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South African Beef Imports Expected to Remain Flat in 2018

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Livestock and Products

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Report Highlights:
Post estimates that South African beef imports will remain relatively flat at about 45,000 tons in 2018. Since emerging from the drought of the 2015/16 season, South Africa has been in the herd rebuilding phase. As a result, the domestic supply of beef declined in 2017. However, soft demand for beef has suppressed the growth of imports. In 2017, the United States exported beef and beef products to South Africa worth about $10.4 million, a substantial increase of almost 300 percent from 2016. However, due to the relatively weak consumer demand, U.S. exports are not expected to increase substantially in 2018.

Summary

The South African beef industry is characterized by dualism, where there is a well-developed commercial sector and an informal sector consisting of many communal subsistence farmers and a growing number of emerging farmers. About 60 percent of the estimated 13 million cattle herd in South Africa is owned by the commercial farmers while the emerging and communal farmers account for the remaining 40 percent.

South Africa experienced extreme drought in 2015 and 2016, leading to farmers liquidating their herds due to shortage of grazing pastures or high animal feed costs. However, a return to normal weather conditions in 2017 induced the herd rebuilding phase, which limited the amount of cattle available for slaughter. Therefore, Post estimates that beef production declined in 2017 to about 967,000 tons as farmers rebuilt their herds. Post forecasts a 4 percent increase in beef production to about 1.01 million tons in 2018 as more cattle become available for slaughter.

The limited supply of beef in 2017 resulted in relatively high beef prices, leading to more consumption of relatively affordable and alternative meat like chicken and pork. Post estimates that South African beef imports will remain relatively flat at about 45,000 tons carcass weight equivalent (cwe) in 2018 due to local soft demand for beef and the continued recovery of the South African beef production.

Cattle

Production

Post forecasts an increase of about 2 percent in the cattle herd, reaching about 13.2 million cattle in 2018. This increase is expected to be driven by the continued recovery of the cattle industry from the severe drought experienced in 2015 and 2016. The severe drought led to the South African cattle herd declining by about 8 percent to 13 million over the period of 2013 to 2017. The decline of about 2 percent in the national cattle herd in 2017 did not have a lasting impact because of the return to normal weather in 2016/2017 season, which induced farmers to rebuild their herds. South African primary livestock production depends mostly on the availability of fodder from natural grazing; therefore, the size of the herd correlates to rainfall. Feed conditions have improved following fairly good rains received during the 2017/18 season, so cattle numbers are expected to recover over the next two years as farmers continue rebuilding their herds.

In 2016, the South African Department of Agriculture, Forestry and Fisheries (DAFF) estimated the national cattle herd to be about 13.4 million, with more than 60 percent of the cattle located in the Eastern Cape, KwaZulu-Natal and Free State provinces (Figure 1). Beef production accounts for about 80 percent of the total national cattle herd, while the balance is for dairy production. About 60 percent of the South African national herd is owned by the commercial farmers and 40 percent by the emerging and communal farmers. Overall, there are about 35,000 commercial producers, 200,000 emerging farmers and 2 million communal farmers in South Africa. This unique composition of the South African beef industry complicates estimates and forecasts of beef production. Livestock production statistics for the subsistence or communal farming sector are often not readily available.

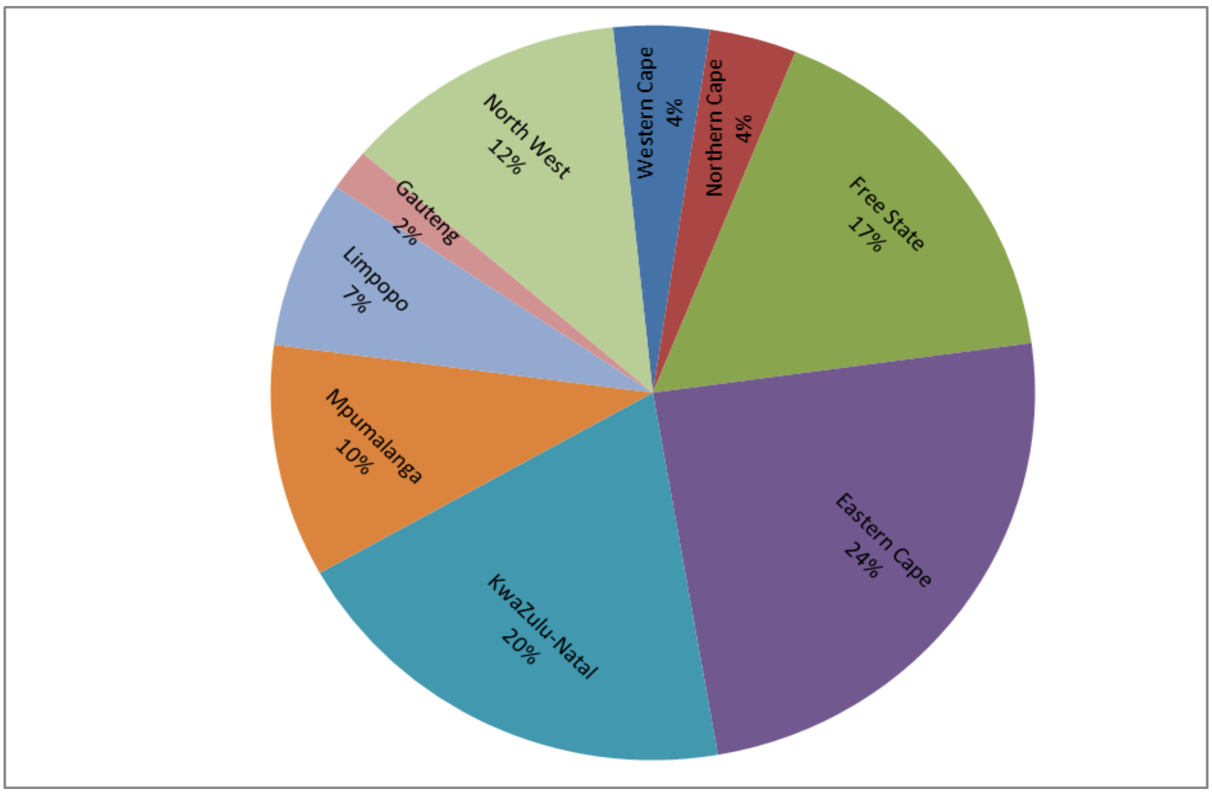

Figure 1: Percentage Contribution of Each Province to the National Cattle Herd
Source: DAFF

Slaughter

Post estimates that the number of cattle slaughtered in 2018 will increase by about 4 percent to 3.5 million cattle, due to the recovery in the market ready cattle driven by improved grazing conditions and relatively low animal feed costs. In 2017, the number of cattle slaughtered declined by about 12 percent to 3.3 million cattle as a result of the herd rebuilding phase that limited the number of cattle available for slaughter.

In 2016, South Africa slaughtered about 3.8 million cattle, representing an increase of about 33 percent in the number of cattle slaughtered since 2012 (Figure 2). This increase over the 4 year-period can be attributed to a number of factors, including the drought experienced by South Africa in 2015 and 2016, leading to farmers slaughtering more cattle due to shortage of grazing pastures and to high animal feed costs. At one point, farmers were slaughtering about 16,500 cattle per week, which is about three-fold the normal amount of slaughters per week. As noted by the Red Meat Producers Organization (RPO), 15 percent to 18 percent of the female stock was slaughtered during the drought.

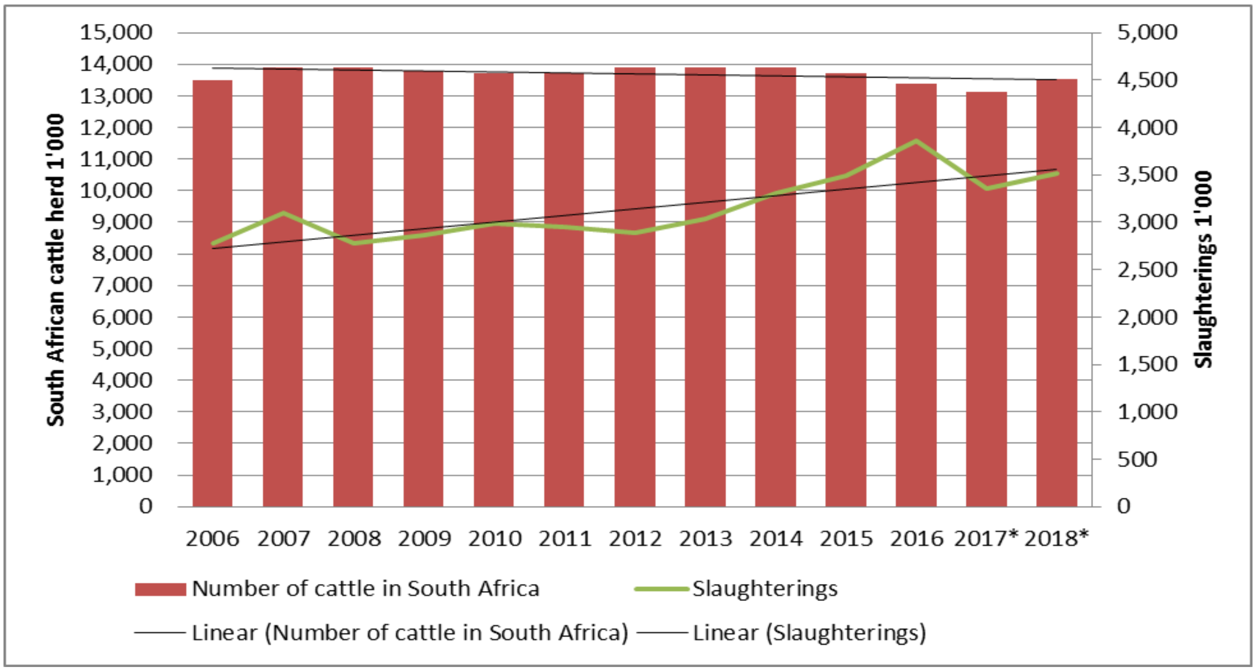

Figure 2: Number of Cattle Slaughtered in South Africa
Source: DAFF
*Estimates

Trade

Post estimates that South Africa's live cattle imports will increase by the annual average of about 4.5 percent, reaching 383,400 cattle in 2018. The demand for imported weaners is expected to slow down as compared to 2017 as the herd rebuilding phase nears its end. In 2017, cattle imports by South Africa increased significantly by about 72 percent to 366,900 cattle. This growth in the import of live cattle was driven by the herd rebuilding phase which created a demand for weaners. Most of the cattle imported by South Africa are weaners destined for feedlots. At least 75 percent of the beef produced in South Africa originates from feedlots. In 2016, South Africa imported about 213,400 live cattle, with Namibia accounting for about 99 percent of the South African live cattle imports.

Post estimates that South African live cattle exports will remain relatively flat (about 53,000 cattle) in 2018 as the farmers rebuild their herds. In 2017, South Africa exported about 52,000 live cattle, a 25 percent increase from 2016 levels. Lesotho, Mauritius and Zimbabwe had a combined share of about 84 percent of the South African live cattle exports in 2017.

Beef

Production

Even though South Africa accounts for only about 1.4 percent of the total world beef production, it is the largest beef producer in Africa. The South African beef industry is the country's second largest individual agricultural industry, boasting a gross value of about R33 billion ($2.6 billion) and contributing about 13 percent to the total gross value of agricultural products.

South African beef production has been on an upward trend for the past four years, driven mainly by growing export demand and the drought that led to farmers liquidating their herds. However, a return to normal weather conditions in 2017 induced a herd rebuilding phase, limiting the amount of cattle available for slaughter. Post estimates that beef production declined in 2017 to about 967,000 tons due to the herd rebuilding phase. Post forecasts a 4 percent increase in beef production in 2018 as more cattle become available for slaughter (Table 1).

Table 1: South African Beef Production Estimates

Beef Production	**2016**	**2017***	**2018***
Commercial '000	8,040	7,770	7,925
Off-take %	36	32	33
Slaughter '000	2,854	2,486	2,615
Cwe, kg	293	295	295
Production '000 tons	**836**	**733**	**772**
Emerging '000	5,360	5,180	5,284
Off-take %	18	17	17
Slaughter '000	965	881	898
Cwe, kg	264	265	265
Production '000 tons	**255**	**233**	**238**
Total			
Cattle '000	13,400	12,950	13,210
Off-take %	27	25	25
Slaughter '000	3,819	3,367	3,514
Cwe, kg	279	280	280
Production '000 tons	**1,090**	**967**	**1,010**

*Estimates

Even though 40 percent of South Africa's beef cattle are owned by emerging and subsistence farmers, it is the large commercial farmers that supply the majority of the animals slaughtered in South Africa. The off-take (percentage of cattle sold or slaughtered during a production cycle to the initial stock) from the commercial herd is higher than the one from the emerging and communal herd (Table 1). In addition, the commercial sector accounts for more than 75 percent of the total beef produced in South Africa.

Consumption
In South Africa, disposable incomes, population growth, dietary diversity and urbanization are some of the predominant factors affecting beef consumption. Demand for, and consumption of, beef is also affected by the prices of alternative protein such as chicken and pork. Chicken is the biggest competitor to beef consumption since chicken has been the most affordable meat in South Africa for the past decade. Meat consumption in South Africa has expanded rapidly over the past decade and while continued growth in meat consumption is projected in the coming decade, slower economic growth will result in slower consumption growth relative to the past. South Africa's economy is expected to grow by less than 2 percent in 2018, despite new leadership as structural and policy constraints still need to be sorted

Currently, the domestic demand for beef is soft because of the slowdown in economic growth, relatively high meat price inflation, and availability of alternative affordable sources of protein (pork and broiler meat). Although feed costs are relatively low, beef prices are relatively high due to the herd rebuilding phase that is limiting the supply of beef. As a result, Post estimates that beef consumption declined by about 10 percent to 960,000 tons in 2017. Post expects the consumption of beef to increase to a million tons in 2018 as local beef production is anticipated to recover in the corresponding year.

Table 2: Per Capita Consumption (kg) of Meat in South Africa

Year	Beef	Poultry meat	Pork	Mutton/lamb
2000	15.6	21.5	3.0	3.8
2001	12.7	21.5	2.6	3.6
2002	13.5	21.7	2.8	3.3
2003	14.2	22.7	3.2	3.2
2004	14.5	25.8	3.8	3.3
2005	15.5	31.2	3.9	3.6
2006	17.6	35.5	4.1	3.8
2007	18.3	37.3	4.4	4.3
2008	16.0	37.9	4.1	3.9
2009	16.1	37.8	4.1	3.7
2010	17.8	38.4	4.4	3.5
2011	17.6	39.9	4.6	3.1
2012	16.7	39.4	4.6	3.0
2013	17.4	39.4	4.7	3.3
2014	18.5	38.6	4.5	3.6
2015	19.0	39.6	4.7	3.6
2016	19.2	40.8	4.8	3.4
2017*	17.2	41.0	5.0	3.1

Source: DAFF
*Estimate

Trade
Imports
Post estimates that South African beef imports will remain relatively flat (about 45,000 tons cwe) in 2018 due to the recovery of local beef production and soft demand for beef which is suppressing the

growth of beef imports (Figure 3). Botswana and Namibia dominate South African beef imports, accounting for more than 83 percent of the South African beef imports since 2014.

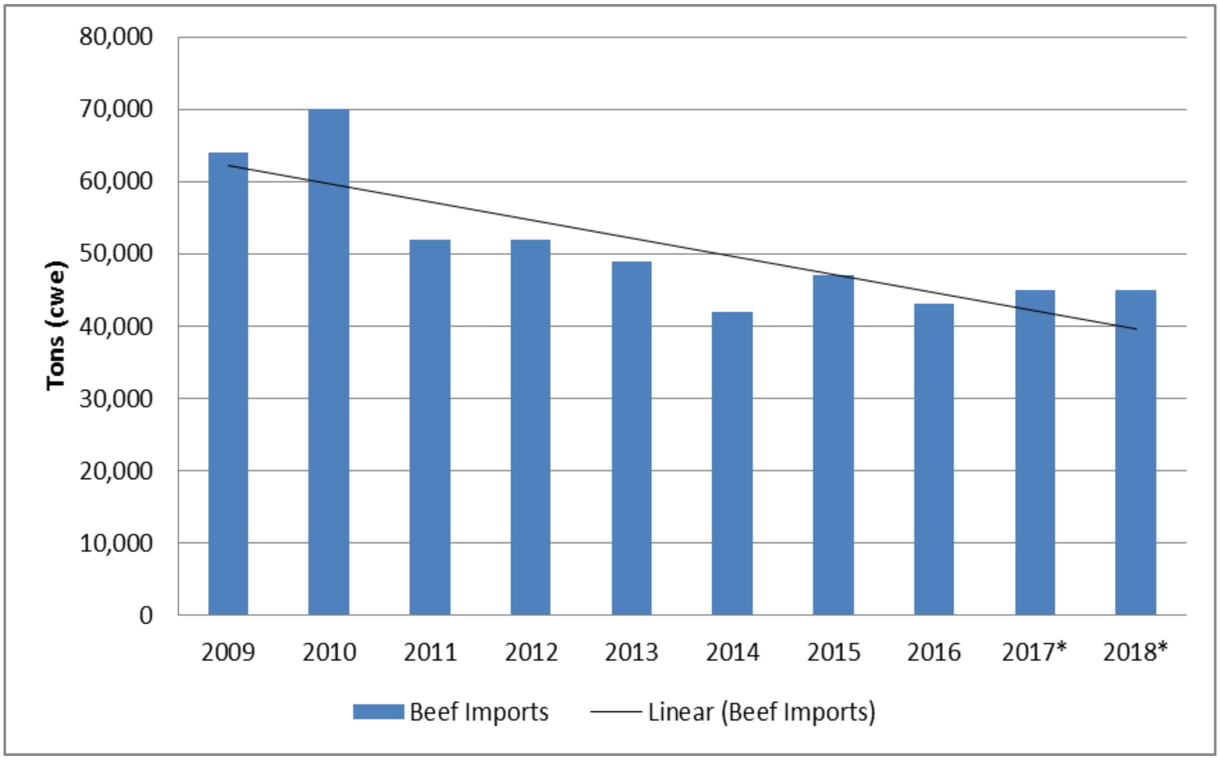

Figure 3: South Africa Beef Imports
Source: GTA
*Estimates

The United States obtained access to the South African market in 2016 after more than two years of negotiations. In 2017, the United States exported beef and beef products to South Africa worth about $10.4 million, a substantial increase of almost 300 percent from 2016. This is the highest levels of beef and beef products export from the United States to South Africa since 1970. Most of the United States beef and beef products exports to South Africa consist of livers of bovine animals (HS code: 020622). In 2017, the United States was the largest exporter of livers of bovine animals to South Africa, with a market share of 40 percent (Table 3).

Table 3: Major Exporters of Beef Offal to South Africa

Product	Trading Partner	2015 (tons)	% of total	2016 (tons)	% of total	2017 (tons)	% of total
Livers Of Bovine Animals, Edible, Frozen (HS code 020622)	Australia	9,907	62	8,233	47	8,225	29
	United States	0	0	3,379	19	11,374	40
	United Kingdom	2,636	16	2,364	14	1,803	6
	Ireland	1,515	9	1,595	9	1,852	7
	New Zealand	1,589	10	1,351	8	3,978	14
	Other countries	416	3	509	3	1,066	4
	Total	**16,063**	**100**	**17,431**	**100**	**28,298**	**100**
Offal Of Bovine Animals, Edible, Frozen (HS code 020629)	Australia	5,204	35	4,617	35	4,882	32
	New Zealand	2,696	18	1,876	14	2,109	14
	Argentina	1,098	8	1,811	14	1,881	12
	United Kingdom	864	6	1,208	9	1,762	12
	United States	0	0	720	6	1,321	9
	Other countries	4,844	33	2,955	22	3,198	21
	Total	**14,706**	**100**	**13,187**	**100**	**15,153**	**100**

Source: GTA

Exports

Post forecasts a 6 percent increase in the South African beef exports, reaching about 54,900 tons cwe in 2018. The growth in beef exports will be driven by the expected recovery of the beef industry after the 2015 and 2016 drought. This will signal a recovery from 2017 where beef exports from South Africa declined by about 16 percent to 51,800 tons cwe in 2017 (Table 4), due to the herd rebuilding phase that limited the number of cattle available for slaughter.

South African beef exports have increased significantly since 2014, driven mainly by the lifting of the Foot and Mouth Disease (FMD) export ban (please see, OIE Renews South Africa's FMD-Free Status or The current status of FMD control measures in South Africa), strong global demand, a weakening exchange rate and subdued local demand. The main markets for South African fresh or chilled beef include South Africa’s neighboring countries (Lesotho, Mozambique, and Swaziland) and the Middle East (Jordan, Kuwait and United Arab Emirates). On the other hand, South African frozen beef is mainly exported to Far East markets (Hong Kong, Vietnam), African markets (Angola, Lesotho and Mozambique), and the Middle East markets (Kuwait).

Table 4: South African Beef Exports

Country	2013 (tons cwe)	2014 (tons cwe)	2015 (tons cwe)	2016 tons cwe	2017) (tons cwe
United Arab Emirates	129	449	3,716	7,700	8,169
Vietnam	33	1,779	7,690	6,955	2,078
Mozambique	5,223	6,665	7,059	6,821	4,616
Kuwait	1,221	3,707	5,088	5,991	4,554
Jordan	2	1,971	5,375	5,415	3,569
Lesotho	1,289	6,549	3,759	4,932	5,791
Swaziland	1,527	6,502	5,765	4,591	4,329
Hong Kong	859	3,559	1,985	4,014	3,589
Namibia	417	2,332	42,130	2.934	3,158
Angola	1,366	1,422	1,527	2,282	1,728
Other countries	4,503	8,699	10,371	13,117	10,232
Total	**16,569**	**43,634**	**94,465**	**61,821**	**51,813**

Source: GTA

Meat, Beef and Veal	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
South Africa	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	3600	3820	3170	3367	3330	3510
Beginning Stocks	0	0	0	0	0	0
Production	1090	1090	960	967	1010	1010
Total Imports	40	43	45	45	45	45
Total Supply	1130	1133	1005	1012	1055	1055
Total Exports	62	62	55	52	55	55
Human Dom. Consumption	1068	1071	950	960	1000	1000
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1068	1071	950	960	1000	1000
Ending Stocks	0	0	0	0	0	0
Total Distribution	1130	1133	1005	1012	1055	1055
(1000 HEAD) ,(1000 MT CWE)						

Note: *Not Official USDA Data*