

South African feed industry – threats and opportunities

By Loutjie Dunn, chairman of Afma

The formal feed industry in South Africa, represented by the members of the Animal Feed Manufacturers' Association (Afma), produces approximately 61% of the 11,7 million tons of animal feed used in the country annually.

Afma members produce feed for the entire spectrum of animals in South Africa, and the roughly 3,2 million tons of broiler feed produced by them is calculated to be approximately 99,9% of all the broiler feed produced in the country every year.

Importance of broiler feed

On a volume basis, broiler feed represents approximately 27% of the total animal feed produced in the country, and in monetary terms the estimated annual R17,6 billion of broiler feed represent more than 60% of the total estimated animal feed value of R29 billion per annum.

Afma, as part of the larger value chain, uses roughly 3,5 million tons of maize (including maize

products) and 900 000 tons of soya bean meal (SBM) annually, and the vast majority of these products are used in the production of broiler feed. For the 2015/16 Afma financial year, 71 feed mills – consisting of Afma members – produced 6,9 million tons of animal feed, equating to an annual average of 97 000 tons per feed mill.

We can turn to the opportunities that would arise if we could manage to stop the dumping of bone-in portions.

These figures are a good indication of the size and value of the animal feed industry, and the importance of broiler feed in this value chain is apparent.

Our feed industry has endured hard times in the past, but never before have we experienced a threat as devastating as the possible collapse of the broiler industry.

Afma broiler feed sales indicate a decline of 0,4% from 2014 to 2015, followed by a further decline of 6,2% from 2015 to 2016.

Losses in the value chain

Evaluating this decline in more detail on a monthly basis, shows that the downturn commenced in July 2015 and that the initial slow pace of decline reached about 10 000 ton per month by September 2016.

Without drastic measures to hamper the dumping of low-cost broiler meat into our country, this growing rate of decline will

continue until only the producers of fresh broiler meat remains – a niche market representing approximately 10% of the local broiler meat production. The broiler feed market would then be reduced from 3,2 million to about 300 000 tons per year.

For ease of calculation, the 3 million tons of broiler feed lost to our industry – except for the direct losses in the broiler industry – would include the following losses in the value chain:

- Closure of 31 feed mills.
- A number of 4 500 direct job losses.
- A figure of 1,9 million tons of maize usually used locally which would now have to be exported.
- A figure of 720 000 tons of SBM (900 000 tons of soya beans).
- Other input suppliers in this market.

On a positive note, we can turn to the opportunities that would arise if we could manage to stop the dumping of bone-in portions, which currently makes up approximately 42% of all imported chicken. For 2016, the bone-in imports amounted to 226 800 tons, which translates to 378 million broilers per year.

The possible gains for the value chain, excluding the direct broiler industry gains, would include:

- A figure of 1,3 million tons of broiler feed, increasing the current estimated capacity utilisation of feed mills from 70 to 83%.
- Between 1 700 and 3 400 new jobs created.
- An additional 800 000 tons of maize would be used.
- An additional 300 000 tons of SBM would be used (390 000 tons of soya beans).
- Lower feed prices due to improved capacity utilisation. ●

