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MEDIA STATEMENT

Friday, 04 June 2010

Meatco's 24th Annual General Meeting

Trading conditions during 2009 were extremely difficult as illustrated by the following extract from a Food and Agriculture Organization (FAO) report:

"The economic downturn triggered by the financial crisis in mid-2008 have had a severe impact on the meat sector in 2009, notwithstanding a decline in the prices of major feed ingredients (-8.9% for beef). Global trade in meat was also very much affected by the deteriorating economic environment, and is now expected to drop by 6 percent, with all the meat markets likely to contract. Meat per caput consumption in 2009 is now estimated at below 41.7 kg, slightly down from 2008 (42.0 kg), with a small increase in Asia but falling intake in most of the other regions. Prospects for the meat sector in 2010 are brighter, as major economies are returning to a positive growth path. Likewise, per caput meat consumption may rise slightly in 2010 (estimated at 41.9 kg), consistent with improved income prospects." (FAO – Nov. 2009)

As a result prices were under pressure in most markets with traditional commodity markets showing a shift towards lower value cuts and products.

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Together with the strengthening of the Namibian currency (16.4%), this had a significant impact on the financial performance of Meatco the corporation which resulted in a net loss of N$ 28.2 million before tax. However due to its strong balance sheet, Meatco's financial position is not threatened by the current loss.

Despite of the negative external factors Meatco managed to keep producer prices stable at levels close to (94.5%) the very high prices of 2008. The drop in International Meat prices and the negative foreign exchange effect were largely countered through more efficient processing, new value added products and improved marketing and branding in the EU market. Much energy, money and time was spent to extract more value out of the carcass, to further differentiate our product and to enter new and retail markets.

Meatco producer prices were also significantly higher than most of our International competitors such as Australia, New Zeeland; Uruguay; Brazil etc (source: World Beef Report). This is largely due to the fact that most of Meatco's production is sold in premium EU markets (including Norway) whereas our competitors sell a smaller percentage of their production into the EU markets and do not enjoy the same trade benefits as Meatco. The importance of the EU market for Namibia is clear from this.

The capacity of abattoirs in Namibia by far exceeds the number of available cattle for slaughter, and yet more facilities are being erected and refurbished. The throughput at Meatco's abattoirs is still at a critical low level (69% in the commercial sector and 17% in the NCA).The cost to maintain the over-capacity will be to the account of the producer in the form of reduced prices. Over-capacity was the reason for the consolidation of slaughter facilities and thus the establishment of Meatco in 1985. It is critical for the long term sustainability of the meat processing industry in Namibia that an integrated National Strategy is developed by Government together with all key role players to ensure the future viability and growth of the industry by balancing the slaughter and processing capacity in Namibia with the livestock production capacity whilst ensuring that adequate incentives are developed and maintained to grow total slaughter and processing of livestock for export in Namibia.

The stimulation of total cattle off-take (NCA) and also of slaughter cattle production is crucial for the survival of the slaughter industry and the preservation of our brands in various markets. The full integration of the communal and emerging commercial farmers into slaughter cattle production is thus imperative. Various activities where implemented to facilitate and simplify the supply of cattle for these farmers.

The Ekwatho project aims to increase the producer base of Meatco by enabling weaner producers and new farmers to transform from weaner to slaughter cattle production. In 2009 the project supplied 4492 slaughter cattle and 10000 cattle are expected to be slaughtered in 2010. Negotiations regarding the implementation of the project in the communal areas are still ongoing. It seems that the tagging of cattle for traceability purposes will be a prerequisite for the implementation of "Ekwatho" in the NCA.

Highlights and achievements over the past year:

1. Successful development of new Fore Quarter Value added products and markets.
2. Upgrade of the Okahandja factory to increase throughput and maximize value addition.
3. Establishment of the Meatco Foundation, for the purpose of improving the socio-economic conditions in rural areas through developmental interventions in the livestock sector.

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4. Salmonella free production for the past 10 months at both factories.

5. Approval of Co-op Denmark, which enables us to serve a top-end retailer in Denmark

6. Successful completion of an audit by SAI Global regarding the ethical side of Meatco's value chain.

7. Re-opening of the Katima Mulilo Abattoir, after being closed for a period of 24 **months** due to Foot and Mouth Disease.

8. The abolishing of quarantine requirements in parts of the NCA by the RSA. This will ease the procurement process and make it less expensive for the NCA farmer. Furthermore it should improve the quality of animals supplied to the abattoirs.

9. Admission of vacuum packed products into the RSA markets produced at the Oshakati abattoir. This should add significant value to those products.

The strong Namibian currency together with a slump of the maize price in the RSA is of great concern to Meatco. These put the RSA-feedlots as in 2005 / 06 in a very competitive position and thus possibly increase the cattle numbers leaving Namibia on the hoof. An increase of prices for weaners has already been experienced since the latter part of 2009.

Again as in the past I want to emphasize that to ensure a thriving meat industry in Namibia a common vision and strategy is necessary which is supported and pursued by all role-players in Namibia. Our competitive advantage compared to all the major beef exporters internationally is very fragile. In every sector of production, whether

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ecological, cattle numbers, financial resources, and human skills, those countries are in a much stronger position. The Namibian beef industry has to define its competitive advantage and with a concerted effort try to build on and support the strong points in order to grow and ensure a thriving industry.

With the AGM in June the three year term of the Board again comes to an end. I want to thank my fellow Board members, management and employees for their continuous and dedicated support for the corporation during the past three years.

Editor's Note

1. Graphs and Charts of presentation available on Memory stick provided.
2. Electronic Media statement and Chairman's photo also added on memory stick.

/end/

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