any beef product has extremely high standards to meet
- Beef from Africa has to meet all global requirements plus additional regional consideration
- The high end premium customers globally will not “take chances”
- Your product must be produced to global best standards
- Your product must provide a “full metal jacket”



# Global Market Trends

- Global Beef demand continues to increase
- 3 Companies control 20% of Global Beef Production
- JBS (Brazil) process 100,000 cattle per day



# Natures Reserve

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## Natures Reserve



Natures Reserve  
— **Choice** —  
Matured Namibian Beef

Natures Reserve  
— **Finest** —  
Matured Namibian Beef

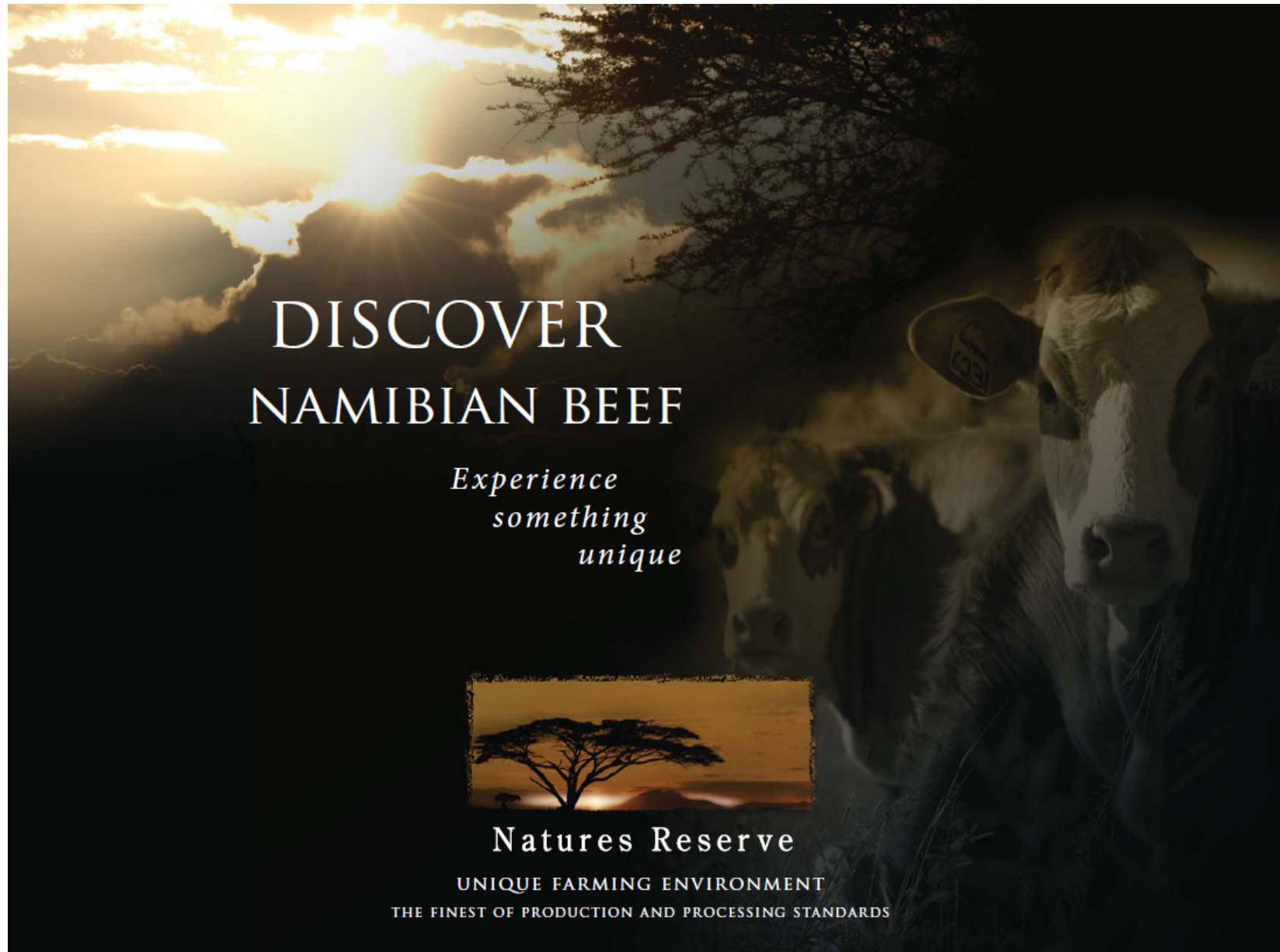
Natures Reserve  
— **Select** —  
Matured Namibian Beef



# Natures Reserve


- The key objectives for the marketing/branding strategy were:
  - Build Meatco into a world class producer
  - Develop new markets in new countries
  - Remove middle men/traders as customers
  - Develop sales to higher returning, premium customers
  - Develop markets for leaner/smaller beef
  - Grow company profitability and returns to farmers

# Natures Reserve – Marketing Campaign 2010-2012



DISCOVER  
NAMIBIAN BEEF

*Experience  
something  
unique*



Natures Reserve

UNIQUE FARMING ENVIRONMENT  
THE FINEST OF PRODUCTION AND PROCESSING STANDARDS

# Outputs

- Developed and established Natures Reserve Beef Brand.
- Developed a modern, international product range to grow market opportunity.
- The only company to position African Beef as a premium range within EU retailers.
- Moved customer base from 80% Middle Men/Traders to 80% End Users.
- 2011/12-Grew EU returns by 55% and EFTA by 73%.
- 2010/11-Grew RSA key product returns by 35%.
- 2011/12-Grew total RSA market returns by 25% and NCA plant by 33%.
- 2011/12-Reduced waste/write downs by 23% and stock days by 15 days increasing cash flow.
- 2011/12-Meatco paid the highest prices ever to Namibian Farmers, 18% up y-on-y.
- Meatco's cattle price to farmers was higher than Australia, Argentina, Brazil, Uruguay and New Zealand for a significant part of 2011/12.
- 2009/2012 Many new jobs created in Namibia in the value addition area of Meatco.



# Natures Reserve

## Natures Reserve Finest

Matured Namibian Beef



The official handover ceremony for the Coop Funded Communal Farmers Bolehole Project in Mabunza, May, 2012



Meatco Board members at Unido after securing grant funding for laboratory upgrades, July, 2011



Swedish retailer inspecting farms in Namibia, Sept 2011



Ethical sourcing team from major UK retailer visits the farmers to learn about production of African beef



Rosa Katjivena, Meatco Head of Technical speaking at Global Gap International Summit in October 2010



Clara Bohitile, Meatco Chair and senior team inspecting Natures Reserve products on sale at Norway's largest retailer, May 2011

# Natures Reserve



Examples of Natures Reserve Beef On Sale In 3 European Retail Outlets





# Botswana Meat Commission



# BMC & GPS Food Group (2012-2014)

- Develop new customer base and new markets
- Develop initial marketing plan, grow returns
- Supply distribution support in Lobaste
- Supply production planning function
- Train and establish new products and specification
- Supply support specialists as required

# Two most important questions?

**Who** might buy

beef from

Botswana?

&

**Why** buy beef

from Botswana ?





# EU Market - Demographics

European sector should better utilise the large European market



## Northwestern Europe

- 173 million consumers
- High welfare
- Added-value market
- Strong retail

## Northern Europe

- 20 million consumers
- High incomes
- Strong retail

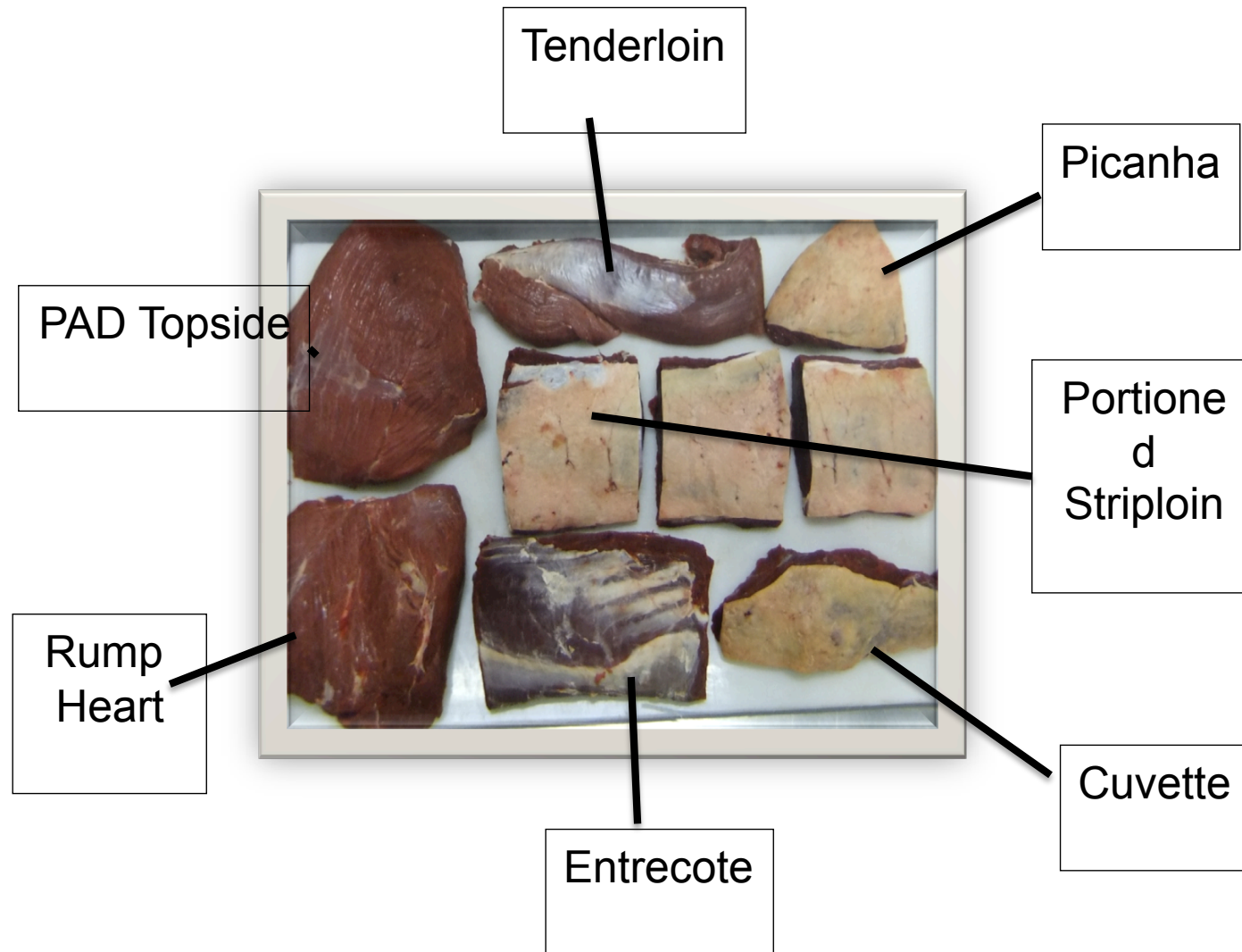
## Southern Europe

- 171 million consumers
- Traditional demand

## Middle and eastern Europe

- 120 million consumers
- Growing market
- Low labour costs

# More Market Focused Product Range



# Outputs

- Double + increase in returns from EFTA market
- Increased returns from EU market
  - Steaks 38%
  - Rounds 46%
  - Manufacturing 8%
- Increased returns from RSA market
  - Steaks 48%
  - Rounds 27%
  - B/In Beef 25%
  - Manufacturing 19%
- From a large loss in 2012 the BMC reported a profit of BWP 27.7m for 2013 (2013 annual report)

# BMC November 2014

- Branding BMC Botswana Beef will add value and this work is in train
- The BMC is a business in recovery from a very difficult period
- The business has improved significantly but is still recovering
- Key global exporting countries cattle prices have decreased since 2013
- BMC & GPS have achieved, in all markets, significant price increases both in 2013 and 2014
- In a two year period the BMC has moved to become more market focussed
- Cattle prices have improved and the commission has stabilised operations and outputs
- The BMC continues to improve and work to maximise benefit for the farming community of Botswana



# Multi Channel - V - Single Channel

- Producer price ~ Production Efficiency
- Brand Development ~ Market Realisations
- Scale ~ Commodity ~ Niche
- Market Maximisation

# Summary

- Global beef supply is in a tightening phase
- Global beef consumption is increasing
- Beef has many hurdles to jump to meet the requirements/standards for the premium returning markets/customers
- For Botswana, regional concerns add to these hurdles
- Meatco are proof that African Beef can stand shoulder – shoulder with global producers in terms of quality, systems and standards
- BMC are working to global best practice and the Commission and Farmers are already realising significant benefits from the work undertaken in the last 2 years

# Thank You

GPS FOOD GROUP

