



Animal Feed Manufacturers Association

CHAIRMAN'S REPORT 2008/2009

**Presented by Dr Erhard Briedenhann at
AFMA's 62nd Annual General Meeting
on 4 September 2009, hosted at
Euphoria Golf Estate & Hydro,
Mookgopong (Naboomspruit), South Africa**

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CHAIRMAN'S REPORT 2008/2009

1. INTRODUCTION

Global economic crisis

The international food inflation crisis of 2006-2007, sparked by mushrooming ethanol and bio-diesel industries in the US, Brazil and Europe combined by the rapid economic growth in specifically Asian, India and oil producing countries, causing an even higher demand for food, grain and energy, was totally overshadowed by events that followed from mid-2006.

Since mid-2006 world economies were challenged by an economic and financial crisis described as the most serious financial crisis since the Great Depression of the 1930's. The main cause of this economic crisis can basically be described as an overextension of credit to individuals and businesses without the necessary backing of adequate liquidity and guarantees.

Sub-prime lending

Continuous growth in property values in the US during 1997-2006 led to a false perception that property values would keep on increasing, making individuals and financial institutions believe property could be considered a safe option and guarantee for extending credit. Credit requirements were made easier with banks resulting in property loans available at rates less than prime lending rate for an initial period, "sub-prime lending rates" allowing bond owners to re-finance their bonds and other debt at lower rates or take out second property bonds to finance increased spending. Extended credit – exposure, with 0% loans reached an amount of US\$ 1 428 billion in 2005, and the housing bubble ballooned to US\$ 5 trillion from 2001 to 2005.

Since mid-2006 property prices dropped and by September 2008 they were 20% lower than the mid-2006 peak, this decrease in prices caused a squeeze on bond holders and the so-called "credit crunch" started. The situation became a crisis with bond owners not being able to repay their liabilities and losing their houses to the banks with which they had finance. The wave of home owners unable to repay bonds left banks dealing with a situation of having no inflow of repayment, causing a number of banking institutions to go into bankruptcy.

Banks and financial systems were affected so severely that they could not supply credit, which slowed down economic activity. The economic melt-down worsened to such an extent that the US Government and Federal Reserve had to step in with emergency financial aid packages in an attempt to prevent the US economy from total collapse. The fact that global financial markets are linked caused this phenomena to spread;

Central Banks and Governments across the world had to come to the aid of financial institutions to prevent the world economy from coming to a complete standstill.

Financial sector crisis

Parallel to the sub-prime lending, products and financial instruments (Mortgage Based Securities - MBS) were developed which derived their value from housing prices and mortgage repayments, which boomed from 1997-2006. Financial institutions, investment funds, hedge funds and private investors around the world invested in these instruments. Financial institutions (known as the shadow banking system) were not required to adhere to the same rules and requirements as commercial banks, leaving them without sufficient cushion to absorb any losses in MBS's.

Since mid-2006 when property prices started dropping and mortgage repayments dropped, institutions started taking huge financial losses on the MBS's. These losses impacted negatively on financial institutions, lending ability, slowing down economic activity. By September 2008 house prices in the US had dropped by 20% resulting in property values dropping below the debt value and financial institutions, unable to service their debts.

Since this worldwide melt-down and world economic crisis, global financial activities reduced dramatically, resulting in economies going into recession characterized by a notable decline in economic activity. Linked to the economic crisis were significant job losses due to cost constraints from commerce and industry, increasing worldwide unemployment rates. Individuals who still kept their jobs are still struggling to repay their debt burden and trying to keep the bare necessities of normal households in place, causing large cut-backs on consumer spending. Cut-backs in consumer spending had and are still impacting negatively on the manufacturing and processing sectors.

The influence of reduced consumer spending is still clearly visible in the South African economy, also affecting our value chain to which we supply inputs. Studying animal agro-processing affecting the animal feed industry, it is clear that the most severe impact was felt in the broiler industry, followed by the beef industry, causing the need to cut-back on the placement of production animals and in most cases having to postpone planned expansions. The reduction of these animals had an immediate negative impact on the animal feed sector.

Competition Commission

During the past two reporting periods agro-processing industries in South Africa have seen and some even experienced the brunt and consequences of the actions of the Competition Commission (this by no means intending to evaluate the justification thereof or not).

Ranging from milk processors, bread bakers, silo owners and fertilizer manufacturers these actions have had a severe negative impact on the industries, both directly and indirectly involved, not leaving out the role-players in the same value chain. These actions, aimed at anti-competitive behaviour, caused role-players to be extremely sensitive and withholding, which again impacts on other areas such as research and technical matters of industry – which is allowed within the framework of the law. This in a broader sense can be expected to impact negatively on the functioning of industries as components of the economy and will remain a sensitive issue over the short to medium term.

Global feed production

Global demand and consumption of agricultural crop for food, feed and fuel has continued at a rapid pace but recently growth has been checked by the world economic downturn. The increase in world population, growth in Asian countries and increased meat consumption is likely to continue in the longer term despite the current world crisis. The main question is how soon buying power will return to the market. The world per capita meat consumption has increased from an average of 30 kg per person in 1980 to over 40 kg in 2009.

World compound feed manufactured is currently estimated at approximately 640 million tonnes; recent trends have been a reduction in feed usage. This is however considered temporary.

USA maize usage in feed reduced from 5,9 billion bushels in 2007 to 5,25 in 2008 and is projected at 5,3 in 2010. Global animal production has decreased since late 2008 and we can speculate that world feed production will grow at a very slow rate until the global economy has recovered.

Bio-fuels production

Constructed ethanol production capacity in the USA is predicted at 48 billion liters/year with a current utilization of 42 billion liters (87%) and capacity under construction 7 billion liters, adding up to a potential total of 55 billion liters. Production of ethanol has become less / unprofitable since October 2008 which is likely to result in a slowdown in growth.

Weather

Adverse weather conditions in Argentina resulted in a poor soybean and maize crop during the 2009 season, contributing to supporting world soybean prices.

Fund activity

Index fund positions have decreased or remained steady. US maize production rose in response to increased demand and prices. During 2006 commodity prices began

to rise more rapidly than in previous years, hedge funds; index funds and sovereign wealth funds became more involved in agricultural commodity markets. Funds held an increasingly large percentage of open interest in the futures market, however, the investments made in these markets were not necessarily based on fundamental principles.

South African consumer demand

Disposable income has increased in South Africa up to the end of 2008 with the resultant higher than normal increase in per capita consumption of meat, milk and eggs. The current financial pressures will have a negative impact on the growth in demand for these food commodities. Job losses, credit availability and reduction in buying power has and will impact further on consumption.

Highlights and progress since March 2008 include:

TECHNICAL AND TRADE:

Act 36 / AFMA / PFI meeting

AFMA engaged with the Act 36 and the PFI in a meeting separate from the larger Livestock and Animal Feeds Forum, to discuss Act 36 matters which directly affect the animal feed and pet food industries with the directorate and its personnel responsible for the administering of the Act. This bi-monthly meeting was the first of its kind and was found to be much more productive and positive towards addressing specific Act 36 matters. It is expected to contribute to a much shorter turn-around time in resolving issues and reporting back on progress. AFMA expects this meeting to grow in importance and stature and to become the leading Forum for AFMA / PFI and Act 36 to co-operate and liaise in solving matters affecting these industries.

Feed Bill

While awaiting its position on the legislative calendar of parliament, the Feed Bill is being discussed within the animal feed sector. Positive liaison and good established relations with Act 36 allowed AFMA to receive this document prior to its publication, allowing industry the opportunity to comment and interact with Act 36 on the Feed Bill. Once the Bill is published, AFMA's Technical and Liaison Committee will once again revisit the document for final comments.

Revised Regulations and Guidelines on Act 36

AFMA and the personnel of Act 36 have established a good working relation; these personnel also attending the AFMA Technical and Liaison Committee meetings. South Africa tends to primarily follow EU regulations and guidelines on animal feeding. Changes to EU (International) regulations and guidelines result in consultation

between AFMA and Act 36 to debate its local applicability and the South African regulations and guidelines are amended by Act 36 once consensus is reached. It is encouraging to report that the consultation processes between Act 36, Act 35 and AFMA are continuously improving.

During the reporting period Act 36 and AFMA have been working on the amendment of Table 2 of the regulations, concerning undesirable substances in feed and the allowable levels thereof. This part of the regulation was formally discussed at a workshop on 26 June 2009, where all affected parties were present. Positive outcomes are expected to emerge from this engagement.

Status of the Livestock and Animal Feed Industry meeting

The Livestock and Animal Feed Industry Forum, in which AFMA plays the leading role, has since the last report changed protocol on how priorities are handled. Since the bi-monthly AFMA / PFI / Act 36 meetings have been implemented only report back on progress on Act 36 matters takes place at this Forum. The majority of the Forum's time is currently spent on Act 35 and Act 101 matters of broader interest to all role-players in the livestock and animal feed value chain. The Forum remains the most relevant platform to discuss the links between the different Acts related to livestock and animal feeds.

Typical matters currently on the agenda are animal health issues such as the Feed Bill, National GMP Standard, BSE surveillance data, the use of blood meal, BSE traceability protocol guidelines for the effective traceability when blood meal will be used and stock remedy policy and rendering – and sterilizing plants matters.

CEO Forum

The CEO Forum as well as the delegation meeting bi-annually with the President was unfortunately not as active and regular as in previous years, due to the election which took place during April 2009 and the expected changes in government and government departments which were on the cards. The CEO Forum only met once during the reporting period, on 27 March 2009 in Durban, while the last Presidential Agricultural Working Group meeting was held on 20 May 2008 in Cape Town. AFMA's objective is to secure a permanent seat in the delegation meeting with the President twice a year on agricultural matters.

National Mycotoxin Workgroup

The activities of the National Mycotoxin Workgroup, administered by the AFMA office for the past two years, have since the last report increased its activities with the Maize Trust playing a major role in promoting research of mycotoxin in maize. During December 2008, the Maize Trust requested AFMA to organize and host a national mycotoxin workshop, funded by the Maize Trust, involving all role-players across the

country to establish more clarity on the direction, objectives and strategy of mycotoxin research in South Africa.

This workshop took place on 23 March 2009 and judging by the 100 plus expert attendees on mycotoxins from government departments, industry, researchers and academia this can be termed a huge success. On the day, nine presentations were made on different topics ranging from the perspectives of government, to industry, to laboratories as well as the research perspective. Presentations can be viewed on the AFMA website (<http://www.afma.co.za/MycotoxinWorkshop.htm>).

The outcomes of this workshop were a much clearer direction, specific objectives to pursue and different strategies to tackle research on mycotoxins. With the outcomes in hand it gave the role-players involved, under the auspices of the Maize Trust, the opportunity to formulate a strategy on mycotoxins in maize. During April 2009, this project took a great step forward with the appointment of Prof Piet Steyn (formerly from the University of Stellenbosch) as driver of this project, by the Maize Trust. During May/June/July 2009 a draft strategy was prepared and finalized by involving all role-players under the leadership of Prof Steyn. This strategy will be used in deciding which projects are the most needed by industry and the value chain and which research projects should be funded accordingly. Thus, this activity formerly administered by AFMA has undergone dramatic changes during the reporting period, putting mycotoxin research on maize on the right track.

AFMA Code of Conduct

After approving the AFMA Code of Conduct at the Annual General Meeting, on 7 September 2007, held in George, the AFMA Board of Directors requested AFRI Compliance at the 2008 Annual General Meeting to draw up a protocol according to which the AFMA Code of Conduct could be audited. During the later part of 2008, beginning of 2009, AFRI Compliance and a sub-committee of AFMA on the Code of Conduct scrutinized the draft protocol to be used for auditing purposes as well as the cost involved. The eventual result is an audit protocol which focuses primarily on adherence to relevant feed related legislation – Act 35, Act 36, Act 101 and other relevant legal requirements.

With an accepted protocol in place, the AFMA Board of Directors, on the 2nd June 2009 took the decision that all AFMA members should be audited before the end of 2010. This includes full members as well as associate members. The Board took the decision one step further to ensure that all members adhere to the Code of Conduct after 2010, by requiring all new applicants to undergo the same audit before membership approval. New members will be granted preliminary membership until the audit is passed, after which the member will receive full status.

Act 101

It was reported previously that Act 101 – Stock Remedies will in future be resorting under the Department of Health (DoH). Since AFMA has given its feedback on the proposed changes to the Act and its schedules nothing was again heard regarding this matter from DoH. It was however reported at the Livestock and Animal Feed Forum that it is becoming evident that Stock Remedies – Act 101 will remain under the control of the Department of Agriculture, Forestry and Fisheries (DAFF). This once again gave way to more positive sentiment towards AFMA's previous request of having a DAFF / industry workshop on the matter of Stock Remedies (Act 101), as in the case of the Policy on Animal Feeds, where all parties could make their inputs and have thorough deliberations on the matter.

AFMA Symposium 2008

The AFMA Symposium 2008 was combined with the World Conference on Animal Production 2008 (WCAP), which was hosted in the Cape Town International Convention Centre during November 2008. During the week of conferencing, the AFMA Symposium played a major role not only in attracting people to the AFMA Symposium, but significantly contributing to the success and numbers attending the WCAP 2008.

The AFMA Symposium, with the theme of "FEED INDUSTRY CHALLENGES BEYOND 2010", attracted ± 300 delegates to the day. AFMA also hosted its first ever exhibition stall at the WCAP 2008, which was very popular with the delegates and regarded as one of the best stalls during this week long event.

Workshop for Non-Feed Industry Members

This workshop, also known in the past as the "Workshop for Dummies" once again took place with great success this year. The second of its kind, was held at the Agricultural Research Council Auditorium in Pretoria during March 2008, and the day was concluded by an animal feed mill visit to AFGRI Animal Feeds, Isando.

The workshop succeeded to involve:

- Students from University of Pretoria studying Animal Science;
- Personnel of role-players rendering services and inputs to industry; and
- Personnel of industry role-players.

These groups needed to know more about the functioning of the total industry and to be presented with an overview of the industry. An ideal platform was created for students, suppliers to industry and non-production industry members to liaise with more experienced members of industry and get first hand information or expert answers on issues that they perhaps did not fully comprehend. Measured by the attendance of more than 130 delegates and the positive feedback received from students and

industry members, this can be considered a huge success, which will certainly be repeated during 2009/2010 in other provinces of the country.

Market monitoring and market protection

AFMA has entered the second year of the market monitoring and market protection contract signed between AFRI Compliance and itself. The aforementioned is conducting monthly surveillance of unregistered products and raw materials in the market and has reported a number of cases since the contract started in July 2008. Besides market monitoring and protection, AFRI Compliance was of great assistance in feed and raw material matter specifically related to Act 36.

During 2007/08 AFRI Compliance was requested to prepare a protocol for the purpose of the AFMA Code of Conduct Audit. This protocol was scrutinised by a special AFMA sub-committee on the Code of Conduct audit, which reduced the audit points (to prevent duplications with ISO and HACCP) and the cost involved with the audit, to more reasonable levels (auditing every 2nd year). During a strategic session the AFMA Board of Directors decided that all AFMA members need to be audited before the end of 2010. Any new applicant will also be requested to adhere to the same requirements before allowing full membership to AFMA.

Protocol on Transport of Raw Materials

This document was finalized and approved by the AFMA Technical and Liaison Committee. Thereafter it was referred to the AFMA Trade Committee for comments on the practical implementation thereof in the animal feeds environment. To render this part of inclusive process, the Trade Committee requested that a workshop on the protocol be held and that members of the road transport fraternity be invited as well to enable the industry to gain an insight into the practical side of implementing this type of protocol.

After presenting the protocol and its objectives to all attendees, members of the road transport fraternity joined the discussions and made positive inputs and suggestions – after initial scepticism. The inputs and suggestions will be used to update the protocol document before taking this forward. Due to the fact that the workshop was hosted in the Gauteng-area, the need was expressed for such a workshop to be conducted also in the Western Cape.

AFMA BSE Protocol

This protocol was completed by the sub-committee on BSE of the AFMA Technical and Liaison Committee (members of the AFMA committee as well as a member of Act 36 from DAFF) and accepted by the Livestock and Animal Feed Forum during the reporting period. This protocol was further used to form the basis for the guideline document written for State veterinarians and animal health practitioners to use as

directive once the use of mammalian blood meal is finally approved. This approval is expected to take place late in 2009.

The BSE protocol will also be used in the process of drafting a national SABS traceability standard, which will be compiled by the sub-committee on BSE of the AFMA Technical and Liaison, Act 35, Act 36, SABS and other affected parties. This document will run its full course of SABS committee drafts and is expected to be finalized within the following 12 to 18 months.

National SABS GMP Standard

This national standard had reached its final phases during November 2008, when AFMA requested the opportunity to make some additions and changes. These additions and changes which were effected at a special AFMA arranged meeting on 14 May 2009, would according to the AFMA GMP sub-committee add value to the document and would amalgamate practice and theory. It is anticipated that, after the additions and comments were circulated to all committee members and published for comments, this SABS GMP standard will be finally published during September / October 2009.

International Trade and Arbitration Commission (ITAC)

AFMA has since the previous application to ITAC on the soya oilcake (SASOL vs. AFMA) been active in liaising with ITAC on a new, totally independent soya oilcake application for the removal of the import duty – this after the 1st successful application could not be executed due to the linkage between the SASOL and AFMA applications. AFMA is constantly monitoring matters related to the feed industry which involves ITAC.

AFMA BRANDING:

Re-branding of AFMA included: logo; letterhead; banners; e-stationery; AFMA Matrix; annual golf day; corporate gifts; chairman's report; corporate clothing and AFMA's website. AFMA's Board is constantly investigating improvements that can be made towards strengthening the AFMA image on behalf of its members. The re-branding of AFMA has since it started received wide-spread positive reaction from members, state departments, organisations in the feed value chain, and private institutions.

AFMA website

The new-look website forms part of the central theme and branding of AFMA and offers a new modern look with a constant update of the latest information and new features. The website was specifically designed to be used as an information tool on the animal feed industry and related matters. The site can be visited at www.afma.co.za.

AFMA Forum 2010

The organizing of the AFMA Forum 2010 process of planning and hosting the AFMA Forum 2010 has already started, with confirmation of this international conference taking place during the first week, 2nd – 4th March 2010, at Sun City. The program for this conference as well as speaker invitations and sponsorships is well under way.

Professional and corporate look

AFMA will always strive to maintain a professional and corporate image in all activities it is involved with.

International participation

AFMA has become considerably more involved in IFIF activities, making frequent inputs as a member, attending IFIF forums and attending meetings arranged by the IFIF, of which the last to take place was in September 2008 in Rome.

Presence and credibility on Forums

AFMA's presence during the reporting period has increased and was improved to one of the leading decision making industry organisations within agriculture, and even more so in the livestock and animal feeding arena.

Membership

AFMA is privileged to report that it enjoyed a favourable increase in membership during the reporting period, as will be discussed in detail in the report.

Own identity

AFMA has during the past two years successfully regained the organisation's own identity which is now well known to DAFF, ITAC, DTI, Health and even in the Department of Foreign Affairs.

International recognition

AFMA is enjoying the recognition not only from IFIF but also other international members of IFIF amongst which the US, EU, China and Brazil (F4), as the leading and representative organisation in Africa. This recognition will further be enhanced after acceptance of the proposal that feed companies within SADC can become full members of AFMA at the AFMA AGM on 29 August, 2008.

National recognition

AFMA is currently enjoying recognition as the national role-player being part of all forums related to animal feeds and the grain value chain. These includes the various forums, both governmental and private sector where AFMA fulfils its rightful role as one of the leading decision makers.

Further issues affecting the animal feed industry will be addressed below.

2. AGRICULTURAL POLICY ISSUES

2.1 Tariff matters

2.1.1 Tariffs and rebates

The *tariff policy* document that was completed seems to be a problem for the Government. This item was placed on every single possible agenda (even the meeting with President Mbeki), but the Department of Agriculture has not been able to get it approved at Cabinet level. This policy will become even more important with the collapse of the Doha Round. The new ministers of the Department of Agriculture, Forestry and Fisheries (DAFF) and the Department of Trade and Industry (DTI) have been indicating a slight change in the tariff policy.

White silo bags

The Chamber of Milling was part of an initiative to apply to the International Trade Administration Commission to remove the import duty on the white silo bags that are currently being used in the industry. The application was successful and a zero duty was promulgated on 26 February 2009.

Soya oilcake

AFMA was successful during 2007 in convincing ITAC that if the rebate requested by SASOL and the Central Energy Fund for the importation of soya beans to be used in the production of bio-fuel be granted, the animal feed industry would like to have the same benefit to keep the playing field level and not create a monopoly for the crushing of beans for bio-diesel. These rebates were published in the Government Gazette of 21 December 2007, which made provision for a full rebate on the importation of soya oilcake as from 1 July 2008 to 30 June 2011.

AFMA, however, received a letter from ITAC in February 2008, stating that although the rebate has been approved and published, it will be linked to the rebate given to SASOL and the Central Energy Fund for the importation of soya beans for use in bio-diesel, thus effectively preventing AFMA to make use of this rebate even though approved.

The trade committee of AFMA thus considered it appropriate that a totally independent application, not linked to other applications would be drafted and submitted. The drafting of this application was completed and the document submitted to ITAC for consideration.

Since the admittance of the application for the removal of the import duty on soya oilcake by AFMA, ITAC has convened a task team on the matter consisting of all relevant role-players delivering their inputs to the matter. AFMA has also since the beginning of the task team meetings had individual meetings with ITAC to explain the dynamics and the complexity of the matter.

AFMA has submitted a confidential version on the effect of the import duty on the cost of soya oilcake and the users thereof as different role-players in the value chain during August 2009. AFMA also requested the opportunity to make a presentation to the ITAC Commission on the matter in person and is awaiting feedback from ITAC.

The ITAC process will constantly be monitored by means of liaison.

Lysine

The first safeguard duty of its kind was imposed by ITAC during 2007 which will be liberalized over a period of 3 years. The second year of this liberalization process has passed and the safeguard duty has reduced to 9%, down from 18% a year earlier.

Liberalization period:

<i>Period</i>	<i>Rate of safeguard measure</i>
11 May 2007 – 10 May 2008	27%
11 May 2008 – 10 May 2009	18%
11 May 2009 – 11 April 2010	9%

SAPA

During this reporting period AFMA supported SAPA in initiating an investigation to ascertain if there is a case to be made against Brazilian chicken imports, coming to South Africa at prices lower than their local selling prices – effectively implying dumping in the South African market. This situation will be monitored and assistance will be given where indicated.

2.1.2 Trade Agreements

We have very little progress to report regarding South Africa's bilateral trade agreements. South Africa has refused to sign a new trade agreement with the European Union. However, some of our Southern African Customs Union (SACU) partners (Botswana, Lesotho and Swaziland) have signed a new agreement. Having a common customs tariff in place is causing a major problem. Politicians are still in the process of attempting to resolve this matter. Uncertainty even existed on whether or not SACU would continue in its current format at all.

No new agreements have been concluded during this period, although discussions with India have commenced.

2.1.3 World Trade Organisation

The Doha Round has still not been concluded. Various efforts are underway to get the negotiations back on track. At this point in time it seems as if the non-agricultural issues would take precedence in whether this Agreement would actually come to a conclusion.

The dispute declared by Canada and Brazil against the United States of America's agricultural subsidies has not progressed beyond being tabled. South Africa has registered as a third party to this dispute. It was a very positive capacity-building exercise. We have been informed that the Department of Trade and Industry has formally appointed a dedicated staff member to handle disputes in the future.

Most of the research that was done internationally indicated a strong movement towards protectionism. This came against the backdrop of various pleas to maintain the momentum of trade liberalization.

2.1.4 Representation and Government relations

Agricultural Sector Plan

The Agricultural Sector Plan that was approved in 2001 was reviewed during the reporting year. Major stumbling blocks like the capacity with regard to Act 36, infrastructure problems, e.g. rail and road, etc., formed part of the recommendations. We have developed a scorecard for the Department to assist specifically with the implementation of these recommendations. We are quite eager to see some results coming forth. An agreement of this kind between Government and the private sector on this level is probably very unique.

In analyzing the ANC election manifesto, the State of the Nation Address by President Jacob Zuma as well as the outcome of the recent Cabinet Legotla, we have a strong belief that agriculture has been elevated to a much more important position on Government's agenda. The focus on high food prices in the media is also contributing positively to attract the attention of Government and especially investment to our sector.

AFMA is still represented on a wide range of forums and Public Private Partnership (PPP) structures to ensure that our interest is protected and promoted with Government.

2.1.5 Energy crisis

The National Energy Regulator of South Africa (NERSA) is in the process of developing the Power Conservation Program (PCP). This has however been put on hold with no indication as to its completion date. NERSA granted Eskom a 31,3% increase in electricity tariffs as a result of Eskom's application for an interim price increase of 34%, with retrospective effect. We have, through our association with the South African Agricultural Processors Association (SAAPA) objected to Eskom's application through Business Unity South Africa (BUSA).

We have also proposed to the Department of Agriculture that they embark upon a memorandum of understanding with Eskom to ensure the continuation of electricity supply to strategic industries, especially for food security purposes.

2.1.6 Competition Commission

The Competition Commission investigation which started during January 2008, after a dairy farmer from North West complained of "Excessive pricing", is currently still under investigation. This process was characterized by a large number of personnel changes at the Competition Commission. AFMA is continuously liaising with the Competition Commission on the matter and still awaits the outcome or notification of progress on the investigation.

3. TRADE COMMITTEE MATTERS

3.1 Crop estimates

Apart from the small crises (funding and capacity) regarding the Agricultural Research Council's performance on the Crop Estimates Committee, the crop estimates were fairly accurate. Attention was now given to the development of a Code of Practice which would outline the required guidelines of what would be expected of members of the Crop Estimates Committee.

3.2 Spoornet (Transnet Freight Rail)

The Department of Transport compiled a document for discussion on Government intervention in grain transport, which was the outcome of a joint collaborative effort of the Departments of Agriculture, Forestry and Fisheries (DAFF); Transport (DOT); and Public Enterprise (DPE) as well as Transnet Freight Rail. The grain industry was involved in the preliminary meetings towards the preparation of this discussion document on grain transport. The Department of Agriculture, Forestry and Fisheries confirmed that a meeting was being arranged between the Directors-General of DOT and DAFF to further interrogate the document.

We have since made a presentation to the National Agricultural Marketing Council (NAMC) on 25 November 2008 and requested them to investigate the impact of transport cost in the grain value chain. The NAMC developed the Terms of Reference and confirmed that a service provider has been contracted to conduct the research, which is envisaged to be completed before the end of 2009.

OTHER

- **Grain Farmer Development Association**

The Grain Farmer Development Association (GFADA) was founded on 3 August 2009. The aim of the Association is to co-ordinate some of the efforts in the grain industry to speed up the pace at which grain farmers are being successfully established.

- **Maize Board**

The Maize Board was finally closed on 31 July 2009, and ± R30 million is to be transferred to the Maize Trust.

3.3 GMOs

The mandate of AFMA still remains to facilitate and assist in the enlargement of the supply of raw materials that could be imported for the industry.

In times of surplus production of maize, as is the case of the 2008 and 2009 harvests, attention is easily drawn away from being in a position to import maize should the situation so require. The supply situation with regard to Argentinean maize is constantly monitored to ensure the continuous supply of raw materials.

The one area of concern with regard to importing GMO commodities is the fact that the exporting country could have registered new GMO traits in their country, which are not yet approved in South Africa due to the slow or halted process. This could pose a huge financial threat to any importer and the feed industry under the impression that it is totally safe to import from for example Argentina and upon arrival in the South Africa harbour finding the shipment to contain traits not yet registered in South Africa.

Parallel to the textbook scenario of the Brazilian imported maize into the Cape Town harbour and the lessons for all regulating parties to be learned, the outcome of the registration process of traits for commodity clearance is still awaited. AFMA and directly affected role-players have during the reporting period met and liaised with the GMO Registrar to explain and discuss the importance of the matter. Ongoing liaison with the regulating departments will remain one of AFMA Trade Committee's priorities.

3.4 **SAFEX Agricultural Advisory Committee (ADP)**

Worldwide commodity markets were characterized by large price swings and high volatility during the past year. Our markets and more specifically the SAFEX Agricultural market was not excluded from this phenomenon.

Priority matters handled during the reporting period include:

Vryhof Silo – This particular case was highlighted due to the silo certificates and the quantities in the silo not matching up, which left the JSE with a problem and the need to increase the requirements (bank guarantees) from smaller silo's. The importance of industry having to insist on the policing of the certificates vs. quantities, was once again highlighted here.

Transport differentials – The location transport differential was once again a contentious issue this year. The APD advisory committee once more confirmed that the milling and feed industry are in favour of the transport differential and that it believed transport differentials an essential part of the success of the current futures products.

Silo bag depots – During the reporting period the option of establishing silo bag depots was tabled. This was however not accepted due to some concerns ranging from deteriorating grades of grain in silo bags, from not being attached to railways to not having the required bank guarantees in place.

Competition Commission – During the reporting period a group of Western Cape farmers accused SAFEX of providing the platform to manipulate raw material prices. The matter is still under investigation.

Limits for trading – the ADP committee evaluated the limits and was comfortable with the up and down trading limits in both wheat and maize.

3.5 **Grain silo practices**

During the year under review most of the focus was on the SENWES competition case that is still running before the Competition Tribunal with the Competition Commission and SENWES deliberating the case.

4. **RAW MATERIAL COSTS**

Raw material prices are influenced amongst other by world production, ending stocks, currency fluctuation, global growth and disposable income as well as fund activity and appetite for position taking.

As global raw material stocks reduced prices increased and the area planted to maize responded accordingly. Global raw material stocks remains relatively low. The area planted to grain in the world remains at record levels in an attempt to keep up with demand. World commodity prices were at an all time high until late 2008, after which the world economic collapse resulted in a dramatic reduction in grain prices. The end of 2008 international maize prices halved in price within a short space of time. Maize usage to ethanol in the USA increased to 30% of the crop in 2008; growth is expected to slow down during 2009. The weaker USD has contributed to keeping world commodity prices high.

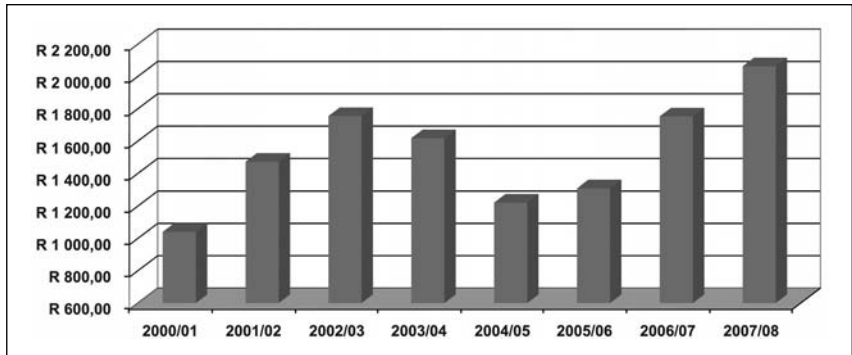
AFMA members' raw material cost experienced a 3 year cycle of a decrease bottoming out during 2004/2005 with a cost of R1 221 per ton. This cycle was followed by an increase cycle of two years reaching R1 753 per ton in 2006/2007 – a 44% increase from 2004/2005. This increasing trend however continued into 2007/2008, with average raw material cost reaching R2 063 per ton – a 69% increase in average raw material cost since the increase in prices of raw materials started in 2004/2005. It is expected that the reduction in grain prices since late 2008 will result in feed prices easing; unfortunately protein cost have not reduced and these constitute a high percentage of feed prices.

The price of yellow maize has increased from a level on SAFEX of R550 per tonne in May 2005 to a level of R1 932 for May 2008, an increase of 251% which reduced significantly to R1 420 in May 2009, a drop of 27%.

Protein components of feed have not reduced in price mainly due to the conditions in Argentina. The imported Argentina soybean meal price increased from R3 900/tonne in May 2008 to R4 400/tonne in May 2009.

YEAR	RAW MATERIAL COST	% GROWTH
2000/01	R 1 040,47	4,97%
2001/02	R 1 472,43	41,52%
2002/03	R 1 754,86	19,18%
2003/04	R 1 617,88	-7,81%
2004/05	R 1 221,18	-24,52%
2005/06	R 1 308,00	7,11%
2006/07	R 1 753,00	34,02%
2007/08	R 2 063,00	17,68%

Source: AFMA Annual Cost Survey - 2007/08



AFMA weighted average raw material cost (R/Tonne)

5. SKILLS DEVELOPMENT ACT, 1998, ACT 97/1998

5.1 Training

A process was initiated by the AgriSETA late 2007, in association with the GTZ (German Technical Co-operation), to develop Occupational Curricula for the Agro-processing industries (which include AFMA, Milling and Pet Food). The Animal Feed Manufacturing Association has supported this process.

The Occupational Curricula are designed to meet the future landscape introduced by recent changes in the legislative framework that governs skills development for Occupations and Trades. The curricula currently being developed are focused at occupational level for persons employed by industry to operate processing equipment, operate material handling equipment and control unit operations.

Frameworks have been developed and are now in the process of refinement to ensure that the curricula meet industry specific requirements. This process is highly dependant on inputs by persons from industry with operational expertise. Once occupational curricula are available in draft format, a broad industry verification process will be conducted. Nomination of participants in workshops to develop and verify occupational curricula is not limited to members of a specific SETA, as not all the enterprises that should be involved are necessarily members of the SETA.

The development of occupational curricula must be recognised as an industry process to ensure relevant and quality learning. An industry structure such as a Training Committee is regarded as a very important structure to be considered by AFMA. This body will perform key roles in the new occupational training landscape such as formulating and forwarding industry specific needs for occupational curriculum development and nomination of task team members to participate in development work, setting national industry standards for assessment.

6. AFMA PRIZES AND AWARDS

6.1 Sponsorships for awards

6.1.1 AFMA Person of the Year Award

AFGRI Trading has agreed to sponsor the AFMA Person of the Year Award for 2008/2009. On behalf of AFMA I would like to express my thanks towards AFGRI Trading for this gesture.

6.1.2 Barney van Niekerk / AFMA Technical Person of the Year Award

DSM Nutritional Products has agreed to sponsor the Barney van Niekerk / AFMA Technical Person of the Year Award for a five-year period from 2007. Thank you once again also to DSM Nutritional Products for this gesture.

6.2 Presentation of awards for 2007/2008

6.2.1 AFMA Person of the Year Award: 2007/2008

The 2007/2008 award was presented to Mr Loutjie Dunn – National Technical Manager, Nutri Feeds at AFMA's 61st Annual General Meeting hosted at Spier Hotel and Conferencing Centre, Stellenbosch. Mr Dunn was awarded for his exceptional efforts and the inputs that he made during the past years not only towards the AFMA Technical Committee and the AFMA Board of Directors, but to various other related bodies and organisations to the Feed and Grain industries in South Africa.

6.2.2 Barney van Niekerk / AFMA Technical Person of the Year: 2007/2008

This 2007/2008 AFMA Technical Person of the year award was presented to Dr Pieter Henning of KK Animal Nutrition. This award was made to Dr Henning for his work done on cutting edge technology projects which not only made a huge contribution to his company but also to the industry as a whole. His work and research brought new concept and tools to dairy farmers and feedlot managers in preventing acidosis which moved boundaries in the feeding of these animals, and ensured the customers' cost effectiveness.

6.2.3 Koos van der Merwe / AFMA prize: 2008

The Koos van der Merwe prize for the best final year student was awarded to Mr Dieter Fleischmann, University of Pretoria.

7. MEMBERSHIP OF OTHER ORGANISATIONS

AFMA realised that not to isolate itself it needs to be part of the grain value chain and related industries. Therefore AFMA decided to become members of associations/institutions addressing different aspects related to the feed industry.

7.1 AfricaBio

AfricaBio promotes the use of biotechnology in Agriculture. Since AFMA believes that biotechnology should be used in the alleviation of food shortages in future, we fully support their work. AfricaBio is also assisting AFMA with lobbying government and other decision makers for the approval of GMOs. They are further very much involved in promoting the use of GMOs in Africa. AFMA, and AfricaBio have been in regular contact during the past year regarding issues affecting the feed industry.

7.2 International Feed Industry Federation (IFIF)

After becoming more involved in the international animal feed arena and AFMA's Executive Director attending the F4 Summit meeting in June 2006, this relationship has been growing stronger with regular communications between the IFIF and AFMA offices. Liaison between AFMA and the IFIF is mainly related to technical matters (of which the FAO/CODEX Feed Manual is a good example) as well as trade and procurement related matters ranging from international market trends to bio-fuels. AFMA also made inputs to IFIF which were used in the IFIF presentation at the FAO Food Summit in Rome during June 2008.

It was further envisaged that AFMA would become more involved with IFIF matters after a representative of AFMA attended the first "Regulators Meeting" in Atlanta, US during January 2008 – which was organized by IFIF to bring the international industry role-players and the international regulators closer together to enhance co-operation.

Since the 1st Regulators meeting in Atlanta, US during January 2008 – IFIF and the FAO have engaged in a closer working relationship, which gives IFIF a much broader scope into International related issues to Animal Feeding. This benefit already became evident with the participation of the IFIF/FAO delegation in the FAO Food Summit during June 2008.

To enhance the AFMA / IFIF relationship, the AFMA Executive Director attended the IFIF Annual General Assembly hosted during September 2008 at the FAO headquarters in Rome, for the first time in AFMA's history.

During this Annual General Assembly, Mr De Wet Boshoff was afforded the opportunity to deliver a presentation on AFMA and the South African animal feed industry. This presentation clearly indicated that the South African animal feed industry can be compared to any feed industry whether in Europe, North America, Latin America or Asia. This presentation was exceptionally well received by all country members.

Since the 2008 Annual General Assembly, AFMA has become more involved with IFIF committees – especially the Policy, Education and Technology (PET) committee.

8. AFMA MEMBERSHIP

AFMA is pleased to announce that 5 new members joined during the reporting period ending 30 June 2009. AFMA membership now stands at 95 constituting:

- Full members (balanced feed manufacturers) : 52
- Associate members : 43

Associate membership includes the following groups:

- Premix manufacturers : 13
- Traders : 14
- Producers and suppliers of raw materials : 13
- Manufacturers and suppliers of equipment : 2
- Lab Services : 1

8.1 New members

AFMA's membership was open to companies in South Africa and the LSBN (Lesotho, Swaziland, Botswana and Namibia) countries. In 2004 it was decided that feed manufacturers from Mozambique could also join AFMA. It was also decided to invite manufacturers and suppliers of equipment to become associate members. The following companies joined AFMA during the reporting year and we welcome them.

Full Members

Evertrade Feeds (Pty) Ltd	-	1 June 2009
Nutri Feeds Botswana	-	1 June 2009

Associate Members

Apex Commodities (Pty) Ltd	-	1 June 2009
Kerry Ingredients and Flavours	-	1 June 2009
Lynn Phillips Consulting CC	-	1 June 2009

8.2 Termination of membership

- Prolakto Voere - 1 September 2008

8.3 Name changes

The following name changes to member companies have been made during the reporting period:

- Aquanutro, change to Nutroscience
- BASF Animal Nutrition SA, change to ADVIT Animal Nutrition SA
- Degussa, change to Evonik Degussa

9. CO-OPERATION WITH LIVESTOCK INDUSTRIES

Scheduled quarterly Livestock and Animal Feed Forum meetings took place between Government and the different parties of the livestock and animal feed industries. In scheduled meetings, role-players convene outside to discuss matters of mutual interest as well as matters that need to be resolved in the formal Livestock and Animal Feed Forum.

Apart from the Livestock and Animal Feed Forum, AFMA the PFI and Act 36 personnel engaged in bi-monthly meetings pertaining specifically to Act 36 matters impacting directly on AFMA and the PFI. It has been found that these meetings are much more efficacious in addressing the Act 36 matter on an almost one to one basis.

Typical matters under discussion at this forum are:

- The "to be published" Feed Bill
- Act 36 – Regulations
- Feed Guidelines

9.1 Co-operation with GSA

Liaison with Grain SA on common issues continues, particularly in terms of matters handled at the Maize Forum Steering Committee.

10. REGISTRAR: APPLICATIONS

AFMA has often expressed concern about the reduced number of GMO sources for the import of yellow maize and other GMO's. This was a result of the Cartagena Agreement and the way in which countries deal with GMO's. Currently South Africa cannot import any yellow maize from the US, the biggest exporter of yellow maize, for the simple reason that all the GMO traits that have been approved in the US are not yet approved in South Africa.

AFMA has during the reporting period had good communication and liaison with the DAFF's newly appointed Registrar of GMO's. AFMA further made its input at numerous forums where GMO's and the registration of new traits for commodity clearance are concerned.

During November-December 2008 a shipment of Brazilian yellow maize was imported into Cape Town harbour, which proved to be a text book scenario for the DAFF to see how this imports are handled and what is needed. During this exercise the DAFF clearly realized the need for one set of procedures which encompasses all role-players.

From this a new item of work was registered with the SABS by the DAFF – “Requirements for receiving, handling, transportation and storage of genetically modified (GM) grain products”. This will become a national standard and will cover all requirements and procedures needed in an importation process. This document is currently discussed in the SABS Working Committee.

On the terrain of registration of new animal feeds as well as the re-registration process AFMA is playing a major role. Apart from the registration fees being negotiated to much more acceptable levels during March 2008, AFMA is playing a critical and leading role in moving towards the new Feed Bill that is to be published shortly. According to this Bill, feed registrations will be phased out and be replaced by mill registration. Premixes, additives and vitamins will however still have to be registered on a per product basis.

In the interim, between the current legislation and the new Feed Bill, actions are being put in place by Act 36 to make the feed registrations valid for 3 years, replacing the annual renewal system.

Since the appointment of the new Technical Assistant in the AFMA office, liaison actions on different aspects pertaining to Act 35, Act 36, Act 101 and Livestock and Animal Feed Forum matters have increased and the positive benefit within this short space of time can already be experienced.

11. STAFF MATTERS

11.1 The staff in the AFMA office

The staff in AFMA office increased during the reporting period with the appointment of Mrs Nomfuzo Mkhize as Technical Assistant bringing the staff component to three full time personnel.

- Executive Director – De Wet Boshoff
- Secretary – Teresa Struwig
- Technical Assistant – Nomfuzo Mkhize

11.2 Co-operation with National Chamber of Milling (NCM)

The National Chamber of Milling is still rendering certain services to AFMA which include administrative and support services in certain areas of expertise. A much closer working relationship was established with the NCM than in the past, with better co-operation and cross pollination taking place in the areas of work, which is expected to be maintained and improved.

12. FEED MANUFACTURING

12.1 Raw material utilization in 2008/2009 by AFMA members

Table 2 indicates the raw material usage and inclusion rates during 2005/2006 and 2008/2009. The average inclusion rates for the various raw materials are indicated as a percentage of the total feed sales and will normally reconcile to a level higher than 95%, allowing for a milling loss. It must, however, be noted that not all raw materials are being used in all compound feeds. The inclusion rates of different raw materials differ from formulation to formulation as well as between different species.

RAW MATERIAL	TOTAL (T)	INCLUSION RATE	TOTAL (T)	INCLUSION RATE	TOTAL (T)	INCLUSION RATE	TOTAL (T)	INCLUSION RATE
	2005/2006	2005/2006	2006/2007	2006/2007	2007/2008	2007/2008	2008/2009	2008/2009
Bagasse	62 538	1,40%	50 808	1,14%	56 820	1,27%	58 875	1,32%
Barley (All)	3 351	0,08%	1 700	0,04%	3 337	0,07%	1 663	0,04%
Bicarbonate of soda	3 546	0,08%	4 054	0,09%	6 926	0,16%	4 080	0,09%
Blended oil	35 960	0,81%	43 618	0,98%	48 341	1,08%	27 050	0,61%
Blood meal	2 993	0,07%	2 412	0,05%	14 499	0,32%	16 048	0,36%
Bone meal	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Brewers grain	13 321	0,30%	5 879	0,13%	5 357	0,12%	7 137	0,16%
Canola full fat	1 218	0,03%	3 757	0,08%	553	0,01%	31	0,00%
Canola oilcake	5 344	0,12%	4 330	0,10%	2 963	0,07%	2 147	0,05%
Carcass meal	2 271	0,05%	3 958	0,09%	3 302	0,07%	4 387	0,10%
Citrus meal	1 055	0,02%	900	0,02%	3 344	0,07%	5 143	0,12%
CMS	40 338	0,90%	15 602	0,35%	13 428	0,30%	13 008	0,29%
Cottonseed oilcake	50 865	1,14%	35 590	0,80%	19 184	0,43%	19 886	0,45%
Cotton seed	6 454	0,14%	10 241	0,23%	9 086	0,20%	4 903	0,11%
Defatted maize germ meal	14 977	0,34%	9 607	0,22%	10 868	0,24%	9 711	0,22%
Fat	3 754	0,08%	11 618	0,26%	28 702	0,64%	1 564	0,04%
Feather meal	28 677	0,64%	33 539	0,75%	30 761	0,69%	16 358	0,37%
Feed wheat	3	0,00%	2 689	0,06%	80	0,00%	3 461	0,08%
Fish meal	78 284	1,75%	37 871	0,85%	48 388	1,08%	74 345	1,67%
Full fat soya	147 702	3,31%	183 047	4,10%	131 242	2,94%	92 474	2,07%
Groundnut oilcake	2 636	0,06%	316	0,01%	-	0,00%	1	0,00%
Hominy chop	101 577	2,28%	90 408	2,03%	87 734	1,97%	101 287	2,27%
Limestone grit	50 356	1,13%	57 640	1,29%	68 021	1,52%	64 620	1,45%
Limestone powder	93 968	2,11%	82 836	1,86%	86 594	1,94%	90 454	2,03%
Lucern hay	17 720	0,40%	17 078	0,38%	30 249	0,68%	22 706	0,51%
Lucern meal	21 664	0,49%	15 437	0,35%	16 281	0,36%	15 455	0,35%
Lysine	6 065	0,14%	5 449	0,12%	7 954	0,18%	6 642	0,15%
Maize	2 200 797	49,32%	2 267 008	50,81%	2 485 592	55,70%	2 649 320	59,37%
Maize germ meal	21 331	0,48%	16 664	0,37%	21 338	0,48%	20 403	0,46%
Maize germ oilcake	2 926	0,07%	2 859	0,06%	5 750	0,13%	3 984	0,09%
Maize gluten meal (20%)	27 780	0,62%	19 197	0,43%	24 850	0,56%	32 599	0,73%

RAW MATERIAL	TOTAL (T)	INCLUSION RATE	TOTAL (T)	INCLUSION RATE	TOTAL (T)	INCLUSION RATE	TOTAL (T)	INCLUSION RATE
	2005/2006	2005/2006	2006/2007	2006/2007	2007/2008	2007/2008	2008/2009	2008/2009
Maize gluten meal (60%)	14 345	0,32%	17 645	0,40%	19 328	0,43%	16 143	0,36%
Maize meal	1 296	0,03%	2 346	0,05%	1 050	0,02%	6 310	0,14%
Maize screenings	2 582	0,06%	7 183	0,16%	(6 572)	-0,15%	5 124	0,11%
Meal & bone meal	991	0,02%	1 685	0,04%	700	0,02%	452	0,01%
Medicaments	9 664	0,22%	12 023	0,27%	16 746	0,38%	11 625	0,26%
Methionine	5 140	0,12%	5 755	0,13%	9 179	0,21%	5 799	0,13%
Molasses	186 142	4,17%	158 459	3,55%	181 536	4,07%	178 689	4,00%
Monocalcium phosphate	36 101	0,81%	42 203	0,95%	41 864	0,94%	30 427	0,68%
Other : 598+557+525+554+545+552+546+553+529+538+582+512+583+554+584+512	16 816	0,38%	29 548	0,66%	40 391	0,91%	41 891	0,94%
Palm kernel oilcake	697	0,02%	683	0,02%	279	0,01%	338	0,01%
Plant oil	772	0,02%	1 679	0,04%	3 186	0,07%	9 075	0,20%
Poultry by-product	31 445	0,70%	31 318	0,70%	30 527	0,68%	43 650	0,98%
Salt	40 685	0,91%	36 368	0,82%	44 707	1,00%	38 069	0,85%
Sorghum	2 535	0,06%	917	0,02%	603	0,01%	1 472	0,03%
Soya oilcake	473 885	10,62%	653 463	14,64%	756 491	16,95%	716 142	16,05%
Sunflower hulls	1 879	0,04%	3 010	0,07%	2 487	0,06%	1 549	0,03%
Sunflower seed & oilcake	216 605	4,85%	169 172	3,79%	169 291	3,79%	248 884	5,58%
Triticale	-	0,00%	31	0,00%	82	0,00%	1	0,00%
Urea	27 629	0,62%	15 519	0,35%	16 978	0,38%	14 859	0,33%
Vit & Min premixes	15 797	0,35%	19 086	0,43%	52 759	1,18%	21 589	0,48%
Wheaten bran & flour	246 270	5,52%	248 362	5,57%	275 156	6,17%	282 284	6,33%
Wheaten straw	3 821	0,09%	4 872	0,11%	6 714	0,15%	5 587	0,13%
TOTAL	4 384 568	98,26%	4 497 439	95,95%	4 935 026	95,66%	5 049 701	95,95%
Feedsales for the period	4 462 088		4 687 097		5 158 786		5 262 693	

12.1.1 Oilcakes and fish meal

Details of the oilcake and fish meal consumption by AFMA members during the period 1 April 2004 to 31 March 2009 are shown in **Table 3**. Although still in short supply, **Table 3** indicates how the use of fish meal by AFMA members has slightly recovered during the past 3 reporting periods. The use of fish meal is determined by availability, product mix and price in relation to other protein sources available. Usage recovered from 37 871 tonne in 2006/2007 to 74 345 tonnes in 2008/09.

Soya oilcake has for the first time in six years dropped in volume as a protein source during 2008/2009. Usage of soya oilcake and full fat soya dropped from 882 682 tonnes in 2007/2008 to 808 616 tonnes in 2008/2009. Thus, amongst other protein sources, soya oilcake's market share dropped from 17,11% to 15,37% in 2008/2009.

This drop in soya oilcake usage was however covered by a 48% increased usage of sunflower oilcake from a 169 291 tonne usage in 2007/2008 to 248 884 tonnes in 2008/2009. This could be attributed mainly to the combination of high international Soya prices as well as increased availability of sunflower oilcake and fishmeal.

Cotton oilcake usage continued its decreasing trend, dropping to 24 789 tonnes in 2008/2009. This drop in usage is mainly due to the ratio between cotton oilcake and sunflower oilcake prices.

TABLE 3: OILCAKE AND FISH MEAL USAGE BY AFMA MEMBERS - 1 APRIL 2004 TO 31 MARCH 2009 (TONNES)

OILCAKE	2004/ 2005	% INC	2005/ 2006	% INC	2006/ 2007	% INC	2007/ 2008	% INC	2008/ 2009	% INC
Soya*	541 616	12,56%	621 587	13,93%	836 510	17,85%	882 682	17,11%	808 616	15,37%
Sunflower	213 837	4,96%	216 605	4,85%	169 172	3,61%	169 291	3,25%	248 884	4,73%
Cottonseed**	50 736	1,18%	57 319	1,28%	45 831	0,98%	28 143	0,55%	24 789	0,47%
Groundnuts	891	0,02%	2 636	0,06%	316	0,01%	0	0,00%	1	0,00%
Canola***	7 678	0,18%	6 562	0,15%	8 087	0,17%	3 516	0,07%	2 178	0,04%
Copra & Palm kernel	4 009	0,09%	2 873	0,06%	4 029	0,09%	7 016	0,14%	4 887	0,09%
TOTAL	818 767	18,98%	907 582	20,34%	1 063 945	22,70%	1 089 213	21,11%	1 089 355	20,70%
Fish meal	100 879	2,34%	78 284	1,75%	37 871	0,81%	48 156	0,93%	74 345	1,41%
ANIMAL FEED SALES	4 313 065		4 462 088		4 687 097		5 158 786		5 262 693	

* Including soya oilcake and full fat soya
 ** Including oilcake and full fat cotton
 *** Including full fat canola

12.1.2 Maize products

AFMA's maize products usage for the past 5 reporting periods (2004 – 2009), is shown in **Table 3.1**. Maize and maize products usage increased by 8% from 2007/2008, resulting in an inclusion rate of 55% of all raw materials used in feed in 2008/2009, bringing the total maize and maize products used to 2 838 571 tonnes (excluding maize meal).

TABLE 3.1: USAGE OF MAIZE PRODUCTS BY AFMA MEMBERS - 1 APRIL 2004 TO 31 MARCH 2009 (TONNES)

	2004/ 2005	% INC.	2005/ 2006	% INC.	2006/ 2007	% INC.	2007/ 2008	% INC.	2008/ 2009	% INC.
Maize (Incl. maize meal)	2 191 687	50,82%	2 202 093	49,35%	2 273 544	48,51%	2 465 239	47,79%	2 649 320	51,36%
Maize gluten meal (20%)	31 620	0,73%	27 780	0,62%	19 278	0,41%	24 470	0,47%	32 599	0,63%
Maize gluten meal (60%)	15 214	0,35%	14 345	0,32%	17 688	0,38%	19 232	0,37%	16 143	0,31%
Maize screenings	3 030	0,07%	2 582	0,06%	-7 186	-0,15%	-6 572	-0,13%	5 124	0,10%
Maize germ meal	29 247	0,68%	21 331	0,48%	16 664	0,36%	21 338	0,41%	20 403	0,40%
Defatted maize germ meal	14 448	0,33%	14 977	0,34%	9 806	0,21%	10 683	0,21%	9 711	0,19%
Maize germ oilcake	1 681	0,04%	2 926	0,07%	2 859	0,06%	5 750	0,11%	3 984	0,08%
Hominy chop/Germ meal	97 959	2,27%	101 577	2,28%	90 271	1,93%	87 358	1,69%	101 287	1,96%
TOTAL	2 384 886	55,29%	2 387 611	53,51%	2 422 924	51,69%	2 627 498	50,93%	2 838 571	55,02%
TOTAL FEED PRODUCTION (TONNES):	4 313 065		4 462 088		4 687 097		5 158 786		5 262 693	

12.2 Raw materials available to the feed industry: 2008/2009

The national availability of raw materials for the feed industry is discussed in 12.2.1 – 12.2.4.

12.2.1 Oilcakes

The estimated local production of oilseeds and oilcakes for the 2008/2009 marketing season is shown in **Table 4**. Information on imports is supplied in **Table 4.1**, whilst **Tables 4.2** and **4.3** contain summaries of the available oilcake.

Soya bean production in South Africa maintained its upward trend increasing from an all time low of 205 850 tonnes during 2006/2007 to 282 000 tonnes in 2007/2008 and an estimated 506 595 tonnes in 2008/2009. SAGIS figures again showed an almost 50/50 split with 117 000 tonnes going to crushing for oil cake and 110 000 tonnes going to full fat production.

Cotton seed available for crushing and available as full fat for the past reporting period has reduced.

TABLE 4: LOCAL OILCAKE AVAILABLE FOR MARKETING - 1 APRIL 2008 TO 31 MARCH 2009 (MARKETING SEASON) (TONNES)				
DESCRIPTION	TOTAL CROP 2008/2009	AVAILABLE FOR CRUSHING	CONVERSION RATE (SEED) %	OILCAKE 2008/2009
Sunflower ^(1,2)	843 530	706 000	42%	296 520
Groundnut ^(1,2)	96 060	1	54%	1
Soya ^(1,2)	506 595	117 000	80%	93 600
- Full fat ⁽²⁾	-	110 000	80%	88 000
Cotton ⁽³⁾	14 465	48 000	50%	24 000
- Full fat ^(4,5)	-	55 000	50%	27 500
Canola ^(1,2)	30 500	39 200	55%	21 560
- Full fat ⁽⁴⁾	-	-	55%	-
Lupins - Full fat ⁽¹⁾	14 000	14 000	100%	14 000
TOTAL LOCAL OILCAKE		1 089 201		565 181

Sources:

- National Crop Estimates Committee - 28 July 2009
- SAGIS - Monthly reports (Jan-Dec 08; Jan-Mar 08; Jan-Mar 09; Oct 07 - Sept 08)
- Cotton SA. These figures include seed that entered the country from Swaziland as lint for processing. Crushed product also includes seed from SADC Countries (website: www.coltonsa.org.za)
- Full fat used for feeds according to SAGIS, Cotton SA and Cotton Seed Processors
- Estimate from industry - no official figure available

CAKE / SEED	TONNES SEED + OILCAKE	CONVERSION RATE	OILCAKE 2007/2008
Sunflower oilcake*	48 835	100%	48 835
Sunflower seed*	46 188	42%	19 399
Groundnut oilcake*	-	100%	-
Soya oilcake*	925 270	100%	925 270
Soya beans *	5 377	80%	4 302
Cotton oilcake*	81 778	100%	81 778
Cotton seed ^{(1,2) *}	40 301	50%	20 151
Other seeds *	22	50%	11
Other oilcakes *	-	100%	-
TOTAL IMPORTS	1 147 771		1 099 745
LOCAL PRODUCTION (EX TABLE 4)			565 181
GRAND TOTAL - Table 4 + 4.1			1 664 926

* Source: Department of Customs & Excise
1. Cotton Seed Processors (Pty) Ltd
2. Cotton SA. These figures include seed that entered the country from Swaziland as lint for processing.
Crushed product also includes seed from SADC Countries (website: www.cottonsa.org.za)

OILCAKE	2003/ 2004	%	2004/ 2005	%	2005/ 2006	%	2006/ 2007	%	2007/ 2008	%	2008/ 2009	%
Sunflower	360 379	31,92%	293 273	24,18%	289 264	20,45%	268 308	16,40%	242 545	13,80%	364 754	21,91%
Groundnut	1 766	0,16%	1 766	0,15%	1 391	0,10%	2 515	0,15%	398	0,02%	1	0,00%
Soya	616 596	54,61%	740 558	61,07%	849 678	60,08%	1 115 280	68,19%	1 261 791	71,77%	1 111 172	66,74%
Cotton	109 815	9,73%	142 541	11,75%	247 131	17,47%	206 883	12,65%	210 826	11,99%	153 429	9,22%
Canola	14 685	1,30%	20 570	1,70%	17 270	1,22%	21 175	1,29%	21 945	1,25%	21 560	1,29%
Other oilcakes *	14 181	1,26%	9 975	0,82%	5 655	0,40%	6 965	0,43%	7 381	0,42%	-	0,00%
Lupins	11 700	1,04%	4 040	0,33%	3 950	0,28%	14 400	0,88%	13 300	0,76%	14 000	0,84%
TOTAL	1 129 122	100,00%	1 212 723	100,00%	1 414 339	100,00%	1 635 526	100,00%	1 758 186	100,00%	1 664 915	100,00%

* Other oilcakes / seeds: Copra, Linseed, Rape & Palm

OILCAKE	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	INCREASE / DECREASE
Sunflower	293 273	289 264	268 308	242 545	364 754	50,39%
Groundnut	1 766	1 391	2 515	398	1	-99,87%
Soya	740 558	849 678	1 115 280	1 261 791	1 111 172	-11,94%
Cotton	142 541	247 131	206 883	210 826	153 429	-27,23%
Canola	20 570	17 270	21 175	21 945	21 560	-1,75%
Others oilcakes	9 975	5 655	6 965	7 381	-	-100,00%
Lupin	4 040	3 950	14 400	13 300	14 000	5,26%
TOTAL	1 212 723	1 414 339	1 635 526	1 758 186	1 664 915	-5,30%

12.2.2 Imports

In contrast with previous years **Table 4.1** shows a drop in imports of soya oilcake (soya beans & oilcake) during 2008/2009, not reaching the 1 000 000 ton mark as in 2007/2008. The decreased import is mainly due to a reduction in imports of soya beans of more than 125 000 tonnes, which can be attributed to a dramatic increase

in domestic soybean production (506 595 tonnes compared to 282 000 tonnes in the previous season). For the first time in the history of South Africa we will experience significant export of South African soybeans in 2009. We expect over 100 000 tonnes of soybeans to leave the country.

During 2008/2009 the total imports of oilcakes dropped to lower than 1 100 000 tonnes, which is an uncommon phenomena during the recent years.

12.2.3 Fish meal usage

The estimated fish meal production for 2008/2009 in South Africa, Namibia and Angola is shown in **Tables 5** and **8**. Namibian fish meal is regarded as imported and calculated to be part of the available total, but normally the total quantity is exported. This is also the case with fish meal manufactured by trawlers. Production, after having dropped to 87 000 tonnes in 2006/2007, showed a recovery totaling 91 700 tonnes in 2007/2008 but again slipped back to 82 500 tonnes in 2008/2009.

The good local demand for fish meal caused reduced stock being exported, leaving 79 500 tonnes available for the local market.

	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
Local production: RSA *	120 000	95 000	75 000	85 000	75 000
Namibia*	12 000	12 000	12 000	6 700	7 500
Sub-total	132 000	107 000	87 000	91 700	82 500
Imports**	0	0	0	0	0
*Russian Trawlers**	12 000	11 000	10 500	10 500	12 000
Total fish meal available	144 000	118 000	97 500	102 200	94 500
Exports					
South African product	16 000	16 000	35 000	35 000	0
Namibian product	11 760	11 760	11 760	6 700	5 000
Russian trawler product	12 000	11 000	10 500	10 500	10 000
TOTAL AVAILABLE IN SA & NAMIBIA	116 000	91 000	40 240	50 000	79 500
* Estimate by Fish Meal Marketing Company, Oceana Afriproducts (Pty) Ltd, UFE & NAMSOV					
** Customs & Excise					
*** All the Russian trawler meal and some local fish meal has been exported					

12.2.4 Maize

The availability of maize from 2004/2005 to 2008/2009 is shown in **Table 6**. As is the case with all raw materials in this report, opening and closing stocks have not been taken into account.

The availability of maize during the 2007/2008 marketing season continued its increasing trend with 8 190 968 tonnes being available for marketing. This trend was maintained and 4 500 000 tonnes more maize was available in the 2008/2009 marketing season, totaling 12 701 120 tonnes. Considering the 2008/2009 crop

estimate (available in the 2009/2010 marketing season) which decreased by $\pm 1\,100\,000$ tonnes to approximately $11\,600\,000$ tonnes production, it is expected that no maize will be imported. Exports in 2009/2010 are also expected to reduce. With the 2008/2009 crop this would be the 3rd time within the past five reporting seasons that more than $11\,500\,000$ has been produced, resulting in South Africa becoming a sustainable exporting country.

LOCAL	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009
White ⁽¹⁾	5 805 000	6 540 700	4 187 400	4 315 000	7 480 000
Yellow ⁽¹⁾	3 677 000	4 909 300	2 430 600	2 810 000	5 220 000
Developing Agriculture ⁽¹⁾ : White maize	170 890	202 755	0	0	0
: Yellow maize	57 180	63 193	0	0	0
Imports ⁽²⁾	219 000	360 000	964 348	1 065 968	1 120
TOTAL	9 929 070	12 075 948	7 582 348	8 190 968	12 701 120
Exports ⁽²⁾	832 000	2 241 000	687 500	492 173	533

Sources:
1. Crop Estimate Committee (CEC) (28/07/2009)
2. SAGIS (20/05/2009)

Note: Developing Agriculture from 2006 included in White and Yellow

12.3 Estimated raw material availability: 1 April 2009 - 31 March 2010 (Tonnes)

12.3.1 Oilcakes

Table 7 shows details of the estimated availability in the 2009/2010 marketing season from local production, requirements and possible imports for the 2009/2010 season. The table clearly illustrates a dramatic reduction in oilcake imports would have been required had South Africa not exported an expected $100\,000$ tonnes of South African soybeans.

OILSEEDS	2008/2009 CROP ESTIMATED	AVAILABLE FOR CRUSHING	CONVERSION RATE (SEED)*	EQUIVALENT OILCAKE
LOCAL PRODUCTION				
Sunflower ⁽¹⁾	843 530	875 280	42,00%	367 618
Soya ⁽²⁾	506 595	300 000	80,00%	240 000
Groundnut ⁽³⁾	96 060	400	54,00%	216
Cotton seed ⁽⁴⁾	13 846	50 000	50,00%	32 500
Canola ⁽²⁾	32 567	20 000	55,00%	11 000
Lupins ⁽²⁾	14 000	14 000	100%	14 000
ESTIMATED LOCAL PRODUCTION				665 334
Total Estimated Requirements ⁽⁵⁾				1 700 000
IMPORT REQUIREMENT				1 034 666

Sources:
1. Crop Estimates Committee - 28 July 2009 (6th Estimate)
2. Crop Estimates Committee - 28 July 2009 (6th Estimate)
3. Crop Estimates Committee - 28 July 2009 (6th Estimate)
4. Cotton SA reported figure (28/07/2009)
5. Total available minus 25 000 tonnes for peanut butter, 39 000 tonnes for the human market and 3 400 tonnes for seed
** Protein Research Foundation

12.3.2 Fish meal

The estimated fish meal production in South Africa, the total requirement and the potential imports and exports are shown in **Table 8**. Despite favourable fishmeal quotas fish catches this year have been poor and it is likely that the availability of fishmeal could be significantly reduced.

SA requirement	120 000
Export	-
Total requirement	120 000
Local production: (RSA)	70 000
Shortage	50 000
Import requirement *	50 000
Source: SA Fish Meal Marketing Company & Oceana Brands * Imports from Namibia and elsewhere	

12.3.3 Maize

The estimated crop available during the 2009/2010 marketing season (2008/2009 crop) is shown in **Table 9**. Considering the significant carry-over stocks from the previous season it is highly likely with a normal year that South Africa will once again be a net exporter of maize.

LOCAL MAIZE CROP ESTIMATE	TONNES
- All producers	
White maize	6 800 000
Yellow maize	4 804 000
TOTAL CROP	11 604 000
Source: National Crop Estimates Committee - (28 July 2009) ** The above include production for commercial purposes and Traditional production	

12.3.4 Sorghum

According to the Grain SA estimate of 5 May 2009 the expected production for 2009/2010 will be 262 000 tonnes. The calculated final crop for 2008/2009 was 251 000 tonnes. **Table 10** gives the actual usage for 2005/2006 to 2008/2009 (Grain SA) and the estimated usage for 2009/2010. Grain Sorghum usage in animal feed has become extremely limited.

TABLE 10: USAGE OF SORGHUM FROM 1 APRIL 2005 TO 30 MARCH 2009 AND ESTIMATED USAGE FOR 2009/2010 (TONNES)					
	USAGE 2005/2006*	USAGE 2006/2007*	USAGE 2007/2008*	USAGE 2008/2009*	EST. USAGE 2009/2010*
Milling	102 900	95 600	89 000	87 000	85 000
Meal	87 900	86 200	95 000	92 000	100 000
Rice and grit	100	100	0	0	0
Animal feed	9 000	13 000	10 000	8 700	22 000
Pet foods	9 000	6 700	8 000	6 000	7 000
Exports ***	38 200	27 800	27 300	37 000	35 000
Released to end consumers	2 100	1 900	2 400	1 700	1 700
Withdrawn by producers	3 700	3 200	3 700	5 000	3 700
TOTAL REQUIREMENT	252 900	234 500	235 400	237 400	254 400
Imports	5 000	9 900	31 700	0	0
Crop estimate ⁽¹⁾					262 000
Sources: * SAGIS (20/05/2009) ** Grain South Africa - 24/07/2009 *** Exports include both products and grain (1) GSA - Estimate					

13. AFMA FEED SALES: 2008/2009

During 2008/2009 it was proven, like in the case of all other sectors of the economy, that AFMA feed sales could also not escape the effect of harsh economic conditions experienced globally as well as locally (**Table 11**). AFMA feed sales reaching a record growth of 10,06% during 2007/2008, dropped to a growth of only 2,01% in 2008/2009 with a sales figure of 5 262 693 tonnes.

The segments affected the most by these economic conditions were beef and sheep (-8,61%) and broiler feed (-1,73%). The severity of these conditions must be seen against the background of these two segments being the top performers during the 2007/2008 season, with respective growth of 28,13% and 7,28%. This clearly illustrates why expansion programmes in these segments had to be cut back. To further complicate this situation the feed industry had to deal with continued high protein prices, which only exacerbated the situation.

TABLE 11: FEED SALES FROM 2004/2005 TO 2008/2009 (APRIL - MARCH)* (TONNES)						
TYPE OF FEED	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	% GROWTH
Dairy	627 739	560 449	616 644	699 096	768 824	9,97%
Beef and sheep	367 797	439 115	482 285	617 942	564 710	-8,61%
Pigs	171 260	161 541	174 208	166 278	166 179	-0,06%
Layers	678 589	667 417	670 486	732 670	805 532	9,94%
Broilers	1 999 399	2 114 156	2 247 394	2 410 978	2 369 232	-1,73%
Broiler breeders	288 897	313 256	314 602	366 805	424 612	15,76%
Horses	18 230	19 463	18 504	17 150	21 250	23,91%
Dogs (D&W)	32 785	33 269	25 063	19 051	10 448	-45,16%
Ostriches	25 291	17 700	17 382	15 007	15 289	1,88%
Other mixtures	11 306	12 932	9 691	14 672	13 733	-6,40%
Aquaculture	3 254	3 163	5 132	2 619	2 173	-17,03%
CONCENTRATES						
Pigs	13 949	15 866	18 282	17 459	19 889	13,92%
Other concentrates	495	1 566	5 066	4 700	141	-97,00%
Beef finisher	26 540	40 056	33 618	30 397	20 144	-33,73%
Dairy + urea	20 126	25 663	21 204	13 513	15 923	17,83%
Dairy - urea	9 342	9 025	2 339	3 567	3 393	-4,88%
Sheep finisher	7 224	9 193	14 241	16 419	17 332	5,56%
Layers	6 209	10 137	5 397	3 508	14 590	315,91%
Broilers	3 864	4 862	2 869	5 649	8 143	44,15%
Ostriches	5	0	2	0	11	
Horses	0	0	0	59	0	
Ruminants - other	764	3 256	2 688	1 246	1 145	-8,11%
TOTAL	4 313 065	4 462 088	4 687 097	5 158 785	5 262 693	
% Growth	2,87%	3,46%	5,04%	10,06%	2,01%	
<i>Source: AFMA STATS - Only AFMA members</i>						

13.1 Feed sales per province: 2008/2009

Table 12 shows the feed sales of AFMA members per province. As previously mentioned, figures have in certain cases been consolidated per province or area in order not to disclose the figures of particular feed mills. During implementation of the new AFMA information system in 2007, adjustments were made to allocations where members/mills were allocated to old provincial provinces. This was corrected and the 2005/2006 was also revised for the purpose of comparison.

It must also be kept in mind that feeds are sold over provincial and even national borders, thus feed sales reflect points of production. No information on the movement of feed after production is available. The market share figures of the different provinces show some changes, specifically due to expansions in certain areas and new members joining AFMA in various provinces.

TABLE 12: ANIMAL FEED SALES PER PROVINCE - 1 APRIL 2008 TO 31 MARCH 2009 (AFMA MEMBERS ONLY) (TONNES)

	EASTERN CAPE	FREE STATE	GAUTENG	KWAZULU-NATAL	MPUMA-LANGA	NORTH WEST PROVINCE	WESTERN CAPE	TOTAL
Dairy	135 466	90 472	18 779	150 061	69 583	14 824	289 640	768 825
Beef and sheep	14 474	44 070	1 890	236 765	210 689	4 918	51 904	564 710
Pigs	10 188	7 517	18 511	39 933	32 941	3 406	53 684	166 180
Layers	29 018	44 811	265 180	142 704	108 800	68 289	146 730	805 532
Broilers	156 270	197 181	407 332	218 363	383 793	455 670	550 622	2 369 231
Broiler breeders	28 415	24 640	96 804	90 433	62 438	55 470	66 412	424 612
Horses	3 031	211	12 781	228	4 244	225	530	21 250
Dogs	56	538	1 403	23	3 536	-	4 891	10 447
Other mixtures	495	324	3 613	1 403	2 068	-	5 830	13 733
Maize-free mixes	6 120	13 272	8 349	8 178	43 482	5 300	16 010	100 711
Aquaculture	-	-	471	19	-	-	1 683	2 173
Ostriches	22	180	3	49	584	109	14 342	15 289
TOTAL 2008/2009	383 555	423 216	835 116	888 159	922 158	608 211	1 202 278	5 262 693
Percentage of sales	7,29%	8,04%	15,87%	16,88%	17,52%	11,56%	22,85%	100,00%
Total previous year	261 682	475 411	870 457	958 325	847 394	538 520	1 206 997	5 158 786
Percentage of sales previous year	5,07%	9,22%	16,87%	18,58%	16,43%	10,44%	23,40%	100,00%

14. NATIONAL FEED SALES: 2007/2008

The National feed production in South Africa reflects the feed produced by both AFMA and non-AFMA members and it is based on the requirements of the livestock in the country. As the only calculation of its kind in South Africa, it is widely used by various role-players in agriculture. This calculation was updated in 2008. Based on these figures AFMA constitutes 55% of the total feed market in South Africa.

TABLE 13: NATIONAL ANIMAL FEED PRODUCTION DURING 2007/2008 (TONNES)

FEED TYPE	AFMA - FEEDS PLUS FEEDS DERIVED FROM CONCENTRATES	NATIONAL FEED PRODUCTION	AFMA FEED AS % OF NATIONAL PRODUCTION
Dairy	753 998	1 407 771	53,56%
Beef and sheep	775 376	2 959 344	26,20%
Pigs	208 611	916 545	22,76%
Layers	732 346	985 774	74,29%
Broilers	2 769 522	2 823 676	98,08%
Dogs	19 042	325 790	5,84%
Horses	17 339	121 534	14,27%
Ostriches	14 998	46 910	31,97%
Aquaculture	2 619	3 254	80,49%
Total	5 293 851	9 590 598	55,20%

Sources:

1. Dr Erhard Briedenhann (2008)

2. Dr Munro Griessel (2008)

** The table was updated in 2008 and will be updated again in 2010

15. SYMPOSIA, WORKSHOPS AND SEMINARS

15.1 Symposium for Non-Feed Industry Members

At the beginning of 2008 the decision was taken to combine the Student Symposia and the Workshop for Non-Feed Industry Members. The "Workshop for Non-Feed Industry Members" was derived from the old "Workshop for Dummies" and the first of the new format took place at Elsenburg during March 2008.

The objectives of these workshops are to involve:

- Students from University, Technical Universities and Colleges studying Animal Science (with a specific focus on animal nutrition);
- Personnel and role-players rendering services and inputs to industry; and
- Personnel of industry role-players producing feed and wanting to know more about animal feed manufacturing.

These groups needed to know more about the functioning of the total industry and to be presented with an overview of the industry. An ideal platform was created for students, suppliers to industry and non-production industry members to liaise with more experienced members of industry and get first hand information or expert answers on issues that they perhaps did not fully comprehend.

The second workshop of this nature was held on 26 March 2009 at the ARC Head Office in Pretoria during the morning and the day was concluded with a mill visit at AFGRI Animal Feeds, Isando.

A record number of delegates attended this day, and measured by the number of attendees and the feedback from delegates and members of industry, this workshop can once again be described as a huge success.

15.2 AFMA Matrix

Seventy three issues of AFMA Matrix, AFMA's quarterly industry magazine, have been published since March 1992. All issues were well received and it is being read worldwide in hard copy and the full magazine is also available as electronic version on the newly developed AFMA website. The popularity of the Matrix is illustrated by enquiries about articles and information in the Matrix that is received regularly from all around the world.

The AFMA Matrix which was revamped into a modern new-look industry magazine is growing its advertisement base with more and more international advertisers also showing interest in advertising in the Matrix. Special editions of the AFMA Matrix are being published for special events and occasions in the feed industry, of which

the special publications during the AFMA Forum 2007 and the World Conference on Animal Production in 2008, are good examples. Members are reminded to look out for the AFMA Forum 2010 special edition to be published in March 2010.

Finally, the publication and inputs to the AFMA Matrix magazine will not be possible without the support of our sponsors, exhibitors, authors and advertisers, whom I once again want to specially thank on behalf of our organisation.

16. INTERNET

16.1 E-mail

The majority of AFMA's correspondence is conducted by e-mail and very little use is made of the postal services. AFMA's e-mail address is admin@afma.co.za.

16.2 Website

AFMA's website – www.afma.co.za has been entirely re-designed and forms part of the central theme and branding of AFMA, offering a new modern look with a special feature brought in that is only accessible to members, by means of a password. The website is used as an information vehicle to members and is constantly updated with the latest information. AFMA's website is hosted and updated by our media partner (also responsible for the AFMA Matrix), which makes updating easier and faster. The website also hosts a feature on career opportunities in the industry.

The website hosts key information related to AFMA, its members and the South African feed industry.

17. ACKNOWLEDGEMENTS

I wish to thank the Board of Directors for their support during the year. The committees of AFMA once again made a tremendous effort and presented a valuable contribution. The chairpersons of the various committees, namely Brett Roosendaal (technical) and Willem Stander (trade) made a huge contribution. The AFMA and NCM staff worked extremely hard and showed their dedication, especially Teresa. I would like to thank them for their efforts. Jannie de Villiers has once again made an important contribution to AFMA.

De Wet Boshoff, the executive director of AFMA has excelled and again made a huge difference to AFMA with his professional approach and innovativeness; he has been a pleasure to work with.

Thanks to all the members and associate members for contributions made throughout the year and for your great support to AFMA.

CHAIRMAN'S REPORT FOR THE TECHNICAL AND LIAISON COMMITTEE: 2008/2009

Brett Roosendaal

The feed industry in South Africa has during the past 9 months been dominated by the highest energy and protein costs seen in history, food/feed safety scares with regard to melamine in feed and milk and the interaction of AFMA and the Departments of Agriculture and Health. The Technical and Liaison Committee have responded well to the challenges and their progress is reported on here.

1. DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES (DAFF)

1.1 Feed Bill

Good co-operation between Government and industry lead to the Feed Bill's being distributed to the feed industry members prior to publication for feedback purposes. The meeting on the 24th of June 2009 was chaired by De Wet Boshoff (AFMA) and assisted by Herman van Zyl (AFRI Compliance) who added a legal perspective. The aim of the Bill appeared to be the appointment of possibly four Registrars and to pave the way towards mill registrations. Amendments will be made to the Bill and re-circulated to industry for final input before publication.

1.2 Registration tariffs

A proposal is being put forward by the DAFF to extend the registration validity of feeds from one year to three years. This will be published in the Government Gazette for comment shortly.

1.3 Database on registered feeds and raw materials

There has been no progress on the database with ongoing discussions taking place around cost and capacity within the Department. This issue has become an embarrassment and will require further pressure by AFMA.

1.4 Animal Diseases Act 35

The draft document of the Amendments of Regulations under the Animal Diseases Act 35 of 1984 for the provision of exemptions to allow the feeding of ruminant blood meal to non-ruminant animals, as well as the publication of the notice on the prohibition of the acquisition, disposal or use of certain feeds under Act 36 of 1947 was vetted by the Department of Legal Services on 18 March 2009. This draft was dispatched from the Director of Animal Health on 3 April 2009 and is on route to the Minister of Agriculture for authentication and signature.

1.5 Blood Meal

The document on "Guidelines for an effective Traceability System for the use of Ruminant Blood Products from Sterilization Plants and Imports" was to be formally adopted by the Inter Government Technical Committee Advisory Veterinary Working Group (ITAC) in March 2009. The motion was carried over to June and we await the outcome.

1.6 Draft BSE Traceability Protocol

The current document "Traceability in the Feed and Food Chain – General Principles and Basic Requirements for System Design and Implementation" needs to be converted to a standardized ISO document so that it may be adopted as a National Standard on Traceability Protocol. The BSE sub-committee is in the process of completing this project. South Africa's BSE status remains until proof of due diligence can be established.

1.7 Undesirable substances in animal feed

On the 6th of March 2009 a proposed amendment on undesirable substances in animal feed was published in the Government Gazette. AFMA responded and requested that a workshop be held to discuss the proposed regulations as they were onerous to the industry. A workshop was held at the end of June with all stakeholders present. Acceptable levels for heavy metals, melamine and dioxins were agreed, however, levels for mycotoxins, pesticides and a number of other contaminants will be discussed over the forthcoming weeks for consensus. An amended table will be published for further comment by the industry prior to going to the Minister for ratification.

2. MELAMINE

In 2007 the inclusion of melamine in feed led to the pet-food poisoning crisis in the USA and RSA. In September 2008 melamine emerged as the toxin involved in the death and renal failure of human infants caused by the ingestion of Chinese milk products. It is believed that melamine was added to Chinese milk products to increase the crude protein content. The National Consumer Forum found melamine in some South African condensed milk as reported in the Saturday Star on the 25th of October 2008. In response, Nestle South African started testing for melamine and reported that two farms in the Bredasdorp area were found to be positive and, in the subsequent week, a further four farms in the same area but extending to Heidelberg. The contamination appeared to be due to the local use of gluten 60 imported from China that caused the initial pet-food scare in 2007. The contaminated gluten from 2007 was never destroyed or quarantined and the use of this material was justified in the erroneous belief that melamine would be degraded by the rumen. As far back as 1966, researchers at Onderstepoort had established that this belief was invalid.

Due to the risk associated with melamine combining with urate (cynurate in this case) and humans not being able to clear urate via the liver culminates in melamine crystal/calculus in the renal tubules and ultimate kidney damage/failure in humans. The Department of Health published in the Government Gazette on the 28th of January 2009 maximum acceptable levels of melamine in foodstuffs of 2,5 mg/kg. This level was subsequently adjusted down by the Department of Agriculture to 0,5 mg/kg in their proposed levels of undesirable substances in animal feed.

The level of 2,5 mg/kg has been accepted as the melamine (plus derivatives) level that is acceptable in animal feed and will be adopted by the Department of Agriculture in their proposed amendments to the regulations going forward.

3. EARLY WARNING SYSTEM (EWS)

Due to the confusion that pervaded the feed companies and milk producers and processors with regard to melamine, a better method of dealing with contamination issues in the industry was sought. An urgent meeting was held on the 5th of November where the EWS Committee produced a base document that was circulated amongst the members. The final document was ratified by the Board on the 2nd of June and is available on the AFMA website as an official document.

The reaction and development of the EWS by AFMA is testament to the industry and Government that we are able to react promptly and with absolute accuracy and commitment to any challenges that face the feed industry in southern Africa. The document has been discussed with a number of other stakeholders in animal production in South Africa and AFMA has been congratulated for putting this reporting mechanism into place.

4. TRANSPORT PROTOCOL

The Transport Protocol was discussed between the Trade Committee and transporters in June 2009. There were a number of additional aspects that needed to be considered by the parties and further deliberations are required before consensus can be reached.

5. GMP AS A NATIONAL STANDARD

The document will be published towards September of 2009 and will be adopted as the official National Standard.

6. SALMONELLA DATABASE

The Salmonella sampling process was reviewed and updated in the beginning of 2009 and is available on the AFMA website. Concern is still being expressed that not all members of AFMA are participating in the monitoring and reporting of Salmonella. Further to this, finished product analyses are also slow in being reported by all

members. Salmonella is seen as the number one feed contaminant and monitoring and control thereof is central to any quality and feed/food safety management system. Increased emphasis will be placed on the effective management of Salmonella by our members. The importance of mill hygiene was further supported by a presentation from Kemin illustrating what European feed companies are adopting as their Salmonella programme.

7. MYCOTOXIN DATABASE

The mycotoxin database is envisaged to follow the same design as the Salmonella database, however, the monthly analysis of raw materials for mycotoxins is prohibitive. The adoption of a judicious sampling plan that takes season, raw material risk and screening methodologies into account appears more feasible. FDA Laboratory has been accepted as the laboratory of choice for a definitive mycotoxin evaluation and results that can be used as evidence in litigation. Sampling for mycotoxins at mill level is still open to interpretation and will be addressed by the members in the forthcoming months.

A Mycotoxin Workshop was held on the 23rd of March 2009 where a clear focus, direction and strategy was sought. AFMA facilitated the workshop on behalf of the Maize Trust. It became abundantly clear after this workshop that AFMA must be the driver of this process as the feed industry has the largest vested interest. Data illustrated that research and funds need to be concentrated on maize as the starting point. Interaction between AFMA and the milling industry is seen as crucial to further development of our understanding of mycotoxins which will lead to systems to monitor and control the threat posed.

8. ANALYTICAL METHODOLOGY

AFMA will adopt the methodology published by AGRILASA (Agricultural Laboratory Association of South Africa). Interaction between the two associations will involve mutual attendance of annual general meetings and invitations to technical meetings.

9. DIOXINS

A sub-committee has been created to investigate the risk posed by dioxins and polychlorinated biphenyls. One major stumbling block has been that there are no laboratories in South Africa able to analyse for these toxic substances. AFMA may have to facilitate the building of capacity in this regard as was attempted with the analysis of mycotoxins over the last year.

10. AFMA FORUM AND SYMPOSIUM

The scientific programs have been finalized and approved with inputs from the Technical and Liaison Committee.

11. WORKSHOP FOR NON-FEED INDUSTRY MEMBERS

A workshop was held in Gauteng on the 26th of March 2009. 130 Delegates concluded the day with a visit to AFGRI Animal Feeds in Isando. A similar workshop is envisaged in KwaZulu-Natal in September 2009.

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I would like to thank the Technical and Liaison Committee members for their support during the year, they once again made a tremendous input and valuable contribution.

The AFMA staff worked extremely hard and showed their dedication, especially Teresa and Nomfuzo for all the arrangements and follow-up work related to the committee work.

De Wet Boshoff has once again seen to it that everything was done and in place. His professional approach, enthusiasm and dedication need to be applauded.



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