

Creating a Niche Market in the Beef Industry

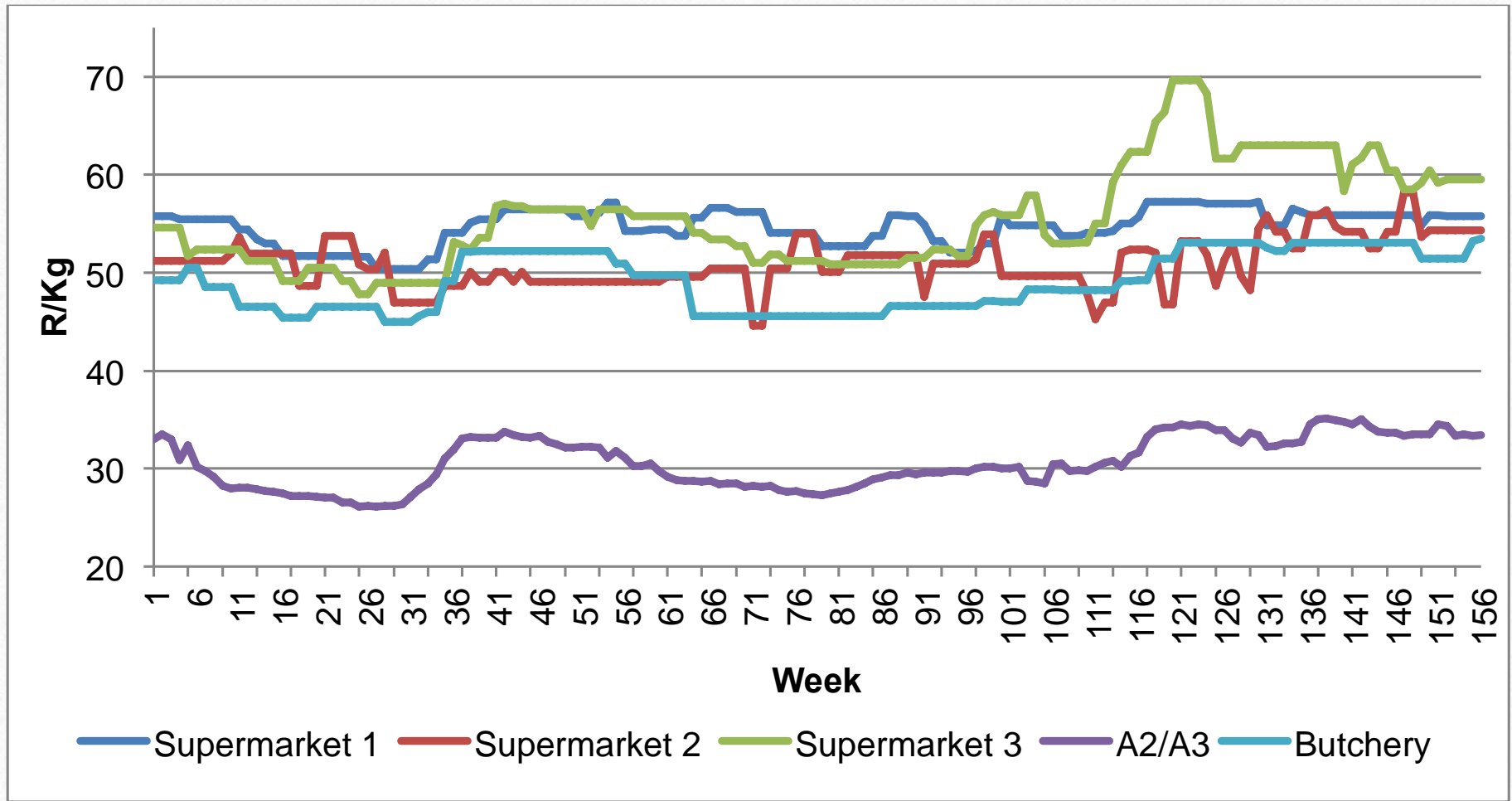
Lincoln Farm Komga

12 August 2016

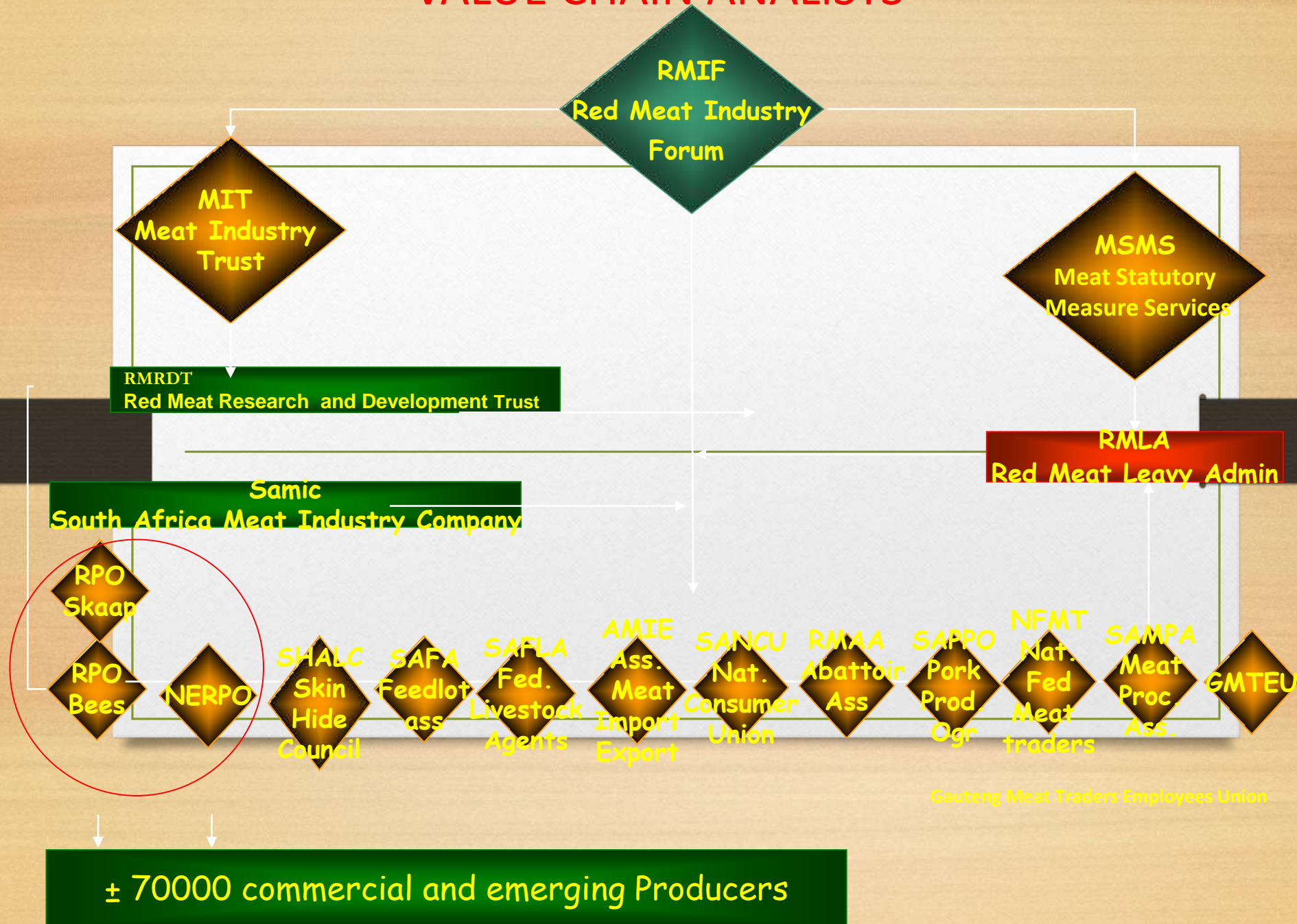
Pieter Prinsloo

Price Transmission

- Study from UOVS Dept. Agric Economics
- Keep in mind:
 - * Input and processing cost, perishable product, menu cost, differences in markets, no price fixing
 - * Producer price up: 2-3 weeks response in consumer price
 - * Producer price down: response mostly in first two weeks, thereafter up to 8 weeks or never

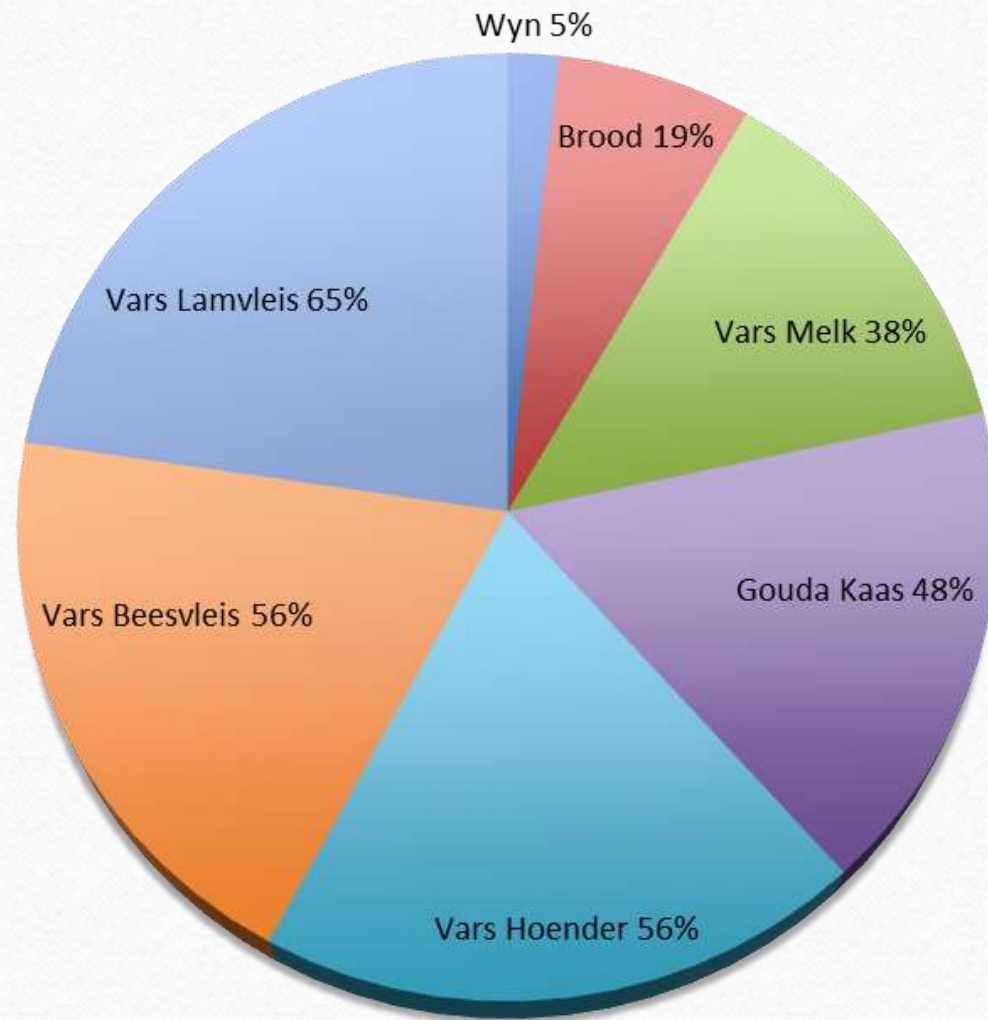


VALUE CHAIN ANALISYS



Producer Value of Consumer Rand

- **Wine 5%**
- **Bread 19%**
- **Fresh Milk 38%**
- **Chicken 56%**
- **Beef 56%**
- **Lamb 65%**



Fifth Quarter

* Hides: 9 – 13% of carcass weight @ R14/kg

* “Afval”: R1/kg carcass weight

* Skins: Sells/skin – long wool price down from R150/p to R90/p

Dorper down from R100/p to R20/p

(Due to political unrest in Europe and Middle East)

* “Afval”: R2/kg carcass weight. Up to R90/kg cleaned. Price sensitive in warm summer months.

Slaughter Percentage

- **Cattle: 40-60% Conformation 2 Females low, well fed Conformation 5 Bulls and Oxen high**
- **Sheep: 42-52% Old Ewes low and Lamb high**
- **Pigs: 75% all three categories**
- **Chicken: 80%, lower for old laying Hens, higher for Broilers**

Weight Loss in Carcass

- The higher the fat thickness the lower the weight loss
- Abattoirs average 3% deduction
- Depends on hanging time at Abattoir
- Negotiable

Export Opportunities

- Disease Control
- Conducive Environment
- Value Chain Round Table
- Producer to find own markets
- **Move beyond farm gate!**

Market Development, Consumerism and Trade

- Consumer more sophisticated



- Story food

- Consumers are skeptic towards the use of growth hormones, beta-agonists and antibiotics

- Free range / grain fed / grass fed

- 26 Brands that are audited



Type of Brands (Quality Indicators)

- Large Brand

- *Consistency *Volume *Year round supply *Cut diversity *Farm assured *Story NB *Underpinned by quality *All customers can use

- Niche Brands

- *Single producer/region *Limited supply *Exclusive *Specialist *Larger lead time *Strong point of difference *Can't supply all year round *Large sites can't put on menu *Only offer to selected customers

Steps to take...

- Identify what makes your product special
- Find a market for your product
- Negotiate with an abattoir to slaughter legally
- Have a maturing facility in case of B and C grades
- Write a one pager story
- Contact SAMIC to apply for a “Quality Indicator Mark”
- Shorten the value chain

Steps to take...

- Make sure you can sustainably supply
- Collaborate with fellow farmers
- Premium not negotiable
- Share premium
- Entity? COOP
- Main reason is to put more value in your pocket

Reasons for creating own market

- Special because of Indicator- geographic, veld type, taste, fat colour etc.
- Traceability from farm to fork!
- Consumer assurance- regular AB, growth stimulants, GM feeds etc.
- Moving Beef from a commodity to a niche product.
- Moving from a price-taker to a price-maker situation.
- Why must our product contribute to National Food Security?
- Other cheaper options of protein for consumers.

Thank you!

