

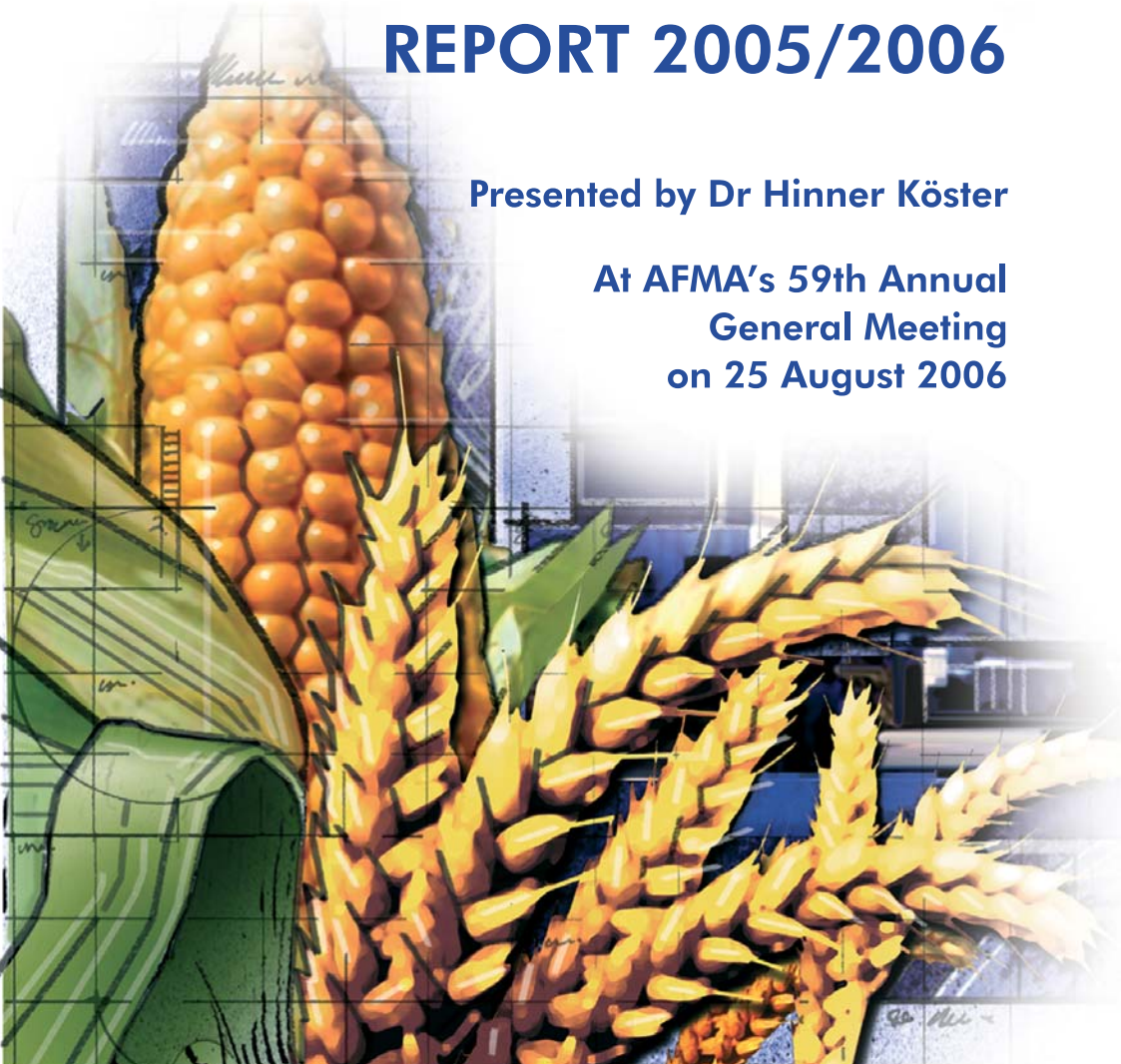


Animal Feed Manufacturers Association

CHAIRMAN'S REPORT 2005/2006

Presented by Dr Hinner Köster

**At AFMA's 59th Annual
General Meeting
on 25 August 2006**



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CHAIRMAN'S REPORT 2005/2006

Another exciting year has passed and it is my privilege to present the Chairman's Report for 2005/06.

With the election of the new Board of Directors for the 2005/06 period it was decided at the first meeting to revisit the current structure, operational activities and future functions of AFMA. During two strategic sessions thereafter the structure and its operations were revised with the ultimate goal of regaining AFMA's identity and obtain a more prominent status as the representative body of all animal feed manufacturers in the South African agricultural sector. The goals and objectives set at these sessions will be pursued with different actions and in some cases altering certain structures and placing new emphasis on key areas of importance.

The ultimate future goal to be achieved by AFMA and its various committees is to develop a stronger own identity, which may not have been experienced over the last years. AFMA should therefore be a recognized leading body and a force in the agricultural decision making process and further build and expand on the services currently being rendered to the benefit of all its members and the industry. This will be a process on which AFMA will embark and that will not be completed within a short period of time. This process will be executed in two stages i.e. short to medium term (1-2 years) and medium to longer term (3-4 years).

As part of a phase-in process, it was decided to at least for the time being maintain our ties with the National Chamber of Milling (NCM). The NCM, in particular its Executive Director, will be an important vehicle to introduce the new General Manager of AFMA to relevant core industry committees and main stream activities. At the same time there will be a simultaneous process of phasing in and phasing out taking place between AFMA and the NCM with regards to the activities of the Trade Committee. The NCM, who was contracted by AFMA in the past to take care of the activities of this committee, will be handing back its responsibilities to AFMA, whereafter AFMA's Trade Committee will take over full responsibility for handling all of its own trade matters.

Parallel to, and a critical part of regaining and re-establishing AFMA's identity, is the implementation of an AFMA marketing plan (during the 1-2 year time frame). The AFMA marketing plan will be focussed on the rebuilding of AFMA's image, the building of an AFMA brand and gaining wider and stronger credibility, both locally and internationally.

The rebuilding of the AFMA image will be to give AFMA a more visible image and corporate professional look. Some ideas expressed to achieve this were the revamping of the AFMA logo & letterhead, a website makeover, compiling a corporate CD and the publication of an AFMA brochure. The brand building exercise will further typically comprise of write-ups and advertorials in agricultural magazines as well as interviews on agricultural radio and morning television programs.

Equally important to the marketing plan of AFMA will be to focus on gaining increased credibility both locally and internationally with a specific two prolonged goal. First, AFMA

needs to be seen by the international community as the representative body responsible for self-regulation of the whole SA animal feed industry. Secondly, AFMA needs to gain more local members, specifically amongst the smaller role players to ensure that it represents the majority (almost all) of the total feed industry.

Actions by AFMA to gain the necessary credibility could include:

- better representation of smaller members on the Board of Directors to change the perception of most of the smaller players that they are currently left out;
- the strict enforcement of the Code of Conduct that is in the process of being drafted;
- enforcing the GMP as a national standard after it has been approved by an accredited institution (SANS); and
- proof that industry is capable to regulate itself with the necessary systems and Codes of Practise already approved and in place;
- financial support to expert animal feed scientists/researchers and to the upgrading of research facilities to be used for the benefit of all role players in the animal feed and related industries.

Three potential areas exist where AFMA can further expand its services to its members and add value to the total feed industry. These are the areas of feed statistics, animal feed skills & training development and the formation of a certification structure within AFMA itself. It is foreseen that the statistical service has the potential to be diversified to a larger degree with regards to the increased management information and the interpretation thereof and the use of graphics for illustration purposes. The training and development of specific skills for industry is also an area that has been neglected by AFMA in the past and will become essential in future, specifically due to the fact that no official structure exists in the animal feed industry and that it is one of the priorities being strongly driven by government in the form of the AGRISETA.

Furthermore, it is a well known fact that major international industry players have the ability of self certifying their own industry, and, with assistance of their governments, verifying this against the specific legislation written to enforce this certification. By doing this the credibility with both government and the public (including our customers) will be increased. Matters that could be handled by this structure are the enforcement of the AFMA Code of Conduct, the GMP as a national standard, various Codes of Practise and other matters concerning animal health which are of great concern to our members. This will increase efficiencies and align South Africa with international standards as well as with government policy and legislation.

Finally, the proposed changes in AFMA will obviously have some financial impact. It is foreseen that various new areas of responsibilities will inevitably demand the expansion of the current personnel structure. However, with the dynamic environment we operate in and continuous changes that our industry is confronted with on a daily basis, there is no doubt that the proposed changes were necessary and will ensure that AFMA will add more value to the feed industry than in the past.

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

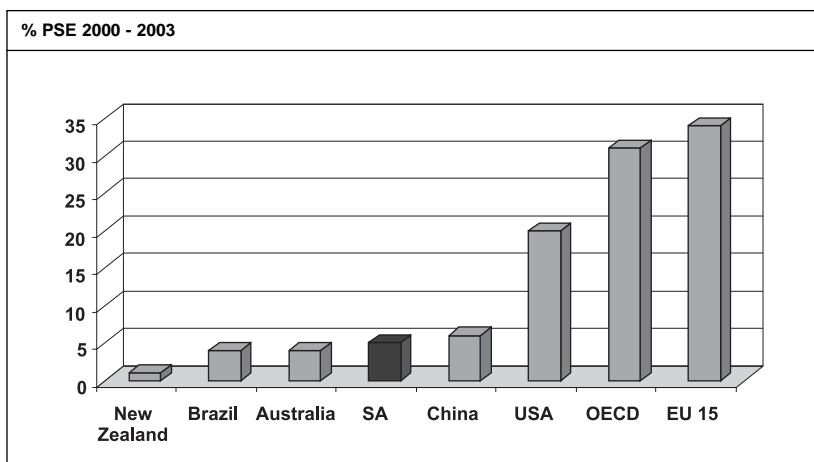
1. AGRICULTURAL POLICY ISSUES

1.1 TARIFF MATTERS

During last year's report it was mentioned that the industry has applied for a new tariff dispensation for maize. This application was submitted in April 2005 to the International Trade Administration Commission of SA. Since then no outcome of this request has been received, however, it seems like this application may have triggered a much bigger issue around the tariff policy for agricultural products in general.

The Agricultural Trade Forum has appointed a small sub-committee to draft a new trade and tariff policy for agricultural products. Through the NCM, AFMA is represented on this sub-committee and has made substantial inputs to improve on the situation. This policy document is to be submitted to Cabinet which will then serve as a guideline for the International Trade Administration Commission of SA to evaluate all agricultural tariffs and trade issues in future.

Despite our disappointment with the maize tariff application not been dealt with as yet, we did succeed in getting the Government to publish the South African Producer Support Estimate (PSEs). This is the measure which countries can compare the level of support from Governments to their agricultural sector. It also quantifies the unlevel playing field in international trade. From the graph below it is evident that the South African results compare favorably to that of very competitive countries like China, Brazil and Australia.



SOURCE: OECD – Report, 2006

One of the latest developments we are currently dealing with is the application for a tariff rebate by SASOL on all soya beans being imported for bio-fuel purposes. We have responded to the International Trade Administration Commission of SA with regard to this matter and have also decided to apply for the soya oilcake tariff to be removed. If successful, we could save the industry ±R50 million per annum currently paid on import duties.

1.2 INTERNATIONAL TRADE

As an organisation AFMA is very disappointed with the breakdown of talks in the World Trade Organisation - Doha Round as we had ambitious expectations that this would have been the negotiations whereby all international agricultural subsidies would have been removed. It is generally expected that no major decisions will be taken at least until 2009. This will force the South African Government to take a re-look at our trade and tariff policies as we are constantly exposed to subsidised international competition. Most of our free trade negotiations were also dormant during the World Trade Organisation negotiation process and very little progress has been made in the year under review.

1.3 PROCUREMENT MATTERS

1.3.1 National Crop Estimates

Through our participation in the Maize Forum and the Crop Estimate Liaison Committee we have embarked upon industry intervention to substantially improve the crop estimates as well as the credibility of the Crop Estimates Committee. Meaningful progress has been made to improve the area estimate planted under maize.

I would like to thank the Maize Trust for the generous contribution to speed up the process to improve on the area that is currently being surveyed through satellite technology. However, as we continue with analyses on the reasons for the poor performance of the crop estimates over the last few seasons, new areas are constantly found where desperate improvements are needed. Currently these matters are being addressed and we are hopeful that this whole issue could soon be rectified.

1.3.2 Spoornet

The rail service levels provided by Spoornet to our industry are still unacceptable, which contributes negatively to the competitiveness of this industry. Liaison with Spoornet Executives on operational level continues but our strategy with regard to policy matters has changed somewhat.

We have engaged with the Department of Agriculture through the agro-logistics plan that they developed as well as the Department of Transport who is currently assisting us with relatively smaller projects to improve on the infrastructure of Spoornet to such an extent that it can be used again, especially to reduce the number of vehicles on the road.

1.3.3 Grain Silo Practices

During the year under review we were also made aware that the Competition Commission is currently investigating some of the grain silo industry practices with regard to anti-competitive practices. The official report has not been received as yet. New developments with regard to informal storage in white grain silo bags are also contributing towards improving the competitiveness of our industry.

1.3.4 Transport Differentials

Grain South Africa recently requested the JSE Securities Exchange to remove the transport differential from SAFEX. This is currently under discussion and debated amongst the role players within the industry. We will be informed soon about the outcome of this matter. As an industry we prefer not to have the transport differential removed and are of the belief that the status quo is in the best interest of the whole value chain.

1.3.5 Bureau for Food and Agricultural Policy (BFAP)

The release of the BFAP Baseline study that was completed by the University of Pretoria is one of the positive outcomes that we would like to highlight in this year's review. This model was initially called the AFMA Project as we have initiated it. We trust that the results produced through this Bureau will be of benefit not only to the animal feed industry but also to agriculture as a whole.

We would also like to thank the Maize Trust which made some funds available to maintain and update these models. We have been informed that the development of this model also played a big part in capacity building of post-graduate students that would probably soon be employed in the industry.

1.4 VALUE CHAIN STRUCTURES

It is a pleasure for me to report that in all of the industry structures that we are directly or indirectly represented are going fairly well.

The relationships in the Maize Trust have stabilized after a very turbulent year. The South African Grain Information Service is progressing very well and has recently also provided us with some data to distinguish between the different grades of maize. The Southern African Grain Laboratory is very consistent in reporting annual profits and provides a very valuable service to the industry.

It is also encouraging to announce that the dispute between the Maize Trust and the Agricultural Research Council (Grain Crops Institute), following their forensic audit, has been resolved and that the Agricultural Research Council is again been well funded and staffed to get back to the levels of research that they have been known for over all these years.

The Director General of the Department of Agriculture has also recently founded a CEOs Forum for Agriculture. We are well represented through our members as

well as our General Manager. The CEO Forum is also been invited to participate through a delegation in the bi-annual discussions with the President. This will enable us to ensure that the issues that are hampering our industry will be tabled at the highest possible level in South Africa. One of the major items that we really want to put forward is the issues around Act 36.

1.5 AGRIBEE

The draft Charter for Agriculture has been negotiated and submitted to the Minister of Agriculture. With the change in the ministry of agriculture there are some delays and we expect that the approved charter will soon be made available to be signed by the various companies.

1.6 BIO-FUELS

The Government indicated that the bio-fuel policy for South Africa will be announced in September 2006. Given the high oil prices we expect that Government will look at this matter very favorably to assist the bio-fuel industry to develop in South Africa. We expect that it will have a major impact in making more raw materials available to the animal feed industry and that it will have a substantial impact on our future procurement of raw materials. AFMA will be establishing a workgroup to investigate all the pros and cons of bio-fuels.

1.7 OTHER

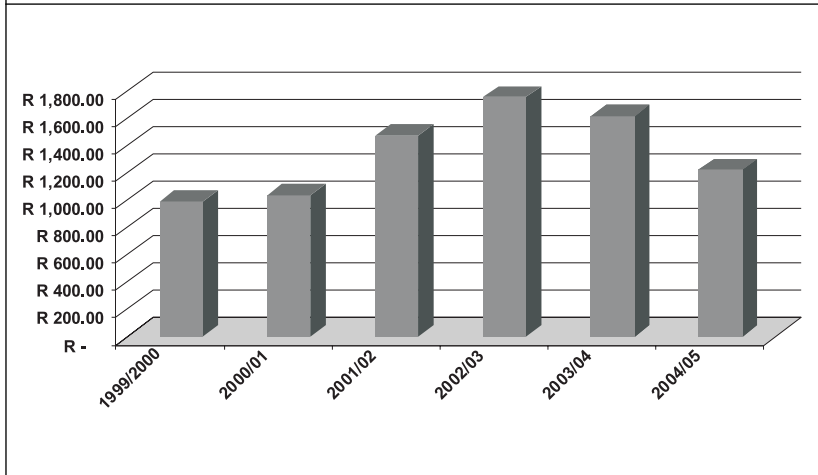
The maize value chain is also in the process to establish a virtual mycotoxin research network in South Africa to improve on our capacity and understanding of this matter, and that has a significant affect on our industry.

2. RAW MATERIAL COSTS

The decrease in raw material costs reflected in AFMA's annual cost survey and thoroughly discussed in the 2003/04 and 2004/05 Chairman Reports can be observed in Figure 1. During 2003/04 a decrease in raw material cost occurred for the first time since the small drop in raw material prices during the 1998/99 cost survey. The 2003/04 reduction in raw material price of 7.81% was mainly a continuation of the trend in price increases to slow down and then turning into a drop in prices during the 2003/04 period. This trend continued into 2004/05 when a further 24.5% price reduction in raw material costs materialised.

The prices of other raw materials, such as protein sources, as well as the lag time between the buying and use of raw materials have a major impact on overall raw material costs and consequently feed prices. At the same time a large portion of a decrease in maize price can be absorbed by increasing protein prices. Figure 1 shows the effect of lag time on raw material prices, clearly demonstrating why a reduction in feed prices did not realise in 2003/04 but was only reflected in the feed prices during 2004/05 period.

FIGURE 1: WEIGHTED NET RAW MATERIAL PRICES AS FOUND IN AFMA'S ANNUAL COST SURVEY



SOURCE: AFMA Annual Cost Survey - 2004/05

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

3.1 TRAINING

As reported in the 2004/05 report, AFMA is in the process of establishing a formal accredited training programme for the animal feed industry. The training programme will develop the following 3 qualifications:

- NQF2 - operator level
- NQF3 - distribution
- NQF4 - supervisory/management level

Substantial progress has been made and the NQF2 and NQF3 learnerships have been submitted to the AGRISETA. We are currently experiencing administrative problems within the AGRISETA to deal with this submission for final approval by the South African Qualifications Authority.

We also would like to thank those companies making Subject Matter Experts available to assist in making this an acceptable training programme for operators, distribution employees and those on supervisory/management levels.

4. AFMA PRIZES, AWARDS AND STUDY LOANS

4.1 SPONSORSHIPS FOR AWARDS

4.1.1 AFMA Person of the Year Award

AFGRI Trading has agreed to sponsor the AFMA Person of the Year Award for 2005/06, which will be for a one-year period. On behalf of AFMA I would like to express my thanks towards them for this gesture.

4.1.2 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 2005. Thank you once again also to DSM Nutritional Products for this gesture.

4.1.3 SA Bioproducts/AFMA HDI Award for Animal Nutrition

SA Bioproducts/AFMA HDI Award for Animal Nutrition is sponsored by SA Bioproducts. Our appreciation also goes to them.

4.2 PRESENTATION OF AWARDS FOR 2005

4.2.1 AFMA Person of the Year Award: 2005

The 2005 Award was presented to Prof Jocelyn Webster of AfricaBio during AFMA's previous Annual General Meeting at the Wild Coast Sun Hotel in KwaZulu-Natal on Friday, 26 August 2006.

4.2.2 Barney van Niekerk / AFMA Technical Person of the Year: 2005

The 2005 award was presented to Mr Loutjie Dunn from Senwesko Feeds during AFMA's previous Annual General Meeting at the Wild Coast Sun Hotel in KwaZulu- Natal on Friday, 26 August 2006.

4.2.3 Koos van der Merwe/AFMA prize: 2005

To be confirmed.

4.2.4 SA Bioproducts / AFMA HDI Award for Animal Nutrition: 2005

To be confirmed.

4.2.5 AFMA Study Loans

The AFMA study loans awarded annually to MSc- and PhD-students who wish to work in the feed industry once they have completed their studies were advertised and only one application was received from Ms Taryn Lee Halsey of the University of Pretoria. Her application was approved.

It is interesting to hear from Universities that students are not really interested in these study loans.

5. MEMBERSHIP OF OTHER ORGANISATIONS

AFMA realised some time ago that the feed and related industries are being affected by outside influences and therefore became members of Associations/Institutions addressing these aspects.

5.1 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 for the approval of GMOs. They are further very 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.

5.2 INTERNATIONAL FEED INDUSTRY FEDERATION (IFIF)

Forming part of AFMA's new strategic direction the General Manager attended this year's F4 Summit meeting in June in China to assess whether AFMA would benefit from becoming more involved in IFIF affairs. The four major international role players in animal feed production known within IFIF as the F4, the USA, the EU, China and Brazil together produce 415 million tons, contributing to ±70% of the international market. Since the establishment of IFIF the main focus was on technical issues. Only lately it is exploring the sharing of international trade and production data.

The IFIF is known as the "hub" where the national feed industry associations of different countries are affiliated and pool their information to get a better understanding of the global animal feed industry. By assessing the global feed industry the focus is not only directed on production but also covers international trade, which includes the supply of the ever changing raw material demands. By pooling and exchanging global information, risks and variables can be managed better by means of using the information as an early warning system.

Derived from its technical and global nature, IFIF will always be the guiding organisation together with specific United Nations organisations such as the FAO on setting standards and requirements within the global animal feed industry.

During last years' chairman report it was mentioned that IFIF is involved with discussions on a GMP for feed production *via* Codex. During this year's F4 Summit the "FEED MANUAL" was prepared for finalisation. The F4 members and SA gave feedback and inputs via their respective national feed associations after returning from China. This manual will now serve as an international guideline encompassing GMP standards, guidelines on raw material usage, international inclusion levels of minerals and additives in feed, etc.

This year's participation and inputs given by AFMA to aid in setting rules and guidelines for the global animal feed industry is only one example of where involvement with IFIF can be to the benefit of our industry. Closer involvement and direct representation in IFIF will not only allow quick access to AFMA and its members to already set international standards, but will also ensure that our specific requirements will be raised and considered in the process of formalising and setting up these international standards. This way AFMA can also play an important role in establishing a good framework of exchange of information and co-operation within Southern and Eastern Africa.

6. AFMA MEMBERSHIP

On 30 June 2006 AFMA had 73 members (6 more than last year) including the following:

- Full members (Balanced feed manufacturers) : 42
- Associate members : 31

Associate membership includes the following groups:

- Premix Manufactures : 7
- Traders : 11
- Producers and Suppliers of raw material : 13
- Manufacturers and Suppliers of equipment : 1

6.1 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 report year and we welcome them.

Full members

- TWK Agriculture Limited - 1 October 2005
- Rossgro Voere (Edms) Bpk - 1 March 2006

Associate members

- SA Premix - 1 August 2005
- Bitek Feed Science (Pty) Ltd - 1 October 2005
- DAS Commodities (Pty) Ltd - 1 October 2005
- Addcon Africa Feed & Grain Additives (Pty) Ltd - 1 March 2006

6.2 TERMINATION OF MEMBERSHIP

Unfortunately, we have also lost one of our members during the report period. The company who has terminated its membership, is:

- Calcifat - Associate member

6.3 NAME CHANGES

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

- Bokomo Feeds changed to **NOVA Feeds**
- Intaba Animal Nutrition changed to **Protea Animal Feeds**

7. CO-OPERATION WITH LIVESTOCK INDUSTRIES

Regular meetings with the livestock industries continued and various issues affecting both them and AFMA were discussed.

8. CO-OPERATION WITH GSA

Liaison with Grain SA on common issues continues. During the report period we had meetings with Grain SA on the ethanol project and the import tariff on maize.

9. GENETICALLY MODIFIED ORGANISMS (GMOs)

9.1 GMO ACT AMENDMENTS

A public hearing on the GMO Amendment Bill was held on 17 - 19 January 2006 in the Agricultural Portfolio Committee. Because of conflicting reports tabled at the meeting, "the MP's decided to pause for reflection and reading and to consult their political parties to see what they should do". The Amendment Bill was again discussed by the Agricultural Portfolio Committee on 13 March 2006 and was accepted. It will now follow its way through all the legal processes to become law.

9.2 REGISTRAR: APPLICATIONS

AFMA has often expressed concern about the reduced number of sources for the import of yellow maize. This was a result of the Cartagena Agreement and the way in which countries deal with genetically modified organisms. South Africa cannot import any yellow maize from the USA, the biggest exporter of yellow maize, for the simple reason that all the GMO traits that have been approved in the USA are not yet approved in South Africa. No progress has been made recently with the approval of new applications since the DTI must still complete and submit their report to the GMO Executive for consideration. Currently, Argentina, Brazil and China are our suppliers since all the traits they are using have already been registered locally.

A meeting was also held with Dr Moephuli, assistant director general of the Department of Agriculture where amongst other GMO issues interest was expressed in getting information regarding GMO trade specifically with China. This was in view of the fact that we cannot buy from the USA and that we can loose Argentina in future as an import source, which will allow us to turn to China to buy maize from. The Chinese Grain Board Manager indicated that they want to bring a number of delegates to South Africa to see the Department of Agriculture and other industries. In the mean time questions have been forwarded to the Chinese delegates and they will be invited to visit South Africa.

10. STAFF MATTERS

THE STAFF IN AFMA'S OFFICES

With the retirement of Mr Hansie Bekker as General Manager of AFMA after 16 years of service, Mr De Wet Boshoff was appointed by the Board of Directors as the new General Manager of AFMA as from 1 March 2006.

- General Manager - De Wet Boshoff
- Secretary - Teresa Struwig

10.2 CO-OPERATION WITH NATIONAL CHAMBER OF MILLING (NCM)

The National Chamber of Milling is still rendering certain services to AFMA.

11. FEED MANUFACTURING

11.1 RAW MATERIAL UTILISATION IN 2005/2006 BY AFMA MEMBERS

Table 1 shows the raw material usage and inclusion rate for 2004/2005 and 2005/2006. The average inclusion rates for the various raw materials are indicated as a percentage of the total feed sales and will normally reconcile to $\pm 99\%$, allowing for the industry norm of 1% milling loss. It must, however, be noted that not all raw materials are being used in all feeds. The inclusion rates of different raw materials differ from formulation to formulation as well as between different species.

During 2005/2006 by-products derived from the bio-fuel industry and the different applications thereof started to feature prominently. As mentioned earlier in the report the bio-fuel policy for South Africa will be published in September 2006 and given the uncertainty in the Middle East, the co-inciding high oil prices, the quest for alternative energy sources that might spark economic growth through agriculture, the Government will be favourable towards companies and organisations willing to invest in this industry.

What remains uncertain about the South African DDG's that will become available in future is the price that it will be available for and the potential quantities that will be taken up by the animal feed market. What is certain in the bio-fuel scenario is the fact that bio-fuel and animal feed will be competing for the same raw

materials. If the supply side of these raw materials are not internationally increased it will be influencing international prices severely. An example of this phenomenon is the statement of the USA bio-fuel industry that although only estimated to be able to supply 8% of its fuel demand, it will be utilising 25% of the US maize crop in the near future.

An interesting development in recent months regarding the development of a bio-fuel industry in South Africa is the application from SASOL for a rebate on the full import duty for the importation of soya beans. The fact that Grain SA is supporting the application if it is only for a certain period of time, confirms that Grain SA is hoping that this will stimulate the production of soya in South Africa over the short term, while SASOL imports the shortfall of local production to comply with their demand.

SASOL becoming a role player in the bio-fuel market using soya as a raw material will most certainly imply SASOL becoming a role player in the supply of soya oilcake. Thus, the benefit of the rebate on soya, if the application is successful, will have an effect on the formulation of local soya beans and soya oilcake prices.

TABLE 1: RAW MATERIAL USAGE (APRIL 2004 - MARCH 2006): AFMA MEMBERS ONLY

RAW MATERIAL	TOTAL (T) 2004/2005	Inclusion rate 2004/2005	TOTAL (T) 2005/2006	Inclusion rate 2005/2006
Bagasse	49,040	1.14%	62,538	1.40%
Barley (ALL)	2,219	0.05%	3,351	0.08%
Bicarbonate of soda	3,339	0.08%	3,546	0.08%
Blended Oil (Acid oil)	32,953	0.76%	35,960	0.81%
Blood meal	1,708	0.04%	2,993	0.07%
Bone meal	6	0.00%	-	0.00%
Brewers grain	8,410	0.19%	13,321	0.30%
Canola fullfat	2,540	0.06%	1,218	0.03%
Canola oilcake	5,138	0.12%	5,344	0.12%
Carcass meal	4,322	0.10%	2,271	0.05%
Citrus meal	2,021	0.05%	1,055	0.02%
CMS	21,850	0.51%	40,338	0.90%
Cottonseed oilcake	46,397	1.08%	50,865	1.14%
Cotton seed	4,340	0.10%	6,454	0.14%
Defatted Maize Germ meal	14,448	0.33%	14,977	0.34%
Fat	1,148	0.03%	3,754	0.08%
Feather meal	21,112	0.49%	28,677	0.64%
Feed wheat	98	0.00%	3	0.00%
Fish meal	100,763	2.34%	78,284	1.75%
Full fat soya	92,968	2.16%	147,702	3.31%
Groundnut oilcake	891	0.02%	2,636	0.06%
Hominy chop	97,959	2.27%	101,577	2.28%
Limestone grit	58,735	1.36%	50,356	1.13%
Limestone powder	77,537	1.80%	93,968	2.11%
Lucern hay	15,917	0.37%	17,720	0.40%

RAW MATERIAL	TOTAL (T) 2004/2005	Inclusion rate 2004/2005	TOTAL (T) 2005/2006	Inclusion rate 2005/2006
Lucern meal	18,991	0.44%	21,664	0.49%
Lysine	5,786	0.13%	6,065	0.14%
Maize	2,171,995	49.87%	2,200,797	49.32%
Maize Germ meal	29,247	0.68%	21,331	0.48%
Maize Germ Oilcake	1,681	0.04%	2,926	0.07%
Maize gluten meal (20%)	31,620	0.73%	27,780	0.62%
Maize gluten meal (60%)	15,214	0.35%	14,345	0.32%
Maize meal	19,692	0.46%	1,296	0.03%
Maize Screenings	3,030	0.07%	2,582	0.06%
Meat & Bone meal	1,608	0.04%	991	0.02%
Medicaments	4,822	0.11%	9,664	0.22%
Methionine	4,419	0.10%	5,140	0.12%
Molasses	167,202	3.88%	186,142	4.17%
Monocalcium phosphate	31,906	0.74%	36,101	0.81%
Other 598+557+525+554+545+552+ 546+553+529+538+582+512+ 583+554+584	25,507	0.59%	16,816	0.38%
Palm kernal oilcake	1,647	0.04%	697	0.02%
Plant oil	419	0.01%	772	0.02%
Poultry by-product	34,230	0.79%	31,445	0.70%
Salt	37,397	0.87%	40,685	0.91%
Sorghum	944	0.02%	2,535	0.06%
Soya oilcake	448,648	10.40%	473,885	10.62%
Sunflower hulls	1,775	0.04%	1,879	0.04%
Sunflower seed & oilcake	214,290	4.97%	216,605	4.85%
Triticale	-	0.00%	-	0.00%
Urea	20,682	0.48%	27,629	0.62%
Vit & Min premixes	11,498	0.27%	15,797	0.35%
Wheaten bran & flour	273,076	6.33%	246,270	5.52%
Wheaten Straw	4,679	0.11%	3,821	0.09%
TOTAL	4,247,864	98.49%	4,384,568	98.26%
Feedsales for the period	4,313,065		4,462,088	

11.1.1 Oilcakes and fish meal

Details of the oilcake and fish meal consumption by AFMA members during the period 1 April 2005 to 31 March 2006 are shown in Table 2.

In Table 2, the effect of the shortage of fish meal is clearly illustrated. During 2005/06 the usage of soya oilcake and full fat soya showed a further increase of 1.85% (79 971 tonnes) from 541 616 in 2004/05 to 621 587 during 2005/06. Contrary to the previous year, the inclusion rate of sunflower oilcake also increased, although by a very small percentage. In total, the use of oilcake during 2005/06 increased by 2.06%.

The use of fish meal continued its downward trend during 2005/06, decreased by 22 595 tonnes from 100 879 tonnes in 2004/05 to 78 284 in 2005/06. This change in usage is mainly due to a shortage of fish during the fishing season, resulting in severe shortages in the market and role players having to substitute it with another raw material. The shortage also resulted in sharp increases of fish meal prices.

TABLE 2: OILCAKE AND FISH MEAL USAGE (AFMA MEMBERS) (Tonnes): 1 APRIL 2002 TO 31 MARCH 2005

OILCAKE	2002/2003	% Inc	2003/2004	% Inc	2004/2005	% Inc	2005/2006	% Inc
Soya*	534,869	12.76%	453,832	10.52%	541,616	12.56%	621,587	14.41%
Sunflower	212,359	5.07%	273,019	6.33%	213,837	4.96%	216,605	5.02%
Cottonseed**	51,707	1.23%	42,736	0.99%	50,736	1.18%	57,319	1.33%
Groundnuts	7,386	0.18%	1,762	0.04%	891	0.02%	2,636	0.06%
Canola***	7,514	0.18%	7,843	0.18%	7,678	0.18%	6,562	0.15%
Copra & Palm kernal	2,808	0.07%	5,769	0.13%	4,009	0.09%	2,873	0.07%
TOTAL	816,643	19.48%	784,961	18.20%	818,767	18.98%	907,582	21.04%
Fish meal	70,540	1.68%	114,402	2.65%	100,879	2.34%	78,284	1.82%
Animal Feed Sales	4,104,693		4,192,540		4,313,065		4,462,088	

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

11.1.2 Maize products

Table 3 gives an overview of the maize products used by AFMA members during the report period.

During 2005/06 the inclusion of maize and maize products almost stayed the same with a 2 725 tonnes increase. The maize usage only increased by 0.47% (10 406 tonnes).

TABLE 3: USAGE OF MAIZE PRODUCTS BY AFMA MEMBERS (Tonnes): 1 APRIL 2002 TO 31 MARCH 2006

	2002/2003	% Inc	2003/2004	% Inc	2004/2005	% Inc	2005/2006	% Inc
Maize/Mielies (Incl. maize meal)	2,075,308	49.50%	2,147,262	49.79%	2,191,687	50.82%	2,202,093	51.06%
Maize gluten meal (20%)	31,999	0.74%	29,567	0.69%	31,620	0.73%	27,780	0.64%
Maize gluten meal (60%)	16,283	0.38%	17,100	0.40%	15,214	0.35%	14,345	0.33%
Maize screenings	6,015	0.14%	5,268	0.12%	3,030	0.07%	2,582	0.06%
Maize germ meal	15,945	0.37%	23,737	0.55%	29,247	0.68%	21,331	0.49%
Defatted maize germ meal	15,611	0.36%	16,189	0.38%	14,448	0.33%	14,977	0.35%
Maize germ oilcake	291	0.01%	669	0.02%	1,681	0.04%	2,926	0.07%
Hominy chop	102,201	2.37%	104,250	2.42%	97,959	2.27%	101,577	2.36%
TOTAL	2,263,653	55.15%	2,344,042	55.91%	2,384,886	55.29%	2,387,611	53.51%
Total Feed Production (Tonnes)	4,104,693		4,192,540		4,313,065		4,462,088	

11.2 RAW MATERIALS AVAILABLE TO THE FEED INDUSTRY: 2005/06

The national availability of raw materials for the feed industry is discussed below.

11.2.1 Oilcakes

The estimated local production of oilseeds and oilcakes for the marketing season 2005/2006 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.

The soya bean production in South Africa further increased from 220 000 tonnes during 2004/05 to 263 000 in the 2005/06 marketing season. This positive increase could be ascribed to the more competitive price of soya beans compared to maize and the hard work that was put in by *inter alia* the Protein Research Foundation which, is now starting to show dividends. Unfortunately, carry over stock has increased and Grain South Africa (GSA) has recommended that farmers reduce their soya production. AFMA will encourage the increase in soya bean production in South Africa. A strong demand still exists for soya beans creating positive signals for local supply. This is again supported by the high volumes of soya oilcake being imported.

11.2.2 Imports

According to Table 4.2, the import of soya oilcake (soya beans & oilcake) showed a slight decrease of 8 800 tonnes from 648 478 to 639 678 in 2005/06. AFMA's members used approximately 80 000 tonnes more soya during this period. The increase in soya oilcake consumption was at the expense of sunflower and fish meal.

The available oilcakes increased by only 201 707 tonnes during the report period measured against the 97 671 tonnes increase during the previous year.

TABLE 4: LOCAL OILCAKE (Tonnes) AVAILABLE FOR MARKETING: 1 APRIL 2005 TO 31 MARCH 2006 (Marketing season)

Description	Total crop 2004/05	Available for crushing	Conversion rate (seed) %	Oilcake 2005/06
Sunflower (1,2)	620,000	636,000	42%	267,120
Groundnut (1,2)	108,000	2,600	53.5%	1,391
Soya (1,2,6)	263,000	46,500	80%	37,200
- Full fat (2)	-	216,000	80%	172,800
Cotton (3)	31,482	75,000	50%	37,500
- Full fat (4)	-	70 000	50%	35,000
Canola (1,2)	32,000	29,500	55%	16,225
- Full fat (4)	-	1,900	55%	1,045
Lupins - Full fat (1)	3,950	3,950	100%	3,950
TOTAL LOCAL OILCAKE		1,015,790		572,231

SOURCES:

1. National Crop Estimates Committee - 20 July 2006.
2. SAGIS - Monthly reports (Jan 2006, Feb 2006, April 2006).
3. 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).
4. Full fat used for feeds according to SAGIS.

Cake / Seed	Tonnes Seed +oilcake	Conversion rate	Oilcake 2005/06
Sunflower oilcake*	21,826	100%	21,826
Sunflower seed*	757	42%	318
Groundnut oilcake*	-	100%	-
Soya oilcake*	635,174	100%	635,174
Soya beans *	5,630	80%	4,504
Cotton oilcake*	121,947	100%	121,947
Cotton seed (1,2) *	105,368	50%	52,684
Other seeds *	591	50%	296
Other oilcakes *	5,359	100%	5,359
TOTAL IMPORTS	877,615		842,107
Local Production (Ex Table 4)			572,231
GRAND TOTAL - Table 4 + 4.1			1,414,338

SOURCE: Department of Customs & Excise

- Cotton Seed Processors (Pty) Ltd. (SARS = 77 629 ton - 13 000 ex SADC geppers - Tabel 4)
- 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	2003/04	%	2004/05	%	2005/06	%
Sunflower	360,379	32.13%	293,273	24.18%	289,264	20.45%
Groundnut	1,766	0.16%	1,766	0.15%	1,391	0.10%
Soya	616,596	54.98%	740,558	61.07%	849,678	60.08%
Cotton	109,815	9.79%	142,541	11.75%	247,131	17.47%
Canola	14,685	1.31%	20,570	1.70%	17,270	1.22%
Other oilcakes *	14,181	1.26%	9,975	0.82%	5,655	0.40%
Lupins	11,700	0.36%	4,040	0.33%	3,950	0.28%
TOTAL	1,129,122	100.00%	1,212,723	100.00%	1,414,338	100.00%

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

OILCAKE	2003/04	2004/05	2005/06	INCREASE / DECREASE
Sunflower	360,379	293,273	289,264	-1.37%
Soya	616,596	740,558	849,678	14.73%
Cotton	109,815	142,541	195,264	36.99%
Groundnut	1,766	1,766	1,391	-21.23%
Canola	14,685	20,570	17,270	-16.04%
Lupins	11,700	4,040	3,950	-2,23%
Others oilcakes	14,181	9,975	5,655	-43.31%
Total	1,129,122	1,212,723	1,414,338	16,62%

11.2.3 Fish meal usage

The estimated fish meal production for 2006/07 in South Africa is shown in Table 8. Namibian fish meal is regarded as imported. The export of fish meal has become important for the SA fishing industry and exports are shown in Table 5.

During 2005/06 local production dropped by 25 000 tonnes from 120 000 tonnes in 2004/05 to 95 000 tonnes in 2005/06 due to the fish shortage that was experienced during the fishing season. This shortage also had its negative effect on Namibian fish meal production. In total, fish meal production experienced a 22% drop measured against the previous year.

While experiencing the local decrease of production, exports increased from 7 000 tonnes in 2004/05 to 24 000 tonnes in 2005/06. This can mainly be attributed to export contracts that had to be met by the local fish meal industry.

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Local production: RSA *	95,000	115,000	110,000	120,000	120,000	95,000
Namibia*	15,000	13,000	13,000	13,000	12,000	8,000
Sub-Total	110,000	128,000	123,000	133,000	132,000	103,000
Imports**	18,979	6,740	482	0	0	0
"Russian Trawlers"*	2,327	15,000	15,000	15,000	12,000	12,000
Total fish meal available	131,306	149,740	138,482	148,000	144,000	115,000
Exports in 2004/05***						
+ South African product		16,000	32,967	17,000	7,000	24,000
+ Russian trawler product			15,000	15,000	10,000	12,000
TOTAL AVAILABLE IN SA & NAMIBIA		133,740	90,515	116,000	127,000	79,000
* Estimate by Fish Meal Marketing Company & Oceana AGRIL products (Pty) Ltd.						
** Customs & Excise.						
*** All the Russian trawler meal and some local fish meal have been exported.						

11.2.4 Maize

The availability of maize from 2000/01 to 2005/06 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 because they normally cancel each other out. In the case of maize we did, however, had a major overproduction for the last two seasons which continued during 2005/06. We ended the 2004/05 season with a surplus of approximately 6 million tonnes of maize. According to Grain SA (26/7/2006) the closing stocks for 2005/06 were 3.1 million tonnes. It is estimated that 1.08 million tonnes of stocks will be carried over in April 2007 to the following marketing year. Further estimates are that approximately 2.4 million hectare will be planted the coming year with maize compared to last season's 1.6 million hectare.

LOCAL	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006
White (1)	6,154,500	4,109,790	5,537,480	6,365,550	5,805,000	6,540,700
Yellow (1)	3,986,440	3,115,350	4,194,350	3,025,900	3,677,000	4,909,300
Developing Agriculture (1):						
White maize:	296,820	189,299	245,119	221,097	170,890	202,755
Yellow Maize:	125,041	68,835	72,015	64,958	57,180	63,193
Imports (2)	0	395,000	925,000	441,000	219,000	360,000
TOTAL	10,562,801	7,878,274	10,973,964	10,118,505	9,929,070	12,075,948
Exports (2)	1,423,000	1,281,000	1,070,000	1,185,000	832,000	2,241,000
SOURCE:						
1. Crop Estimate Committee (CEC) (20/07/2006)						
2. SAGIS (23/05/2006)						

11.3 ESTIMATED RAW MATERIAL AVAILABILITY: 1 APRIL 2006 - 31 MARCH 2007

11.3.1 Oilcakes

Table 7 shows details of the estimated availability from local production, requirements and possible imports for the 2005/06 season.

OILSEEDS	2005/06 CROP ESTIMATED	AVAILABLE FOR CRUSHING	CONVERSION RATE (SEED)*	EQUIVALENT OILCAKE
LOCAL PRODUCTION (1)				
Sunflower	528,000	623,000	42.00%	261,660
Soya (3)	413,995	503,000	80.00%	402,400
Groundnut (5)	69,700	8,000	53.50%	4,280
Cotton seed (4)	30,847	36,467	50.00%	18,234
Canola (Raapsaad) (2)	44,200	42,000	55.00%	23,100
Lupins (2)	14,100	14,100	100%	14,100
ESTIMATED LOCAL PRODUCTION				723,774
Total Estimated Requirements				1,200,000
IMPORT REQUIREMENT				476,227
SOURCES:				
1. Crop Estimates Committee - 20 Julie 2006. (Sixth estimate) - Available minus for human consumption and held back for seed.				
2. Crop Estimates Committee - Preliminary area estimate (4 May 2006 - calculation).				
3. Crop Estimates Committee - 20 Julie 2006. (Sixth estimate), Available minus 10 000 tonnes for seed and local use. (GSA - 26 Jul 2006).				
4. Cotton SA estimate (20/07/2006).				
5. Total available minus 23 000 tonnes for Peanut butter, 32 000 tonnes for the human market and 2 000 tonnes for seed.				

11.3.2 Fish meal

The estimated fish meal production in South Africa, the total requirement and the potential imports and exports are shown in Table 8.

SA requirement	50,000
Export	40,000
Total requirement	90,000
Local Production: (RSA)	80,000
Shortage	10,000
Import requirement *	10,000
* Imports from Namibia and elsewhere	
Source: SA Fish Meal Marketing Company & Oceana AGRI products (Pty) Ltd	

11.3.3 Maize

The estimated crop available for sale during the period 1 April 2006 to 31 March 2007 is shown in Table 9.

LOCAL MAIZE CROP ESTIMATE	TONNE
- All producers	
White maize	3,873,726
Yellow maize	2,487,180
TOTAL CROP	6,360,906
SOURCE:	
1. National Crop Estimates Committee - (20 July 2006)	
2. The above include production for commercial purposes and Traditional production.	

11.3.4 Sorghum

According to the Crop Estimates Committee report of 20 July 2006 the expected crop for 2005/06 will be 79 890 tonnes. The calculated final crop for 2004/05 was 260 000 tonnes.

Table 10 gives the actual usage for 2004/2005 and for 2005/2006 (SAGIS) and the estimated usage for 2006/2007. After reviewing the information received on the crop estimate and local requirements, it seems a given that sorghum will have to be imported in 2006/07.

TABLE 10: USAGE OF SORGHUM (TONNES) FROM 1 APRIL 2004 - 30 MARCH 2006 AND ESTIMATED USAGE FOR 2006/2007

	USAGE 2004/05*	USAGE 2005/06*	ESTIMATED USAGE 2006/07**
Malting	102,000	102,900	100,000
Meal	76,800	87,900	90,000
Rice and grit	200	100	0
Animal Feed	3,000	9,000	10,000
Pet Foods	7,000	9,000	9,000
Exports ***	37,600	38,200	25,000
Released to end consumers	1,400	2,100	5,250
Withdrawn by producers	6,700	3,700	9,750
TOTAL REQUIREMENT	234,700	252,900	249,000
Imports	5,000	5,000	20,000
Crop estimate (1)			80,000
SOURCE:			
* SAGIS (23/05/2006)			
** Grain South Africa - 26/07/2006			
*** Exports include both products and grain			
(1) GSA - Estimate			

12. AFMA FEED SALES: 2005/06

During 2005/06 feed sales increased by 3.46% to 4 462 088 tonnes.

As indicated in Figure 1, the rate of increase in raw material prices slowed down and swung around to decrease. This was mainly caused by the drop in maize price due to the overproduction. According to Table 11, beef and sheep feed sales once again showed an increase although lower than last year. Poultry feed sales showed a positive growth with broilers increasing by 5.74% and broiler breeders increasing by 8.43%.

On the concentrate side, the impact of the large maize crop and lower maize prices can clearly be seen with on farm mixing increasing, therefore only buying concentrates from AFMA members. Growth in sales of more than 20% was achieved in almost all categories except for pigs. The pig industry is however predominantly a home mixing market and the swing towards pigs wouldn't have been expected to be significant.

TABLE 11: FEED SALES (Tonne) FROM 2001/02 TO 2005/06 (APRIL - MARCH)						
TYPE OF FEED	2001/02	2002/03	2003/04	2004/05	2005/06	% GROWTH
Dairy	604,761	574,754	649,817	627,739	560,449	-10.72%
Beef and sheep	180,741	230,330	284,841	367,797	439,115	19.39%
Pigs	208,624	212,389	165,165	171,260	161,541	-5.67%
Layers	718,000	692,106	670,475	678,589	667,417	-1.65%
Broilers	1,800,973	1,921,470	1,943,709	1,999,399	2,114,156	5.74%
Broiler breeders	278,397	296,024	284,214	288,897	313,256	8.43%
Horses	19,544	20,684	21,495	18,230	19,463	6.76%
Dogs (D&W)	82,776	38,258	34,805	32,785	33,269	1.48%
Ostriches	49,383	38,288	32,341	25,291	17,700	-30.01%
Other mixtures	19,063	10,689	9,951	11,306	12,932	14.38%
Aquaculture	1,937	1,854	1,711	3,254	3,163	-2.80%
CONCENTRATES						
Pigs	10,738	10,595	9,571	13,949	15,866	13.75%
Other concentrates	3,892	6,252	8,666	495	1,566	216.44%
Beef finisher	13,647	12,197	22,166	26,540	40,056	50.93%
Dairy + urea	26,893	16,154	21,489	20,126	25,663	27.51%
Dairy – urea	5,759	5,112	7,762	9,342	9,025	-3.39%
Sheep finisher	3,746	4,942	10,173	7,224	9,193	27.26%
Layers	3,174	7,878	10,141	6,209	10,137	63.27%
Broilers	5,627	3,553	2,949	3,864	4,862	25.83%
Ostriches	122	64	26	5	0	
Horses	0	0	0	0	0	
Ruminants – other	1,261	1,100	1,073	764	3,256	326.18%
TOTAL	4,039,058	4,104,693	4,192,540	4,313,065	4,462,088	
% Growth	2.53%	1.63%	2.14%	2.87%	3.46%	
SOURCE:						
1. AFMA - Only AFMA members						

12.1 FEED SALES PER PROVINCE: 2005/06

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. It must be further kept in mind that feeds are sold over provincial and even national borders. No information on those movements is available.

The market share for the various provinces changed very little compared to the previous year. The largest change in feed sales was experienced in Gauteng, with 1.05% lower sales.

TABLE 12: ANIMAL FEED SALES PER PROVINCE: 1 APRIL 2005 TO 31 MARCH 2006 (AFMA members only)

	Eastern Cape	Free State	Gauteng	Kwazulu-Natal	Mpumalanga	North West Province	Western Cape	TOTAL
Dairy	86,996	63,399	98,367	99,795	9,929	6,421	195,542	560,449
Beef & Sheep	10,367	44,610	12,970	208,592	130,530	3,985	28,061	439,115
Pigs	6,738	8,611	20,765	42,476	34,230	1,212	47,509	161,541
Layers	9,184	36,526	262,793	87,338	44,487	62,116	164,973	667,417
Broilers	94,228	179,144	516,002	289,855	195,761	315,269	523,897	2,114,156
Broiler breeders	10,170	-	99,342	88,945	40,686	15,458	58,655	313,256
Horses	4,072	741	13,256	278	279	68	769	19,463
Dogs	219	357	11,429	49	7,968	-	13,247	33,269
Other mixtures	139	405	5,126	2,066	2,855	-	2,341	12,932
Maize-free mixes	810	23,389	31,286	10,277	34,709	5,452	13,704	119,627
Aquaculture	-	-	961	59	28	-	2,115	3,163
Ostriches	261	543	390	2	35	-	16,469	17,700
TOTAL 2005/06	223,184	357,725	1,072,687	829,732	501,497	409,981	1,067,282	4,462,088
Percentage of sales	5.00%	8.02%	24.04%	18.60%	11.24%	9.19%	23.92%	100%
Total previous year	233,012	332,863	1,082,002	761,623	477,300	358,829	1,067,436	4,313,065
Percentage of sales previous year	5.40%	7.72%	25.09%	17.66%	11.07%	8.32%	24.75%	100.00%

13. NATIONAL FEED SALES: 2005/2006

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 done in 2004 and was updated in 2006.

There was a shift in feed production between the formal industry (AFMA members) and the rest of the industry. AFMA's share of the total feed requirements decreased from 59.15% in 2004 to 58.08% in 2006. AFMA however increased its market share on the poultry side, with broilers increasing by 7.83% and layers increasing by 2.81%. Ostrich and aquaculture feed also increased by 2.05% and 4.91% respectively.

FEED TYPE	AFMA – FEEDS PLUS FEEDS DERIVED FROM CONCENTRATES	NATIONAL FEED PRODUCTION	AFMA FEED AS % OF NATIONAL PRODUCTION
Dairy	699,201	1,482,683.00	47.16%
Beef & Sheep	839,675	2,487,130.00	33.76%
Pigs	225,005	791,265.00	28.44%
Layers	768,787	856,383.00	89.77%
Broilers	2,439,567	2,554,885.00	95.49%
Dogs	33,269	325,789.00	10.21%
Horses	19,463	121,000.00	16.09%
Ostriches	17,700	64,827.00	27.30%
Aquaculture	3,163	3,254.00	97.20%
Total	5,045,830	8,687,216	58.08%

SOURCE:
1. Dr Munro Griessel (2006)
2. Dr Erhard Briedenhann (2006)

14. CAPACITY UTILISATION

During the last couple of years various changes took place in the feed industry and more particularly amongst AFMA members. A number of new feed mills have joined AFMA, some new feed mills were built, some were closed and various members upgraded their feed mills. In view of these changes, it was decided to conduct another capacity utilisation survey in the industry to determine the current capacity. The survey was done in July 2005 and the result was an utilisation of 75% which is significantly less than the 86% that we have been using in recent years.

15. SYMPOSIA, WORKSHOPS AND SEMINARS

15.1 STUDENT SYMPOSIA

AFMA's functions are *inter alia* to enhance the image of the feed industry and to disseminate information on the latest developments in the industry. These student symposia at the Universities are regarded as an ideal opportunity to introduce animal nutrition students to the real world of animal nutrition and for them to meet with representatives from industry.

The following student symposia were held during the report period.

- University of Pretoria
- University of Stellenbosch

Papers were presented by both AFMA and non-AFMA members as well as people closely related to the animal feed industry.

There is a great appreciation for this initiative by AFMA at the Universities. Students from Technikons and Agricultural Colleges are both accommodated.

15.2 WORKSHOP ON FEED MANUFACTURING FOR “DUMMIES”

The second workshop for “Dummies” was again very successful and well attended by 45 delegates on Wednesday, 15 February 2006. The workshop started in 2005 after a request was received from associate members who wanted to get a better understanding of feed production and what the requirements of the industry are. The workshop is repeated annually to accommodate new entrants into the feed related industries.

15.3 AFMA FORUM 2007

AFMA Forum 2007 will be held from 13 to 16 March 2007 at Sun City. The venue has been booked and the planning and arrangements have already started early 2006. A good program has been put together for the 3 days with many well known international and national speakers. The program will cover a wide variety of interesting topics and will be well worthwhile to attend by all disciplines of the Animal Feed and related industries. The social program should also not to be missed.

16. AFMA MATRIX

Fifty eight issues of AFMA Matrix, the quarterly magazine for the feed industry, have been published since March 1992. All issues were well received and it is being read worldwide in hard copy or on the AFMA website. Good proof of this is the enquiries about articles and information in the Matrix that is received regularly from all around the world.

The AFMA Matrix will as from the September 2006 issue have a “new” look. The focus of this effort is to become aligned with other industry specific magazines. This also forms part of the strategic marketing plan that AFMA will be taking forward.

Furthermore, all the AFMA Matrix inputs and activities require the support of our sponsors, exhibitors, authors and advertisers whom I am once again privileged to thank on behalf of our organisation.

17. INTERNET

17.1 E-MAIL

Most 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.

17.2 WEBSITE

AFMA's website (www.afma.co.za) has become an integral part of AFMA and the feed industry and we are receiving many enquiries from people and companies both locally and internationally who have visited our website.

Since June 2004 we also started publishing the full AFMA Matrix on the website and not just selected articles. As part of the afore mentioned new strategy and marketing plan, AFMA will also be revamping its website to give it a new look and make it more user friendly.

18. ACKNOWLEDGEMENTS

I would like to thank the Board of Directors for their support during the year and especially those that dedicate part of their little available time to the benefit of the overall feed industry.

I would also express my thanks to the AFMA and NCM staff for the excellent work they are doing with the limited resources available. In the short period that De Wet has been with AFMA he has shown great commitment and interest in taking AFMA to new heights.

Our appreciation also goes to Teresa Struwig for the tremendous office support to our General Manager and Mandy Joubert from the NCM, who is attending to our bookkeeping function. Jannie de Villiers has again performed an excellent function for AFMA on the lobbying and trade issues. We also appreciate him sharing his network of expertise and helping to introduce our General Manager to relevant core industry committees and main stream activities of importance to AFMA.

Thanks to all the members and associate members for supporting AFMA.

CHAIRMAN'S REPORT FOR THE TECHNICAL AND LIAISON COMMITTEE: 2005/2006

Loutjie Dunn

We have continued with the combined meetings of our Technical and Liaison Committees to discuss major actions and activities necessary to meet the changing demands of our industry. The workload of this committee just keeps on increasing. In order to address all the different aspects properly, portfolio committees were formed with a convenor leading the process and being responsible for the feedback. The convenor is somebody duly elected to serve on the Technical committee while the rest of the portfolio committee can also include people not officially elected to the Technical committee but that do play an active role in the committee. It is a pity though that some of the people who are nominated to serve on these committees don't attend the meetings and don't contribute to the work of the committee. Looking at the past year just 11 of the elected 16 members did all the work. Two of the elected members did not attend any meeting at all and a further three members only attended one meeting during the year.

This report will be according to the different portfolios.

1. DoA/INDUSTRY MEETINGS

Portfolio convenor: Loutjie Dunn

We have continued our quarterly Department of Agriculture (DoA)/Feed industry meetings where matters concerning both AFMA and the livestock industries are discussed and sometimes heavily debated. Other role-players at those meetings include SAPA, SAPPO, SA Feedlot Association, PFI, SAMIC, MPO, Renderers' and the SA Abattoir Association. Matters attended to were:

1.1 BSE STATUS AND EU SUBMISSION

Attempts to amend the GBR rating for South Africa were not successful. The DoA see the main obstacles as the absence of auditable data regarding the implementation of the feed ban as well as the low number of high risk cases being submitted for BSE testing. AFMA, on behalf of Industry, addressed a letter to ADG: TBD requesting his assistance & guidance in obtaining a reply from the EU with regard to SA's reaction on the EU publication.

The EU is threatening to ban SA for the export of any beef or beef products, pending the implementation of an effective non hormone treated cattle program. The EU announced a visit to SA during the second part of 2006. The aim of the EU's visit will be to focus on the Feed Industry and the inclusion of hormones into feeds and especially the production of feeds without hormones. The EU will also concentrate on the feed ban. AFMA requested the DoA to keep industry informed about the EU visit in order for the Industry to be properly prepared.

1.2 Feed Ban Regulation

During a meeting dated 20 September 2005 it was decided that the new Feed Ban Regulation and other related Regulations will be submitted for publication and a task team will be established with regard to the commencing of an auditing process. These regulations are still not published, but a suggested auditing process was distributed for comment.

AFMA strongly opposed the following DoA suggestions:

- Manufacturers must have traceable records in place that can be audited in order to demonstrate the origin of all feed ingredients (and the destination of the feeds produced). There should also be auditable results of independently conducted tests showing the absence of bone spicules in the feeds. Such tests should be conducted at least once a year as a routine procedure and industry must carry the cost.
- It is strongly suggested that the negative results of an independently conducted bone spicule feed test within the last 12 months be a prerequisite for the annual Act 36 / 1947 re-registration of all feeds.

The proposed auditing process is excluding everybody that is not selling registered feeds, which will result in the exclusion of the majority of feed produced in the country. AFMA wants this to be rectified in such a way that it includes all feeds produced in the country.

It is the Department's intention to enforce the current Feed Ban Regulations. The Regulations would be forwarded to the Directorate Legal Services to test the legality of the enforcement. Industry is of the opinion that it would not be possible to enforce the current regulation because the regulation does not exclude bone meal and the bone spicula test can not distinguish between ruminant, avian and fish bones.

1.3 BSE PROTOCOL

The BSE protocol will set the rules for feed mills that want to, or need to handle products prohibited by the Feed Ban Regulation and AFMA must submit this protocol to the DoA. See point 2 of this report.

1.4 BSE SURVEILLANCE DATA

The surveillance process is continuing successfully except for the required number of samples with regard to high risk cases which are not met.

1.5 ACT 36 GUIDELINES

The new guidelines were published and is now available on the DoA website. Corrections and certain updates to the guidelines (after publication) were requested by AFMA. This was all completed in a very short time after the request

to our satisfaction. We are happy with the progress made in this regard as well as with the reaction time and manner in which changes to the guidelines are handled.

1.6 MILL REGISTRATION VS PRODUCT REGISTRATION

The DoA decided that the issue will be dealt with in the policy document. The DoA wants to enforce both registrations which is totally different from what the Feed Industry wants and we did oppose this strongly.

1.7 FINALISATION OF THE REGULATIONS

The new regulations were published for comments and AFMA did submit the comments received from Industry. The DoA is busy working on the comments and progress will be reported on the next DoA / Industry meeting (19 Sep 2006).

1.8 DATABASE OF REGISTRATION HOLDERS

The Department's Information Technology division was in the process of designing a database program that will be accessible by all role players from early in 2006. They are still busy testing the database and we hope that it will be accessible soon.

1.9 GMP PROJECT

The DoA supported AFMA's request to SANS to convert the AFMA GMP code into a National Standard.

1.10 POLICY DOCUMENT

There is quite a good possibility that the current Act 36 will not be replaced by a new Act, but only be revised. The policy document will form the basis of the revision. There never was a policy document for animal feeds and it is a big positive step to now have a policy document. We do however have a number of important problems with the policy document as published and based on this we requested the DoA to have a workshop where these aspects can be debated in depth. This request was granted and we will have a workshop in Pretoria on the 30th of August 2006.

2. BSE PROTOCOL

Portfolio convenor: Stephen Slippers.

The AFMA draft BSE protocol (assigning a number of legal powers to AFMA) will be re-written in totality by this sub-committee, taking into account the OIE guidelines on BSE as well as the fact that AFMA is not the legal authority. There will also be closer co-operation from the DoA in this regard following a meeting between the sub-committee and the DoA on 12 July 2006.

3. SALMONELLA

Portfolio convener: Johan Anderson

The Code of Practice for salmonella is available on AFMA's website. Further attention was given to salmonella in the past year and some minor changes were made to the Code.

The Salmonella database is up and running. Members are urged to keep on sending the salmonella information to AFMA as part of the monthly production data. This will be incorporated into the larger AFMA information system if/when the system is approved.

This committee is in the process of compiling a list of accredited laboratories and methods that will be available on our website to assist in this analysis. The decision is to only use accredited labs and methods.

4. AFMA CODE OF CONDUCT

Portfolio convener: Brett Roosendaal

A draft code of conduct for AFMA members will be made available to the Board of Directors at the Annual General meeting.

5. ANTIMICROBIAL GROWTH PROMOTORS (AGP's)

Portfolio convener: Jannie Maritz

An AFMA viewpoint on AGP's was completed and will be available on the website soon. The first part of the AGP's document was published in the June 2006 issue of the AFMA MATRIX. The second part of the document will be published in the September 2006 issue of the AFMA Matrix.

6. CONTACT WITH ACADEMIC INSTITUTIONS

Portfolio convener: Loutjie Dunn

AFMA met with representatives from some of the Universities (Stellenbosch, Pretoria, KwaZulu-Natal, Limpopo and Fort Hare). One of the main requirements from the Universities is that companies must get more involved with the financial support of undergraduate and post graduate students. They also requested the private sector not to steal post graduate students from the Universities before completion of a Ph.D. A number of other important aspects were tabled and will be discussed in future (AGRISETA, a single assessment or exam, rationalizing the number of Departments at Universities, etc.).

Student symposiums at the different Universities must continue and this method of contact is working well for both industry and the Universities.

SASAS allocated a full session during their congress in Bloemfontein (April 2006) to the private industry. Different role players put their views and requirements forward, which were followed by a lively debate. It was clear from the discussions that the requirements from the different industries making use of the same students differ so much that it will be impossible to have a customized student for a specific industry. The Universities take note of the requirements from Industry (AFMA's viewpoint specifically) and quite a number of enquiries were handled since the Congress. There were however very few people from industry, other than the ones presenting the different views from industry, attending the congress. On the other hand we also find that the AFMA organized symposia is mostly attended by industry role players and only a few academics.

My personnel view is that we (industry) can make better progress if we attend the academic congresses in greater numbers. This is a structure already in place and organized by people who are friendly towards industry. Positive criticism, comments and inputs from people with industry experience are lacking because we don't attend these congresses. This is not only an opportunity for students and academics to get exposure to industry views and thoughts, but also an opportunity for industry to influence training and research.

7. NARF

Portfolio convener: Loutjie Dunn

Meetings thus far only attended by Jannie Maritz.

The main discussion point at the meetings was the first version of the Draft Agricultural Research and Development Strategy. The revised strategy document will be discussed at the NARF plenary on 20 September 2006.

We will attend these meetings for another year and then make a decision on AFMA's further involvement.

8. GMP

Portfolio convener: Christél Coetzee

The first draft of the proposed national code was distributed for comments. AFMA did have some positive discussions with Mr Louis Coetzee (SANS) to assist in the understanding of some of the comments made by AFMA members. Members are welcome to send any comments through directly to SANS, but it will make the work of this committee easier if the comments are channelled through AFMA. These comments can be much stronger with the official support of AFMA.

9. MYCOTOXINS

Portfolio convener: Brett Roosendaal

AFMA's Code of Practice for Mycotoxins is available on our website since the

previous year. The Technical Committee has decided to withdraw its support for the establishment of a national database since not much was happening in this regard and because AFMA's requirements for a database is limited to the basic information on high risk feed ingredients and critical mycotoxins. We will however still make inputs towards a national database if required.

The following feed ingredients (alphabetical order) were identified as major sources of mycotoxins in feed:

- Full fat Soya
- Hominy Chop
- Maize Gluten Feed
- Maize Screenings
- Peanut Oilcake
- Prime Gluten
- Sunflower Oilcake
- Wheat Bran
- White Maize
- Yellow Maize

The following mycotoxins (ranked according to percent positive) were identified to be present in the feed ingredients named above:

- Aflatoxin
- DON
- Fumonisin
- Zearalenone
- Ochratoxin
- T-2

This does not exclude other feed ingredients and also only show the presence of a mycotoxin. It will however be helpful in setting a future strategy for managing mycotoxins in feed.

10. SAMPLE PREPARATION AND TEST METHODS

Portfolio convener: Jasper Coetzee

Sample preparation and analytical test methods are continuously scrutinised and it was decided to draft a document that will set standards for the whole feed industry. Official standardised procedures will certainly help the industry as reference in handling disputes with clients on analysis obtained through unacceptable sampling procedures or from non-accredited laboratories and analytical methods.

A sampling protocol document was finalised by Dr Pieter Henning. This document will be available on our website after publication in the September 2006 AFMA Matrix. We urge our members to use this document as reference to compile in-house sampling procedures.

The committee is still working on the standardisation of analytical methods in co-operation with AgriLasa.

11. AFMA SYMPOSIUM

Portfolio convener: Johan Du Plessis

Program finalised.

12. TRANSPORT OF ANIMAL FEED AND FEED INGREDIENTS

This is a new aspect that has just been added to the list of portfolios.

I would like to thank all the members of the Technical Committee for their contributions over the past year. A special word of thanks to all the portfolio convenors, with your inputs we have achieved a lot and there are a number of important aspects that have reached the stage where it can be published on our website. There were also valuable inputs from members that were not officially nominated to serve on this committee and it must be their passion for the business that drives them to spend their precious time with us.

I also want to thank Hansie Bekker and lately De Wet Boshoff for their support in getting things done.

* * *



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