



Hon. C.H.G. Schlettwein

Minister of Trade and Industry

Consultation with the red meat sector

Nampower Convention Centre

14 March 2013

10h00-13h00

Check against delivery

Director of ceremonies

Hon. Tjikero Tweya, Deputy Minister of Trade and Industry

Esteemed invited guests in the red meat sector and sector role players

Members of the media

Thank you for accepting our invitation to this meeting which is designed as a consultation with the producers, processors, exporters and regulators of the red meat and other institutions with a mandate to help the sector to grow.

My starting point for this consultation with the red meat sector – and the same for every other sector - is that Namibia's economic growth needs to be accelerated to deliver equitable benefits to the whole of society and reduce income inequality, and I want to consult this sector how we could jointly achieve this.

Our attainment of Vision 2030 and NDP4 goals will require closer cooperation between private and public sectors than ever before, and also a new and stronger role for Government as enabler, facilitator and initiator.

Agricultural production and agro-processing, including the red meat sector, play vital roles in rural development, employment in rural areas, and de-concentrating economic activity away from urban centres. Agricultural production and agro-processing are thus recognized as a fundamentally important and strategic economic sector in Namibia, as also stated in NDP4 and Vision 2030.

Agricultural production is foreseen to be the basis of future industrialization in Namibia. In almost every other example where countries achieved a high degree of industrialization, it started with agriculture, e.g. USA, EU, Korea. Agricultural production and agro-processing are therefore recognized as key pillars in Namibia's industrial policy.

Government has recognized that there needs to be a coherent legal and policy framework to achieve optimal growth and sustainability of the sector, requiring that duplications, bottlenecks, inefficiencies and other constraints be identified and removed urgently, and that unused potential be used in full.

It is nevertheless important to be aware that policy space to support domestic industry, production and exports is under pressure through globalization (including measures developed in the WTO which could have been intended to limit the extent to which industrialized economies could distort markets through subsidies) and market access arrangements (e.g. SACU, SADC, EPA). We also see objection from importers (e.g. against infant industry protection).

Government resources to support any one sector are limited and need to be used at maximum efficiency within an effective monitoring framework, and need to be matched by private sector investment. We also need to recognize that there is a high risk that Government intervention may stifle competitiveness, thus support mechanisms must be reversible and performance based. Ultimately we want to see the consumers benefit as a result of our interventions and we expect industry to pass on the benefits of efficiency gains to consumers.

It is also very important when allocating resources that the largest possible number of Namibians should participate or have access to the industry or benefits from the industry in order for the industry to maintain priority support from Government

There is thus a great need for both Government and sector to better understand each other's objectives and constraints and to forge a collective approach to achieve mutual benefit.

In considering the features of the red meat sector (and in broader terms the agriculture sector as a whole), I believe that we have significant accomplishments in the red meat sector and important comparative advantages. For example:

- a) We have this enormous free range production system;
- b) We have a very low incidence of animal disease;
- c) We have access to some of the highest value niche markets and we are located between two large and growing economies which also could absorb almost everything we could produce;
- d) We have in depth knowledge and skills in the management of herds, pasture and production and marketing systems;
- e) We have significant investment in processing, technology and infrastructure;
- f) We have truly excellent products, of world class quality, especially some of our processed meat products. Equally, our lamb, beef, goat, pork and game meat are clearly the best of the best; and
- g) We have put to good use some of our own genetic material, especially with karakul or swakara sheep.

These are good building blocks on which further growth could be based. There are also risks and threats which could erode the potential for further growth. The sector appears to be vulnerable to many external factors, such as:

- a) unpredictable rainfall, e.g. the looming drought this year;
- b) relatively rapid ecosystem responses to poor management (e.g. bush encroachment, loss of perennial grass cover, reduced productivity);
- c) unpredictable input costs transport, due to feed and other input costs indirectly or directly depending on international commodity prices;
- d) efficiency of animal disease control, prevention and traceability systems
- e) “behind-the-border” measures (technical barriers to trade = TBTs) geared at protecting domestic industry or consumer protection;
- f) subsidy levels given to competitors;
- g) market access given to competitors (thus preference erosion, e.g. EU negotiating free trade agreements with the USA, possibly Mercosur);
- h) competition from both highly industrialized economies and developing countries, including neighbouring countries (everyone can produce cattle/sheep/goats, everyone is interested in the same markets);
- i) limitations on volumes that can be produced as the basis for niche marketing;

- j) inherent risks of dependence on limited range of markets (only EU (mostly only UK), Norway, SA, virtually no marketing in rest of Europe, SADC, Switzerland (as another EFTA member), Asia, the Americas or the Middle East; and
- k) growing pressure (especially in export markets) on verifiable ecological and social sustainability of entire value chains.

It also seems as if the sector is highly dependent, perhaps over-dependent in some cases, on:

- a) preferential access to export markets (e.g. duty free access into SA market through SACU; limited quotas under SACU-EFTA linked bilateral agricultural agreement);
- b) unilateral preferential access to export markets such as Norway through GSP system (which is annually announced in the budget speech in Norway) and the EU (based on the unilateral EC market access regulation set to expire on 1 January 2014);
- c) efficiency of getting perishable product to market;
- d) affordable land, labour and financing;
- e) new investment in technology and infrastructure; and
- f) external perceptions of reliability in export markets and thus ongoing recognition of the high quality and value of Namibian products.

From our perspective, it may also be that the sector may not be operating at full potential, because:

- a) limited marketing options are used, requiring specific investment in a particular market at the cost of flexibility;
- b) a large fraction of national production is exported on the hoof (or in carcass form) with no or limited value addition;
- c) a large portion of the national herd (north of red line) cannot be exported to high value markets without incurring further costs (e.g. quarantine, processing);
- d) export products mostly do not achieve high value brand differentiation in end-user markets (examples could be Namibian beef in the South African market, almost all lamb exports, all goat exports, but noting that the hindquarters beef cuts and some branded processed products exported to Norway and SA are exceptions);
- e) a limited range of value-added products is produced (some of relatively low value e.g. canned corned beef, some of high value such as salamis and various processed meats, but the range is still far too limited);
- f) inadequate horizontal linkages with other industries such as the tanneries;
- g) inadequate investment in new technology that could lead to entirely new products being developed;
- h) the largest fraction of producers operate at small scale and the marketing system may not necessarily have been designed to meet the needs of small producers;
- i) conflicting interests in the sector, e.g. maximizing prices through live exports vs local processing;

- j) sub-optimal use of local genetic diversity (e.g. Sangha breed, local sheep (e.g. Damara, Gellap and goat breeds) with perhaps the exception of Swakara sheep; and
- k) consumer concerns about what can be encountered in our domestic market, both in terms of quality, origin, contents and standards (why do we have to import items such as boerewors from South Africa?)

I would very much like to hear your views on these issues and how we could address them. To facilitate our discussion, I have identified three further specific subjects around which we could focus, namely:

- a) improving red meat value chains in Namibia;
- b) improving current and future export marketing; and
- c) ensuring compliance with standards.

All three items are of huge importance and could be the basis of how we could structure future engagement with the sector, and narrow down our focus to potentially the most important areas.

Finally, as a last item I hope we could consider as a way forward how we could maintain dialogue and consultation, build common understanding and common objectives, and jointly develop solutions towards industrialization and trade. In this, we would need to guard against creating a new layer of mechanisms or institutions, although it may be necessary to reconfigure to achieve focus on the specific issues that relate to the mandate of the Ministry of Trade and Industry.

I thank you