



RED MEAT PRODUCERS' ORGANISATION

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PRESS RELEASE

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DROUGHT: THE IMPACT ON THE RED MEAT INDUSTRY

Southern Africa is currently experiencing one of the most serious droughts in the past 20 years.

This countrywide drought follows after a very poor 2014 season in most parts of the country. Very limited planting has yet been possible in the summer rainfall areas and grain prices have already started to rise. At least six weeks of the growth of natural grazing has already been lost and crop residues will be limited during the coming winter. This means that the provision of grazing will already be under serious pressure in the coming winter, which will also have a dampening effect on herd building.

In KwaZulu-Natal alone, more than 40 000 cattle have died and serious losses of livestock is currently being experienced in the emerging sector country wide. Provision of water for livestock is now in a crisis situation because dams, marshes, springs, fountains, rivers and boreholes are drying up. New boreholes are drilled at high costs and with limited success. In some cases water is driven in - in some places as far as 15 km.

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In the heat conditions, cattle consume between 40 and 50 litres water per head per day, which renders the logistics of water supply very difficult.

Farmers have already scaled down to nucleus herds and high costs are being incurred for feed and water supply. The maize price has already risen with more than 40%. Even with normal rainfall figures, it will take commercial producers between three and four seasons to recover economically. It has a very negative impact on the 1,2 million households that own cattle, sheep and goats and it has a serious impact on income and food security.

Scenarios:

Scenario 1

If the drought is soon broken and we have normal rainfall for the rest of the season, the following is likely:

- The supply of slaughter sheep will decline because of herd building;
- Meat prices will increase on the medium and longer term, because farmers will build their herds after the drought. This will create a deficit on the supply side.

- The supply of weaner calves will decline because of herd building.
- The slaughtering of feedlot cattle will remain stable for the following few months because of the fact that the standing capacity of the feedlot industry is at this stage the highest ever with 560 000 units.
- The supply of C-grade beef (factory meat) will decline because of herd building, with the exception of milking cows, whose number will even decline further if the milk price rises substantially.

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- Weaner calf prices will be inclined to rise, but the high maize price shall dampen excessively higher jumps. Cattle and sheep prices will rise above the inflation rate.
- Lamb and calve percentages will be lower because female animals are in a poor condition, which will also result in a lower supply.

Scenario 2

If the drought persists, the following will be likely:

- More young female animals (substitute heifers) will in the short term end up in the feedlot and most likely be slaughtered, which can have an influence on calf percentage and thus supply, as well as on the price of weaner calves in the long term.
- Further emergency slaughters will take place in the short term, but supply will not rise drastically because herds are already diminished.
- Producers prices will in the short term be somewhat lower.
- In the long term, supply will seriously be under pressure with prices rising above the inflation rate.

- The consumer price of red meat will increase because of more expensive grain and feed prices and the impact of the lower supply of slaughter stock from farms. Grain and feed prices as well as input costs will drastically increase.

It is important that the consumers are aware of the fact that farmers do not sell meat, but live animals that first have to be fed. After that, the animals have to be slaughtered, processed and cut before the trade can offer it to consumers.

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The red meat industry has been identified as one of the most important agricultural industries in the National Agricultural Development Plan. This is due to the size of the industry as well as the fact that 1,2 million households in South Africa own livestock and are dependent on livestock for their livelihood. The serious losses in livestock that are currently being experienced, is an indication that timely aid could not be provided to the livestock sector. The red meat industry expresses its appreciation for the R220 million for emergency aid which has been appropriated by the Department of Agriculture, Forestry and Fisheries. An independent study however, has revealed that substantial aid in KwaZulu-Natal alone will amount to R740 million. The RPO is also very concerned about the animal welfare implications of the drought.

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