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# Executive brief



# Beef sector

## 1. Background and key issues

Rising global beef prices have led to renewed interest in domestic beef production in ACP countries. But securing affordable supplies of animal feed and ensuring herd quality can make it difficult to compete on regional and global markets. SPS and food safety standards also remain critical to export development in the beef sector.

With world market beef prices expected to rise, growth trends in demand and production suggest that there will be consistent import growth in developing country markets such as China. This is seen as providing scope for ACP beef sectors to diversify their export markets.

Only one ACP country remains a regular supplier of beef to the EU market. While ACP tariff preference are disappearing in some market components and the value of beef sector preferences has been eroded, average EU beef prices remain above world market prices. The costs associated with stricter application of SPS standards, however, are increasingly a barrier to exports to the EU. This has required a shift to producing and marketing of differentiated beef products, which can secure higher returns and allow investments in sanitary and phytosanitary (SPS) compliance to be sustained.

> *"Rising global beef prices have led to renewed interest in domestic beef production in ACP countries"*

The EU market prices reflect a growing demand for quality-differentiated beef products within the EU, and consequently a growing focus on the sustainability of beef production (including with regard to animal welfare). Over time this could lead to the emergence of market access requirements related to production processes.

Where marketing of differentiated beef cuts has been most fully developed (in Namibia), this has generated greater local value-added processing prior to export. It has facilitated a process of market diversification, since far greater experience of direct marketing is gained. The relevance of this experience to other ACP beef exporters has been recognised, but has proved difficult to replicate.

While the EU's beef exports are well below the peak levels from before the EU's common agricultural policy reforms, there is a growing focus on exports of low-quality and 'fifth quarter' beef cuts to West and Central African markets. This, along with rising levels of frozen poultry part exports, could serve to disrupt the development of intra-regional beef supply chains, by reducing prices offered for lower-quality meat cuts.

The growing importance of SPS issues to the export trade is making it increasingly difficult for smallholder producers (particularly those producing on communally held land) to participate in export-oriented supply chains. East African beef producing countries continue to express interest in expanding beef exports outside the region, but challenges remain. Given demand trends, considerable scope exists for expanding intra-African trade in beef products, but this will require obstacles to formal sector trade in cattle and beef to be addressed.

In West and Central Africa, transport, non-tariff barriers and cold chain management remain serous challenges to the development of increased formal sector intra-regional trade in beef products. Coastal zones appear to be increasingly oriented to overseas sources of supply.

In Southern Africa, new SPS requirements for trading live animals on the major market, South Africa, are throwing up costly new administrative challenges, which have for the time being largely halted the trade in live animals into South Africa. The issue of SPS and food safety requirements for formal sector trade in beef products and livestock is likely to take on growing significance across the Eastern and Southern African region, as efforts to create a broader 26-country trading bloc – the tripartite free trade area of the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC) – enter the second phase of detailed product-by-product negotiations.

Experience in recent years suggests a need to:

- base livestock development programmes on clear identification of the markets to be served;
- move from trading beef to marketing beef cuts to specific identified markets;
- establish cost-effective systems for SPS compliance in the beef sector;
- address at the day-to-day operational level the obstacles to the development of intra-regional beef supply chains;
- closely monitor moves towards trade arrangements related to production processes (such as sustainable production certification) and private sector market requirements in high-priced developed country markets;
- carefully review the scope for using traditional trade policy tools when seeking to balance consumer demand with producer interests at national and regional levels.

## 2. Latest developments

### Global beef sector developments

The FAO has forecast that global beef production will be largely unchanged (68 million tonnes, +0.5%) in 2013/14 compared to the previous year. This reflects the trend of limited growth in production in recent years. Production in developing countries – "which collectively account for almost 60% of the total" – is increasing, as high global beef prices stimulate greater use of feed to maintain cattle weight.

In sub-Saharan Africa (with the exception of East Africa), reasonable rainfall has improved pasture, leading to a moderate increase in production in 2013/14. Poor rains in Kenya have been compounded by outbreaks of foot and mouth disease (FMD). Dry conditions in some parts of South Africa are also likely to hold back production growth.

FAO has reported that "world trade in bovine meat is anticipated to grow by 3.5%, to 9.4 million tonnes, despite international prices being at exceptionally high levels." China "is expected to record a strong rise in imports" – +18% – to double the level of its 2012 imports, making China the world's leading beef importer. This trend is projected to continue, due to "rising incomes and growth in meals outside the home".

Brazilian beef exports are forecast to increase by 8% and Indian exports by 6% in response to the strong demand and elevated prices. The FAO beef price index rose from 135 in 2009 to 197 in 2013, with this rise continuing in 2014.

> *"Consumption of animal protein in Africa is growing rapidly"*

Consumption of animal protein in Africa is growing rapidly, with rates of growth in demand through to 2050 higher than for any other region. In the period 2005–07, Africa consumed some 4.7 million tonnes of beef. This figure is projected to increase to 13.6 million tonnes by 2030, which potentially generates major business opportunities for African livestock producers. Unfortunately, African producers are likely to face increasing challenges in satisfying growing demand, unless current trends are altered. If the necessary investments in production and processing are not forthcoming, Africa's beef import dependency is forecast to increase from the current level of 10% to 14% by 2030, and 16% by 2050.

Analysis from the International Livestock Research Institute (ILRI) and FAO recommends the adoption of a dual strategy that separately targets livelihood-oriented livestock producers and business-oriented livestock producers. It is the latter who are primarily affected by trade issues in the beef sector.

While EU beef consumption is falling (–7.9% between 2010 and 2013, according to European Commission figures), net EU beef production is declining even faster (–8.9%). This is nevertheless seeing EU beef imports fall (–5.6%), while export levels vary, within a declining trend. The EC projects that there will be a growing deficit on the EU beef market up to 2023, and that EU beef imports will increase by 32.8% above 2013 levels (see *Agritrade* article 'EU beef market deficit to grow', 3 March 2014). In terms of price, while EU beef prices are projected to be between 60 and 68% above world market beef prices in the coming years, this is much lower than the historical price differential, with considerable price volatility (see *Agritrade* article 'Divergent trends in EU beef market developments', 4 November 2013). The remaining gap between global prices and EU prices may in part be attributable to the demand trend within the EU towards quality-differentiated beef cuts, in part linked to calls for more sustainable patterns of beef production.

These developments potentially create increased opportunities for ACP exports of quality-differentiated beef cuts. Two factors, however, constrain these market opportunities:

- the growing cost of meeting EU SPS and food safety requirements;
- the growing competition on EU quality-differentiated beef markets arising from new trade agreements which the EU is concluding. (See *Agritrade* articles 'Political agreement on Canada–EU trade deal will impact EU beef market', 2 December 2013, 'EU tariff-rate quota for US beef extended', 8 September 2013 and 'Divergent trends in EU beef market developments', 4 November 2013.)

An additional challenge that has emerged most prominently in the EU in 2014, but which has global implications, is how to address the growing demands for sustainable beef production. Some recent examples include:

- the European Compound Feed Manufacturers' Federation (FEFAC) publication of an updated 'roadmap' for responsible sourcing of soybeans;
- Global Roundtable for Sustainable Beef's release of draft 'Principles and criteria for global sustainable beef' production;
- FAO's launch of 'Global feed sustainability guidelines'.

Underlying these moves to establish sustainability standards for beef production are concerns that if sustainability issues are not addressed, customers in developed country markets could turn away from beef consumption on ethical grounds (see *Agritrade* article 'Sustainability issues in the beef sector gaining prominence', 11 May 2014).

These developments suggest that in developed country markets, sustainable beef production is likely to become an increasingly important consumer concern in the coming years. The Irish Food Board's launch of its 'Origin Green' scheme in 2012 needs to be seen in this context, with sustainability certification being seen as an increasingly important means of differentiating Irish beef from imported beef, thereby gaining price premiums that compensate for competitive challenges posed by imports from lower-cost beef producers

Establishing common global guidelines for determining sustainability that are sensitive to production patterns in different regions could potentially play a role in avoiding the emergence of discriminatory national sustainability schemes. However, this will require taking the discussions on sustainable beef production into forums where issues related to avoiding discriminatory private sector sustainability schemes can be effectively addressed. This may include ACP–EU Ministerial forums, trade consultation structures related to Economic Partnership Agreements or the WTO, depending on the specific issues to be addressed.

## Southern and Eastern African beef market developments

**SPS implementation modalities and trade: The case of the EU**

Changing SPS implementation modalities are having a growing influence on beef sector trade flows in Southern Africa, particularly affecting smallholder cattle farmers operating on communally held land.

In 2013 new EU requirements related to the control of animal movements prior to export of beef products to the EU led Namibia to introduce new "residency requirements" for cattle in supply chains serving EU markets. This required cattle approved for slaughtering for export to the EU to be separated from other animals 40 days before slaughter.

The requirement raised major concerns for communal area farmers, who according to the Namibian National Farmers Union cannot afford "to fence off cattle with EU status from other animals" and maintain segregation at auction and during transportation. However, failure to comply with these requirements means exclusion from high-value EU export chains, resulting in lower incomes for those farmers. Namibian beef sector stakeholders have "called for the interpretation of the regulation to be reviewed", so that it can be applied in a way less damaging to the communal area farmers. The Namibian government has therefore approached the EU "to exempt parts of the country from the 40-day residency requirement", including the whole FMD-free area south of the country's veterinary control fence. The government's current systems of cattle identification, registration and certification are held to be sufficient to meet EU SPS requirements (see *Agritrade* article 'Commercial implications of EU SPS requirements hinder development of smallholder beef supplies in Namibia', 4 May 2013).

These Namibian concerns are relevant to any beef producing country in Southern Africa seeking to develop exports to the EU market.

> *"Changing SPS implementation modalities are having a growing influence on beef sector trade flows in Southern Africa"*

In 2013, inspectors from the EU's Food and Veterinary Office (FVO) confirmed that the "significant improvements" that had taken place in Botswana's animal disease control regime were sufficient to allow exports to take place to the EU. However, the FVO inspection also reported shortcomings in microbiological controls in EU-listed processing plants, and inadequate remedial actions by the food operator and the competent authority. Concerns were also expressed over weaknesses in record-keeping on the use of veterinary products.

While beef exports to the EU were now possible again, the Batswana authorities decided, in the face of concerns over the threat of an outbreak of FMD in certain production zones, to maintain a prohibition on beef exports to the EU. This left the decision on the eventual reopening of trade with the Batswana authorities, who remain optimistic over renewed exports. An agreement to deliver beef to Italy's largest abattoir group is in place, with these exports being used to produce meat products for markets in Angola and Iran. However, commercial implications of the rising costs of SPS controls remain a concern. Former Botswana President Festus Mogae called in April 2014 for the launch of joint marketing initiatives with Namibia to maximise beef sector revenues.

The issue has also been complicated by the launch of an official investigation by a Botswana Parliamentary Select Committee into the declining performance of the Botswana Meat Commission and allegations of maladministration (see *Agritrade* article 'EU FVO inspectors highlight continued shortcomings in Botswana's food safety system', 8 September 2013).

The experiences of Namibia and Botswana make clear the scale of the challenges facing Zimbabwe, where the government in May 2014 announced plans to resume beef exports to the EU, which were suspended in 2001 following an outbreak of FMD. However, this will require Zimbabwe to re-establish FMD disease control infrastructure across the country, while also getting to grips with the new challenge of entering EU export supply chains from production on communally held land (see *Agritrade* article 'Namibian beef exports down on post drought restocking while Zimbabwe looks to resume beef exports', 23 June 2014).

**SPS implementation modalities and trade: The case of South Africa**

In the course of 2013–14 the design and implementation of SPS controls emerged as a major issue in trade in livestock between Namibia and South Africa. In December 2013, South Africa announced the pending implementation of more stringent veterinary requirements for livestock imports from all SADC countries. This caused immediate alarm in Namibia over the commercial implications for the country's livestock trade with South Africa, which involves an annual average of 160,000 weaner cattle, 100,000 sheep and 240,000 goats. A deferment of implementation of the new requirements was sought and briefly secured. However, on 1 May 2014 the new requirements were introduced, halting all livestock exports from Namibia to South Africa.

This had an immediate impact on the cash incomes of communal area cattle farmers, with local auctions to gather weaners for subsequent sale to South Africa being cancelled. There are now major concerns that this could severely disrupt livestock farming activities, on which 70% of Namibia's 2.2 million inhabitants depend. In the cattle sector it is feared that these trade disruptions could undermine long-standing efforts to draw communal area cattle farmers into higher-value export supply chains. Overall it is feared that the costs of complying with the new SPS requirements could undermine the commercial viability of the Namibia–South Africa livestock trade.

The Namibian government initiated an immediate dialogue with the South African authorities to try to halt the application of the revised SPS requirements. Allegations were made in Namibia that the timing of the implementation of the new South African SPS requirements was in response not to specific SPS concerns arising from trade with Namibia, but to pressure from South African livestock producers, following a drought-induced surge in Namibian live cattle exports during 2013 (up from 68,196 head of cattle in 2012 to 260,765 in 2013).

In August 2014, following a court challenge to the new rules by the South African Feedlot Association, the South African authorities announced that the new SPS regulations introduced in May had been "suspended with immediate effect", pending more inclusive consultations. This reopened the livestock trade between Namibia and South Africa, subject to the lighter administrative requirements applied prior to May 2014. (See *Agritrade* articles 'New South African livestock import regulation highlights challenges in establishing region-wide SPS import regimes', 21 August 2014 and 'Livestock trade between Namibia and South Africa reopened by Court ruling', 12 October 2014).

However, since the moves towards stricter bio-security controls in South Africa appear to be linked to maintaining South Africa's newly acquired FMD-free status, in the hope of opening export opportunities to the lucrative EU market, fears remain that in due course, SPS controls even stricter than those announced in December 2013 could ultimately be applied.

**Identifying commercially attractive possibilities for beef export diversification**

Given the growing difficulties faced in accessing EU and even South African markets, the quest is on across Southern Africa to diversify markets. This includes a focus on both developing intra-regional trade in beef products and looking further afield to Middle Eastern and Asian markets.

In October 2013 Namibia announced the commencement of exports of bone-in beef to Zimbabwe from the northern communal area (NCA) production zone as part of efforts to facilitate drought-related de-stocking. This temporary measure needs to be seen in the context of Zimbabwean efforts to develop reciprocal trade with exports of "pork, chicken, fruit and vegetables" to the NCAs.

*"Namibia is also looking to develop exports of both meat and cattle to regional markets"*

Namibia is also looking to develop exports of both meat and cattle to Angola, with the latter in part being linked to Angola's efforts to redevelop its own livestock sector. Considerable potential is seen to exist for the development of trade with Angola in both meat products and live cattle, given the reputation for quality of Namibian meat products and breeding stock. Cooperation agreements between Namibian and Angolan local authorities are being developed in support of this trade.

Botswana has sought to launch similar intra-regional trade initiatives, but the loss of approval for export to the EU market has placed more constraints on market opportunities, given the extent to which EU standards are taken as a benchmark by many private buyers.

*"Efforts continue to secure access for Namibian beef exports to the Chinese markets"*

Meanwhile, efforts continue to secure access for Namibian beef exports to the Chinese and Hong Kong markets. A Namibian Meat Board delegation undertook a business mission to Hong Kong in 2013, followed by an official visit by government officials in April 2014. The Namibian Minister of Trade and Industry then announced that negotiations to secure access to the Chinese and Hong Kong markets were almost complete, with only a range of food labelling and pesticide control regulation requirements needing to be met. This has been a lengthy process, which highlights the importance of attaining and maintaining effective national disease control programmes, in order to ensure that the necessary SPS status is maintained.

Significantly, the Hong Kong market is being targeted since eating out at restaurants, hotels and fast-food outlets is seen as an integral "part of the Hong Kong culture and lifestyle", providing a good fit with Namibia's beef export profile of higher-value, prepared beef cuts.

*"Ethiopia is increasing its exports of both meat and live animals to Middle Eastern markets"*

There are major differences in the revenues per kg to be earned on beef exports to different markets from ACP exporters such as Namibia (see Table, 'Meatco's domestic and export destinations for beef', showing the local and international markets served by the Meat Corporation of Namibia, a meat processing and marketing organisation). The issue faced is thus not simply one of market diversification, but rather enhancing net revenue earnings and promoting the structural development of the beef sector through market diversification.

Complicating access to commercially high-value markets are the quantitative restrictions maintained on some markets (e.g. the Norwegian market). This can lead to intense intercorporate competition for access to import licences.

**Targeting Middle Eastern markets**

Beyond Southern Africa, Ethiopia – Africa's largest livestock breeding nation – is increasing its exports of both meat and live animals to Middle Eastern markets. In June 2014 the Secretary of Ethiopian Association for Meat Producers and Exporters said that Ethiopia anticipated earning US$26.48 million from meat exports to a range of Middle Eastern countries during the period of Ramadan, well in excess of forecasts of US$21 million in exports. Saudi Arabia and the United Arab Emirates take some 90% of these exports, with the remaining 10% destined for Kuwait, Oman and Egypt. In the 11 months preceding June 2014, Ethiopia earned US$66.8 million from meat exports and US$176 million from live animal exports. This has led to Ethiopia Airlines increasing the volume of meat shipped per flight from 24 tonnes to 60 tonnes.

Table: Meatco's domestic and export destinations for beef (by volume and value)

| | Volume of beef marketed (%) | Value of beef marketed (%) |
|---|---|---|
| Namibia | 21.60 | 9.10 |
| Norway | 7.23 | 22.84 |
| EU | 16.89 | 23.51 |
| UK | 13.02 | 17.47 |
| South Africa | 41.27 | 27.08 |

Source: Meatco, 'Annual report 2012/2013'.

The Ethiopian experience highlights the importance of international transportation links in the development of exports of meat products. In this context the development of new transport services could open up new opportunities for meat product exports from Kenya to China.

## West and Central African beef market developments

**Reconciling traditional patterns of livestock trade with evolving urban demand for beef**

In Central Africa livestock contributes between 9 and 27% to GDP: 9% in the Central African Republic, 13% in Cameroon and 27% in Chad. These countries export livestock and livestock products to the Congo, Gabon, Equatorial Guinea and São Tomé and Principe.

*"Trade in livestock is one of the largest categories of trade in West Africa"*

In West Africa, the livestock sector's contribution to GDP ranges from 5% in Côte d'Ivoire to 44% in Mali. Trade in livestock is one of the largest categories of trade in West Africa, with the flow occurring from landlocked countries towards the coast. The formal trade, however, needs to be seen alongside the extensive informal cross-border trade that takes place. Transborder livestock movements in West Africa amount to more than 2 million cattle per year from landlocked countries to Nigeria, and more than 1 million from landlocked countries to Mauritania and Senegal. While many of these cattle return across the border on a seasonal basis, a substantial proportion of the cattle are marketed in coastal states. The extensive informal trade that takes places means that pastoralists across the region have only a limited interest in commercial beef sales, according to analysis published in December 2013 by the University of Wageningen.

*Supermarket buyers have major food safety concerns*

While West Africa's pastoralists have developed sophisticated long-distance trade networks to serve coastal markets, as incomes rise then so the demand of coastal urban consumers for higher-quality and safer beef products increases. This trend is being accelerated by the expansion of supermarkets in coastal urban areas. Supermarket buyers have major food safety concerns with regard to the lack of traceability and quality assurance on locally sourced beef (linked to poor hygiene in abattoirs and during transportation), and hence have a growing orientation to sources of supply from outside the region to meet growing urban consumer demand.

This poses serious production, processing and marketing challenges for traditional long-distance traders. The gulf between the quality of meat delivered through the traditional long-distance trade and the quality of landed beef sourced from international beef exporting nations appears to be contributing to the growing beef import dependency in West Africa.

However, semi-arid regions have a distinct comparative advantage in producing lean meat, with scope existing for better branding and marketing of these lean meat cuts on regional markets. This could form part of a forward-looking vision for the development of intra-regional trade in the beef sector, with far less emphasis being placed on feedlot production which has to compete with imported beef cuts.

**Regional trade-related policy formulation in West Africa**

Since 2005, the Economic Community of West African States (ECOWAS) has striven to "streamline regional livestock policies that hamper production and trade", with a regional plan of action to develop the livestock sector approved in 2009. A study by the University of Wageningen has questioned the economic feasibility of certain aspects of this plan of action, in relation to improving fodder supplies, extending insurance cover to livestock producers and guaranteeing livestock producers' incomes.

ECOWAS has also sought to facilitate and regularise the livestock trade in West Africa through the introduction of an international transhumance certificate. A variety of initiatives have also sought to "ease formal border controls and informal (i.e. illegal) taxes". Those implemented in cooperation with stakeholders along specific transport corridors are reported to have been effective in reducing the number of unofficial controls and levies along intra-regional supply chains.

Progress has been made in establishing "fairly effective sanitary corridors with control arrangements at border posts", but much of the intra-regional livestock trade continues to be informal. Major challenges are faced nationally in combating diseases such as contagious pleuropneumonia and FMD, and the University of Wageningen's study has highlighted how in most West African beef production systems "the cost of veterinary treatment other than vaccinations is high compared to the market value of the animals."

According to the study, ECOWAS policies, compared to those of the EU, "are not really figuring in the public debate", with some analysts overstating the "regulatory force that ECOWAS might exert in driving greater local trade".

In this context it should be noted that efforts are taking place at the national level to promote domestic beef production in major markets of growing consumption, such as Nigeria. According to officials involved in the beef component of the Nigerian government's Agricultural Transformation Agenda, fully 30% of the beef consumed in Nigeria is imported from neighbouring countries. This has led to suggestions that the federal government should stop beef imports in order to stimulate national Nigerian beef production.

*"Across the ACP Caribbean region, efforts continue to boost local beef production"*

In terms of international trade, the University of Wageningen analysis notes that SPS requirements established by the World Organisation for Animal Health (OIE) make it hard to trade West African animal products into international markets, as more stringent legislation dealing with traceability exacerbates the challenges faced in complying with OIE SPS requirements.

## Caribbean and Pacific beef market developments

**The beef production picture across the regions**

Across the ACP Caribbean region, efforts continue to boost local beef production, in the face of rising demand and increasing import bills. In CARICOM's largest beef producer, Haiti, 2013 was a good year for the beef sector, with the country reportedly able to meet the demand for beef.

Meanwhile, in CARICOM's second largest producer, Jamaica, efforts continue to boost local production, with the aim of meeting 65% of local consumption by 2020. In August 2013 the Jamaican government announced that it was to bring beef production within the scope of the Dairy Board Act, with this opening up the possibility of support being extended to beef production from a range of existing financial facilities. The introduction of a 1% levy on imports to generate funds for beef sector development was also announced.

These efforts need to be seen against the background of a halving of beef production in the first decade of the 21st century (down from 10.9 million kg in 2000 to 5.3 million kg by 2010). Figures from the commodity website *Indexmundi.com* show no expansion of Jamaican beef production since 2010.

Guyana, the third largest CARICOM beef producer, has been intensifying efforts to boost beef production for the local market and regional exports. This is being led by the Guyana Livestock Development Authority (GLDA) in the context of the government's 2013–2020 National Strategy for Agricultural Development. Between 2009 and 2012 Guyanese beef production fell by 22.5%, with no significant production expansion reported in 2013. However, the foundations for increased production are being laid, with the launch of a genetic improvement laboratory in October 2012 and pasture development initiatives being implemented by the GLDA.

A similar picture of decline and stabilisation, with aspirations for expanded production, prevails in Belize and Suriname, the other two significant CARICOM beef producers.

In the Dominican Republic, the government continues its efforts to boost production and restore the basis for beef exports. Nevertheless, substantial challenges remain in achieving the required international animal health status and ensuring the safe production and processing of traceable beef products. As a consequence, despite announcements of the impending relaunch of international beef exports, no such exports had taken place by mid 2014.

### Changing patterns of beef imports

Attaining the required international animal health status and ensuring the production and processing of beef in line with international standards is an issue not just for exporting beef, but also for serving domestic markets. Imports of higher value beef cuts to serve the tourism market are increasing across the Caribbean, with the USA playing a major role in supplying beef to ACP Caribbean markets. In the first 5 months of 2014, US beef exports to the two most important Caribbean markets, Dominican Republic and Jamaica, rose by 54.98% and 35.61% respectively, compared to the corresponding period in 2013. Similar large increases in US exports occurred across a range of tourism-based Caribbean economies (with the exception of Barbados and St Lucia, where US beef exports declined).

A transition away from imports of frozen beef to imports of fresh beef cuts is also taking place. The absence of internationally certified abattoirs capable of attaining the required international standards appears to be an important factor in the inability of local production to meet the growing demand for fresh beef from the tourism sector.

For local producers, this trend compounds the long-standing challenges arising from the trade in residual products, or "beef trimmings", which serves the mass consumption market. According to local industry sources in Jamaica, this trade prevents local farmers from getting "a good price" for their products.

### Developing product differentiation and value-added production strategies

Calls have been made in countries such as Jamaica for the beef sector to more aggressively address the marketing and product development challenges that the sector faces. It has been argued that:

- the ongoing decline in beef production in Jamaica is in large part a function of the failure of the industry "to keep abreast of the changing dynamics of the marketplace";
- a greater focus is required on the production of consumer-ready products that target local taste and flavouring requirements;
- a greater focus on such prepared beef products, if properly branded and marketed, could go a long way towards revitalising local demand for locally produced beef.

The current moves towards securing geographical indications (GI) protection for local food preparation processes, such as Jamaican jerk products, could provide a supportive framework for such initiatives, which would enable producers to target not only local consumer markets, but also the expanding tourism sector (see *Agritrade* article 'Jamaica Jerk Producers seeks GI protection', 4 August 2014).

**Gradual progress recorded in beef production in the Pacific**

2013–14 saw growing interest in both beef and live cattle exports to Papua New Guinea (PNG), with New Zealand specifically looking to expand its beef sales in the island nation. This could potentially increase competition for local beef producers. In line with government policy, PNG's largest commercial beef producer, the cattle division of New Britain Palm Oil Limited (NBPOL) expanded its beef production by 10% in 2013, with cattle being raised extensively, but (since 2009) fattened in feedlots prior to slaughter. This expansion of beef production is expected to continue as genetic breeding programmes lead to herd improvements, and the expansion of feedlot activities lead to an increase in the yield per animal.

*"2013–14 saw growing interest in both beef and live cattle exports to Papua New Guinea"*

Schemes to ship up to 150,000 live cattle from Queensland to PNG to ease drought-related cattle feed shortages and boost beef production in PNG were announced in May 2013. These were initially met with interest by both government and private operators in PNG, but eventually came to nothing when import permits for Australian livestock exports to Indonesia expanded substantially.

Elsewhere, the success achieved in developing beef production for export in Vanuatu was recognised, and a seminar was held in Fiji in June 2013 to try to draw lessons from Vanuatu's experience. Maintaining Vanuatu's international health status, which provides the foundation for the country's exports, remains challenging.

# 3. Implications for the ACP

## Intensifying dialogue on implementation of SPS controls to avoid trade disruptions

How SPS and food safety compliance requirements are designed and implemented has a critical bearing on both trade flows and the value of market access granted. In this context, there is a need at the regional and inter-regional levels for structures for increased dialogue on the design and implementation of SPS and food safety measures. These need to guarantee underlying SPS and food safety objectives in ways that minimise cost increases for traded products. This is essential if certain categories of livestock producers are not to be systematically excluded from high-value beef supply chains.

At the EU level this raises particular issues of policy coherence between the EU's development objectives, in relation to facilitating the participation of smallholder farmers in high-value supply chains, and the design and implementation of SPS and food safety measures.

## SPS constraints on regional market integration in livestock and meat products

The issues raised around the introduction of new SPS requirements for livestock imports by the South African authorities in May 2014 suggest that major challenges are likely to be faced in establishing common region-wide SPS requirements as the basis for intra-regional trade in livestock. The danger exists of setting the bar either too high, thereby blocking trade, or too low, thereby undermining a nation's international animal disease status, and hence its prospects for engagement with high-value beef export chains.

This suggests a need for a nuanced approach in the application of regionally applicable SPS requirements, that takes into account the different animal disease status of member states and the relative effectiveness of national SPS and food safety control systems. However, the discussions between the Namibian and South African authorities illustrate how institutional capacity constraints can limit the adoption of such risk-based control requirements.

## Increasing cooperation in accessing new high-value beef market components

The call from former President Mogae for increased cooperation among Southern African countries in developing the marketing of beef products could be particularly relevant in promoting trade with non-traditional partners. While such cooperation could overcome the challenge posed by limited export volumes (increasing volumes available for large markets), differing SPS status and disease control capacities may limit the scope for joint marketing.

## Meeting customer expectations in the expanding supermarket sector in West Africa

Greater support for the development of private regional initiatives to improve processing of animal products and strengthen product marketing strategies could yield benefits. Such initiatives will require closer dialogue between producers, processors and retailers regarding food safety and food quality requirements and the establishment of traceability along the entire supply chain. This could then provide scope for the development of backward linkages through the development of local feed supply chains.

There would also appear to be scope for better branding and marketing to urban consumers of the lean beef cuts produced in the region, on the basis of the health benefits of reducing consumption of fattier meats.

## Developing value-added, differentiated beef products to serve specific market components

Focusing on the production and processing of locally bred beef into value-added products could serve to sidestep the import challenge from "beef trimmings" faced on mass consumption markets in the Caribbean, while at the same time meeting growing demand for low-priced meat products. It could also help producers to penetrate the growing tourism market for fresh beef products.

Such a focus will, however, require the attainment of higher levels of food hygiene and food safety, reinforced by better systems of livestock and product traceability. This can be an expensive and challenging task, which, without access to market components that provide high returns, can become commercially non-viable, once initial government- or donor-financed schemes come to an end.

Potentially, lessons could be learned from other ACP countries such as Namibia, where this transition to the production of value-added beef products tailored to the needs of particular market components is well under way.

The scope for developing local beef production to serve expanding tourist demand is an area which could usefully be explored in both the Caribbean and the Pacific. Government support measures to foster dialogue along local supply chains, and regulatory reforms to ensure minimum quality and food safety standards for locally produced beef, could both play a role in this area.

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**About this update**

This brief was updated in December 2014 to reflect developments since September 2013. Other publications in this series and additional resources on ACP–EU agriculture and fisheries trade issues can be found online at http://agritrade.cta.int/.

The Technical Centre for Agricultural and Rural Cooperation (CTA) is a joint international institution of the African, Caribbean and Pacific (ACP) Group of States and the European Union (EU). Its mission is to advance food and nutritional security, increase prosperity and encourage sound natural resource management in ACP countries. It provides access to information and knowledge, facilitates policy dialogue and strengthens the capacity of agricultural and rural development institutions and communities.

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