

Report on

Red Meat Industry Workshop

held in Pretoria on the 16th March 2017

on a desired future vision (DFP) for the Red Meat Industry

Note:-

A summary of the workshop outputs and findings gained during the day is contained in annexure A.

Executive summary of feedback of how we do things and what we should concentrate on:-

The aspects which according to the feedback provided are amongst the most important to address are:-

How we do things

- A healthy relationship between Government and Industry is required.
- The industry should work both harder and smarter towards transformation in agriculture.
- Industry and Government should form effective PPP (public private partnerships) to consistently deliver on vet services country wide.
- Inclusivity into the value chain and the opportunities, especially the previously excluded farmers.
- Government support for the industry should be significantly expanded and improved.

What to do

- The implementation of a world class trace-ability system.
- Focus on animal health, disease monitoring and an integrated approach thereto together with the Directorate of Vet Services.
- Industry research model focussed on a healthy and competitive future for the industry as a whole.
- Move from a commodity product to a differentiated quality product through the introduction of a red meat grading system alongside the existing carcass classification system.
- Development of both local and export markets.
- Consider a funding model to ensure ownership of our commonly desired future.

The deliberations of the day

Endorsed and supported by the Minister of Agriculture, more than a 100 participants representing the whole Red Meat Value Chain came together at the ARC headquarters in Hatfield, Pretoria to discuss, deliberate and participate in a workshop to work towards a desired future position for the Red Meat Industry. The workshop was facilitated by Mr Chris Klopper from Syntagm.

In his opening address, the Minister of Agriculture reiterated his support for the workshop and supported the move by the industry to find a way forward. He mentioned that government will support the initiatives that industry, in partnership with the department comes up with. He mentioned as an example that Government has recently assisted the livestock industry by getting export protocols in place to open the export market to China. The minister was excited about the potential contributions the Red Meat Industry can make to exports which will lead towards an improved trade balance and stressed that the future should include all stakeholders, including the communal farmer. The Minister referred to the good alignment between Operation Phakisa and the goals of the workshop.

A rising tide raises all boats was the theme of the address by task team member, Dr Michael Bradfield. He mentioned that the International Red Meat Industry is very competitive and only a team South Africa approach will work if we want to compete internationally. At Gull Foods, the world's largest trade fair held annually in Dubai, countries such as the USA, Australia, Ireland and even Egypt have a "team" approach to collectively market their Red Meat Industry. He said it would be a sad day if the industry could not work together for the benefit of the whole value chain. He also mentioned that it is time that the Industry takes ownership rather than continuously looking at government for funding.

Professor Norman Maiwashe, head of the ARC Animal Production Institute used the Genomics Program as an example and a process where Industry and Government collaborate and work together very successfully. The Red Meat Industry can benefit if it follows a similar model.

Don Heatley, previous chairman of Meat and Livestock Australia (MLA) used the MLA as an example of what can be achieved if industry can collaborate and fund itself. Twenty years ago, the Australian consumer was losing confidence in the product in terms of a good eating experience. Juiciness and flavor and animal health issues were a serious concern for both domestic and international consumers. However, as is the case in all industries significant funding is needed if you want to move an industry forward. In Australia a transactional levy is paid from all actors in the value chain every time ownership changes. The levy is currently five dollars per transaction for beef, and 2% of the sale price for sheep. This raises a total of over one hundred and twenty Australian dollars per annum of which ninety million dollars is used per annum for Research, Development (R&D) and marketing. The research component is matched equally by government. Mr Heatley says that without money their industry

would simply stagnate. For each dollar investment, the return on investment is approximately five dollars. He also mentioned that MLA is setup to be an independent body from the peak industry bodies (the peak bodies are the representative forums of the various value chain members). “Never mix the politics from peak industry bodies with the business” is advice that he reiterated numerous times. “Create a private, well-funded results-driven body and put the best commercially orientated people in place to work for this body” was his advice. The Peak industry bodies play an important overseeing role and are involved in defining the goals and desired outcomes”. In his time at MLA he oversaw the implementation of a National Traceability system, food assurance health system and Meat Standards Australia (MSA), a quality assurance system. Mr Heatley mentioned numerous times that he is not here to tell us what to do, but to simply reiterate his own experience of how he managed to assist Australia to move from the bottom of the pile to the top internationally.

Mr. Rico Basson, CEO of VinPro gave his perspective of how the wine industry has transformed with their project WISE (Wine industry Strategic Exercise) and it funds research, market access and development. VinPro is a producer organization promoting the interests of its members through initiatives such as Research and development, Black Economic Empowerment, strategic support and information transfer. The wine industry in South Africa has a “farmgate” turnover of R4.7 billion and raises nearly R100 million per annum with its statutory levy that represents 1.8% of turnover. Whilst South Africa has an excellent product in the wine industry it is still undervalued internationally. Rico’s message is that without funding, very little can be achieved. However, without a clear strategy it doesn’t matter how much resources you have because it is then never enough. If you don’t know how to use your resources, the money you raise will never be enough, he reiterated. He went on to say that the wine industry is prepared to take calculated risks, because without risks you cannot expect to make profit. The same can be said with change because without change, few opportunities will arise. We need change but we also need a plan that can be understood.

In his address to the workshop the CEO of Agbiz, Dr. John Purchase mentioned the importance of a whole value chain approach. Essentially value chains compete against one another across countries and continents in open competitive systems to provide food security. If you want to compete, you need a plan and you need funding. Dr Purchase also showed that export volumes of beef (frozen and fresh/chilled) have increased significantly since 2012 from 15 000 tons to nearly 40 000 tons in 2016, while the value of the beef exports increased from around R300 million to nearly R2.5 billion over the same period. This indicates the improved competitiveness of the industry and bodes well for improved market access and inclusive growth. In Dr Purchase’s opinion the key challenge will be to get a “big picture” buy in and a “whole sector” approach. This should and must be done for the industry to move forward. The focus should also be on the consumer, he mentioned. He concluded by saying that we have a healthy and robust industry but have greater potential

than what is currently being realized. The opportunities are a growing population, changing consumer spending trends and new markets, especially in Africa and the East.

Mr Dave Osborne, from Queenstown in the Eastern Cape, is the leading pork producer in South Africa and one of the largest beef producers in the country. Mr Osborne showed that the per capita consumption of beef, poultry, mutton and pork has remained reasonably static over the last five years. The statutory levy for pork is 0.5% of the annual turnover of R4.7 billion. Mr Osborne compared this to the Red Meat Industry that has an annual turnover of close to R30 billion but only has a statutory levee of 0.09% (i.e. less than 0.1 percent). For the beef industry to compete against other industries it needs a levy of at least R47 per animal in his opinion. This can also be extrapolated for sheep and goats. He believes that the pork industry is a lot more advanced in terms of its structures for bio-security and traceability and its National Quality Assurance Scheme is being widely adopted.

Prof Johan Willemse, consultant with Agrimark consultants and part of the Business School MBA program at the University of the Free State is of the opinion that the Red Meat Industry has allowed the product to become a commodity competing against other proteins on price. He feels strongly that the current classification system gives very little guidance to consumers in terms of eating quality. His opinion is also that we need to rethink and redesign the current industry structures. He would like to see a clear strategy moving forward. "Beef exports are stabilizing the South African market but we need a serious re-think of our own disease challenges, and seriously consider a voluntary traceability system to safeguard the domestic and future exports" he said. Whilst beef prices have increased markedly over the last few years, very little has happened in terms of product differentiation. In his opinion what is needed is a differentiated product, a clean, green and safe image and access to premium markets.

Dr. Moephuli, the CEO of the ARC, reminded the workshop that President Zuma utilized the ARC as venue to launch Operation Phakisa, which signifies the important role the ARC has to play in the Agricultural sector. The ARC remains committed to BGP (Beef Genomics Program) and is proud of the significant investment made by SA in the BTP (Biotech Platform) at Onderstepoort, which positions the ARC at the forefront of genetic technologies. The ARC is ready and able to work with the Livestock Industry towards accelerated growth, within the framework of greater participation of the communal farmer in an integrated value chain. Dr. Moephuli urged the Red Meat Industry to find and accommodate each other, to catch and capture the market together and to work together as one team SA towards greatness. Dr. Moephuli reiterated that the ARC Intergis system is designed to play a central role in the National Identification and Traceability System to be implemented. The ARC is committed to develop research and technical support capacity to meet the Livestock industry requirements.

Mr. Chris Klopper from Syntagm facilitated the workshop and the significant preparatory work that ensured the lead-up the workshop was scientifically based on the inputs from the

whole value chain. In his opening remarks, he mentioned that Strategy is a conversation about how the future may turn about to be and it is more a concourse (i.e. a process of coming together and merging) than a discourse (simply a verbal exchange of ideas). All industries require leadership, and leadership is the task of building a bridge from where we are to where we want to be i.e. a desired future position. The invitation to contribute was initially emailed to 633 individuals industry participants covering the whole value chain, of which 21% opened their emails and responded. To ensure complete “buy in” industry leaders representing the different value chain were personally contacted and requested to submit their application. All respondents were asked to express their desired future position. A second round went out to 715 contacts (30% opened their emails which is way above the industry norm). The participants were requested to rate the final 53 reduced future positions (after all duplicates were removed). Thereafter six clusters of concern, opinion and challenges were developed. The various clusters were divided into: a) the whole is bigger than the parts b) lets be sustainable c) do we even compete d) certainty going forward e) Public/Private partnerships and f) a “team South Africa approach”. Workshop participants were asked to join a discussion group with each group having its own moderator. The outcome from the discussion groups will be provided on the website within the next two weeks. All the presentations are also available on the website www.syntagm.co.za/rmi and feedback will be provided as and when it becomes available.

Finally, feedback provided by the group moderators and summarized by Thys Meyer, a beef producer and businessman and program director of the day was that there is overwhelming support from the workshop participants for an improved funding model that will allow the beef industry to compete with other industries and that will allow us to become internationally competitive. Clear indication was given that there is also overwhelming support for the strategy process to continue. The endorsement of the Red Meat Industry Forum (RMIF) whom has been supportive of the process to date will be sought.

The take home message is

- We need to be inclusive (i.e. all role players need to be part of the solution);
- The initiative enjoys Government support and the industry is willing to take hands with Government
- The industry is willing to take ownership of its own destination and believes it should fund its own future.

All it takes is leadership, a clear vision and a strategy towards implementation.

The task team has accepted the industry request to continue with the process and will together with the industry refine the Desired Future Position (DFP) and identify the suggested strategies, structures and action plans in order to become a recognized and respected world-class player.

Annexure A

Summary and findings of SA Red Meat Industry workshop outputs

Attendance

A total of 119 participants attended, with 92 participants who stayed for the duration and 84 of the 92 who successfully completed the questionnaire during the lunch break.

Participation by interest group

Field of interest	Primary interest	Secondary interest	Tertiary interest	Total
Commercial Farmer	19	12	7	38
Stud Industry	18	8	7	33
Feedlot	9	7	3	19
Abattoir	12	1	6	19
Veterinary/Animal Health	15	1	1	17
Emergent farmer	7	4	3	14
Livestock agent	2	3	3	8
Importer/exporter	1	2	5	8
Retail	1	2	4	7
Meat processor	1	2	2	5
Hides & Skins	1	3	1	5
None of above	6	2		8

Response to statements

- The participants were posed with 26 different statements and requested to rate each of those on both importance and industry performance.
- As expected they rated just about every one of the 26 as IMPORTANT.
- The average importance score is 4.27 out of a possible 5.
- In terms of current performance, the feedback is clear. The industry clearly does either BETTER than expected on some items or WORSE than expected on others.
- Both these ratings will be used to determine the best roadmap forward for the industry as a whole towards a desired future position of competitive advantage.

Confidence in the Industry future and support for continuation of strategic process

The following levels of confidence and support for continuation of the process were recorded:-

Field of interest	Total	Confidence in industry future	Support for continuation of Strategic Process
Commercial Farmer	38	78%	93%
Stud Industry	33	78%	94%
Feedlot	19	78%	92%
Abattoir	19	77%	94%

Next steps:- The task team will:-

- Act on the mandate to continue with this strategic process.
- Seek to expand the team with representation of all the primary producer structures and Government.
- Complete the analysis of the feedback received and report back to industry.
- Consult with all stakeholders in an inclusive process throughout; consultation will include lessons to be learnt from other Agri sectors that have progressed with similar objectives.
- Based on the analysis of the feedback the task team will develop strategic goals and action plans to execute the strategic roadmap.
- Seek approval from industry to implement the strategic roadmap.

Values

The task team has adapted the following values:-

- Respect.
- Inclusivity.
- Goal orientation.
- Transparency.

Acknowledgement:

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