

AFMA

SAFE FEED FOR SAFE FOOD

Animal Feed Manufacturers Association

CHAIRMAN'S REPORT 2007/2008

Presented by Dr Erhard Briedenhann
at AFMA's 61st Annual General Meeting
on 29 August 2008 at Spier Hotel and
Conference Centre, Stellenbosch, South Africa

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CHAIRMAN'S REPORT 2007/2008

1. INTRODUCTION

Global feed production

Despite handicaps ranging from increasing ingredient prices and animal disease, the total feed produced globally by industrial mills last year increased by 3.5 percent to a total volume of 680.4 million.

The effect of grain price increases may have boosted global feed growth last year. It has been suggested that the high prices of raw materials motivated livestock farmers to buy a complete feed from an industrial mill rather than producing it for themselves. Brazil had a robust growth in feed demand due to strong export demand for Brazilian chicken, pork and beef. Demand for dairy feeds also increased stimulated by the higher prices for milk and other dairy products. Increase in production has not necessarily meant additional profits for the feed industry, they have had to pay more for energy, labor, transport, feed raw materials and feed additives.

Strong global growth in average per capita income particularly in developing countries in combination with an increasing population has increased the world demand for food. In developing countries consumers have increased the percentage of their diet composed of meat, milk and eggs, leading to increased grain and oilseed consumption. Economic growth has been exceptionally strong in China and India which combined account for 2.4 billion people; this has led to a high demand for agricultural products.

Research indicates that while sub-prime related losses are expected to hinder world economic growth in 2008 the risk to the Chinese economy is more limited. Food supply-demand dynamics will remain stretched by increased Chinese consumption.

We simply don't have enough raw materials to supply food, feed and fuel on a sustainable basis. China is the world's second largest agricultural producer after the United States of America (US) and is fast changing from exporter to net importer. This shift will continue to impact on global agricultural prices.

World population is increasing by 1.1% per annum adding to the rising demand for both agricultural products and energy. Higher population growth tends to be in developing countries, together with the increased per capita animal product consumption, leading to even greater demand for feed and feed raw materials.

Despite the global livestock industry being under tremendous profit margin pressure due to high feed raw material prices there has been as yet no significant reduction in feed and feed raw material demand. Global protein meal consumption is

expected to increase 2.4 percent in 2008/2009. World oilseed crush is expected to increase by 11 million tons to 351 million tons this year. World exports of oilseeds are expected to increase to 90 million tons. Carry out stocks will increase marginally to 62 million tons.

Global economic growth

The global economy for the last four years has shown above average growth but currently faces a number of challenges. Amongst these challenges are financial distress caused by the US sub prime crisis, the correction in a number of residential property markets, the surge in global headline inflation driven by record oil and food prices, plus the effect of the declining US dollar. China will remain a major factor supporting agricultural demand over the next few years. A slowdown in the global economy is unlikely to substantially reduce economic growth in developing countries and will continue to increase demand resulting in increased demand for animal products, feed and feed raw materials. The health of the developed economies in particular the US and European Union are critical factors in the demand for foodstuffs.

The US meat industry is feeling the effect of high commodity prices. US meat companies are reporting sharply lower earning on cattle, chicken and pork production largely as a result of high feed prices.

Energy prices

Increasing global fuel prices affect the cost of agricultural production, the cost of transporting feed, feed raw materials and the cost of processing these products. On the contrary the production of biofuels is also stimulated by higher world fuel prices.

Biofuels production

The continued growth in biofuel production from grains and oilseeds over the next ten years will contribute to the global demand sustaining upward pressure on food commodity prices.

Policy changes

Global grain policies have remained geared toward reducing government interventions and promoting a more market-orientated environment however world price increases of grains, oilseeds and vegetable oils caused significant increases in domestic food prices in many countries. Some countries began to take protective policy measures designed to reduce the impact of rising world food commodity prices on their own consumers. Certain exporting countries made policy changes designed to discourage exports to keep domestic production in the country.

Weather

Adverse weather conditions reduced crop production in some countries in 2006. Russia and Ukraine had yield losses due to drought. Australia was in the second year of a severe drought. South Africa also experienced drought last season. The

drought resulted in lower world production of grains and oilseeds, contributed to a further decline in the global stock of feed raw materials.

Fund Activity

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, the investments made in these markets were not necessarily based on fundamental principals. Technical trading and major fund activity has resulted in large swings in futures often hitting daily limits.

South African Feed industry

Food security status across the Southern African region is of vital importance and the South African Feed industry plays a pivotal role in this regard.

Production of animal feed and food in South Africa is linked to world market prices, global markets, exchange rates and cost of inputs. Input costs of food and feed production likewise have been determined by availability of raw materials and world market prices.

South African Consumer Demand

Disposable income has increased in South Africa with the resultant higher than normal increase in per capita consumption of meat, milk and eggs.

Meat and egg consumption has increased from 51kg in 2005 to 56kg in 2007 and is projected to increase further to 63kg by 2015. Animal Feed Manufacturers Association (AFMA) feed sales increased 3.5% in 2006, 5.04% in 2007 and a projected 9.5% in 2008. The consequence of this increase in demand is an increase in national animal feed requirement from the current estimated 9.7 million tons to 12.8 million tons in 2015. Grain requirements for animal feed will increase from the current 4.8 million ton to 6.7 million tons in 2015.

There is concern about how the current inflationary pressures in South Africa will effect growth in demand. Food inflation is expected to continue as the full impact of price increases in input costs have not yet fully reached the consumer.

In South Africa inflation is being driven by increasing fuel prices, higher interest rates and increasing energy costs. The effect of higher food prices on consumer demand will be a critical factor in the livestock and animal feed industry in the future.

Highlights and progress since March 2007 include:

TECHNICAL AND TRADE:

Policy on Animal Feed

After inputs were made by Industry and government, and the consultative process followed the policy on animal feed was approved by Department of Agriculture's DEXCO and was signed by the minister of agriculture. It is now in the legal process being put into the correct format to be tabled to become a bill. It now only awaits the allocation of a position on the legislative calendar of parliament.

Revised Regulations and Guidelines on Act 36

AFMA and the personnel of Act 36 has established a good working relation with these personnel also attending the AFMA Technical and Liaison Committee meetings. In most of the cases South Africa tends to follow EU regulations and guideline on animal feeding. Changes to EU (International) regulations and guidelines results 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 is continuously improving.

Status of the Livestock and Animal Feed Industry meeting

The Livestock and Animal Feed Industry Forum, in which AFMA is playing the leading role, has since the last report managed to increase the status of the quarterly meeting between this Forum and the Department of Agriculture (DoA).

The first step in this process was to revise the Terms of Reference (ToR) of this meeting and all involved role players. The purpose and role of this meeting was made much clearer. One of the long outstanding issues is the implementation of a complete traceability system for the total livestock and animal feed industry value chain. This initiative, is gaining momentum and will be one of the focus areas of this forum.

CEO Forum

AFMA's involvement in this forum and its steering committee has since the last report grown to a level that AFMA is currently permanently represented on the CEO Forum Steering Committee as well as in the official CEO Forum meetings, of which the last was held on 12 June 2008. The next objective for AFMA will be to secure a permanent seat in the delegation meeting with the President twice a year on agricultural matters.

National Mycotoxin work group

This work group has since the last report had 3 meetings. Although initially starting slowly, the group has since increased the pace and at the last meeting, had consultative discussions on the projects to be presented for funding to the Maize Trust. The next step will be the presentation and discussions on these projects before final submissions to the Maize Trust for funding consideration in September 2008.

AFMA Code of Conduct

The AFMA Code of Conduct has been approved at the AFMA Annual General Meeting, on 7 September 2008 held in George. Since its approval the implementation thereof has been discussed and completed by the AFMA Board of Directors and will be circulated as an annex to the Code of Conduct, to all members.

Workshop with Academia

After the previous workshop that was held during July 2007 on the topic – “The future graduate profile to meet industry expectations” no formal meeting took place on the issue. However, official lectures have been given at some universities in conjunction with Act 36, to explain the role of AFMA in the broader agricultural environment as well as the profile and the expectations from Industry from an animal scientist. This communication gives the student a good insight of what to expect after completing their academic qualification.

Bio-Fuel Strategy

AFMA's Trade Committee, the NCM and SAAPA made significant inputs to the strategy during 2006 and 2007. Government under the leadership of Department of Minerals and Energy Affairs announced the final policy during December 2007, which excludes maize to be used for the production of bio-fuels. AFMA, NCM and SAAPA are of the opinion that this was the correct decision with food security in mind.

Act 101

Currently a process is running within Department of Health (DoH), the administering department of Act 101, of amending the Act and its schedules. AFMA gave feedback on the proposed changes to the Act and its schedules. AFMA has, and will pursue the matter of having a DoA / Industry workshop on the matter of Stock Remedies (Act 101), as in the case of the Policy on Animal Feeds, where all parties can make their inputs and have thorough deliberations on the matter.

AFMA Symposium 2007

Once again the annual AFMA symposium can be regarded as a success, measured by the quality of the papers that were presented and the number of attendees, which surpassed the attendance in 2006.

Combined Symposium involving Students, non-feed industry role players and Industry

This symposium, the first of its kind, was held at Elsenburg during March 2008 followed by an animal feed mill visit to Meadow Feeds Paarl.

The aim of the symposium was to involve:

- Students from Stellenbosch University and Elsenburg studying in 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 present them 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 and the positive feedback, this can be considered a huge success which will definitely be repeated during 2008/2009 in other provinces of the country.

Protocol on Transport of Raw Materials

This document was finalized and referred to the AFMA Trade Committee for comments on the practical implementation thereof in the animal feeds environment.

Protocol on Sampling issues

This protocol was finalized and approved by the AFMA Technical and Liaison Committee as well as the AFMA Board of Directors. This protocol can be viewed on the AFMA website and is the preferred protocol (by the AFMA Technical and Liaison Committee) to be used in cases of disputes on animal feed.

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 DoA) during the reporting period. It was approved by the AFMA Technical and Liaison Committee and liaised with Government as an input to the quarterly Livestock and Animal Feed Industry Forum, where it was used as the base document for the National Animal Feed Protocol.

During 2008/2009 this document will be transformed and will cover the total traceability of the Livestock and Animal Feed Industry to adhere to international standards set by the OIE for the control of BSE.

National SABS GMP Standard

This national standard being drawn up for best manufacturing practices in animal feeding is done in conjunction with different members of the livestock and animal feed industry, government, parastatals and the SABS. This document is based on the Dutch GMP⁺. The process started during 2006 with the committee completing Draft 4 during mid 2008. The process to follow includes voting on the document, legal and technical adjustments to fit the SABS requirements, the publishing in the Government Gazette for public comments and finally becoming a legal national SABS standard. The date of completion of this standard, should all role players co-operate, is projected to be the end of 2008 or early 2009.

Contingency Plan

This document was referred back to the Maize Forum Steering Committee for more consultation. All role players to this committee discussed the document and decided that this document will no longer be pursued with DoA, but role players in the maize value chain would rather focus their attention on the factors influencing the approval process of GMO's, driven by the Executive Council on GMO's of which DoA is the chairing department.

Crop Estimates

AFMA is now officially involved as a member of the Crop Estimates Steering Committee and is co-operating with other role players to increase the efficiency of this structure.

Spoornet

After being part of the delegation meeting with the CEO of Transnet Freight Rail (TFR) as they are now known, during January 2008 discussing the value chain's challenges, AFMA now also forms part of the Transport Task Team trying to find solutions for these challenges.

International Trade and Arbitration Commission (ITAC)

AFMA has since 2006 become much more involved in liaising and establishing a good working relation with ITAC. Typical cases that can be highlighted in this regard include the first safeguard measure ever to be implemented by South Africa which was lysine and AFMA's independent application for the removal of the full import duty on soya oilcake. In a supporting capacity to SAPA, AFMA has attempted to prevent the abolishment of the anti-dumping duty on imported chicken portions.

AFMA BRANDING:

The first phase of branding AFMA, which started in 2006, which included:

- New AFMA **logo**;
- New AFMA **letterheads**;
- New AFMA **banners**;
- New AFMA **E-stationery**;
- New-look **AFMA Matrix**;
- Annual AFMA / AFRI INSPEC **Golf Day**;
- AFMA **corporate gifts**;
- AFMA **Chairman's Report** – Corporate look; and
- AFMA **corporate clothing**

was completed with the launch of the newly developed AFMA website on 14 July 2008.

AFMA Website

The new-look website forms part of the central theme and branding of AFMA and offers a new modern look with a special feature only accessible to members by

means of a password. The website is hosted by our media partner (also responsible for the AFMA Matrix), which makes updating faster and easier. The website also hosts a feature to members – to seek for, or to advertise, career opportunities in industry. The site can be visited at – www.afma.co.za

AFMA Forum 2010

The 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 AFMA congress committee will start its work during the 2nd part of 2008.

Professional & Corporate look

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

GENERAL:

AFMA Strategic Plan

The first phase of the AFMA Strategic plan was completed during the reporting period and the AFMA Board started with a set of new objectives forming part of the AFMA strategies.

International participation

AFMA has become much more involved in IFIF activities, giving frequent inputs as a member, attending IFIF forums and attending meetings arranged by the IFIF of which the last was in January '08 in Atlanta.

Agreements with International feed magazines

The good working and exchange relationship that was built up with prominent international magazines continued, with the latest resulting in a profile of a leading AFMA member to be published in one of the leading international magazines.

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 more so in the livestock and animal feeding arena.

Membership

AFMA is privileged to report that it enjoyed a favourable increase in members 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 organisations own identity which is now well established with not only DoA, but 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 under 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 the recognition as national role player being part of all forums related to animal feeds and the grain value chain. This include the various forums both governmental and private sector where AFMA fulfils its rightful place 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 is proving problematic for the government. It has been on every single possible agenda (even in 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 since the collapse of the Doha Round.

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 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 the use in bio-diesel.

The trade committee of AFMA thus considered it appropriate that a total independent application, not linked to other applications would be drafted and submitted. The submission of this application was completed and submitted to ITAC for consideration. The ITAC process will constantly be monitored by means of liaison.

The first safeguard duty of its kind was imposed by ITAC during 2007 which will be liberalised over a period of 3 years. The first year of this liberalisation process has passed and the safeguard duty has reduced to 18%, down from 27% a year earlier.

Liberalisation period:

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

AFMA supported SAPA in their efforts to convince ITAC not to abolish the anti-dumping duty which was imposed against US chicken portions, which was announced in December 2007. This notification by ITAC came after losing a high court case on a technicality on the implementation of the anti-dumping duty.

This could not only have an effect on the poultry industry (indirectly feed) but also 16 other industries. AFMA's support to SAPA was along the lines that the only way to turn this situation around would be to appeal against this high court ruling. Subsequently AFMA has after a period of more than 7 months received a letter from ITAC indicating that they will be pursuing this route.

The Chamber of Milling was part of an initiative to apply to ITAC to remove the import duties on the white silo bags that are currently being used in the industry. Notice of the application was published in the Government Gazette of 18 April 2008 for public comment. ITAC is currently busy with their investigation into the matter. ITAC could not provide a date for the completion of the investigation.

The recommendation was intended to go before the commission on 15 July 2008, but due to a delay in obtaining a response from certain interested stakeholders in industry, the matter will stand over to the next meeting of the commission in August 2008. We were assured that the matter will be on the agenda of the August commission meeting.

2.1.2 Trade Agreements

We have very little progress to report regarding South Africa's bilateral trade agreements. The review of the SA/EU agreement has ended in dispute with the EU trying to "force" SA into a regional agreement with some of our SADC partners. AFMA supports the SA Governments views not to sign the new proposal by the EU. 2008 was the year in which SADC was intended to become a free trade zone. Very few of the SADC countries have implement the agreement. The problems in a country like Zimbabwe makes one wonders if it will ever be a reality.

After numerous efforts the EFTA (Norway, Iceland, Switzerland and Lichtenstein) agreement came into effect. Other bilateral discussions with Mercosur, US, China and India have not materialized.

2.1.3 World Trade Organisation

It was with great disappointment that we have learned that the mini-ministerial of the Doha Round has collapsed in July 2008. Many have said that no deal is better than a bad deal, but we are still proponents of a subsidy-free world in agriculture.

The dispute declared by Canada and Brazil against the US's agricultural subsidies has not progressed further than tabling it. We still await the announcement of the panel. In the mean time our South African team has done some excellent work in preparing itself as a third party in this case. Even if no progress is made on this case we have learned a significant amount about the way in which the dispute mechanism of the WTO works. The capacity building will most definitely be of value in the future. The Maize Trust has made a great investment in human capital in this regard.

2.1.4 Representation and Government relations

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. The review of the Agricultural Sector Plan has been completed and we have made substantial inputs into this process.

2.1.5 Energy crisis

Since the beginning of the electricity crisis efforts were made to meet with Eskom to specifically articulate the challenges resulting from the unplanned application of load shedding. The industry eventually met with the regional office of Eskom in Pretoria and the outcomes of the meeting were not fruitful.

Eskom indicated that the industry's problem were within the mandate of the municipal offices. They suggested that the problems pertaining to municipal offices should be taken up with them directly. They also indicated that the problem of food security was not taken into account and that it should be directed to the relevant ministry.

The outcome of the meeting with Eskom necessitated that we explore other avenues of consultation with regard to the electricity crisis. We had established a relationship with Business Unity South Africa (BUSA) and requested that the SA Agricultural Processors Association should form part of BUSA's delegation in the National Economic and Labour Council's (NEDLAC) Task Team on Electricity. We have, through this juncture, managed to articulate industry's concerns and challenges as a result of the electricity shortage. We have, however, not been able to pursue industry specific issues such as food security because BUSA's mandate covered cross-cutting issues.

2.1.6 Expropriation Bill

The SA Agricultural Processors Association submitted a well documented response on the Draft Expropriation Bill to Ms Thandi Tobias, Chairperson of Portfolio Committee on Public Works.

2.1.7 Competition Commission

During February 2008, AFMA learnt of a complaint lodged at the National Competition Commission by a North West dairy farmer. The complaint was that of excessive pricing – which came about when the farmer allegedly compared the prices of two seemingly similar products from two different feed companies.

During the investigation phase AFMA requested a meeting with the investigating personnel of the Competition Commission, during which AFMA attempted to illustrate how the principle of formulating, procurement and pricing of raw materials between companies differ. It is highly unlikely that two companies can formulate exactly the same product with the same specifications and sell these products at the same price. There are just too many variables that have to be considered, the most important criteria being that no company uses the same matrix's for formulation. Thus, it is highly unlikely if not impossible that you will ever find the same product at the same price by two opposing companies.

AFMA has since made numerous enquiries with the Competition Commission regarding the status of the investigation, with the continuous response that it is still under investigation. The Competition Commission has however indicated that feedback will be given during September 2008.

2.1.8 International events

Through our relationships with the Chamber of Milling and the SA Agricultural Processors Association (SAAPA), we were indirectly represented at three different international events of note:

- Jannie de Villiers attended the FAO Food Summit Conference in Rome in June 2008;
- Boikanyo Mokgatle attended the International Grains Council meeting in June 2008 in London; and
- Lambert Botha attended the WTO min-ministerial in July 2008 in Geneva.

All three of these gentlemen attended these events as government representatives reflecting our relationship with Government.

3. TRADE COMMITTEE MATTERS

3.1 Crop estimates

Through our intervention we have made substantial progress to improve the crop estimates for South Africa.

The area estimate is now being done through the Producer Independent Crop Estimate System (PICES) project using satellite imagery. The partnership between the Department of Agriculture and the Maize Trust is working well. The Maize Trust takes the responsibility of the development work and the Department of Agriculture pays for the annual maintenance of the system.

Following a census in 2007 to evaluate the accuracy of PICES, it revealed a 98.2% accuracy on the hectares planted. This was very encouraging.

The focus has now moved to improve the yield estimates. Limited funds by the Department of Agriculture are preventing us from moving forward. The Maize Trust is, however, still willing to fund the development work, but the Department of Agriculture is no longer in a position to pick up the tab for the maintenance thereof. We are in negotiations with the Department of Agriculture to establish a new relationship to take the process forward. We are, however, confident that a lot of volatility with regard to crop estimates has been dealt with.

3.2 Spoornet (Transnet Freight Rail)

During November 2007, National Chamber of Milling (NCM) wrote a letter to Ms Maria Ramos: Group Chief Executive, Transnet Limited head office outlining problems that the industry encountered with Transnet Freight Rail, with particular reference to the transportation of grain. NCM also met with the Deputy Director General of the Department of Transport, Mr Vilana, to discuss the way forward in addressing some of the industry's concerns in this regard. A decision to establish a consultative industry network forum, including TFR, was made. The Forum constitutes various industry representatives.

In January 2008, a meeting was held with Mr Siyabonga Gama (CEO of TFR) and other TFR Executives. AFMA, the NCM, Department of Agriculture and Traders attended the meeting. The industry's goal to bring 85% of grain back on rail by 2010 and the need for partnership were points of departure. TFR indicated its support especially in the context of food security and would partner to explore possible solutions to address existing problems in the transportation of grain by rail. The meeting decided to jointly establish a transport task team to crystallize the existing problem and seek solutions.

3.3 GMOs

The mandate of AFMA is to facilitate and assist in the enlargement of the supply of raw materials that could be imported for the industry. Currently South Africa can import maize from Southern African countries which are regarded as GMO free and Argentina, Brazil and China are our only other suppliers since all GMO traits used in those countries have already been approved locally.

In times of surplus production of maize, as is the case of the 2008 harvest, attention is easily drawn away from being in a position to import maize should the situation require it. 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 Argentinean maize is the fact that Argentina could be registering new GMO traits in their country, which are not yet approved in South Africa. This could pose a huge financial threat to any importer

under the impression that it is totally safe to import from Argentina and at arrival in the South Africa harbour the shipment is found to contain traits not yet registered in South Africa. To prevent such a situation, a similar study to monitor specifically this, could be repeated and will be requested at the Maize Forum Steering Committee of which AFMA is a member.

It is however expected that the registration process on commodity clearance applications for maize might start gaining momentum after the report requested by The Department of Trade and Industry (DTI) during late 2006 (The economic impact of GMO maize on the South Africa economy), was finalized and handed to the Executive Council responsible for GMO approvals. From this report nothing negatives could be derived.

3.4 Contingency Plan

After completing the Contingency plan for Maize during the first quarter of 2007 and forwarding the document to the DoA for their comments and inputs with the objective of liaising this document with all the relevant State Departments and effected parties, the DoA, through the Agricultural CEO Forum, in November 2007 referred the document back to the Maize Forum Steering Committee for further consultations and consensus on the total document between all parties of the Maize Forum Steering Committee.

All the parties affiliated to the Maize Forum Steering Committee met in middle March to discuss the future of the Contingency Plan. At this meeting it was unanimously decided that no more time will be spent on the Contingency Plan itself, but members would rather spend their time on the variables and factors influencing the process of GMO approvals, of which the approval of commodity clearance on maize is but one.

At this meeting Grain SA once again confirmed their viewpoint on commodity clearance – that GMO grains or oil seeds should not qualify for commodity clearance if it isn't approved for production in South Africa yet. This is the one point to which the supply-side and the demand-side would perhaps never agree.

3.5 SAFEX Agricultural Advisory Committee (ADP)

Worldwide commodity markets were characterised by big price swings and high volatility during the past year. Our markets, and more specific the Safex Agricultural market was not excluded from this phenomenon. Due to this volatility and big price increases, Safex APD had to re-look at the daily price limits and initial margin requirements for agricultural futures. A lot of time was spent during the year by the APD Advisory Committee in discussing and investigating this issue. Safex recently announced new price limits and initial margin requirements for all agricultural futures.

The JSE also started a few years ago with a process to upgrade all electronic trading platforms. The APD is currently busy testing the new system and it is envisaged that the new trading platform will be operational towards the end of October 2008.

The location differential was once again contentious issue this year, especially with the big increases in the fuel price and deterioration of the Spoornet service levels. The APD advisory committee again confirmed the status quo and that it believe that transport differentials is an essential part of the success of the current futures products. The advisory committee spent a lot of time during the last year to make sure that during a time of high volatility the market retains its roll as a transparent pricing mechanism and that roll payers can confidently use it for price risk management.

3.6 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.

3.7 AgriBEE

As reported in the previous report the draft Charter for Agriculture had been negotiated and submitted to the Minister of Agriculture. With the change in the ministry of agriculture there were some delays and we expected that the approved charter would have soon be made available to be signed by the various companies.

The Steering committee on the charter has since the change of Ministers been expanded and it transpired that the Minister unilaterally made some contentious changes to the Charter which was presented to the Parliamentary Portfolio Committee on 26 November 2006 and there after to DTI. This approach taken was criticized by the steering committee who rejected the changes made.

The steering committee was then entrusted to redraft the changes made which was completed at the end of July 2007. The Charter was adopted by the Steering Committee on 22 August 2008 and submitted to the Minister.

The Department of Agriculture submitted the Charter to the DTI for gazetting at the beginning of October 2007.

3.8 Bio-fuels

In the previous two reports it was stated that Government and more particular Department of Mineral and Energy Affairs (DME), would have announced the bio-fuel policy for South Africa in September 2006. During the end of 2007 the DME at last announced the bio-fuels policy for South Africa. Government decided that the use of maize as biomass in the production of bio-fuels will be excluded. In hindsight this was done after considering the effects of bio-fuels in the US and Europe on

prices of grain and the availability thereof. It is clear from this decision that food security in South and Southern Africa played a major role in government's consideration.

This decision wasn't what most of the South African Maize farmers had hoped for against the background of potential bio-fuel production. During January 2008 a delegation of Grain SA met and discussed this decision with DME and DoA and it was decided that Maize could only be used for the production of bio-fuels in times of a surplus production. Currently wheat is allowed for the production of bio-fuels according to the policy. The fact that wheat can also be defined as necessary for food security might necessitate it to be excluded as in the case of maize.

Given the South African weather patterns and rainfall, which are the major factors determining the success of the annual South African maize crop, and the fact that it has proven over the years to be unpredictable, this decision to produce bio-fuels only from a surplus in South Africa, gave the bio-fuels initiative a great blow which might make the initiative from maize financially not viable.

4. OTHER

4.1 National mycotoxin work group

The process started in the maize value chain during 2005/2006 to establish a National Mycotoxin research network in South Africa to improve on the capacity and understanding of this matter and its significant affect on the maize industry has gained momentum during 2007/2008 with three meetings taking place and more role players becoming involved, especially from the academia and research institutions.

These meetings were spent on a process of planning and mapping out the focus areas of research for which project proposals will be prepared for funding by the Maize Trust. It is envisaged that \pm 8 new projects on different fields on Mycotoxins will be motivated for funding by the Maize Trust. In this process of planning and mapping AFMA supported by the NCM played a major leading role. AFMA currently hosts the secretariat for this project.

5. RAW MATERIAL COSTS

AFMA members' raw material cost experienced a cycle of a 3 year 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 increase seems not to have reached its high during 2006/2007 and is expected to maintain its increasing trend over the short to medium term, judged on the international grain and oil seed trends in 2007/2008 we can expect prices to have increased at least another 50%.

Raw material price increases were influenced by factors affecting global prices, which include strong world demand, China and India in particular, increased use of maize for biofuel production, droughts, weak US\$, fund activity and government policies.

The price of white maize has increased from a level on safex of R550 per ton in May 2005 to a current level of R1 932 for May 2008 an increase of 251%. This dramatic price increase is despite the fact that we are in a surplus maize producing year, after the gripping drought of last season. Had we experienced an unfavourable climatic season maize prices would have been at import rather than export parity or R2 430/ton an increase of 342%.

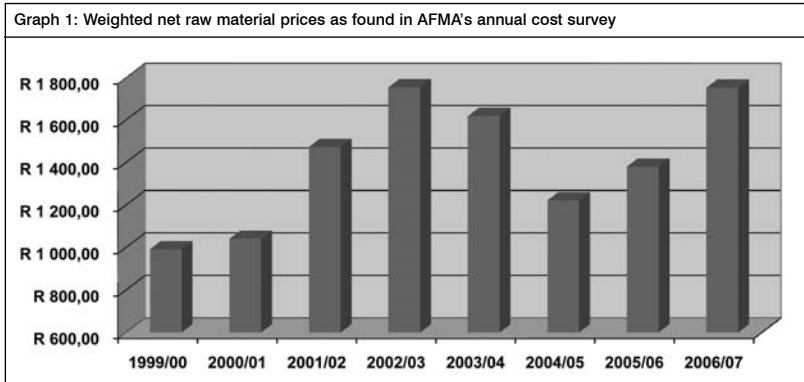
Protein components of feed have increased in price proportionately to grain prices, one of the main reasons being the required prices to compete for production hectares with grain in order to maintain sufficient supply. South Africa imports the majority of its protein requirements in the form of oilseed meal from Argentina. Global stockpiles of seven major oilseeds, including soybeans, have shrunk to a four year low because of rising food demand and an alternative source of energy, resulting in record oil prices.

Not only grains and oilseeds have contributed to the increase in feed price. Feed raw materials using sulphur as part of their manufacturing cycle such as mono-calcium phosphate have gone up dramatically in price. Other basic raw materials such as vitamins where demand has outstripped supply have increased in price over 100%. Wheat bran a by-product from the milling industry of which the feed industry uses over 700 000 tons per annum has increased from R500 per ton in 2005 to R1 700/ton due the rapidly escalating wheat prices.

Table 1: Weighted net raw material prices as found in AFMA's annual cost survey (R/ton)		
YEAR	RAW MATERIAL COST	% GROWTH
1992/93	R616,25	
1993/94	R665,25	7,95%
1994/95	R706,07	6,14%
1995/96	R829,13	17,43%
1996/97	R954,95	15,17%
1997/98	R983,50	2,99%
1998/99	R970,05	-1,37%
1999/00	R991,23	2,18%
2000/01	R1 040,47	4,97%
2001/02	R1 472,43	41,52%
2002/03	R1 754,86	19,18%
2003/04	R1 617,88	-7,81%
2004/05	R1 221,18	-24,50%
2005/06	R1 379,64	12,98%
2006/07	R1 753,00	27,06%

Source: AFMA Annual Cost Survey – 2006/2007

The increase in the weighted average price of raw materials is further demonstrated in Figure 1.



Source: AFMA Annual Cost Survey – 2006/2007

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

6.1 Training

As reported in the 2004/2005 and in 2005/2006, AFMA is in the process of establishing a formal accredited training programme for the animal feed industry. The training programme would have included the following 3 qualifications:

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

While in the process of registration of the above qualifications in 2006/2007, the South African Qualifications Authority (SAQA), who approves the qualifications of all the SETA's, embarked on a process to rather establish a more generic framework to which all qualifications should adhere to.

Subsequently, the registrations were held back and the AGRISETA together with the Agro-processing industries (which include AFMA, Milling and Pet Food) are in the process of developing the new generic framework, with learning material which will lead to qualifications in these industries to follow.

7. AFMA PRIZES, AWARDS AND STUDY LOANS

7.1 Sponsorships for awards

7.1.1 AFMA Person of the Year Award

AFGRI Trading has agreed to sponsor the AFMA Person of the Year Award for 2007/2008. On behalf of AFMA I would like to express my thanks towards AFGRI Trading for this gesture.

7.1.2 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.

7.2 Presentation of awards for 2006/2007

7.2.1 AFMA Person of the Year Award: 2006/2007

The 2006/2007 award was presented to Mr Jannie de Villiers – Executive Director of the National Chamber of Milling, at AFMA's 60th Annual General Meeting at the King George Hotel, George. Mr de Villiers was awarded for his special efforts and inputs that were not limited only to his industry but across industries to the benefit of the total Agriculture in South Africa.

7.2.2 Barney van Niekerk / AFMA Technical Person of the Year: 2006/2007

No award was made.

7.2.3 Koos van der Merwe / AFMA prize: 2006

The Koos van der Merwe prize for the best final year student was awarded to Ms Marcia Malan, University of Stellenbosch.

8. MEMBERSHIP OF OTHER ORGANISATIONS

AFMA realised that not to isolate itself it need to be part of and have contact with different Industries. Therefore AFMA decided to become members of associations/institutions addressing different aspects related to the feed industry.

8.1 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.

8.2 International Feed Industry Federation (IFIF)

After becoming more involved in the international animal feed arena with 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 is 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 organised by IFIF to bring the international industry role players and the international regulators closer together to enhance co-operation.

9. AFMA MEMBERSHIP

AFMA is pleased to announce that on 30 June 2008, AFMA had 91 members (15 more than the previous reporting period) including the following:

- Full members (Balanced feed manufacturers) : 51
- Associate members : 40

Associate membership includes the following groups:

- Premix manufacturers : 13
- Traders : 13
- Producers and suppliers of raw material : 11
- Manufacturers and suppliers of equipment : 2
- Lab Services : 1

9.1 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

Eagles Rock Feed Mill (Pty) Ltd	-	1 December 2007
Tanqua Feeds (Pty) Ltd	-	1 December 2007
ALZU Enterprises	-	1 June 2008
Brenco Feeds (Pty) Ltd	-	1 June 2008
Sernick Veevoere (Edms) Bpk	-	1 June 2008
Monti Feeds (Pty) Ltd	-	1 March 2008
Meadow Richmond	-	1 October 2007
Meadow Ladysmith	-	1 October 2007
Nutri Feeds Bloemfontein	-	1 April 2007
Nutri Feeds Mafikeng	-	1 November 2007

Associate Members

Animate Animal Health (Pty) Ltd	-	1 December 2007
Ceva Animal Health (Pty) Ltd	-	1 December 2007
Virbac Animal Health	-	1 December 2007

Tongaat Hulett Starch	-	1 January 2008
Kemin Industries South Africa	-	1 June 2008
Malachite Chemicals	-	1 June 2008
Savannah Commodities (Pty) Ltd	-	7 September 2007
Unigrain (Pty) Ltd	-	7 September 2007

9.2 Termination of membership

- DAS Commodities (Pty) Ltd
- Datacentrix Solutions (Pty) Ltd
- Pristine Technology Creations CC

9.3 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

10. CO-OPERATION WITH LIVESTOCK INDUSTRIES

Regular meetings with the livestock industries continued and various issues affecting both parties as well as matters concerning the entire Livestock and Animal Feeds Industries were discussed.

10.1 Co-operation with GSA

Liaison with Grain SA on common issues continues. During the reporting period meetings of significance were on the grain grading regulations. This would be completed during the 2nd part of 2008.

11. 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 launched certain actions in this area to try and improve the current situation, and will pursue co-operation with DoA and the Executive Council responsible for the registrations of GMO's in South Africa.

On the terrain of registration of new animal feeds as well as the re-registration process AFMA played a major role at the Act 36 workshop during March 2008, convincing Act 36 not to implement its initial proposal of a new fee structure which was totally

unacceptable to industry. Act 36 and the Department of Agriculture eventually approved a much more acceptable registration fee structure for the following year.

With the appointment of the new Technical Assistant at AFMA certain actions will be launched in an attempt to even improve the current positive relations with Act 36 and Act 35.

12. STAFF MATTERS

12.1 The staff in AFMA's offices

The staff in AFMA's offices remained unchanged in the past year.

- Executive Director – De Wet Boshoff
- Secretary – Teresa Struwig

A Technical Assistant was appointed starting in the new financial year – Nomfuzo Mkhize.

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

The National Chamber of Milling is currently still rendering certain services to AFMA which include administrative and support services in certain areas of expertise. A much closer working relation 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.

13. FEED MANUFACTURING

13.1 Raw material utilisation in 2007/2008 by AFMA members

Table 2 indicates the raw material usage and inclusion rates during 2005/2006, 2006/2007 and 2007/2008. 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
	2005/2006	2005/2006	2006/2007	2006/2007	2007/2008	2007/2008
Bagasse	62 538	1,40%	50 808	1,14%	56 820	1,27%
Barley (ALL)	3 351	0,08%	1 700	0,04%	3 337	0,07%
Bicarbonate of soda	3 546	0,08%	4 054	0,09%	6 926	0,16%
Blended Oil	35 960	0,81%	43 618	0,98%	48 341	1,08%
Blood meal	2 993	0,07%	2 412	0,05%	14 499	0,32%
Bone meal	-	0,00%	-	0,00%	-	0,00%
Brewers grain	13 321	0,30%	5 879	0,13%	5 357	0,12%
Canola fullfat	1 218	0,03%	3 757	0,08%	553	0,01%
Canola oilcake	5 344	0,12%	4 330	0,10%	2 963	0,07%
Carcass meal	2 271	0,05%	3 958	0,09%	3 302	0,07%
Citrus meal	1 055	0,02%	900	0,02%	3 344	0,07%
CMS	40 338	0,90%	15 602	0,35%	13 428	0,30%
Cottonseed oilcake	50 865	1,14%	35 590	0,80%	19 069	0,43%
Cotton seed	6 454	0,14%	10 241	0,23%	9 074	0,20%
Defatted Maize Germ meal	14 977	0,34%	9 607	0,22%	10 683	0,24%
Fat	3 754	0,08%	11 618	0,26%	28 702	0,64%
Feather meal	28 677	0,64%	33 539	0,75%	30 761	0,69%
Feed wheat	3	0,00%	2 689	0,06%	80	0,00%
Fish meal	78 284	1,75%	37 871	0,85%	48 156	1,08%
Fullfat soya	147 702	3,31%	183 047	4,10%	130 609	2,93%
Groundnut oilcake	2 636	0,06%	316	0,01%	-	0,00%
Horniny chop	101 577	2,28%	90 408	2,03%	87 358	1,96%
Limestone grit	50 356	1,13%	57 640	1,29%	67 356	1,51%
Limestone powder	93 968	2,11%	82 836	1,86%	84 644	1,90%
Lucern hay	17 720	0,40%	17 078	0,38%	30 249	0,68%
Lucern meal	21 664	0,49%	15 437	0,35%	16 281	0,36%
Lysine	6 065	0,14%	5 449	0,12%	7 943	0,18%
Maize	2 200 797	49,32%	2 267 008	50,81%	2 464 189	55,23%
Maize Germ meal	21 331	0,48%	16 664	0,37%	21 338	0,48%
Maize Germ Oilcake	2 926	0,07%	2 859	0,06%	5 750	0,13%
Maize gluten meal (20%)	27 780	0,62%	19 197	0,43%	24 470	0,55%
Maize gluten meal (60%)	14 345	0,32%	17 645	0,40%	19 232	0,43%
Maize meal	1 296	0,03%	2 346	0,05%	1 050	0,02%
Maize Screenings	2 582	0,06%	7 183	0,16%	(6 572)	-0,15%
Meat & Bone meal	991	0,02%	1 685	0,04%	700	0,02%
Medicaments	9 664	0,22%	12 023	0,27%	16 633	0,37%
Methionine	5 140	0,12%	5 755	0,13%	9 154	0,21%
Molasses	186 142	4,17%	158 459	3,55%	181 536	4,07%
Monocalcium phosphate	36 101	0,81%	42 203	0,95%	41 486	0,93%
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%	40 252	0,90%
Palm kernal oilcake	697	0,02%	683	0,02%	279	0,01%
Plant oil	772	0,02%	1 679	0,04%	3 186	0,07%
Poultry by-product	31 445	0,70%	31 318	0,70%	30 527	0,68%
Salt	40 685	0,91%	36 368	0,82%	44 570	1,00%
Sorghum	2 535	0,06%	917	0,02%	603	0,01%
Soya oilcake	473 885	10,62%	653 463	14,64%	752 073	16,85%
Sunflower hulls	1 879	0,04%	3 010	0,07%	2 487	0,06%
Sunflower seed & oilcake	216 605	4,85%	169 172	3,79%	167 856	3,76%

Raw material	TOTAL (T)	Inclusion rate	TOTAL (T)	Inclusion rate	TOTAL (T)	Inclusion rate
	2005/2006	2005/2006	2006/2007	2006/2007	2007/2008	2007/2008
Triticale	-	0,00%	31	0,00%	82	0,00%
Urea	27 629	0,62%	15 519	0,35%	16 961	0,38%
Vit & Min premixes	15 797	0,35%	19 086	0,43%	52 637	1,18%
Wheaten bran & flour	246 270	5,52%	248 362	5,57%	273 774	6,14%
Wheaten Straw	3 821	0,09%	4 872	0,11%	6 714	0,15%
TOTAL	4 384 568	98,26%	4 497 439	95,95%	4 900 802	95,67%
Feedsales for the period	4 462 088		4 687 097		5 122 460	

13.1.1 Oilcakes and fish meal

Details of the oilcake and fish meal consumption by AFMA members during the period 1 April 2007 to 31 March 2008 are shown in Table 3. During the previous report the effect of the shortage of fish meal was shown in Table 3, but it became even more evident during 2006/2007. This trend stabilised during 2007/2008 with an increase in fish meal usage. This increase is due mainly to the effect of rising oilcake prices internationally and the improved price and availability South African fish meal in 2006/2007.

Soya oilcake has steadily increased its market share of protein sources used by AFMA members over the last 5 year as illustrated in Table 3. AFMA members used 882 682 tons of soya oilcake and full fat soya during 2007/2008 which is a 5.5% growth on the previous year.

In contrast to the soya oilcake, sunflower oilcake remained at almost the same consumption level, but reached a new six year low of 167 856 tons of consumption. The higher soya oilcake consumption is reflected in the AFMA sales figures, with the largest part that can be ascribed to increased consumption of poultry feeds.

The consumption of cotton oilcake decreased to half of previous levels during 2007/2008, only 28 143 tons were used.

The use of fish meal showed a recovery from the downward trend experienced the previous year, increasing by 10 285 tons in 2007/2008. Fishmeal regained market share on the back of increasing oilcake prices, the factors determining the consumption of fish meal remained, availability and price. The shortage of fish experienced during the previous year continued and current fish meal prices remain high on the international market. Fish meal one of the more expensive protein sources for use in animal feeds.

Oilcake	2003/ 2004	% Inc	2004/ 2005	% Inc	2005/ 2006	% Inc	2006/ 2007	% Inc	2007/ 2008	% Inc
Soya*	453 832	10,52%	541 616	12,56%	621 587	14,41%	836 510	19,39%	882 682	20,47%
Sunflower	273 019	6,33%	213 837	4,96%	216 605	5,02%	169 172	3,92%	167 856	3,89%
Cotton- seed**	42 736	0,99%	50 736	1,18%	57 319	1,33%	45 831	1,06%	28 143	0,65%
Groundnuts	1 762	0,04%	891	0,02%	2 636	0,06%	316	0,01%	0	0,00%
Canola***	7 843	0,18%	7 678	0,18%	6 562	0,15%	8 087	0,19%	3 516	0,08%
Copra & Palm kernal	5 769	0,13%	4 009	0,09%	2 873	0,07%	4 029	0,09%	7 016	0,16%
TOTAL	784 961	18,20%	818 767	18,98%	907 582	21,04%	1 063 945	24,67%	1 089 213	25,25%
Fish meal	114 402	2,65%	100 879	2,34%	78 284	1,82%	37 871	0,88%	48 156	1,12%
Animal Feed Sales	4 192 540		4 313 065		4 462 088		4 687 097		5 122 460	

* Including soya oilcake and fullfat soya
** Including oilcake and fullfat cotton
*** Including fullfat canola

13.1.2 Maize products

Table 3.1 gives an overview of the maize products used by AFMA members during the reporting period. During 2006/2007 and 2007/2008 the inclusion of maize and maize products remained at approximately 51% with a total inclusion of 2 627 498 tons in 2007/2008.

	2003/ 2004	% Inc.	2004/ 2005	% Inc.	2005/ 2006	% Inc.	2006/ 2007	% Inc.	2007/ 2008	% Inc.
Maize (Incl. maize meal)	2 147 262	51,22%	2 191 687	50,82%	2 202 093	49,35%	2 273 544	48,51%	2 465 239	48,13%
Maize gluten meal (20%)	29 567	0,71%	31 620	0,73%	27 780	0,62%	19 278	0,41%	24 470	0,48%
Maize gluten meal (60%)	17 100	0,41%	15 214	0,35%	14 345	0,32%	17 688	0,38%	19 232	0,38%
Maize screenings	5 268	0,13%	3 030	0,07%	2 582	0,06%	-7 186	-0,15%	-6 572	-0,13%
Maize germ meal	23 737	0,57%	29 247	0,68%	21 331	0,48%	16 664	0,36%	21 338	0,42%
Defatted maize germ meal	16 189	0,39%	14 448	0,33%	14 977	0,34%	9 806	0,21%	10 683	0,21%
Maize germ oilcake	669	0,02%	1 681	0,04%	2 926	0,07%	2 859	0,06%	5 750	0,11%
Hominy chop/ Germ meal	104 250	2,49%	97 959	2,27%	101 577	2,28%	90 271	1,93%	87 358	1,71%
TOTAL	2 344 042	55,91%	2 384 886	55,29%	2 387 611	53,51%	2 422 924	51,69%	2 627 498	51,29%
Total Feed Production (Tons)	4 192 540		4 313 065		4 462 088		4 687 097		5 122 460	

13.2 Raw materials available to the feed industry: 2007/2008

The national availability of raw materials for the feed industry is discussed in 13.2.1 – 13.2.4.

13.2.1 Oilcakes

The estimated local production of oilseeds and oilcakes for the 2007/2008 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 dropped from an all time high of 424 000 tons in the 2006/2007, to 205 850 tons during the 2007/2008 marketing year. During 2007/2008 the local production was applied in an approximate 50/50 ratio, 172 500 tons going for full fat production and 144 000 tons for crushing for soya oilcake.

Cotton seed available for crushing and available as full fat for the past two reporting periods remained constant.

13.2.2 Imports

According to Table 4.1, the import of soya oilcake (soya beans & oilcake) showed even a higher increase than the 175 000 tons in 2006/2007 with 2007/2008 increasing by 197 000 tons from the previous year reaching 1 008 591 tons of imports. The higher demand in soya oilcake can be seen in the increase in animal feed sales by AFMA members.

During 2007/8 the total imports of oilcake once again grew by more than 200 000 ton, year on year, reaching 1 263 672 tons.

Description	Total crop 2006/2007	Available for crushing	Conversion rate (seed) %	Oilcake 2007/2008
Sunflower ^(1,2)	308 580	329 900	42%	138 558
Groundnut ^(1,2)	50 360	100	54%	54
Soya ^(1,2)	205 850	144 000	80%	115 200
- Full fat ⁽²⁾	-	172 500	80%	138 000
Cotton ⁽³⁾	18 875	65 000	50%	32 500
- Full fat ⁽⁴⁾	-	70 000	50%	35 000
Canola ^(1,2)	39 840	38 000	55%	20 900
- Full fat ⁽⁴⁾	-	1 900	55%	1 045
Lupins – Full fat ⁽¹⁾	13 300	13 300	100%	13 300
TOTAL LOCAL OILCAKE		834 700		494 557
Sources:				
1. National Crop Estimates Committee – 28 August 2007				
2. SAGIS – Monthly reports (Jan-Dec 07; Jan-Mar 07; Jan-Mar 08; Oct 06-Sept 07)				
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, Cotton SA and Cotton Seed Processors				

Cake / Seed	Tons Seed + oilcake	Conversion rate	Oilcake 2007/2008
Sunflower oilcake*	102 166	100%	102 166
Sunflower seed*	4 336	42%	1 821
Groundnut oilcake*	344	100%	344
Soya oilcake*	904 214	100%	904 214
Soya beans*	130 471	80%	104 377
Cotton oilcake*	109 988	100%	109 988
Cotton seed ^{(1, 2)*}	66 676	50%	33 338
Other seeds*	87	50%	44
Other oilcakes*	7 381	100%	7 381
TOTAL IMPORTS	1 325 663		1 263 672
Local Production (Ex Table 4)			494 557
GRAND TOTAL – Table 4 + 4.1			1 758 229

* **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	%
Sunflower	360 379	31,92%	293 273	24,18%	289 264	20,45%	268 308	16,40%	242 545	13,80%
Groundnut	1 766	0,16%	1 766	0,15%	1 391	0,10%	2 515	0,15%	398	0,02%
Soya	616 596	54,61%	740 558	61,07%	849 678	60,08%	1 115 280	68,19%	1 261 791	71,77%
Cotton	109 815	9,73%	142 541	11,75%	247 131	17,47%	206 883	12,65%	210 826	11,99%
Canola	14 685	1,30%	20 570	1,70%	17 270	1,22%	21 175	1,29%	21 945	1,25%
Other oilcakes*	14 181	1,26%	9 975	0,82%	5 655	0,40%	6 965	0,43%	7 381	0,42%
Lupins	11 700	1,04%	4 040	0,33%	3 950	0,28%	14 400	0,88%	13 300	0,76%
TOTAL	1 129 122	100,00%	1 212 723	100,00%	1 414 339	100,00%	1 635 526	100,00%	1 758 185	100,00%

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

Oilcake	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Increase / Decrease
Sunflower	360 379	293 273	289 264	268 308	242 545	-7,24%
Groundnut	1 766	1 766	1 391	2 515	398	80,81%
Soya	616 596	740 558	849 678	1 115 280	1 261 791	31,26%
Cotton	109 815	142 541	247 131	206 883	210 826	-16,29%
Canola	14 685	20 570	17 270	21 175	21 945	22,61%
Others oilcakes	14 181	9 975	5 655	6 965	7 381	23,17%
Lupin	11 700	4 040	3 950	14 400	13 300	264,56%
Total	1 129 122	1 212 723	1 414 339	1 635 526	1 758 185	7,50%

Source: AFMA Chairman's Report 2007/2008

13.2.3 Fish meal usage

The estimated fish meal production for 2007/2008 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 usually all this is exported. This is

normally also the case with fish meal manufactured by Russian Trawlers. Production, after dropping to 75 000 tons in 2006/2007, showed a recovery totalling 85 000 tons in 2007/2008. A total of 50 000 tons were available to the local industry and the balance was exported.

There is a high international demand for fish meal, leading to the tendency to rather export than supplying the local market.

	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
Local production: RSA*	120 000	120 000	95 000	75 000	85 000
Namibia*	13 000	12 000	12 000	12 000	6 700
Sub-Total	133 000	132 000	107 000	87 000	91 700
Imports**	0	0	0	0	0
Russian Trawlers***	15 000	12 000	11 000	10 500	10 500
Total fish meal available	148 000	144 000	118 000	97 500	102 200
Exports					
South African product	17 000	16 000	16 000	35 000	35 000
Namibian product	12 740	11 760	11 760	11 760	6 700
Russian trawler product	15 000	12 000	11 000	10 500	10 500
TOTAL AVAILABLE IN SA & NAMIBIA	116 000	116 000	91 000	40 240	50 000
* 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					

13.2.4 Maize

The availability of maize from 2001/2002 to 2007/2008 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.

The availability of Maize during the 2007/2008 marketing year increased by ± 500 000 tons due to an increase in the local production. This however, is the second year of low production of approximately 7 000 000 tons after having a bumper crop of 11 700 000 tons in the 2005/2006 marketing year. The domestic shortage of maize led to more than 1 million tons of maize having to be imported.

LOCAL	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008
White ⁽¹⁾	4 109 790	5 537 480	6 365 550	5 805 000	6 540 700	4 187 400	4 315 000
Yellow ⁽¹⁾	3 115 350	4 194 350	3 025 900	3 677 000	4 909 300	2 430 600	2 810 000
Developing Agriculture ⁽¹⁾ :							
White maize	189 299	245 119	221 097	170 890	202 755	0	0
Yellow Maize	68 835	72 015	64 958	57 180	63 193	0	0
Imports ⁽²⁾	395 000	925 000	441 000	219 000	360 000	964 348	1 065 968
TOTAL	7 878 274	10 973 964	10 118 505	9 929 070	12 075 948	7 582 348	8 190 968
Exports ⁽²⁾	1 281 000	1 070 000	1 185 000	832 000	2 241 000	687 500	492 173
Source:							
1. Crop Estimate Committee (CEC) (28/08/2007)							
2. SAGIS (23/05/2007)							
3. Customs and Excise (Imports & Exports Stats)							
<i>Note: Developing Agriculture from 2006 included in White and Yellow.</i>							

13.3 Estimated raw material availability: 1 April 2008 – 31 March 2009 (Tons)

13.3.1 Oilcakes

Table 7 shows details of the estimated availability from local production, requirements and possible imports for the 2008/2009 season.

Table 7: Estimated availability of oilcakes: 1 April 2008 – 31 March 2009 (Tons)				
Oilseeds	2007/2008 Crop Estimated	Available for crushing	Conversion rate (seed)*	Equivalent Oilcake
LOCAL PRODUCTION				
Sunflower ⁽¹⁾	885 560	885 560	42%	371 935
Soya ⁽⁵⁾	322 995	322 995	80%	258 396
Groundnut ⁽⁵⁾	85 360	1 000	54%	540
Cotton seed ⁽⁴⁾	17 780	65 000	50%	32 500
Canola (Raapsaad) ⁽²⁾	40 218	40 218	55%	22 120
Lupins ⁽²⁾	10 000	9 800	100%	9 800
ESTIMATED LOCAL PRODUCTION				695 291
Total Estimated Requirements ⁽⁶⁾				1 700 000
IMPORT REQUIREMENT				1 004 709
Sources:				
1. Crop Estimates Committee - 24 July 2008 (6th Estimate). SAGIS reported 10 445 tons of S/F oilcake was imported				
2. Crop Estimates Committee - 24 July 2008 (6th Estimate)				
3. Crop Estimates Committee - 24 July 2008 (6th Estimate)				
4. Cotton SA reported figure (14/07/2008)				
5. Total available minus 22 000 tonnes for Peanut butter, 36 000 tonnes for the human market and 4 000 tonnes for seed				
6. Protein Research Foundation				

13.3.2 Fish meal

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

Table 8: Estimated fishmeal production, requirement and import – 2008/2009 (Tons)	
SA requirement	55 000
Export	45 000
Total requirement	100 000
Local Production: (RSA)	100 000
Shortage	-
Import requirement *	-
Source:	
SA Fish Meal Marketing Company & Oceana Agriproducts (Pty) Ltd	
* Imports from Namibia and elsewhere	

13.3.3 Maize

The estimated crop available during the 2008/2009 marketing season is shown in Table 9.

Table 9: Estimated maize availability: 1 April 2008 – 31 March 2009	
Local maize crop estimate	Tons
- All producers	
White maize	6 861 400
Yellow maize	4 736 200
TOTAL CROP	11 597 600
Source: National Crop Estimates Committee – (24 July 2008)	
The above include production for commercial purposes and Traditional production	

13.3.4 Sorghum

According to the Grain SA Estimate of 28 June 2008 the expected production for 2008/2009 will be 272 000 tons. The calculated final crop for 2007/2008 was 166 000 tons. Table 10 gives the actual usage for 2004/2005 to 2007/2008 (Grain SA) and the estimated usage for 2008/2009.

Table 10: Usage of sorghum from 1 April 2004 – 30 March 2008 (Tons) and estimated usage for 2008/2009					
	Usage 2004/2005*	Usage 2005/2006*	Usage 2006/2007*	Usage 2007/2008*	Estimated usage 2008/2009**
Malting	102 000	102 900	95 600	89 000	90 000
Meal	76 800	87 900	86 200	95 000	90 000
Rice and grit	200	100	100	0	0
Animal Feed	3 000	9 000	13 000	10 000	8 000
Pet Foods	7 000	9 000	6 700	8 000	8 000
Exports ***	37 600	38 200	27 800	27 300	28 000
Released to end consumers	1 400	2 100	1 900	2 000	2 000
Withdrawn by producers	6 700	3 700	3 200	3 900	5 000
TOTAL REQUIREMENT	234 700	252 900	234 500	235 200	231 000
Imports	5 000	5 000	9 900	31 700	0
Crop estimate ⁽¹⁾					272 000
Sources: * SAGIS (23/04/2008) ** Grain South Africa – 28/06/2008 *** Exports include both products and grain (1) GSA – Estimate					

14. AFMA FEED SALES: 2007/2008

During 2007/2008 AFMA feed sales reached a record high, increasing by 9.30% to 5 122 460 tons, surpassing the 5 000 000 ton mark for the first time. This increase was achieved partly by new members joining, but the majority of growth was achieved from higher sales by existing members. The increase in feed production was furthermore, achieved despite record increases in raw material prices. Significant increases were experienced in Beef & Sheep (27.65%); Dairy (13.26%); Broiler Breeders (10.26%); Layers (7.92%) and Broilers (7.17%). Although a lower percentage increase the largest volume of feed increase occurred in Poultry, a combined increase of \pm 250 000 tons year on year. The increase in feed sales can be described as a true reflection of expansion activities that took place in the market place.

Table 11: Feed sales from 2002/2003 To 2007/2008 (April – March) (Tons)							
Type of feed	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	% Growth
Dairy	574 754	649 817	627 739	560 449	616 644	698 398	13,26%
Beef and sheep	230 330	284 841	367 797	439 115	482 285	615 633	27,65%
Pigs	212 389	165 165	171 260	161 541	174 208	164 963	-5,31%
Layers	692 106	670 475	678 589	667 417	670 486	723 576	7,92%
Broilers	1 921 470	1 943 709	1 999 399	2 114 156	2 247 394	2 408 553	7,17%
Broiler breeders	296 024	284 214	288 897	313 256	314 602	346 891	10,26%
Horses	20 684	21 495	18 230	19 463	18 504	17 142	-7,36%
Dogs (D&W)	38 258	34 805	32 785	33 269	25 063	19 052	-23,98%
Ostriches	38 288	32 341	25 291	17 700	17 382	14 998	-13,72%
Other mixtures	10 689	9 951	11 306	12 932	9 691	14 666	51,34%
Aquaculture	1 854	1 711	3 254	3 163	5 132	2 619	-48,97%
CONCENTRATES							
Pigs	10 595	9 571	13 949	15 866	18 282	17 459	-4,50%
Other concentrates	6 252	8 666	495	1 566	5 066	4 700	-7,22%
Beef finisher	12 197	22 166	26 540	40 056	33 618	30 258	-9,99%
Dairy + urea	16 154	21 489	20 126	25 663	21 204	13 114	-38,15%
Dairy – urea	5 112	7 762	9 342	9 025	2 339	3 567	52,50%
Sheep finisher	4 942	10 173	7 224	9 193	14 241	16 419	15,29%
Layers	7 878	10 141	6 209	10 137	5 397	3 508	-35,00%
Broilers	3 553	2 949	3 864	4 862	2 869	5 639	96,55%
Ostriches	64	26	5	0	2	0	-100,00%
Horses	0	0	0	0	0	59	
Ruminants – other	1 100	1 073	764	3 256	2 688	1 246	-53,65%
TOTAL	4 104 693	4 192 540	4 313 065	4 462 088	4 687 097	5 122 460	
% Growth	1,63%	2,14%	2,87%	3,46%	5,04%	9,29%	
Source: AFMA STATS – Only AFMA members							

14.1 Feed sales per province: 2007/2008

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 point of production. No information on the movement of feed after production is available. The market share for the various provinces changed very little compared to the previous year.

	Eastern Cape	Free State	Gauteng	Kwa-Zulu Natal	Mpumalanga	North West Province	Western Cape	Total
Dairy	81 383	83 610	27 494	149 080	81 228	11 303	264 300	698 398
Beef & Sheep	5 838	38 890	3 054	278 052	212 746	6 778	70 275	615 633
Pigs	9 615	7 131	17 435	42 457	29 270	3 440	55 616	164 964
Layers	23 318	59 034	264 190	93 337	77 477	50 064	156 155	723 575
Broilers	117 920	240 768	425 616	298 131	336 372	438 171	551 576	2 408 554
Broiler Breeders	19 465	99	105 285	85 381	58 608	17 203	60 850	346 891
Horses	2 948	256	12 347	271	590	135	596	17 143
Dogs	5	419	6 743	29	3 694	-	8 161	19 051
Other mixtures	526	460	3 961	1 511	1 762	-	6 446	14 666
Maize-free mixes	629	14 069	3 811	10 028	45 206	5 373	16 854	95 970
Aquaculture	-	-	507	10	-	-	2 101	2 618
Ostriches	36	342	15	36	439	62	14 067	14 997
Total 2007/2008	261 683	445 078	870 458	958 323	847 392	532 529	1 206 997	5 122 460
Percentage of sales	5,11%	8,69%	16,99%	18,71%	16,54%	10,40%	23,56%	100,00%
Total previous year	236 624	393 541	795 918	884 593	775 339	473 274	1 127 808	4 687 097
Percentage of sales previous year	5,05%	8,40%	16,98%	18,87%	16,54%	10,10%	24,06%	100,00%

15. 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 done in 2006 and was updated in 2008.

Since the previous calculation in 2006 to the current calculation, interesting movements took place between AFMA and non-AFMA members of Industry. According to the calculation model, AFMA has lost 3% of the national market share, with AFMA representing 55.20%. Significant changes took place in the Beef & Sheep, Pigs and Layer feeds market shares, with these categories showing a movement towards home mixing or feeds sold by non-AFMA members.

AFMA's market share in the above mentioned categories decreased as follow:

- Beef & Sheep by 7.56%;
- Pigs by 5.68%; and
- Layers by 15.48%.

This phenomenon can possibly be attributed to the increases in raw material prices, leading to increases in feed prices in the market place. This could have forced industry role players to seek alternative means of feeding or sources of their feed. Expansions also took place at non-AFMA members.

Table 13: National animal feed production during 2007/2008 (Tons)			
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 & 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)			

16. 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 while others 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. A similar survey will again be done during 2008.

17. SYMPOSIA, WORKSHOPS AND SEMINARS

17.1 Student symposia

One of the main functions of AFMA is to *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 commercial world of animal nutrition and for them to meet with representatives from industry.

During 2007/2008 student symposia were held at the University of Natal (Pietermaritzburg) and the Free State University during August 2007. These symposia were well attended and much appreciation was shown for the topics presented by members of Industry, bringing students a bit closer to reality and what to expect in the feed industry.

The third student symposium was combined with the symposium for non-industry members, which will be discussed hereafter.

17.2 Symposium for non-feed industry members

This symposium's format was changed from the previous "Workshop for Dummies" and the first of its kind, was held at Elsenburg during March 2008 followed by an animal feed mill visit to Meadow Feeds Paarl. Measured by its attendance it can be described as a good success.

The aim of the symposium was to involve:

- Students from Stellenbosch University and Elsenburg studying in 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 present to them with an overview of the industry. An ideal platform was create 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 and the positive feedback, this can be considered a huge success which will definitely be repeated during 2008/2009 in other provinces of the country.

17.3 AFMA MATRIX

Sixty eight 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 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.

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.

18. INTERNET

18.1 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.

18.2 Website

AFMA's website – www.afma.co.za has totally been re-designed and forms part of the central theme and branding of AFMA and offers a new modern look with a

special feature brought in that is only accessible to members, by means of a password. The website is hosted by our media partner (also responsible for the AFMA Matrix), which makes updating easier and faster. The website also host a feature to members to look for, or to advertise, career opportunities in Industry.

The website will increasingly be used as an effective communication and information tool for AFMA and the feed industry. The website hosts key information related to AFMA, its members and the South African feed industry.

19. ACKNOWLEDGEMENTS

I would like to thank the Board of Directors for their support during the year. The committees of AFMA again made a tremendous effort and made a valuable contribution. The chairpersons of the various committees namely Loutjie Dunn (technical) and Willem Stander (trade). 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.

And last but not least I would like to thank De Wet Boshoff the executive director of AFMA who has made a huge difference to AFMA with his professional approach and innovativeness, he has been a pleasure to work with.

Last, but not least, 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: 2007/2008

Loutjie Dunn

There is a further improvement in the attendance of the meetings and the boardroom is getting crowded with more than 20 people attending. The good part about this is that everybody is contributing to the meeting and most are actively involved in one or more of the portfolio committees.

Due to the increasing impact of the Directorate of Veterinary Services (Act 35) on animal feed we did forward an invitation to Dr Modisane for anybody from this directorate to attend our meeting. The aim with this invitation is to improve the relationship with this directorate. The invitation was accepted and Dr O. Letuka (Chief State Veterinarian) attended our meeting in July 2008. Dr Letuka plays an important role in the Act 35 regulations affecting our industry and I am positive that this new development will improve our relationship with this department.

1. DOA/INDUSTRY MEETINGS

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 these meetings include SAPA, SAPPO, SA Feedlot Association, PFI, SAMIC, RA, the SA Abattoir Association and others.

1.1 Terms of reference (TOR)

Following our complaints reported last year there is a definite improvement. Dr Modisane acted as chairperson for all the meetings held during the past year and a ToR was at last adopted on 21 May 2008 as a legal working document.

1.2 BSE Status

SA's BSE rating remains and no significant changes were made to the OIE guidelines.

Only the Chief Veterinarian Officer is allowed to speak at the OIE sessions. The route for industry inputs to the OIE is through this forum. Following an EFSA visit during the second half of 2007 the Directorate Veterinary Services undertook an evaluation and the following shortcomings were identified:

- MBM regulation not in place yet
- Lack of a traceability system in terms of what is coming into the country and its final destination.
- Lack of sufficient high risk samples

1.3 Feed ban regulation, enforcement and blood meal

The DoA organised a workshop on the use of blood meal in animal feed held on

19 September 2007. Following the workshop the DoA published a Media Advisory stating that ruminant and/or porcine derived protein can only be used in feeds for dogs and cats. They also state that the DoA is looking into the possibility to allow the use of ruminant blood and blood products in the feeds of monogastric animals in addition to predators and carnivores.

We are definitely making progress in this regard and at the last meeting it was stated that the Director Veterinary Services can give exemption for the use of blood meal to any industry group, individual, farmer, etc with the provision that the necessary records (traceability) could be made available in terms of auditing. After receiving the exemption from Act 35, exemption from Act 36 will be a formality.

The DoA is auditing routine samples for the use of MBM in animal feed since the second half of 2007 and no positive cases were reported yet. They did however discover illegal imports of bovine MBM, which was destroyed and further action will be taken. This is the type of enforcement required by the OIE.

1.4 BSE protocol

The BSE protocol was submitted and again not accepted. The requirements / goal with the BSE protocol changed again and Act 35 will now also assist in finalising this document to include non AFMA members as well. The new attempt will have to focus more on traceability.

1.5 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. The total number of samples analysed per month is more or less 1 000 with 1 to 6 per month being high risk cases. No positive BSE results were found yet.

1.6 ACT 36 Project

Mill registration vs product registration

The new Animal Feed Policy allow for feed mill registration.

Database of registration holders

Progress is slow but the DoA did recently appoint an external company to develop this data base that will also be available to industry. This database is also a requirement from the EU and Act 36 used this fact to successfully put some pressure on the D: ICT to outsource the project. Expected completion date is December 2008.

Registration process for animal feeds

We did request Act 36 to investigate the possibility to do registrations electronically. It seems to be possible and is linked to the database project.

Stock remedy policy

The DoA confirmed the intention of arranging a Workshop in liaison with the Department of Health to deal with the comments received on the Act 101 Amendment Bill. We expect something similar to the workshop on the Animal Feed Policy.

Policy document

The Animal Feed Policy was gazetted in April 2008. All the relevant industry issues were addressed and provision is made for mill registration. The next step now is to draft a new Animal Feed Bill. Act 36 proposed that the drafting of this Bill must start during 2008, in full consultation with industry, although it will not be placed on the legislative program before 2009 (election year). We do support this proposal.

2. SALMONELLA

The Code of Practice for salmonella is available on our website together with a list of accredited laboratories and methods.

The Salmonella database is up and running. The format of the Salmonella information sheet was changed to the same format as the monthly sales data. Salmonella data of the 5 larger feed companies was captured from January 2008 to June 2008 and evaluated (Table 1 is a summary of the evaluation). Data of all the other participating companies for the same period will now be added to the database.

Feed ingredient	Number of samples	Number positive	% Positive
Full fat Soy	78	23	29.5
Fishmeal	97	8	8.3
Feather meal	50	4	8.0
Poultry By-product	108	8	7.4
Soybean meal	134	7	5.2
Maize	56	5	8.9
Sunflower oilcake	17	1	5.9
TOTAL	540	56	10.4

Without information about the Salmonella types the above table just prove the importance of monitoring and managing the Salmonella risk in animal feed. The Salmonella database will now be extended to also include final products and feed mill monitoring.

3. AFMA CODE OF CONDUCT

The Code was accepted and is available on our website.

4. TRANSPORT PROTOCOL

The Transport Protocol was finalised and submitted to the AFMA Board for approval on 13 May 2008. The Board referred the document to the Trade Committee for their evaluation and recommendation.

5. GMP AS NATIONAL STANDARD

The 4th committee draft was distributed to all participants to vote on the document as a final document. A 51 % majority vote will see the document gazetted for public comment. Depending on the comments received this document will then become an official SABS National Standard.

This last draft also makes provision for home mixers and feedlots – therefore the total animal feed industry. This standard will also be the base for feed mill registration in the new Animal Feed Bill.

6. MYCOTOXINS

6.1 AFMA database

The format of the mycotoxin database was changed to be the same as the Salmonella database. Accredited laboratories and methods to be identified before capturing data can begin. The sub-committee will soon present a proposal in this regard.

6.2 National database

The steering committee had their third meeting on 16 April 2008, so this project is now getting some direction. The following focus areas were identified:

- Guidelines for mycotoxins in feed and food
- A Mycomap to be established
- A Prediction model to be established
- Identification of the risk areas where mycotoxins occur
- Identifying new areas for research in mycotoxins

Projects (current and potential) were listed under each focus area. Drivers (convenors) were assigned to each focus area as well as institutions that can/will assist in the different projects. Project proposals will now be submitted to the Drivers who will in turn transform it into the correct format to be presented to the Maize Trust before September 2008 for funding. All the initial projects will focus on maize.

7. SAMPLE PREPARATION AND TEST METHODS

A sampling protocol is available on our website. We urge our members to use this document as reference to compile in-house sampling procedures.

At each meeting the method of analysis for a specific parameter is discussed and added to the acceptable methods listed on our website. The following methods were evaluated:

- Moisture / Dry matter – Two methods accepted one rejected
- Crude protein – Two methods accepted
- Crude fat – One method accepted

8. AFMA SYMPOSIUM

Program finalised.

9. UNDESIRABLE SUBSTANCES – APPENDIX 4: ACT 36 GUIDELINES

Document updated with the latest information and submitted to Act 36 for implementation

10. WORKSHOP FOR NON-FEED INDUSTRY MEMBERS

This year this workshop was held on 27 February 2008 at the Department of Agriculture: Western Cape, Elsenburg. It was well attended and we received a lot of positive feedback. There seems to be a need for this type of workshops in other parts of the country as well.

GENERAL

I want to thank everybody attending and contributing to the technical committee during the last year and specially De Wet Boshoff for all the arrangements and support during the year.



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