



National Diploma Plant/Animal Marketing Agri-Products

Handout 8 Red Meat Marketing

General domestic red meat market trends

Although the red meat industry is still one of the most important agricultural sub-sectors in South Africa, it has come under increased pressure following deregulation. This is mainly due to a declining per capita demand for red meat, increased competition from overseas producers, and changes in consumers' preferences. The dwindling per capita demand for red meat can be attributed to a decline in the per capita disposable income of South Africans. This, coupled with consumers becoming more health conscious, has meant the substitution of poultry for red meat.

Since 1994, red meat imports have increased substantially due to deregulation and South Africa's compliance with world trade liberalization rules, as set out in the Marrakesh agreement. This opened the South African red meat market to overseas producers who are, in most cases, heavily subsidised. Although the South African red meat industry is not yet as sensitive as the South African grain industry towards changes in, for example, prices on the international market, this situation is changing rapidly.

Domestic production trends

Figure 1 shows the South African cattle herd and the number of animals slaughtered annually since 1970. The commercial cattle herd comprises about 65 percent of the total cattle herd. Approximately 35 percent of all cattle in South Africa are owned by non-commercial farmers. Sixty-eight per cent of the commercial herd are female animals, of which the majority are suitable for meat production.

The composition of the national herd is not expected to change significantly in the future.

The main feature of Figure 1 is the cyclical trend in herd numbers. The primary contributor to this phenomenon is the climate.

Figure 1 shows that the beef industry is presently (end 2000) **moving out of herd-building into a herd-liquidation phase**. This entails an increase in the number of cattle slaughtered. The number of cattle slaughtered during 1999 was over 3,3 million. It is believed that the reduction in cattle numbers is also a reaction to:

- increased market uncertainty,
- limitations with regard to carrying capacity and
- economic considerations.

Since the deregulation process began in 1992, there has been a remarkable **increase in the number of cattle slaughtered in previously non-controlled areas**. This is a sign that marketers and producers are taking advantage of the free market system. The marketing of cattle in the **informal market is also expected to see enormous growth over the next few years**. This, however, poses a problem, as information about the operations of the market will become more difficult to obtain.

From Figure 2, it is clear that **imports from overseas have increased dramatically** since 1994. As soon as **domestic prices increase, so will imports**. This puts pressure on domestic prices to fall back to lower levels. This relationship between imports and domestic beef prices is believed to be one of the main beef price drivers for the future. Another important factor that will have an influence on the competitiveness of domestic producers is the depreciation of the Rand.

Another issue of importance is that although the EU was traditionally the major exporter of beef to South Africa, imports from countries such as Brazil and Argentina may also pose a threat to South African producers. The reason for this stems from the large decline in the exchange rate of these countries against the South African Rand, marketing imports more expensive.

The per capita consumption of red meat has declined since the early 1930's. This can be mainly attributed to decreasing or stagnating per capita disposable income, and the price advantage of poultry over red meat.

Price trends

Prices have declined, in real terms (e.g. the buying value of a Rand). It is important to note the anti-cyclical movements between real producer prices and per capita consumption. What is, however, of concern is the general downward trend in both of the variables shown in Figure 3.

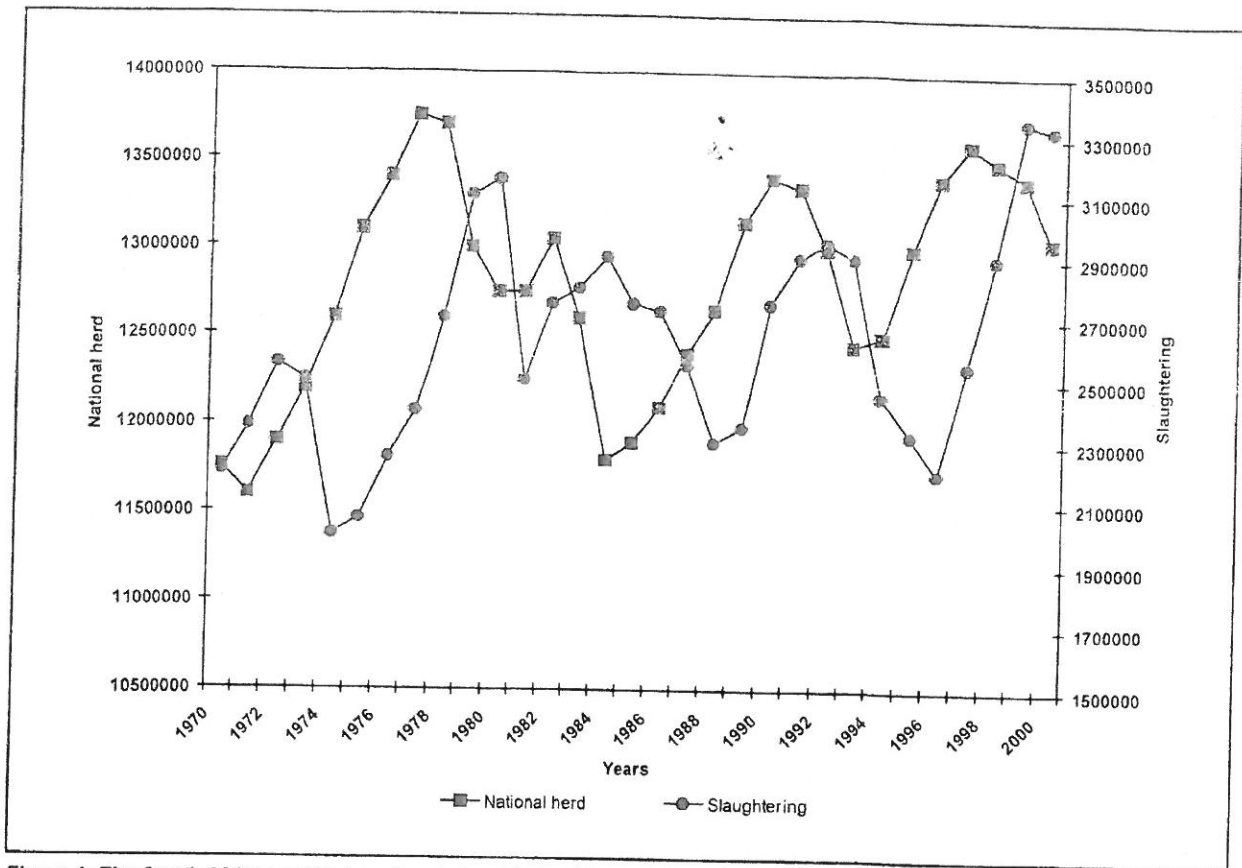


Figure 1: The South African cattle heard and slaughtering (1970 - 2000)

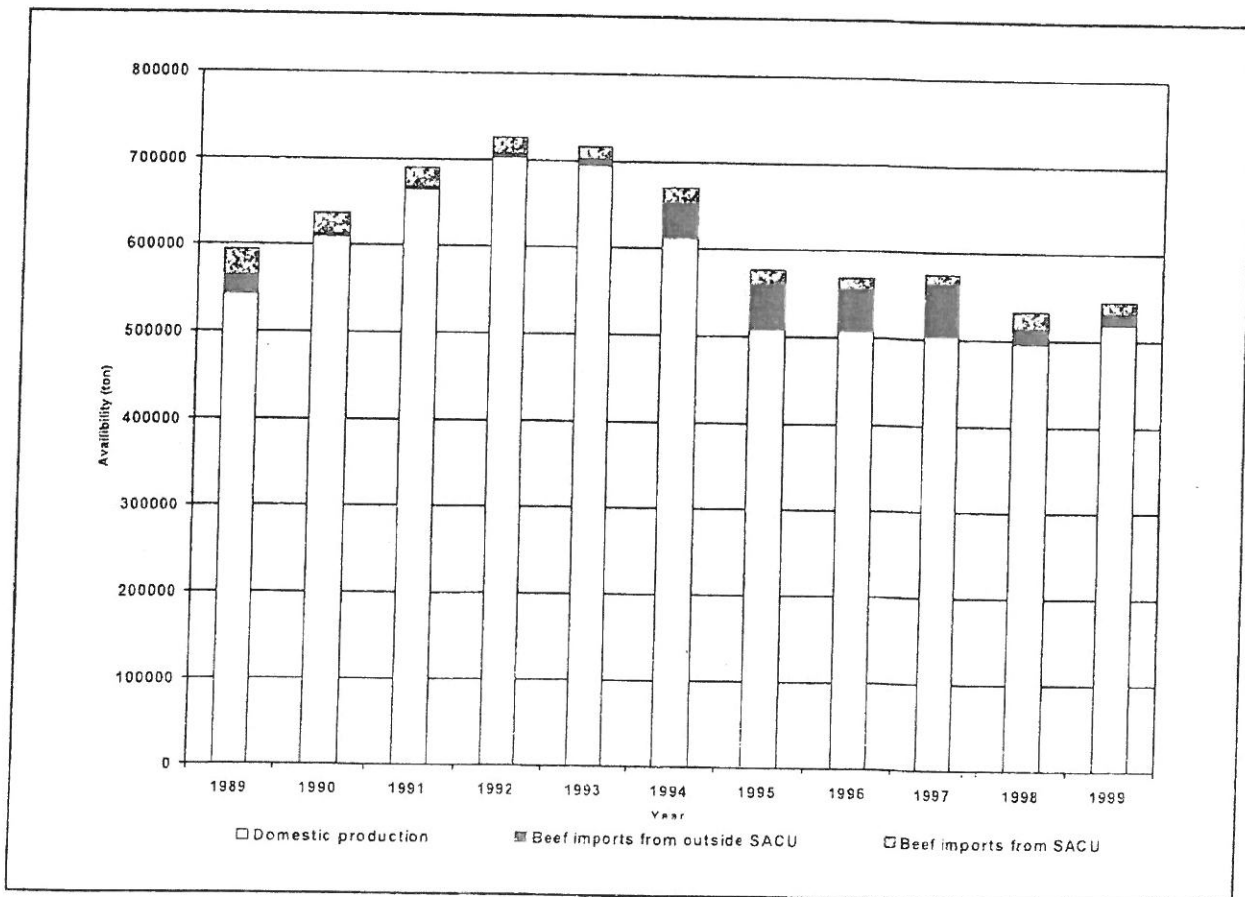


Figure 2: Availability of beef on the domestic market

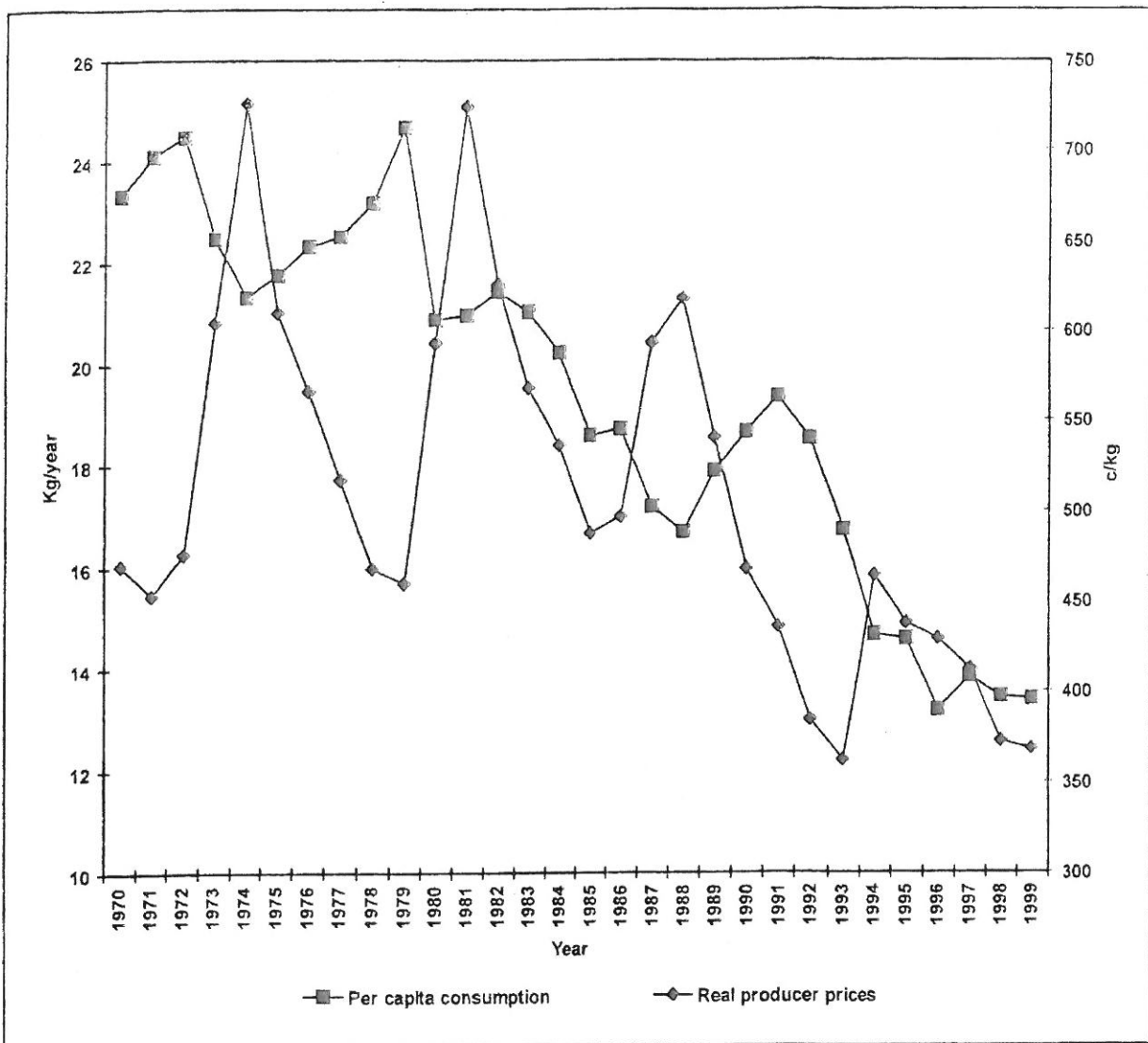


Figure 3: The relationship between the real beef producer price and per capita consumption

Problems and suggested solutions

This section will highlight the major livestock and meat marketing problems within the emerging red meat sector as expressed by the emerging red meat producers through NERPO. Proposed solutions to these problems will also be provided.

Livestock Marketing Problems

Unlike the established sector, livestock in the emerging sector are supplied by many small producers, who are located some distance away from the markets. Because producers are small and numerous, the marketing functions result in long channels of distribution and marketing. Small-scale producers have high marketing costs.

Marketing infrastructure is considered inadequate because of:

- The absence of infrastructure such as:
 - livestock auction sale pens,
 - loading and off-loading ramps and
 - road networks within the black communities. This normally results in high marketing costs due to distant sale points. Poor road networks discourage potential buyers to attend livestock auctions or sales.

- **Lack of institutional marketing arrangements.**
This includes the following problems:
 - lack of marketing agents/organisers,
 - lack of marketing information,
 - lack of value-adding activities within easy reach.
- Because the emerging sector is mostly found within the underdeveloped areas of South Africa, most of the **registered livestock agents are not keen to operate within these areas** due to:
 - poor road networks,
 - high crime rates and
 - low volumes and poor quality animals.

Challenges

Knowing and understanding local, regional and national livestock and meat prices, the livestock and meat grading system, seasonal price movements and areas of high/low demand and supply are crucial in livestock marketing. Because of low levels of literacy and distance from improved technology and communication systems, the majority of the emerging livestock farmers cannot access and understand market information.

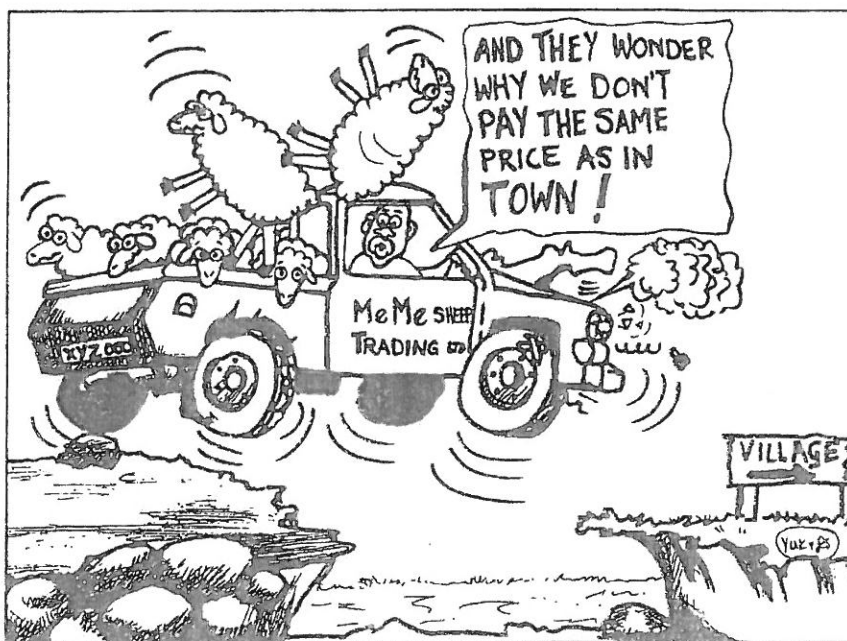
With regard to infrastructure development such as construction of sale pens, road networks, and communication technology which are normally Government responsibilities, the farmers are advised to use all lobby strategies to convince the Government about the need to improve marketing infrastructure.

The role of the private sector should be analysed.

Tips



- ✓ **The formation of livestock cooperatives or commodity groups** where farmers would work together to market their stock, could improve marketing opportunities considerably.
- ✓ **Extension services and other NGOs like Agri-Link** could be used to assist in connecting potential buyers with sellers in the absence of registered marketing agents.
- ✓ **Extension services** could be used in gathering and transferring relevant marketing information in a user-friendly manner to the emerging livestock farmers.
- ✓ **Commodity organisations, like NERPO, Livestock Marketing Cooperation and Extension Services** could also be used to support farmer education on livestock marketing issues.



Standards and grading

Application of standards and grading as the main factor in the price forming process

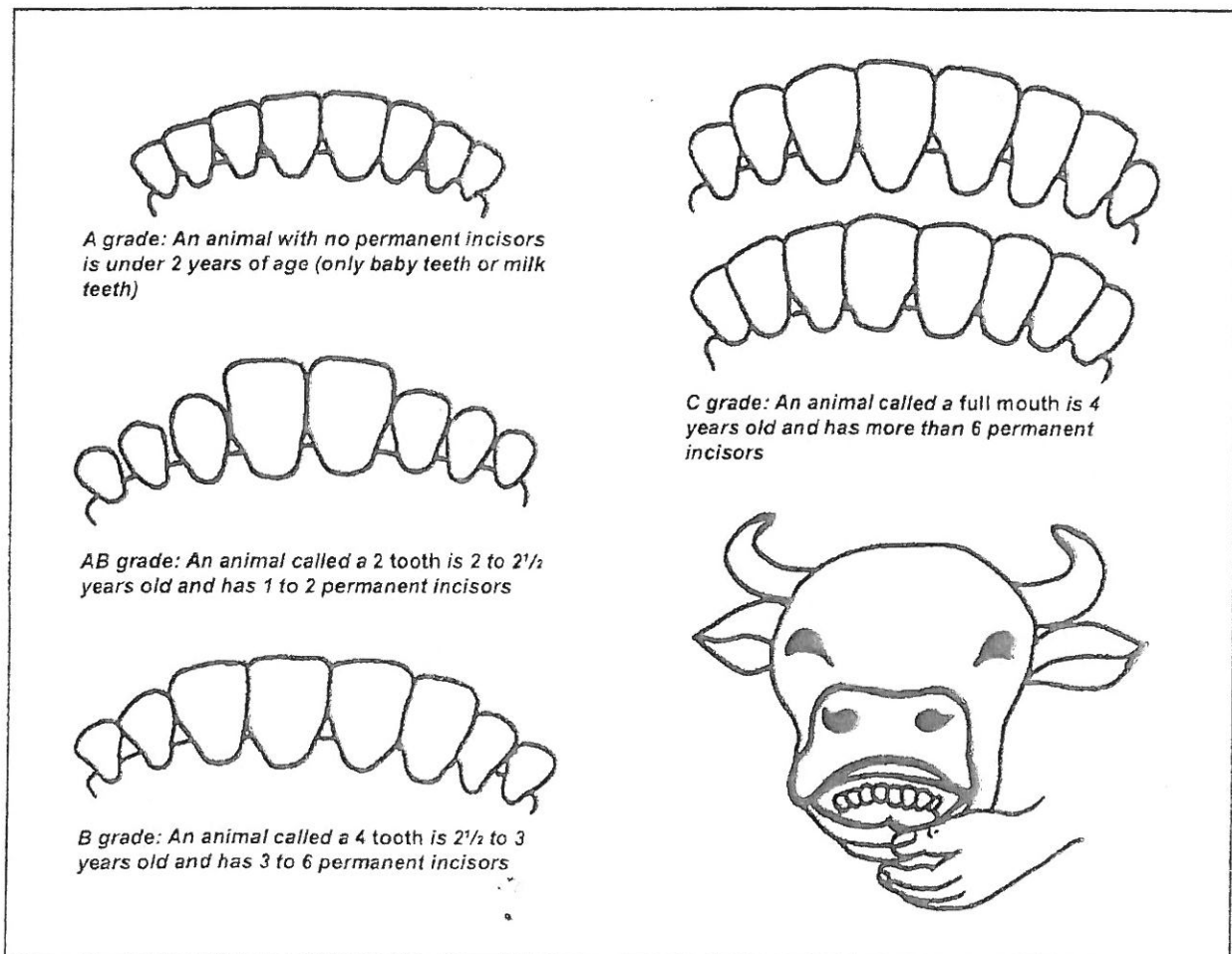
In order to promote, facilitate and perform marketing effectively the requirements with which products must comply are normally laid down by means of preestablished specifications. Manufactured products are standardized, while most agricultural products, including slaughter stock, cannot be produced strictly according to specifications, hence they are classified. The Agricultural Product Standards Act 1990, (Act No. 119 of 1990) and the Meat Safety Act 2000, (Act No. 40 of 2000) provide measures to maintain essential national quality standards and promote meat safety, respectively.

The main purpose of the Agricultural Product Standards Act of 1990 is to divide a heterogeneous product into homogenous **categories (classes)** on the basis of their characteristics, for the following reasons:

- To make it possible to buy by description instead of inspection.
- To facilitate the price-forming process and price reporting.
- To form the basis of marketing communication.
- To ensure that a safe product is made available to the consumer in an orderly fashion.

Quality and value are determined by the following physical characteristics of the animal to be marketed:

- Age.
- Fatness.
- Confirmation.
- Damage.
- Sex.
- State of health.



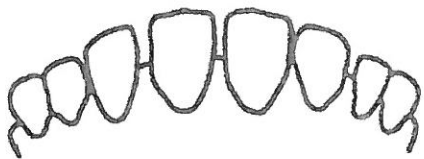
Estimating the age of cattle

Age

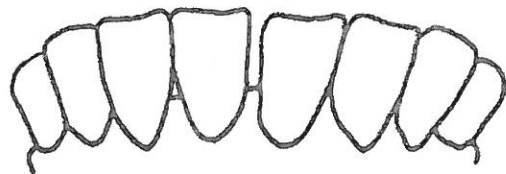
Age plays an important role in the choice to buy an animal because the meat of young animals is most tender. To determine how old an animal is, one looks at the number of its permanent teeth. In South Africa cattle and small stock are sorted according to the following four age groups:

- A: No permanent incisors.
- AB: One to two (1 to 2) permanent incisors.
- B: Three to six (3 to 6) permanent incisors.
- C: More than six permanent incisors.

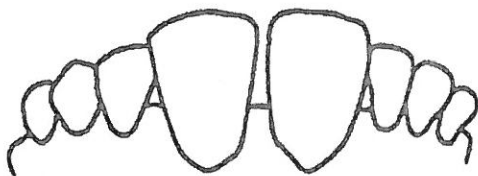
Based on the general consumer demands and preferences, the ideal age group of slaughter stock is A, AB and B grades.



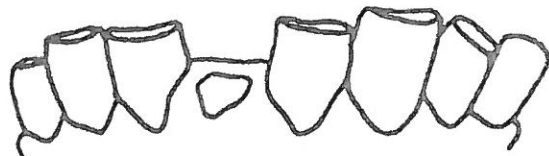
A grade: An animal with no permanent incisors is under 1 years of age (only baby teeth or milk teeth)



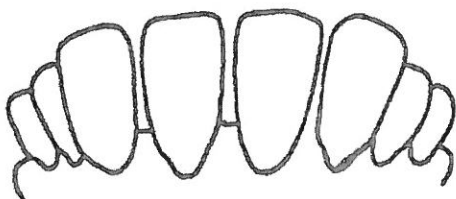
C grade: An animal called a full mouth is 2½ to 3 years old and has more than 6 permanent incisors



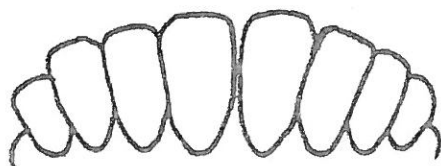
AB grade: An animal called a 2 tooth is 1 to 1½ years old and has 1 to 2 permanent incisors



C grade: Worn and broken teeth of an old animal



B grade: An animal called a 4 tooth is 2 years old and has 4 permanent incisors



B grade: An animal called a 6 tooth is 2½ years old and has 6 permanent incisors



Fatness

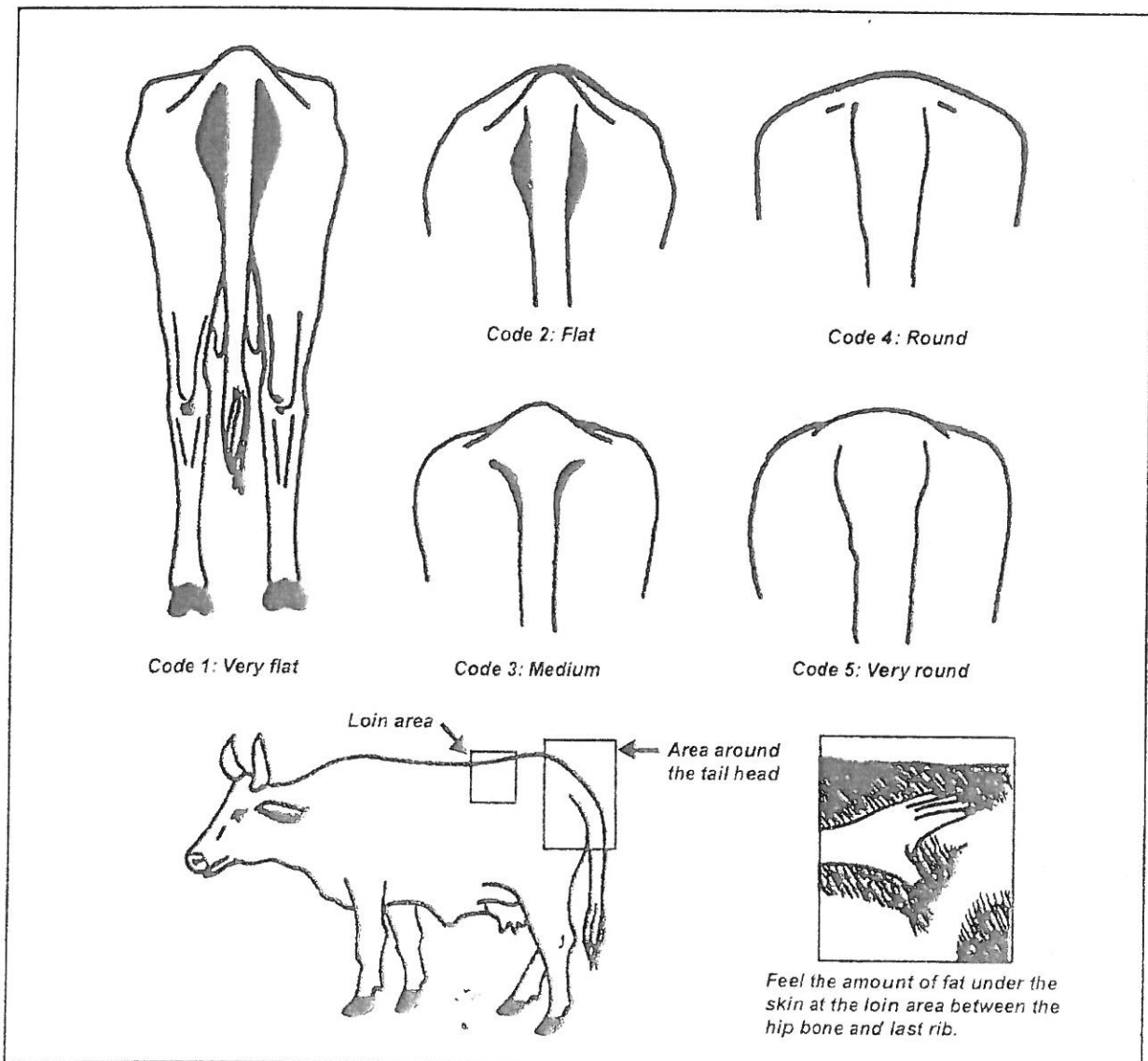
One decides on the fatness of beef, mutton/lamb or goat carcasses by visually judging how much fat is on the carcass. Usually carcasses that have more fat are more juicy and have more flavour to the meat than very thin or lean carcasses. The carcass is divided into a hindquarter, middle section and forequarter. (See Annex B.)

- If an animal has very little or no fat, the meat is called very lean and falls under the code 0 to 1.
- When an animal is not too lean or not too fat, the meat falls under the code 2, 3, 4.
- As soon as the animal carries too much fat, the meat will be classified, under code 5 (slightly over fat) and code 6 (excessively or very fat).

Confirmation

Confirmation is the way the carcass looks and describes the ratio between meat and bone. This is important when one selects animals for the market, for example, to supply the right size of retail cuts. Therefore, the customer prefers to buy cuts of code 3 to 5.

- Code 1: Very flat
- Code 2: Flat
- Code 3: Medium
- Code 4: Round
- Code 5: Very round



Estimating the fatness of cattle

Sex

Male animals that have been **castrated** are usually **sold for higher prices** than animals that have not been castrated. Not only is the meat of castrated animals better tasting, it is also fatter.

Damage

When **cattle are bruised** during handling or transport the producer can **lose a lot of money**. How much damage there is, will depend on the location and depth of the injury. If cattle or small stock carcasses are bruised, it will have an effect on the price when being sold.

For example, if the **fat to meat to bone balance** is

- slightly disturbed, the damage shall be classified as Class 1,
- moderately disturbed, damage shall be classified as Class 2,
- severely disturbed, damage shall be classified as Class 3.

Disease

Sick animals should not be marketed. The carcass of a **sick animal** is normally condemned and destroyed.

Specific marketing considerations for the emerging sector

Historically, and until recently the general economy of the African people in South Africa was not about money but about livestock. Hence livestock was and still are kept for the following purposes:

- Various animal traction activities, like ploughing.
- Milk production (fresh and sour milk).
- Breeding in order to get more animals (quantity).
- Use as gift items (Imigido).
- Use as a form of payment for various things, like fines during tribal courts, "Lobola", during African marriages and services rendered during harvesting time.
- Slaughter during traditional ceremonies.
- Use as the main measure of an individual's wealth.
- Household meat consumption only on specific days like Christmas or a visit by an important guest.
- Use as the main form or mechanism for exchange of goods and/or services (currency).
- Use as the form of investment/store of wealth.

Any **surplus stock offered for sale for cash** are **usually old animals** that can no longer be used for animal traction activities, breeding purposes or milk production. Slaughtering for traditional occasions also requires fat, fully-matured animals.

Tip:

Emerging livestock farmers should be advised to reconsider their reasons for keeping livestock and be further advised to sell through the formal market:

- ✓ *Animals which are between A and B grades.*
- ✓ *Animals that are not too lean or too fat.*
- ✓ *Castrated animals (steers).*
- ✓ *Healthy animals.*

Price formation

Before deregulation of the red meat industry, price formation in the formal markets was by carcass auction at the main metropolitan abattoirs. Here carcasses were sold physically by auction and prices were derived directly from these markets. **Currently only Maitland in Cape Town and Port Elizabeth Abattoirs still conduct carcass auctions.**

Currently, **price formation** is determined by market forces based on demand and supply. If the **supply is higher than demand**, the **producer price will decrease** and if the **demand is higher than supply** the **producer price will increase**. Hence prices fluctuate on a daily basis.

The following factors also affect the price of livestock:

- Availability and price of maize.
- Climate (rain, drought or fodder flows).
- Economy of the country.
- Imports of red or other meats.

Because of the seasonal variations in demand and supply, prices of livestock are normally high during the months of October to December and lowest during the months of January to March.

Carcasses are described according to their characteristics, for example those features that are important to the wholesaler, retailer and consumer when buying or selling their meat. Table 1 shows the average prices paid for the beef and small stock carcasses and live animals.

Table 1: The average prices paid for the following beef and small stock carcasses and live animals during the past three years have been as follows:

Beef: prices expressed in cents per kilogram								
Year	Grade A		Grade AB		Grade B		Grade C	
	Average price c/kg		Average price c/kg		Average price c/kg		Average price c/kg	
	Carcass	Live animal	Carcass	Live animal	Carcass	Live animal	Carcass	Live animal
1998	826,4	462,7	-	-	770,4	431,4	721,7	404,1
1999	871,9	488,3	809,3	453,2	789,2	442,0	727,7	407,3
2000	940,7	526,8	869,3	486,8	833,4	446,7	770,7	431,6

Beef: specifications for grades (permanent teeth, fat code, carcass mass)								
	Grade A		Grade AB		Grade B		Grade C	
	Teeth	No permanent teeth		1 to 2 permanent teeth		3 to 6 permanent teeth		+ 6 permanent teeth
Fat code	2-3		2-3		2-3		2-3	
Carcass mass	+200 kg		+ 200 kg		+ 220 kg		+ 220 kg	

Small stock: prices in cents per kilogram								
Year	Grade A		Grade AB		Grade B		Grade C	
	Average price		Average price		Average price		Average price	
	Carcass	Live animal	Carcass	Live animal	Carcass	Live animal	Carcass	Live animal
1998	1284,6	719,4	-	-	1122,3	628,5	942,2	527,6
1999	1300,0	728,0	1105,3	619,0	1056,6	592,0	962,3	538,9
2000	1472,7	824,7	1234,2	691,2	1172,6	657,0	1051,1	588,6

Small stock: specifications for grades (permanent teeth, fat code, carcass mass)								
	Grade A		Grade AB		Grade B		Grade C	
	Teeth	No permanent teeth		1 to 2 permanent teeth		3 to 6 permanent teeth		+ 6 permanent teeth
Fat code	2-3		2-3		2-3		2-3	
Carcass mass	13-18 kg		13-18 kg		+ 18 kg		+ 18 kg	

Produced from SAMIC statistics, December 2000 *

Challenges and opportunities for the emerging sector

With respect to the quality of livestock, the emerging sector is faced with a huge challenge. Based on the sector's general **quality of livestock and consumer demand and preferences**, emerging producers are currently not in a position to fetch the best possible price in the formal market because of the following reasons:

- **Age**
Animals offered to the market are of **mature age** and are normally **classified as C grade** which fetches the **lowest price per kilogram**.
- **Grade (Fatcode)**
Because of poor grazing, animals offered to the market are **very lean or excessively fat** and fetch the **lowest price per kilogram**.
- **Management practices**
Because of poor management practices, animals offered for sale are sometimes **neither castrated nor healthy**, hence they normally **fetch low price per kilogram**.

Summary

If the first commandment in marketing is "**know your customer**" then the second is "**know your product**". The quality of animals marketed by any farmer or group of farmers is a prime determinant of farm business growth rate and profits. Though the question of how to produce the best livestock for the best market is beyond the scope of this paper, the key point is that **the livestock production system should be able to create adequate market demand for the product**.

Target markets

The **producer/seller** of a **raw material product** sells his/her product (beef cattle, mutton sheep and meat goat) to the **consumer/buyer** through a specific **channel/flow**. The importance and role of the product in the marketing process was previously discussed. We now focus on the target market.

Selecting a target market

A target market is a group of customers (people or organizations) to whom the seller specifically intends to aim his or her marketing efforts. The **careful selection and accurate identification of target markets is essential** for the development of an effective marketing strategy. The following guidelines are normally used in market selection:

- **Match the market opportunity with your business resources.**
Smaller producers must avoid confronting market leaders. They should rather **focus on niche markets**.
- **Look for a market where the number of competitors are small and their size minimal**
A producer may enter a market that is already saturated with competition. Only if he has some overriding competitive advantage will he take customers away from existing suppliers.

Relevant examples of market selection

Example 1

Commercial goat producers of Southern Namibia have identified a **niche market in KwaZulu-Natal** because of the **Indian community**, which has a high **demand and preference for goat meat**.

Example 2

Commercial **goat and sheep** producers of the Little Karoo have identified a market **opportunity for grade C animals** in the **black communities of the former Ciskei and Transkei** during the **summer holidays**. The demand for goat and sheep slaughtering are normally extremely high during this period of the year.

Emerging goat producers of the Eastern Cape and KwaZulu-Natal could have an overriding competitive advantage to sell their goats to the above markets because of **lower transport costs**.

Market segmentation

Market segmentation is the process of dividing the total heterogeneous market for a product into several segments, each of which tends to be homogeneous in all significant aspects. An example of this, is the goat market within the Indian community of KwaZulu-Natal.

The first step is to divide the market into two broad categories: **ultimate consumers** and **business users**. The sole criteria for placement in one or the other of **these two categories is the customer's reasons for buying**.

- **Ultimate consumers** buy and/or use the product for their own **personal or household use** like any traditional feast or occasion. They are satisfying strictly nonbusiness wants and they constitute of what is called the "consumer market".
- **Business users** are business organizations that buy products to use in their own businesses to make **other products**. A feedlot, an abattoir, a meat processing factory and/ or a butchery are all examples of business users. The business users in total constitute the "business market".

The segmentation of markets into these two groups is extremely significant from a marketing point of view because **the two markets buy differently**. Consequently, the composition of a sellers' market mix (product, distribution, pricing, etc.) will depend upon whether it is directed towards the consumer market or business market.

Market requirements

Emerging producers who intend to focus on the business market will have to understand the following:

- Insistence of the product users on **adequate quantities of uniform quality** animals. Huge variations in breeds, age groups and fatness can cause considerable market loss for contractual buyers.
- Adequate quantities are as important as **good quality**.
- **Buyers** in the business market are usually quite **well informed** about what they are buying and the price they are prepared to pay.

Major channels of livestock marketing

In the red meat industry there are five possible channels that a farmer can use in marketing his livestock. These channels are fully described below.

Channel 1: Livestock marketing agents

Facilitators that render a service of **bringing together a buyer and a seller**, without them actually owning the livestock, but **actively assist in the transfer of ownership** from the producer to the next customer. Their activities include **arranging live auctions at regular times at strategic points**. Producers bring livestock to auction pens where transactions take place between buyers and sellers facilitated by the auctioneer. **Auctions are arranged by marketing agents on a commission basis**. Auctions play an important role in livestock marketing, and they are the **principal sales outlets for live animals**.

Auctions are performed by auctioneer companies, of which Vleissentraal, Stock Owners and Karoo Ochse are the largest. Sales of animals at auctions are done on the hoof. The basic functions of the auctioneer are:

- To advise buyers and sellers of auctions and to advertise his/her auction.
- To ensure that an auction takes place, and runs smoothly.
- To classify the stock on the hoof according to type, age, etc.
- To promote the attendance of buyers at respective auction points.
- To duly mark with paint the stock that has been sold.
- To see to the herding and loading of stock.
- To organise labour to help with selecting and heading off of cattle.
- To apply the laws governing the selling of live animals at auctions.

The auctioneer is entitled to a commission from the sale proceedings (paid by the seller or buyer). The success of **auctions depends on the number and type of animals and participation of buyers**. The different kinds of buyers are individuals buying for household use, butchers and speculators/agents. The livestock and meat-marketing agents operating in South Africa have an association called the South African Federation of Livestock Auctioneers and Meat Brokers (SAFLA – MB).

Agricultural cooperatives

A substantial number of agricultural cooperatives and companies are involved in livestock marketing, primarily acting as brokers or agents.

Transactions by means of liaison services

Agents bring buyers in touch with sellers on a commission basis. At these auctions the sellers are paid by the agent immediately or within five days.

Speculators

A number of speculators are active in South Africa. **Livestock are purchased by speculators** who take ownership and sell animals at a profit. In livestock marketing speculators occupy important positions. They **buy livestock directly from farmers** and also at auctions. Marketing transactions performed by speculators do not take place at a fixed place. They either take place at the farmer's house, local government offices or at the extension officer's place. When marketing animals through speculators, **farmers do not have marketing costs. Transportation costs**, the major costs involved in livestock marketing, are **incurred by the speculator**. The advantage enjoyed by speculators in this case is that there is **no commission charge involved. Prices are reached through negotiation.**

Speculators are perceived by farmers to be dishonest and to treat farmers badly. They are seen as employing a range of tricks in their effort to convince farmers to sell livestock to them, such that at the end farmers who desperately need money will let their animals go even though not satisfied with the price they are getting.

Channel 2: Feedlots

Extensive livestock producers have a second option of selling their animals **directly to feedlots**. South Africa has a well-established feedlot industry. There are currently about 60 commercial cattle feedlots and 10 sheep/lamb feedlots registered under the South African Feedlot Association (SAFA). These feedlots market their animals throughout the year, have a standing capacity of $\pm 320\ 000$ animals and slaughter around 70 percent of the commercial sector's annual 2 million cattle slaughtered at registered abattoirs. **Feedlots normally buy weaner calves with live mass of 230 kg** from extensive cattle farmers **and add 105 kg carcass mass through intensive feeding** of about 100 days, eventually slaughtering an animal at 215 kg carcass weight.

Channel 3: Abattoirs

South Africa has well-developed abattoir facilities at its disposal. The sizes of abattoirs vary from large to very small units. Some of the large abattoirs have until recently been controlled by a government parastatal called ABAKOR Ltd., which was sold to the public in October 2000.

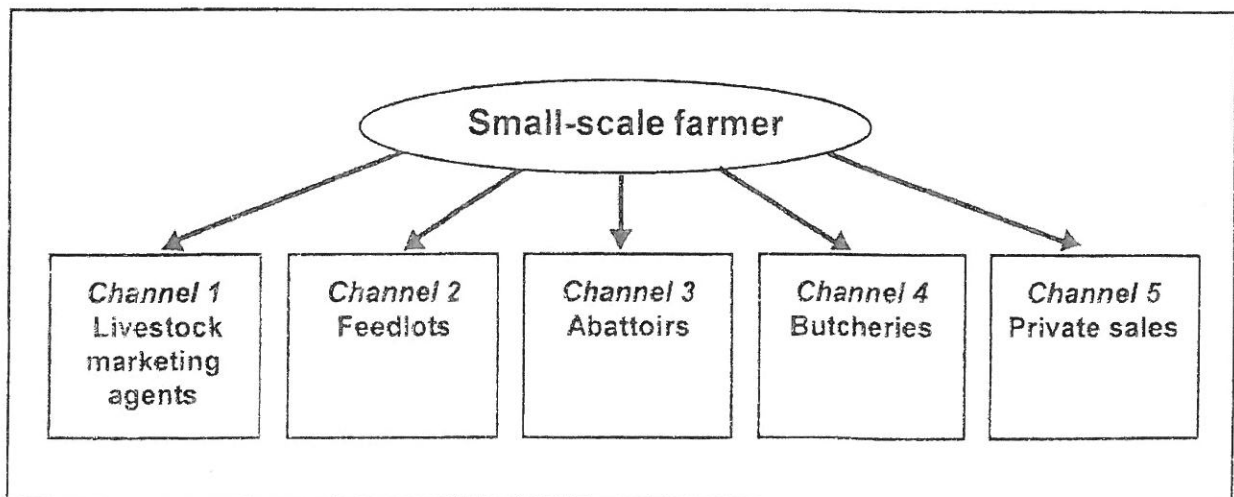


Figure: Major channels of livestock marketing

Visual aid 1

A significant number of abattoirs are operated as private ventures. These abattoirs differ in size and are located all over the country. Since deregulation of the South African red meat industry in 1993, a **rapid growth** in the number of **registered abattoirs** was experienced, namely from 330 in 1993 to 460 in 1999 and there are now more than 480 abattoirs nationwide. Total slaughter capacity at registered abattoirs currently is estimated at 16 500 slaughter units per day (one slaughter unit either equals one head of cattle, or 15 heads of small stock). It is also estimated that abattoirs nationally operate at about 60 percent capacity utilisation. During the regulated era the abattoir sector largely only offered a slaughter service. Since deregulation, the **abattoir sector fulfils an integrated wholesale function by buying animals on the hoof and directly selling carcasses and meat cuts to the retail sector.**

Carcass auctions are still held at two abattoirs. At these abattoirs buyers and sellers meet through the intervention of a marketing agent. The Red Meat Abattoir Association is currently the mouth piece of all its members.

Channel 4: Butchers

Another available option to farmers is to sell their stock directly to the butchers, which also play an important part in the marketing of cattle in developing regions. Butchers enhance the marketability of livestock by acting as buyers in their own right and by acting as buyers at auctions as well. **Good prices and farmers having a strong bargaining power** in determining the prices of their stock, are the main reasons for some farmers' satisfaction with sales to butchers.

Channel 5: Private sales

The **shortest, simplest, and the most popular option**, especially amongst smallholder livestock owners, is private sales **directly to the ultimate consumer**. This method occupies an important position in the livestock marketing arena of the emerging sector. Private sales include individuals buying livestock for different reasons. The most important are bartering and cash sales. Livestock are bought for slaughter, as an investment or social functions such as funerals, customary celebrations, weddings and religious celebrations.

Due to the important functions livestock perform in African societies, there exists a market for livestock amongst individuals and individual households. Private buying **is important to farmers as they are in a position to determine the prices for their animals**. Farmers **do not incur any marketing costs**. Private sales are therefore the cheapest and probably also the **simplest form of market outlet**. However, **demand is irregular with high demand during certain times of the year, like festive seasons**.

Factors affecting the selection of a marketing channel

The choice of marketing channels depends largely on the following factors:

- Availability of the market.
- Price offered in the market.
- Distance to the market.
- Potential or size of the market (bulk purchase).

Research has found that out of the five major channels described above, the **emerging producers generally prefer to sell their livestock through public auctions, organised by reliable auctioneer agents**. The main reasons for this preference are that:

- Public auctions are normally available at the right time.
- They normally pay reasonable prices which are market related.
- Stock can be sold in bulk.
- Social and economic relationships can be built.
- The farmer, if not satisfied with the price, has an option of returning his/her animals back without any penalty, except transport costs.

The **second preferred marketing outlet is informal sales** amongst community members, including butchers.

The main reasons for selection of this outlet is that:

- Prices are negotiated on a willing-buyer, willing-seller relationship.
- Convenience with no added costs like transport or commissions.

Abattoirs are not very popular marketing outlets within the emerging sector:

- Abattoirs are normally located some distance away from the producers.
- Payments are received a few days or sometimes weeks after the animal has been sold.
- There is a high risk factor of animals being condemned on the basis of health status.
- Price is based on the quality of the carcass, not the outward appearance of the animal.
- Many charges that reduce the price of the animal are levied.
- It is not economical to sell one or two animals as transport costs will be high.

Legal considerations

In terms of the Animal Health and Animal Identification Acts, **nobody may dispose of any animal through the formal market without his registered brand mark on the animal.** When purchasing livestock the buyer must obtain a valid identification certificate from the seller, this certificate must always accompany the animal being sold. For further details farmers must contact their nearest police stock theft unit branch.

A **veterinary stock movement permit** is also needed when livestock are moved from one area to another. This permit must accompany the animals. For further details on this farmers must contact the nearest state veterinary office.

General concluding comments

Consumers are increasingly becoming aware of issues such as feed additives, residue levels, and the use of **agro-chemicals**, as well as **animal welfare** matters linked to the various production and processing systems in the country. They are beginning to ask questions about the food on their plate, how and where it was produced and how it was processed. It is therefore **becoming very important to be able to positively trace the origin** of the animal or animal product.

Tracing the product to the farm of origin is compulsory in Europe. All imports of animals and animal products are subject to the same basic rules. Namibia and Zimbabwe have already introduced traceability systems as they have quotas under the Lomé agreement and exports of animal products to these countries may soon be subject to the rules of origin as well.

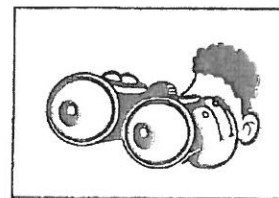
As the **need for information from the retailer grows**, there will be **increased pressure on producers to give assurances** that are closely linked to the origin of the product. These assurances need to be verified through a recognised system and it is here that the existing animal identification system can play a major role.

Used effectively and correctly, **traceability can become a powerful marketing aid.** It can be used to identify and **guarantee products such as grass-fed beef, feedlot beef, Karoo mutton and milk produced from pastures.** It can also be used to verify the **health status** of a herd and can be linked to issues such as residue levels in milk and milk products.

Using the total system as a management aid, breeders and producers will be able to identify differences within a breed with regard to meat quality and other traits.

According to *Pick 'n Pay's* national executive officer there is a **weekly demand of 2000 AB grade carcasses produced in a natural way.** On the packages of these meats the words "**country reared**" appear. To be part of this scheme producers must **register** their farms with a **study group of South African Natural Beef.** **Only meat that is free of growth stimulants, hormones and antibiotics are accepted.**

Focus points for the extension officer



What the extension officer needs to know

- The problems of livestock marketing for emerging farmers.
- The alternative marketing channels open to emerging farmers.
- Typical prices for livestock and what factors effect these prices.
- The grading and quality standards of livestock.
- The names and addresses of abattoirs, owners of feed lots, agents, auctioneers, transport companies, major producers and organizations like NERPO.

What the extension officer can do

- Mobilize farmers into livestock commodity groups. These commodity groups can be used to lobby local and provincial government to build auction pens, they can be used for training and capacity building, group marketing and transport.
- Guide a farmer when he starts grading his livestock.
- Provide regular information regarding various markets and prices.
- Link farmers with abattoirs, owners of feedlots, agents, auctioneers, transport companies, major producers commodity organizations and projects.

Strategies for the red meat producer

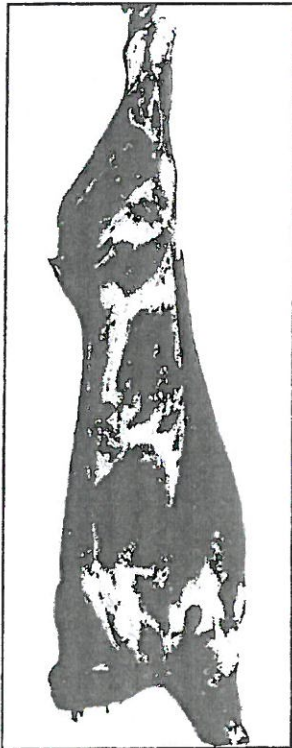
The following table gives a summary of the strategies for the red meat producer.

Market	Opportunity	Weakness
Link with the funeral undertakers.	This is a guaranteed weekend market for people who are capable of selling ± 10 animal units per week.	There must be a constant supply otherwise the market can easily be lost.
Organic Beef.	Increasing demand from consumers in developed countries and markets for beef that is raised entirely naturally.	Need proper accreditation and high quality meat for sale into luxury export markets.
Buy male calves from dairy farmers for feeding and sales.	Cheap to buy. Suitable strategy for producer with limited land. Opportunities to obtain high prices for male animals in the informal sector.	High level of management skills and commitment. Potentially high levels of mortality.
Supply to informal meat traders in Townships.	Grading is not a problem. Lower grades can fetch better prices because of consumer preferences.	Risk of meat hygiene.
Link with or own specific abattoirs.	Prices could be manipulated through supply of slaughter stock.	Requires high quality and safe meat.

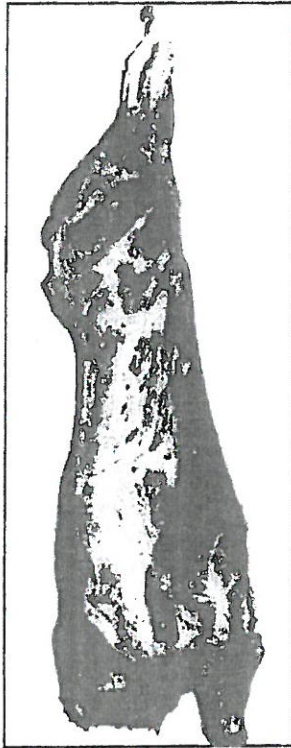
Other rural-based enterprises capable of supplying additional income for a small African farm.

Market	Opportunity	Weakness
Feedlots, abattoirs, meat and meat products for wholesaling and retailing.	Opportunities for added value in marketing chain and sales to Government organizations and major retailing chains.	Requires high levels of managerial and entrepreneurial skills.

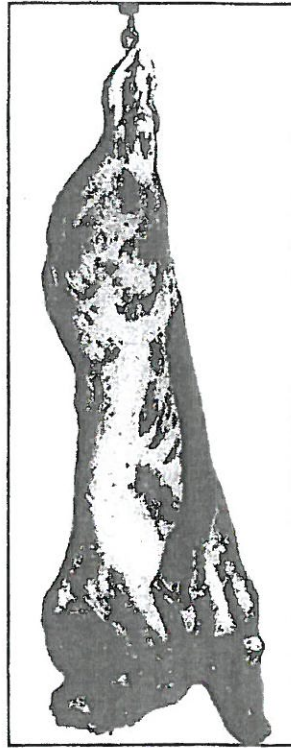
Fatcodes 0 to 6 (beef)



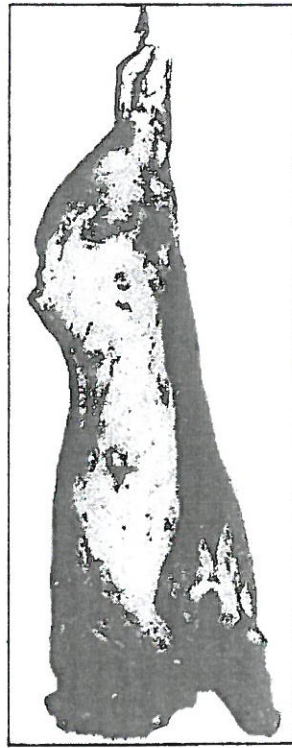
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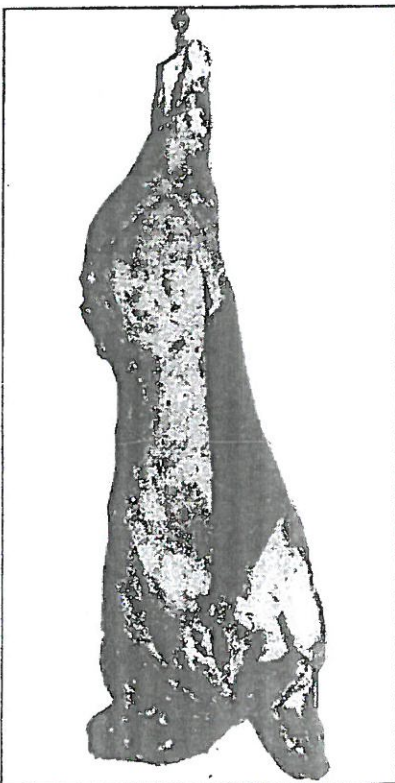
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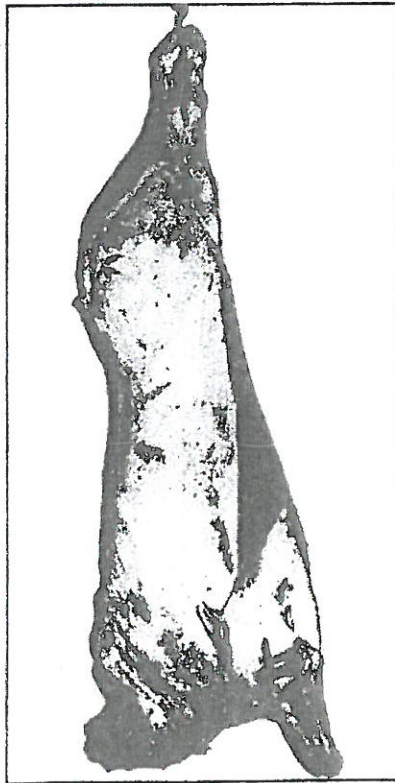
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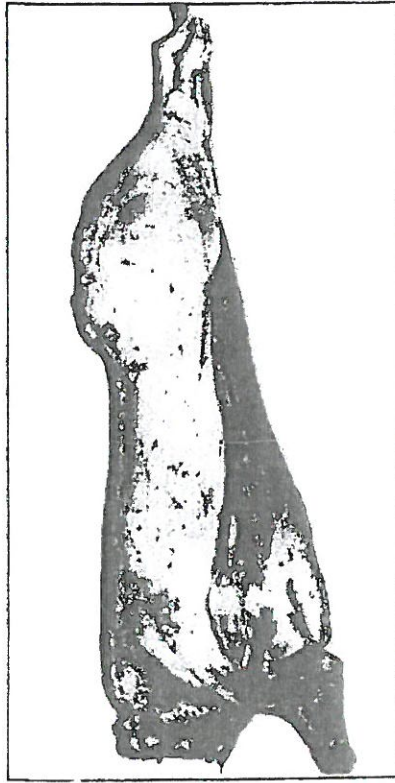
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