CHAIRMAN'S REPORT 2019/2020

PRESENTED BY WOUTER DE WET AT
AFMA'S 73RD ANNUAL GENERAL MEETING
HOSTED AS AN ONLINE EVENT
ON 4 SEPTEMBER 2020

Animal Feed Manufacturers Association

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1. INTRODUCTION

1.1 The current global and domestic economic conditions

The COVID-19 pandemic has disrupted economies and caused more than 800 000 deaths across the world. The hardest hit has been the USA, Brazil, Mexico, India, and the United Kingdom. South Africa has also suffered, being listed amongst the 'Top Five' – a vulnerable position for a country facing many other significant problems[1].

Besides its health implications, the pandemic has attacked businesses, leaving thousands unemployed as companies began closing-either temporarily or permanently-in an attempt to prevent the spread of the virus. As the situation started easing in June 2020, the actual cost began to be measured as many businesses remained shut. Unemployment rates then started to increase in both developed and developing countries[2].

From a macroeconomic perspective, the current forecasts from the International Monetary Fund (IMF) show global Gross Domestic Product (GDP) contracting by about 4.9% this year (compared to an expansion of 3.0% y/y in 2019). The advanced economies could contract by 8.0%, and it is likely that emerging economies will contract by 3.0% in 2020 **(see Table A)**.

TABLE A: REAL GDP				
	2018	2019	2020	2021
Global GDP (%)	3,6	2,9	-4,9	5,4
Advanced economies GDP (%)	2,2	1,7	-8,0	4,8
Emerging developing economies GDP (%)	4,5	3,7	-3,0	5,9
Source: International Monetary Fund				

The strength and recovery rate of the global economy will depend mainly on the control of new outbreaks of the virus, the extent of supply and demand losses, and expectations of future growth in investment and productivity.

In 2021, global growth is projected to recover by 5.4% **(see Table A)**. Unfortunately, this will not be enough to return the global economy to the point before the pandemic. At present, it is also unclear which path the major economies will take as reports of the second wave of outbreaks have emerged in the USA and Australia, amongst several other major economies.

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1 Comprehensive worldwide and updated COVID-19 data can be accessed via this link like: https://en.wikipedia.org/wiki/Template:COVID-19_pandemic_data

2 "COVID-19 and the world of work", International Labor Organization, June 2020

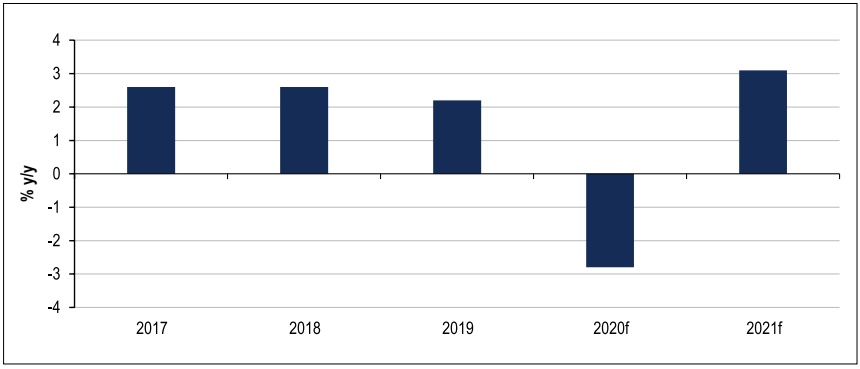
Locally, the economic outlook remains dire due to the combined inroads of the pandemic and the weakness of the economy when COVID-19 struck. The result is that job losses are set to increase by at least a million before year-end. The South African Reserve Bank currently expects GDP in 2020 to contract by 7.3% (compared to an expansion of 0.2% y/y in 2019). Various private sector forecasters have painted an even bleaker picture, predicting a double-digit contraction.

The easing of the lockdown to level 2 in August 2020 will bolster the South African economy. However, it will not be enough to lift the country out of its present slump. To provide economic impetus, the government, labour, and business have embarked on drafting a recovery strategy that will include sectoral master plans. The effectiveness of this strategy, which has still to be made public, and the commitment of all social partners, will be fundamental to raising investment and confidence in the economy.

1.1.1 Sub-Saharan Africa

Sub-Saharan Africa will, like other regions, suffer long-term economic and social impacts caused by COVID-19. The World Bank forecasts a -2.8% y/y contraction in the region's economic fortunes **(see Figure 1)**. Major regional economies such as South Africa, Nigeria and Angola could contract by 7.1%, 3.2% and 4.0%, respectively, reflecting the already weak economic fundamentals that have impacted these countries over the years. For example, South Africa was reeling under the burgeoning corruption, mismanagement, policy uncertainty, and slow implementation of reforms over that took place when Jacob Zuma was president. Other countries in the region also had their domestic challenges that were exacerbated by the pandemic.

FIGURE 1: SUB-SAHARAN AFRICA'S ECONOMIC GROWTH PROSPECTS



Source: World Bank, Agbiz Research

In line with other regions across the world, sub-Saharan Africa's economic growth is set to recover somewhat in 2021, with current forecasts tentatively set at 3.1% y/y. This will ultimately depend on whether the virus is brought under control, and businesses can reopen. Each country will have to develop recovery strategies to source investment,

boost productivity and create jobs. This optimistic forecast of growth faces several challenges; firstly, if the recovery will be able to return economies to their position before the pandemic; secondly, it is expected that the region will be more susceptible to increased debts. Government debt had already risen to an average of 60% of GDP, in 2019 – almost double that of 2013 when the pandemic occurred. The pandemic forced governments to increase borrowings to meet increased demands for health protection and to enable them to create relief channels for citizens. South Africa is amongst the countries that have approached multinational institutions for additional funding and increased its debt levels and the possibility that its borrowing costs will rise significantly.

1.1.2 Global inflation rates

The pandemic has been characterised by a decline in global demand and supply shock and somewhat muted consumer price inflation across the advanced economies this year. The International Monetary Fund (IMF) forecasts consumer price inflation in the advanced economies at 0.3% y/y in 2020, a notable deceleration from 1.4% y/y in 2019, as illustrated in **Table B**.

TABLE B: CONSUMER PRICE INFLATION FORECASTS				
Year-on-year	2018	2019	2020	2021
Advanced economies (%)	2.0	1,4	0,3	1,1
Emerging markets (%)	4.8	5,1	4,4	4,5
Source: International Monetary Fund				

In the emerging world, there is also a minimal risk of inflation. The available data shows that consumer price inflation for the emerging markets could stabilise at around 4.4% y/y in 2020, down from 5.1% y/y in the previous year. The forecasts for 2021 also show a muted path. This can be attributed to the challenge of generally weak demand during the pandemic and high levels of unemployment. **(Table B)**.

On the domestic front, forecasts from the SARB suggest that consumer price inflation could average 3.4% in 2020 (compared to 4.1% y/y) and accelerate somewhat to 4.3% in 2021. This rate remains below the SARB's midpoint target of 4.5% y/y, which signals that interest rates could remain at relatively lower levels for the foreseeable future as there is no risk of inflation.

1.1.3 Unemployment

The full impact of the COVID-19 pandemic on the labour market has yet to be seen, as major economies have introduced schemes to cushion the workforce during the pandemic. **Table C** shows a somewhat muted impact on unemployment conditions. However, this situation could change dramatically in the coming months as high-frequency data from various countries is collected[3].

[3] The data presented on Table C, can be accessed via this link: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_734455.pdf

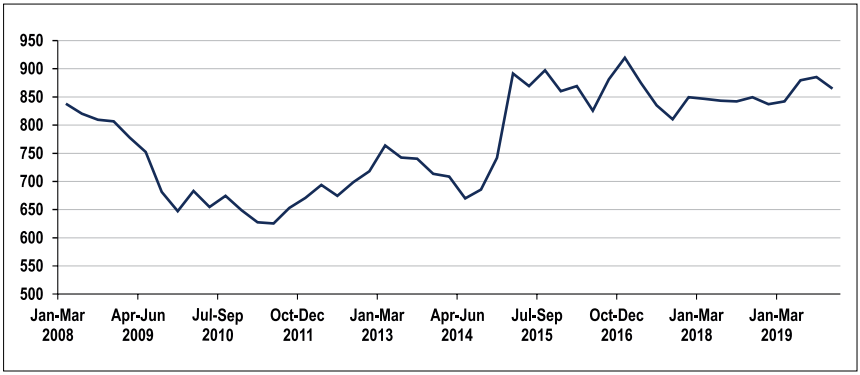
TABLE C: UNEMPLOYMENT RATE TRENDS (%)				
	2018	2019	2020	2021
Global	5.4	5.4	5.4	5.5
Upper-middle-income countries	6.0	6.1	6.1	6.0
Low-income countries	3.9	3.9	3.9	4.0
Source: International Labour Office				

On the domestic front, South Africa's official unemployment rate climbed by 1.0% on a quarter-on-quarter basis, to 30.1% in the first quarter of 2020. While this data paints a bleak picture, it does not yet include the full impact of COVID-19 and regulations that followed, which limited business activity.

On a sectoral level, the Quarterly Labour Force Survey data for the first quarter of 2020 showed that employment in South Africa's primary agricultural sector increased by 3% (or 27 000 jobs) to 865 000 from the corresponding period last year. Notable job gains occurred mainly in the Western Cape, KwaZulu-Natal, Free State and Limpopo. This was mostly in the horticulture, field crops and livestock subsectors. These activities, however, were not evenly spread across all provinces.

The Western Cape, Limpopo and KwaZulu-Natal job gains were mainly in horticulture and field crops (specifically winter crops). At the same time, the Free State showed a slight improvement in livestock subsector employment levels. The Eastern Cape, Northern Cape Province, North West Province, Gauteng, and Mpumalanga experienced a reduction in agricultural employment over the observed period. Still, on balance, the country's primary agriculture sector registered employment net gains from the corresponding period in 2018

FIGURE 2: SOUTH AFRICA'S AGRICULTURAL JOBS

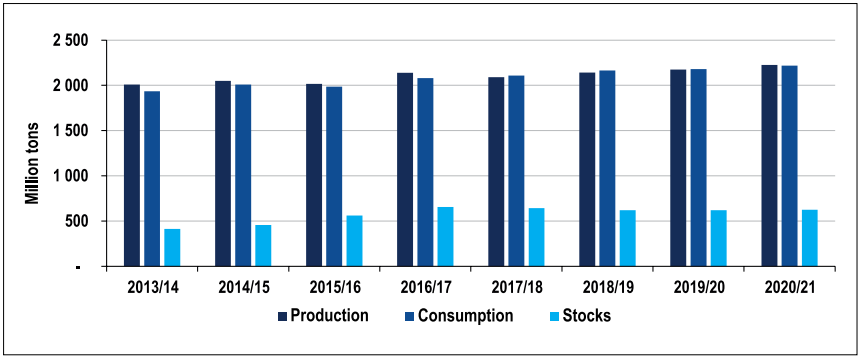


Source: Stats SA, Agbiz Research

1.2. Global grains and oilseeds outlook

The International Grains Council (IGC) forecasts 2020/21 global grains production at 2.2 billion tons, a 2% increase from the previous season **(Figure 3)**. This outlook is boosted by prospects of higher grains output in the USA, Black Sea, Euro Area and Asia. From a commodities perspective, maize, soybean and wheat are the key drivers of the potential uptick in global grains production. As a result of this, global grains stocks are set to recover by 1% y/y to 625 million tons, which is the third-largest volume over the eight seasons. Therefore, global grains prices could remain under pressure in the medium term.

FIGURE 3: GLOBAL GRAINS AND OILSEEDS SUPPLY AND DEMAND



Source: International Grains Council, Agbiz Research

1.2.1 Global grains commodity outlook

In August 2020, the International Grains Council (IGC) revised global production estimates for 2020/21 maize and wheat downwards. The cause for this change was the drier weather conditions experienced in parts of the USA and Europe, bringing their outlook closer to that of the United States' Department of Agriculture (USDA) assessment. Despite this, the overall estimates show that 2020/21 will be remembered as one of the 'good seasons'.

Maize

The IGC forecasts 2020/21 global maize production at 1.2 billion tons, which is up 4% y/y and a new record high **(Figure 4)**. This improvement in harvest forecasts is underpinned by an expected abundant harvest in South America, the Black Sea and China, amongst other regions. In China's case, however, the impact of recent floods on agricultural activity is still being monitored. Estimates, as is the case in drier regions, are uncertain.

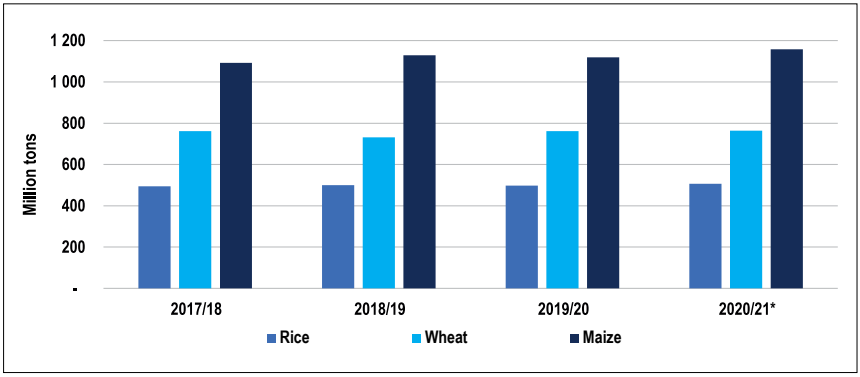
The 2020/21 maize crop is currently at its growing stages in the northern hemisphere and is subject to weather changes that could adversely influence crop growing conditions.

The southern hemisphere's 2020/21 maize season planting will only begin towards October. The long-term weather forecasts, especially those for South Africa, look favourable, increasing the prospects of another good maize crop in the 2020/21 season. The IGC, however, currently forecasts South Africa's 2020/21 maize harvest at 14.0 million tons, which is down 11% y/y. While it is still too early to provide estimates for the next season, this figure is realistic if the country experiences good rains and means that long-term maize production will remain above the average 12.0 million tons.

Wheat

The IGC slashed wheat estimates for 2020/21 global production to 762 million tons, in line with the previous season **(Figure 4)**. This prediction was made on the back of expected lower yields in parts of the EU, the Black Sea, and the USA due to drier weather conditions. Nevertheless, this is up by 2% compared to the prior five-year average.

FIGURE 4: GLOBAL GRAINS PRODUCTION



Source: International Grains Council, Agbiz Research

South Africa imports about 50% of its annual wheat consumption, which means that the large global harvest will benefit domestic importers. In the 2019/20 marketing year, which ends on September 30, 2020, imports are estimated at 1.8 million tons. The import volume requirements for the 2020/21 marketing year, which begins on October 1, 2020, will be more precise once a reliable estimate of the harvest size is forthcoming. It is in this marketing year that consumers will benefit from both cost and availability points of view from the expected reasonable global wheat harvest.

Rice

The IGC forecasts 2020/21 rice production at 505 million tons, up 2% y/y on the back of an expected large crop in Asia **(Figure 4)**. The prospect for increased rice production has added downward pressure on prices across all major producing countries and, in

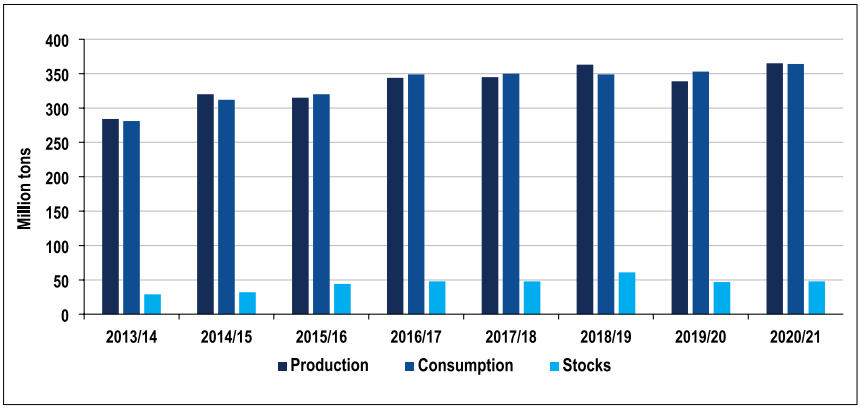
turn, will benefit importing countries like South Africa, which could import 1.1 million tons in 2020 (up 10% y/y).

The IGC has placed its estimate for 2020/21 global soybean production at a record 365 million tons, which is up 8% y/y. This is on the back of an expected recovery in output in the USA, Argentina, Brazil, Paraguay, China, and India, amongst others.

Soybean

The International Grains Council forecasts the 2019/20 global soybean production at 365 million tons, a notable recovery of 8% over the previous season. This is supported by the prospects of a large crop in the USA and South America. Brazil has made large shipments to China in recent months, and this should incentivise farmers to increase plantings in the 2020/2021 season to serve the ever-growing Chinese demand. This projection is buoyed by solid growth in feed demand as China recovers from African Swine Fever and expands its poultry industry. The robust production will also provide a boost for stocks, which are estimated at 48 million tons in 2020/21, up 2% y/y. South Africa is a net importer of soybean oilcake and will closely follow conditions within the soybean market.

FIGURE 5: GLOBAL SOYBEAN SUPPLY AND DEMAND



Source: International Grains Council, Agbiz Research

Overall, global soybean prices are likely to remain subdued in the medium-term because of the expected ample supplies. This will benefit the local animal feed industry. The only risk for imports is the volatile rand, which could push up the costs of importing global soybean oilcake.

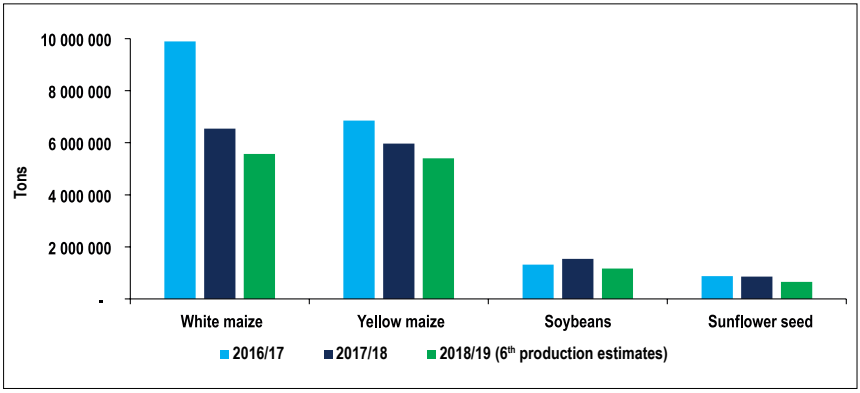
1.2.2 Domestic grain and the oilseeds commodity outlook

South Africa's 2019/20 grains harvest stands set to be the second-largest on record, supported by an expansion in area planted and favourable weather conditions during the season.

About 9.1 million tons of maize expected to be harvested in the 2019/20 season is white maize, with 6.4 million tons being yellow maize, bringing the total to 15.5 million tons. The current maize harvest is up 38% from the 2018/19 crop and is the second-largest harvest on record.

The soybeans and sunflower seed 2019/20 harvests are up 8% y/y and 13% y/y, respectively **(Figure 6)**. The increase in this season's summer crop harvest is mainly supported by an expansion in the area planted in the case of maize and favourable weather conditions, which led to improvements in yields.

FIGURE 6: SOUTH AFRICA'S SUMMER CROP PRODUCTION ESTIMATES FOR 2018/19 SEASON



Source: Crop Estimates Committee, Agbiz Research

The data implies that South Africa will remain a net exporter of at least 2.7 million tons (up 89% y/y) in the 2020/21 marketing year, which began in May 2020 and ends in 2021.

This occurs at a time when southern and East African maize import needs could outpace those of the previous year because of regional poor harvests on the back of droughts and invasions of locusts. South Africa could also export maize beyond the African continent to other deep-sea markets such as Japan, Taiwan, Vietnam and South Korea, which were not prominent importers during the 2019/20 marketing year. In the case of soybeans and sunflower seed, South Africa will remain a net importer of their products, sunflower oil, and soybean oilcake (meal), despite the expected increase in domestic production.

1.3 Looking ahead

South Africa is about 45 days away from the start of the 2020/21 summer crop planting season. To get a sense of farmers' potential planting decisions for the season ahead, two of the most critical indicators to be observed are commodity prices and the weather outlook. The La Niña weather event this summer signals higher rainfall, which is

conducive for crops. In addition, available data suggest that precipitation could begin on time in the 2020/21 season, which means planting could begin at its traditional time, October for the eastern regions of the country.

Secondly, it is surprising that, given the underlying supply and demand conditions, that domestic grains and oilseeds prices have remained firm for so long. In the week of August 13, 2020, yellow and white maize spot prices were up by 5.3% y/y and 0.2% y/y, trading at R2 895 per ton and R2 880 per ton, respectively.

Simultaneously, sunflower seed and soybean prices were up by 22% y/y and 27% y/y, trading at R6 698 per ton and R7 317 per ton, respectively. These price levels would be expected in years when supply is low, rather than the current situation in which there is an abundant supply of grains and oilseeds.

The factors driving prices are:

- The strong demand from the southern Africa region and deep-sea markets has driven and sustained prices. In the week of August 7, 2020, about 1.1 million tons of maize, about 41% of the expected total of 2.7 million tons, had already been exported to the above markets. This is slightly faster than in a typical season where exports, specifically those to the southern Africa region, would gain momentum towards the end of the year. It also indicates strong external demand for maize needs, something that is expected to continue and involve larger markets, including Zimbabwe, Japan, Taiwan, and South Korea.
- The delay in maize deliveries, due to the late start of the season, supported maize prices.
- The weakness of the rand. The correlation between maize prices and the exchange rate over the past year is 79%. As the currency has weakened, maize prices have tended to rise. The global commodity prices, specifically Chicago maize prices, might have had a minimal influence on domestic maize prices at this point, as they have softened by 7% y/y on August 13, 2020.
- In terms of soybeans and sunflower seed prices, the interaction with the global market is different as South Africa is a net importer of these commodities and the domestic market tends to be sensitive to global developments. The Chicago soybean and EU sunflower seed prices were up by 8% y/y and 10% y/y on August 13, 2020, which, again, supports the trend towards higher rates in our domestic market. The weak rand also supports the local oilseed market. Combined, these factors have managed to overshadow the large harvest, which would typically be associated with lower commodity prices.

This environment provides a greater incentive for farmers to maintain or increase plantings in the 2020/21 production season.

Adding to expectations is the demand for maize in East Africa, which will remain robust as the La Niña weather phenomenon leads to dryness in the region.

The real remaining challenge is regulations, as imports of genetically modified maize are still prohibited. The 2019/20 season began with a 'dry start' for the entire southern Africa region, but Zambia and South Africa emerged with bumper harvests, while Zimbabwean outputs dropped.

If plantings improve in Zimbabwe, the maize shortfall in 2021/22 could be less than the anticipated million tons presently being projected. South African farmers may find themselves in a better position if they extend yellow maize plantings in the 2020/21 season as that would find a market in the deep-sea regions. White maize, on the other hand, depends on African demand.

In the case of oilseeds, an increase in plantings would still contribute to the local market. The critical date to diarise is October 28, 2020, when the national Crop Estimates Committee will be releasing data outlining farmers' planting intentions.

1.4 The global feed situation

Extraordinary challenges confronted the global feed industry during 2019, of which African Swine Fever (ASF) was by far the worst. The result of these events was that global feed production contracted by more than 1% to 1 126.5 million tons for the first time in decades.

Due to the sudden drop in pig feed production specifically in the Asia-Pacific region, ASF caused an increase in feed production of other species in an attempt to supplement and fill the vacuum. Parallel to this, a significant increase of protein sources to the most hard-hit regions was observed. It would be natural that if ASF left a long-term effect in the markets for the supply and demand for proteins as a new balance will is sought.

It is safe to assume that during the process of the shift in supply and demand as a supplement for pork is identified that there will be a drop in global feed sales. Therefore, the conservative worth of the feeds industry of about US$ 650 billion, could also be adjusted downwards.

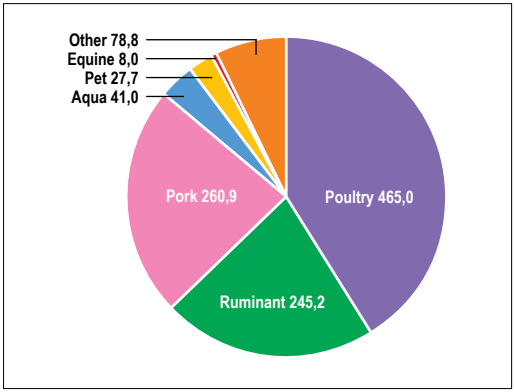
The data published in the Alltech global feed survey is collected in more than 145 countries and from sources that range from more than 30 000 feed mills in several countries, national feed industry associations, and government sources. Information is also gleaned from a range of global reports and publications produced by parastatal companies, agencies, foundations, institutes and academia.

TABLE D: GLOBAL FEED PRODUCTION RANKING – 2019					
Rank	Country	Feed Production – 2019 ('000 Tons)	Rank	Country	Feed Production – 2019 ('000 Tons)
1	USA	214,4	14	Thailand	20,2
2	China	167,9	15	South Korea	20,2
3	Brazil	70,4	16	Indonesia	20,0
4	Russia	40,5	17	UK	19,3
5	India	39,0	18	Vietnam	18,3
6	Mexico	36,2	19	Philippines	18,2
7	Spain	34,8	20	Italy	14,4
8	Japan	25,3	21	Netherlands	13,2
9	Germany	25,0	22	South Africa	11,7
10	Turkey	24,1	23	Poland	11,4
11	France	22,0	24	Iran	9,4
12	Canada	21,6	25	Australia	9,3
13	Argentina	21,0	26	Belarus	8,8
TOTAL					**1126,5**
Source: Alltech Global Feed Survey – 2020					

A 2019 regional analysis per specie follows below:

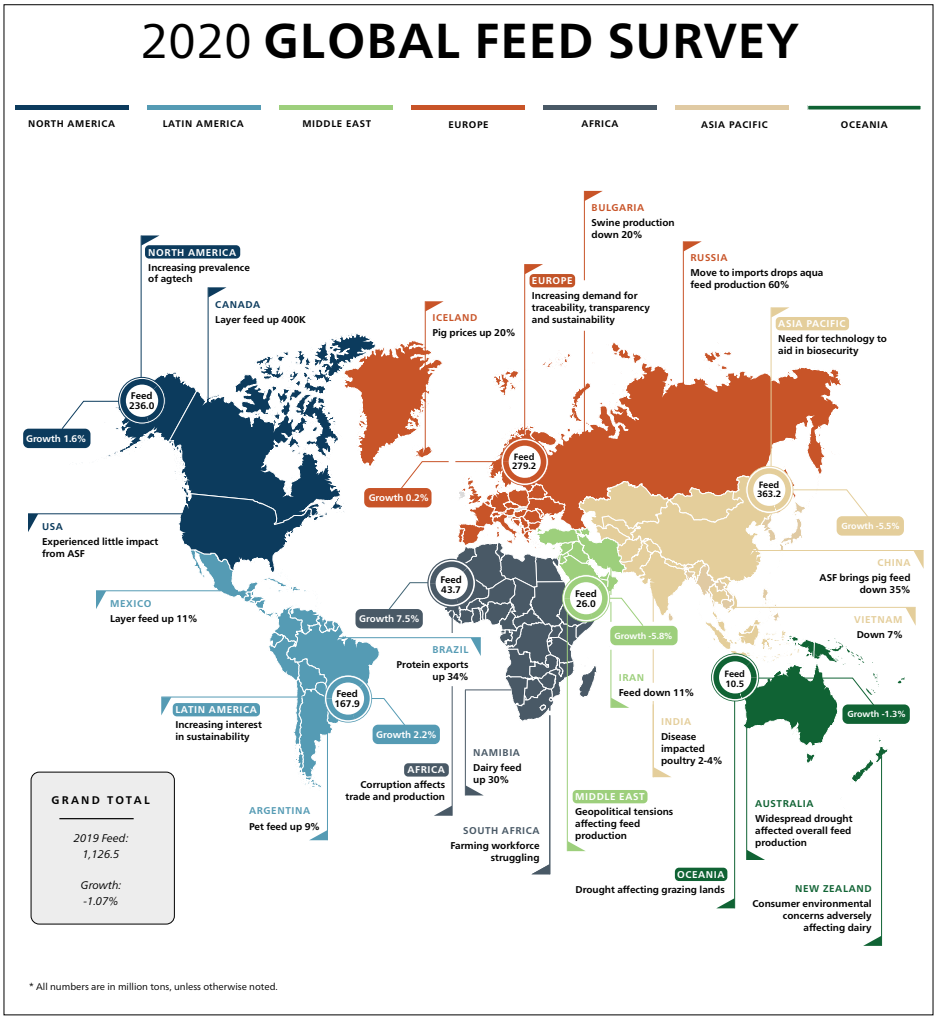
TABLE E: FEED PRODUCTION PER REGION (MILLION TONS) – 2019							
Region	Poultry	Ruminant	Pork	Aqua	Pet	Equine	Other
Africa	15,7	8,4	1,4	0,6	0,4	0,1	17,1
Asia	188,3	35,4	93,3	30,0	3,1	0,5	12,6
Europe	89,8	66,4	79,5	3,8	8,8	1,8	29,1
North America	67,3	90,6	53,1	1,7	8,8	3,8	10,7
Oceania	4,7	2,6	1,4	0,2	0,5	0,4	0,7
South America	85,8	33,7	32,2	4,2	6,0	1,2	4,8
Middle East	13,3	8,1	0,0	0,5	0,1	0,2	3,8
TOTAL	**465,0**	**245,2**	**260,9**	**41,0**	**27,7**	**8,0**	**78,8**
% van Total	48,3%	25,5%	27,1%	4,3%	2,9%	0,8%	8,2%
Source: Alltech Global Feed Survey – 2020							

FIGURE 7: GLOBAL FEED PRODUCTION – 2019 ('000 TONS)



Source: Alltech Global Feed Survey – 2020

FIGURE 8: 2020 GLOBAL FEED SURVEY



Source: Alltech Global Feed Survey – 2020

2. NEW AFMA STRATEGY

To remain a trend-setting and leading stakeholders in the agricultural environment, AFMA, and its members must endorse the principle of continuous improvement. Continually evaluating and benchmarking its role and impact within the value chains it is directly involved in and within the related up-or downstream industries it influences.

During July and August 2019, the AFMA Board of Directors and Management engaged in a series of Strategic Focus workshops with a specific target to focus on the vision of AFMA aligning its future role in the value chains and, in particular, the Grains Value Chain, Oilseeds Value Chain, and Livestock and Poultry Value Chains being the most prominent.

AFMA has a unique advantage within the business environment; it finds itself without competing with any of the value chain partners. It is a supplier to the majority of the end-users in the value chains, receiving quality grains and oilseeds as inputs, processing it into a safe feed and delivering it to the end-users as one of their critical inputs, by that delivering on AFMA's slogan – **"Safe Feed for Safe Food"**.

Vision

The refined AFMA vision says it all – ***"The dynamic animal feed thought leader, influencing food security through partnerships with all stakeholders"***.

AFMA greatly values its different partnerships within the relevant value chains and is continuously striving to unlock sustainable growth for all value chain partners, with the firm belief that a healthy and prosperous value chain consists of healthy value chain links within the chain knowing the importance of the inter-dependence of each link towards the other.

Additional to its highly regarded value chain partnerships, AFMA furthermore fully acknowledges and appreciates the fact that the private sector can't function in a vacuum or as an island, therefore the need for a compact or partnership with the Government in a Public-Private Partnership (PPP) format, with one partner creating an enabling environment and the other conducting their businesses in such a manner which results in economic growth, job creation and the necessary transformation

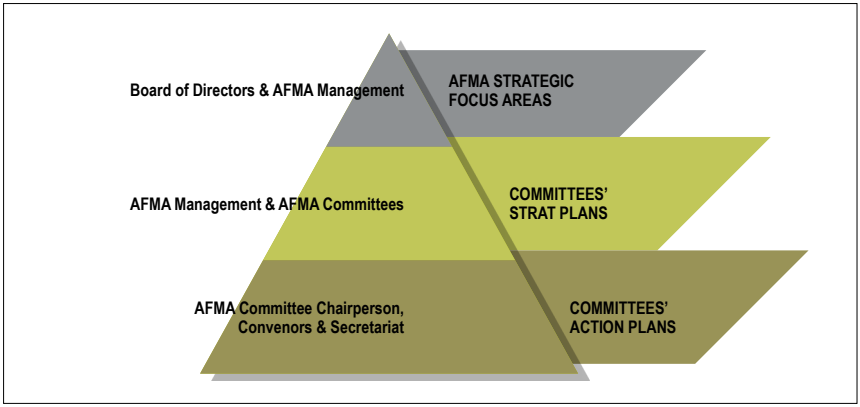
within the different value chains, feeding into the larger agricultural sector, eventually contributing to the national economic picture, aligned with the Agriculture and Agro-Processing Master Plan (AAMP) and the outcomes of the National Development Plan (NDP).

2.1 AFMA's involvement in master plans

Given AFMA's specific position, central to several value chains related to the animal feed industry, AFMA already plays and will be playing a critical role in the following sectoral or industry master plans:

a) The Agricultural and Agro-Processing Master Plan
b) The South African Poultry Sector Master Plan
c) The South African Soya Strategy (being developed)
d) The South African Economic Recovery Master Plan

FIGURE 9: THE CASCADED APPROACH ENSURES OWNERSHIP



To ensure alignment throughout all AFMA structures and committees, a cascaded approach is followed with the Board of Directors, ultimately responsible for achieving the AFMA strategic goals. In support of the Board of Directors, the respective AFMA Committees formulates their Strategic Focus Areas annually in alignment with the overarching AFMA Strategy.

Ownership is as a result of this taken by each committee, to identify its objectives to satisfy the strategic focus areas during a strategic committee session at the beginning of the year. The committee is then responsible for achieving its outcomes and action plans as formulated under the committee management's leadership.

The achievement of each AFMA committees' strategic goals is aligned and fed into the larger AFMA Strategic focus, ensuring the full buy-in and ownership of the new AFMA Strategy within all AFMA structures.

3. AGRICULTURAL AND GOVERNMENT POLICY ISSUES

3.1 Introduction

The first half of 2020 has been dominated by the coronavirus (COVID-19) pandemic, whose containment measures led to widespread economic slowdowns across the world. Economic predictions signal a deep recession and higher levels of unemployment that will dampen national and global demand and have a significant negative impact on international trade.

The pandemic followed fresh outbreaks of African Swine Fever (ASF) in China, which were major obstacles in the path of the country replenishing its pork supplies. China has the largest pig herds in the world, and these declined by about 180 million animals, about 40% of the national total, due to ASF outbreaks.

Meanwhile, fears of an ongoing trade war between China and USA abated after a Phase 1 deal was implemented in the last quarter of 2019. This agreement resulted in 15.3 million tons of USA export sales to China for the 2020/21 season (USDA, June 2020).

South Africa continued its struggle with Foot and Mouth Disease (FMD) as new outbreaks occurred in early 2020. Although South Africa was able to put systems in place to ensure that the January 2019 FMD outbreak was under control, the country failed to convince the World Organization for Animal Health to reinstitute the country's status of FMD-free zone. South Africa's beef exports fell by 17%, from 30 000 tons in 2018 to 25 000 tons in 2019. Amid these challenges, South Africa has begun developing Agriculture and Agro-processing Master Plans (AAMPs) to guide strategic interventions that can promote inclusive transformation.

From a trade agreement perspective, the UK left the EU in January 2020 and is negotiating a new trade agreement, which, it is hoped it will be concluded before year-end. However, a 'no-deal' scenario is still possible.

In Africa, the African Continental Free Trade Agreement (AfCFTA) is expected to be implemented in early 2021, after delays due to the COVID-19 pandemic and the postponement of the original July 1, 2020 target date.

Other trade agreements have been relatively quiet regarding reviews and engagements, with all falling under the radar. For instance, the SACU EFTA reviews failed to take another step forward as countries sought to broaden the product scope and deepen the value of the trade agreement.

This chapter of the report outlines some of the key areas of trade negotiations – those still under negotiation, those that have been concluded but under review, and those completed but requiring constant monitoring to ensure smooth and full implementation.

3.1.1 Tariffs, rebates and trade remedies

a) AGOA Poultry Rebate

The USA declared that it was amending its legislation dealing with subsidy and countervailing investigations, after having initially classified South Africa under its developing country list. This meant the country was excluded under the USA's special and differential trade treatment.

Additional implications were that local sectors receiving some form of subsidies or government support would be subject to safeguards, which would extend to industries like sugar. However, after further consideration, South Africa was ultimately excluded from the USA's safeguard investigations because it has less than 3% of the imports and is regarded as a developing country.

Meanwhile, the poultry quota increased by 5% from the 2018/19 period to the 2019/20 period, growing from 65 417 tons to 68 590 tons. South Africa's overall bone-in imports of chicken declined by 18% from 361 000 tons to 297 000 tons, respectively.

Meanwhile, imports from the US declined by 9% from 85 904 tons to 78 379 tons over the same period. Poultry imports are likely to fall further this year after South Africa increased duties on bone-in chicken from 37% to 62% (as well as 12% to 42% for boneless chicken) in March 2020. Given the decline in South Africa's bone-in poultry imports, it is unlikely that the AGOA poultry rebate will change over the 2020/21 period.

TABLE F: THE AGOA POULTRY REBATE

Date		Quota (tons)	Quantity Imported (tons)
April 1 2016	March 31 2017	65 000	24 559
April 1 2017	March 31 2018	65 000	82 209
April 1 2018	March 31 2019	65 417	85 904
April 1 2019	March 31 2020	68 590	78 379
April 1 2020	March 31 2021	-	-

Meanwhile, engagement with the United States has continued under the SACU-USA Trade, Investment and Development Cooperation Agreement (TIDCA) and the SA-USA Trade and Investment Framework Agreement (TIFA). Critical to ongoing discussions at these respective platforms is the extension of AGOA and efforts to secure South Africa's continued eligibility under AGOA.

3.1.2 Trade Agreements

a) Southern African Development Community (SADC) and Mozambique: Economic Partnership Agreement (EPA) with the European Union (EU), & Brexit

On January 23, 2020, the UK passed the Withdrawal Agreement, the law setting out the process for the UK leaving the EU. On January 31, 2020, the UK officially left the EU, after the latter ratified and signed off on the Withdrawal Agreement. However, the UK is still part of the EU and will remain part of the EU single market. Between February and December 2020, the EU and UK will be transitioning towards a new trade relationship, which was still being negotiated at the time of writing. The targeted conclusion of a UK-EU trade agreement is October 2020.

With the UK officially exiting the EU, the SADC-EU EPA will continue to apply to the UK, and the EU has requested that South Africa accept that the agreement will continue. The government is set to publish a notice through SARS to formally indicate that the SADC EPA will continue to apply to the UK, although they are no longer officially a member of the EU.

The South African Parliament ratified the SACU UK Economic Partnership agreement. Once the other countries confirm the partnership during 2020, South Africa will submit the instrument of ratification. When the UK leaves at the end of December 2020, or when the SADC EPA no longer applies to the UK, South Africa's economic partners will have an agreement with the UK that will immediately take force. There should be no disruption or further debates between South Africa and the UK.

Meanwhile, Angola has formally applied to accede to the SADC EPA agreement with the EU. At the time of writing this report, South Africa has not yet agreed as it needs to hold discussions in the region to respond to the application to join the SADC EPA. Angola would have to submit tariff offers in SADC, which would need to be discussed and assessed.

b) SACU-MERCOSUR (Argentina, Brazil, Paraguay (suspended) and Uruguay) Preferential Trade Agreement

There has been no activity under the SACU-MERCOSUR Agreement over the last year, and, indeed, during the four years of its implementation. Since 2018, the MERCOSUR partners have indicated that the agreement should be reviewed so that its product scope could be expanded. However, SACU noted that a review could only be agreed after sufficient time had elapsed. A review will likely be undertaken during a sitting of a Joint Committee meeting between SACU and Mercosur, and the conducting, monitoring and evaluation of the agreement takes place.

Table G shows the products and tariff-rate quotas (TRQs) offered to the MERCOSUR by SACU and those split between Paraguay and Uruguay. These include 250 tons

for boneless beef, respectively, as well as 10 000 tons and 6 000 tons for soybean seed, respectively. Paraguay has an additional quota of 5 000 tons and 4 000 tons of soybean oil and sunflower oil.

TABLE G: OFFER OF SACU TO MERCOSUR – TARIFF RATE QUOTAS (TRQS)				
HS code 2007	**Description**	**Margin of Preference**	**Quota**	**Actual Imports (April 1 2019 - March 31 2020)**
02023000	Boneless Beef	25	Paraguay (250 tons)	Paraguay (null)
			Uruguay (250 tons)	Uruguay (239 tons)
12010000	Soybeans	25	Paraguay (10 000 tons)	Paraguay (null)
			Uruguay (6 000 tons)	Uruguay (null)
15071000	Soybean oil	25	Paraguay (5000 tons)	Paraguay (null)
15121100	Sunflower oil	25	Paraguay (4000 tons)	Paraguay (null)

Paraguay did not fill its 250 ton-quota for boneless beef. Its exports to South Africa remained unchanged at zero tons over the period 1st April 2018 – March 31, 2019, compared to the same period the previous year. Uruguay's boneless beef exports exceeded the allotted 250 ton-quota, with exports of 239 tons over the same period. Meanwhile, from April 1, 2018, to March 31, 2019, South Africa did not import any soybean, soybean oil and sunflower oil from Paraguay or Uruguay.

c) SACU-EFTA (Iceland, Lichtenstein, Norway and Switzerland) Free Trade Agreement

The period 2019 and 2020 saw a continuation of reviews of the SACU EFTA with both SACU states and EFTA states attempting to identify areas of flexibility on what would be possible regarding market access. In the previous 'Chairman's Report, we reported:

- SACU's concern with Norway and Switzerland's approach of linking their Basic Agricultural Products (BAPS) offers to WTO Tariff Rate Quotas (TRQ) Minimum Market Access. This meant that EFTA's offer did not provide meaningful or substantial market access preference beyond its entitlement under MFN. SACU prefers a bilateral quota with Switzerland instead.

  SACU also took issue with EFTA's principles and guidelines governing the price compensation mechanism (PCM) regarding processed agricultural products (PAP). The PCM is essentially EFTA's system of determining tariffs for inputs, based on the relative price differences between the world price and their domestic market price (The so-called Singapore Model).

  Iceland has offered substantial market access to SACU and further confirmed that they provide SACU similar conditions to those enjoyed by the EU in their markets.

- Given the strong sentiment from SACU of the PCM not offering SACU significant market access advantage besides what it has achieved elsewhere under the EPA, Switzerland undertook to withdraw the PCM. However, Norway still retains it. EFTA's improved offer has seen the removal of tariffs, which were then replaced with a rebate system. However, EFTA has maintained its WTO TRQs, with an offer to reduce in-quota tariffs.

SACU assessed the benefits of 'EFTA's revised offer and determined that there was a need for a reprioritisation of market access for specific products. Meanwhile, EFTA was seeking better treatment offered by SACU to the EU under the EPA. EFTA's key market access priorities for agriculture are dairy products (for Switzerland, and Norway)[4] and mutton for Iceland.

SACU has consolidated its essential priority list of commodities, including beef from Botswana and Namibia, to gain market access into EFTA. South Africa's key priorities are on Chapter 8 commodities (i.e. fruits and nuts) and processed intermediate food preparations (e.g. glucose powder). South Africa has signalled its accommodating stance to Botswana in terms of meeting 'SACU's key priorities. However, no improved market access offers on the key priorities have been exchanged between SACU and EFTA.

d) SACU-India Preferential Trade Agreement

There have not been any new developments since July 2018 to this agreement since India hinted about the need to revive trade talks on the margins of the 10th BRICS Summit in Johannesburg. The SACU-India Council meeting was set towards the end of June 2019, but it is uncertain whether this meeting occurred. In addition, the outcome of the SACU Council has yet to be provided.

After more than a decade of negotiations, the SACU-India Preferential Trade Agreement appears to have stalled. There seems to have been little to no movement on tariff concessions between SACU and India. Despite the enormous potential benefits of access to the Indian market, South Africa has previously expressed its grave concern that the SACU-India PTA will not yield any optimal South African industry outcomes. It has stated that, disproportionate benefits that would accrue to India at the domestic industry's expense. India has a significantly larger tariff book and seeks far more tariff concessions against very stringent and complex regional and sub-regional SPS regimes that would effectively prevent market access for South African exports.

e) SADC, COMESA and EAC Tripartite Free Trade Agreement (TFTA)

In the Previous 'Chairman's Report, there we three key issues that were reported regarding the TFTA. These included:

[4] This is in addition to chocolate and tobacco

- The meeting of the Tripartite Council of Ministers in late 2018 which set an ambitious target to sign and ratify the tripartite free trade area by the end of April 2019. Many of the preliminary annexures of the TFTA have been concluded, legally scrubbed, and adopted. At the time, one of the critical outstanding issues included the Rules of Origin (RoO) of the TFTA, where the focus is on the completion of the combined matrixes for the three Regional Economic Communities (RECs), namely, the EAC, SADC and COMESA. These were discussed from December 3 to December 21, 2018.

- The ongoing work on the RoO, by the Technical Working Group, and efforts to resolve disagreements on several issues, including the scope of product coverage on fisheries; special and differential treatment on fisheries, more specifically, the definition of their vessels and their factory ships.

Subsequent meetings to address the above-mentioned meetings were to be held in March 2019 but were never convened. Since then, the TFTA lost momentum while being overshadowed by the AfCFTA. The TFTA has not reached the 14 ratifications required to allow the agreement to come into force, with only five countries have ratified the agreement (i.e. Kenya, Egypt, Uganda, South Africa and Rwanda).

At the time of drafting this report, tariff exchanges between SACU and the EAC had been provisionally concluded, with the expectation that the Ministers of Trade from both regional economic communities (RECs) would formally sign off on the tariff concessions. The TFTA work schedule was provisionally extended to allow countries and RECs to concluded outstanding areas of negotiation. With the tariff offers between SACU and Egypt still to be completed, there is no deadline set for the TFTA to be finalised and enforced.

The only significant symbolic event that took place relating to the TFTA was the adoption and harmonisation of Guidelines on Trade and Transport Facilitation across COMESA, EAC and SADC in July 2020. The Tripartite Guidelines on trade and transport facilitation for the movement of persons, goods and services across the tripartite region were meant to assist in dealing with the COVID-19 pandemic in a more coordinated manner.

f) The African Continental Free Trade Agreement (AfCFTA)

The AfCFTA Agreement took force on May 30, 2019, and member states completed negotiations on (i) Protocols on trade in goods and services and (ii) Protocol on dispute settlement. However, the officially declared implementation target date of July 1, 2020, was not met due to delays arising from the COVID-19 pandemic. Recent suggestions point to AfCFTA rules being implemented at the beginning of 2021. However, no formal decisions have yet been made. The negotiations still outstanding include:

- Complex tariff reductions,
- Rules of origin, and
- Conditions for trade in services in priority areas.

Rules of Origin are focused mainly on negotiations surrounding two critical agricultural value chains, namely:

- **Cotton-based textiles and apparel:** The critical issue has been a double or single-stage transformation for textiles and apparel. All SADC countries, including SACU partners, except for South Africa, support single-stage transformation. Cotton producing countries support the double-stage transformation rule for cotton-based textiles and finished clothing.

- **Sugar:** All the SADC countries (including South Africa), except Mauritius, Botswana and Namibia support a wholly obtained rule for sugar. The wholly obtained rule implies that sugar in its finished form – will only be given preferences (i.e. duty-free) if it is sourced from AfCFTA market countries. As such, non-AfCFTA-originating sugar, for example, from Brazil and the United States, will be subject to tariffs.

There is still outstanding RoO work on fish (HS 03); dairy (HS 04); coffee tea or spices (HS 09); products of milling, e.g. malt, starches, wheat (HS 11); processed meat and fish products (HS 16); vegetable, fruit and nut preparations (HS 20); beverages, spirits and vinegar (HS 22); food waste and animal fodder (HS 23); tobacco and tobacco substitutes (HS 24); and leather and leather products (HS 42).

A major part of the outstanding work on these products is about the thresholds to adopt local value addition or local content, and the approach to be taken if a single member state delays an agreement. In this regard, RoO for the specified sectors is expected to be concluded relatively quickly. However, tougher negotiations are envisaged for industries such as textiles and clothing, and automotive segment, where member states seem to have significant policy differences.

3.1.3 World Trade Organisation (WTO)

WTO Doha Round negotiations resumed with the focus primarily determined by the WTO Doha negotiations' status and processes. There have, however, been discussions around the fisheries agenda, the reform of the WTO, and special and differential treatment (S&D).

a) Fisheries Agenda

The fisheries work programme targeted to have an outcome on the 12th Ministerial Conference (MC12), was a primary focal point. However, attaining an outcome by MC12 might not be possible if other countries continue to demand that the agenda should include Illegal, unreported and unregulated (IUU) fishing and over-fishing.

b) Special and Differential Treatment (S&D)

There is a demand from developing countries for special and differential treatment. However, developed nations have been arguing that the rise of emerging markets demands further differentiation of countries. The USA is arguing that 34 developing countries have unduly claimed special and differential treatment. The USA, supported by the EU, Japan, Australia and other developed countries, have indicated that self-declared developing countries cannot get special and differential treatment. Therefore, other countries are demanding that a focus session on the matter occurs during the MC12. The US is proposing that some countries cannot get special and differential treatment on any new future agreements and have provided a list of criteria for determining a nation's status. Other developing countries are proposing that the issue be discussed on a case-by-case basis.

c) The WTO Reform Agenda

Debates continue regarding the reform of the WTO, but no formal proposals have been tabled. Suggestions from developed countries stress the need for countries to graduate from or opt-out of special and differential treatment. The most common countries selected for mention are India and China.

Both these nations are the globe's largest providers of trade-distorting support. Many developed countries feel that India and China have evolved to the point where they need to be held to a higher standard than other developing countries. The USA has removed India from its Generalized System of Preferences (GSP) list and has targeted China through tariffs on goods worth billions of dollars.

Overall, developed countries are now arguing that the WTO should focus on several areas. These include the need to modernise rules within the WTO to respond to new issues such as e-commerce and digital trade, as ways of responding to changes in the way goods and services are produced, distributed and traded.

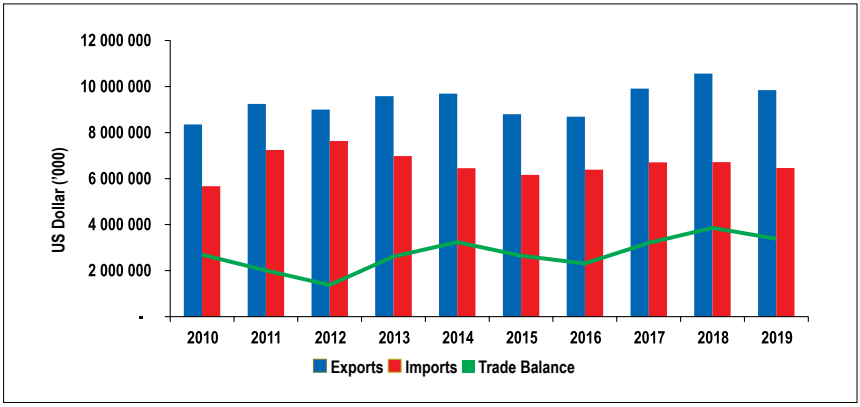
The developed countries, led by the USA, also have advanced proposals to introduce higher levels of transparency for more efficient and effective monitoring of various WTO committees and their procedures. However, developing countries argue that many elements of the reform proposals on transparency add undue commitments of member states, on top of those required by trade agreements. As such, these transparency proposals are viewed with scepticism by developing countries.

Developing countries have insisted that the Doha Development Agenda (DDA) be finalised before development issues affecting the global south are adequately addressed. Developing countries also have persistently called for WTO reform on the issues of inclusivity and consensus decision-making, the preservation of S&D and a development focus that ensures that there are balanced outcomes for developing and developed countries.

3.1.4 South Africa's trade performance

South Africa recorded an agricultural trade surplus of US$ 773 million, as illustrated in **Figure 10.** This is up by 16% y/y, with exports having increased at a much higher rate than imports. The ongoing COVID-19 crisis has brought uncertainty to global trade because of disruptions in supply chains and weakening demand. As an export-oriented activity, South Africa's agricultural sector is one of the industries negatively affected by the pandemic. However, the disruptions were comparatively minimal, given that the global agricultural and food sector has generally stayed operational.

FIGURE 10: SOUTH AFRICA'S TRADE PERFORMANCE (2010 TO 2019)



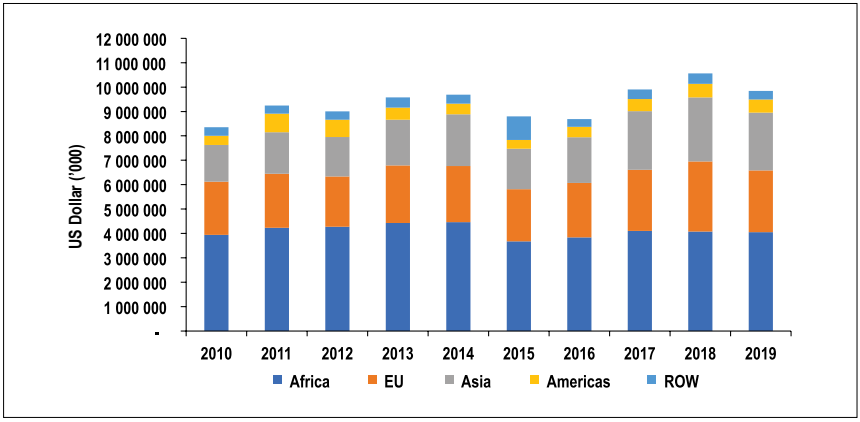
Source: Agbiz Research (2020), ITC TradeMap (2020)

Exports were underpinned by grapes, maize, wine, wool, pears, apples, plums, lemons and macadamia nuts, amongst other agricultural products. These products could continue to underpin South Africa's agricultural exports in the second quarter of 2020, which mostly corresponds with global lockdowns, but there has been a temporary decline in wine exports due to domestic lockdown regulations. Maize is set to dominate the 2019/20 season; with South Africa's expected maize exports at 2.7 million tons, up 89% y/y because of a higher domestic harvest. This is at a time when rising demand for maize is expected in the southern Africa region, a primary market for white maize.

In terms of imports, the leading products included wheat, palm oil, rice, poultry meat, sunflower oil and sugar. For 2020, rice, wheat and palm oil will dominate the agricultural import product list. South Africa's 2020 rice imports could amount to 1.1 million tons, up by 10% from 2019, according to data from the International Grains Council. Meanwhile, South Africa's 2019/20 wheat imports could increase by 29% y/y to 1.8 million tons.

From a destination point of view, the African continent and Europe continued to be the largest markets in value terms for South Africa's agricultural exports in the first quarter of 2020. Respectively, they account for 44% and 29% of exports. Asia was the third-largest market, absorbing 19% of South Africa's agricultural exports in the first quarter of 2020. The balance of 8% value was spread across other regions of the world.

FIGURE 11: SOUTH AFRICA'S EXPORTS BY REGIONAL MARKET (2010 TO 2019)



Source: Agbiz Research (2020), ITC TradeMap (2020)

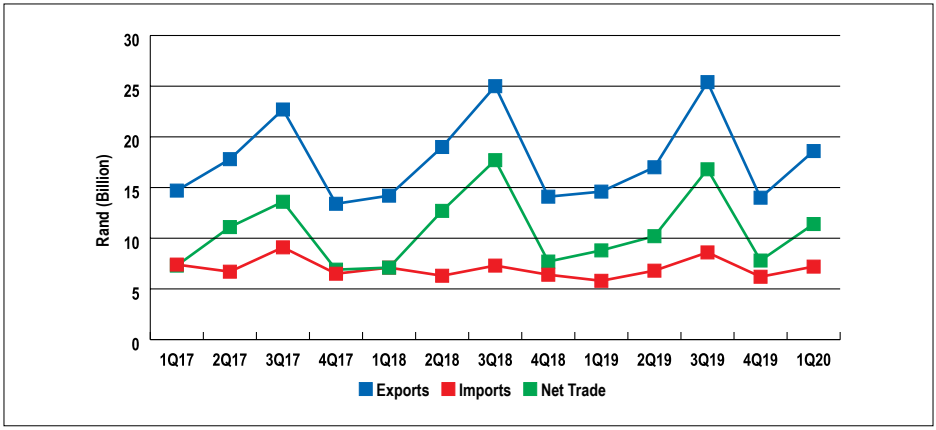
In a nutshell, while the pandemic will result in a loss of incomes in various regions of the world, and in turn, a decline in demand for goods; the agriculture and food sector is one of the few that may not be as hard-hit as other activities. South Africa's agricultural exports could increase from the US$9.9 billion attained in 2019. The key catalysts this year will be the increase in grains and horticultural output and the weakening domestic currency. Therefore, as in the previous year, the trade will continue to be a key driver of South Africa's agricultural sector.

The ongoing COVID-19 crisis has brought uncertainty in global trade because of disruptions in supply chains and weakening demand. South Africa's agricultural sector, which is export-orientated, is one of the sectors that AFMA feared would be disrupted by the pandemic.

So far, however, there have been minimal disruptions as the agricultural and food sectors continued to remain operational during the crisis. The future outlook will, in part, depend on the magnitude of the economic shock of COVID-19. If the trauma is massive and recovery is slow, as some analysts expect, demand for high-value agricultural products could be reduced in some traditional markets. This also means that South Africa should, after the pandemic, continue its efforts to develop its export market for agricultural products in China and India.

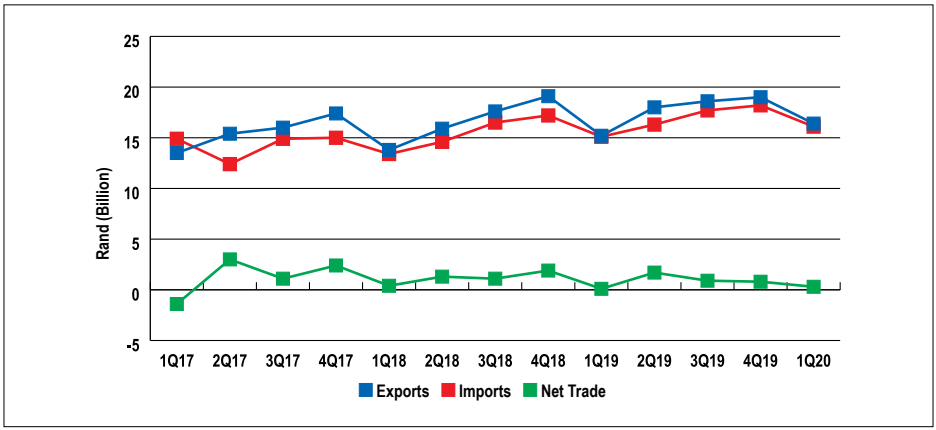
3.1.5 South Africa's agricultural trade performance

TABLE & FIGURE 1A: SA TRADE IN PRIMARY AGRIC PRODUCE (2017 – 1ST QUARTER 2020) (BILLIONS OF RSA RAND)													
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Exports	14,7	17,8	22,7	13,4	14,2	19,0	25,0	14,1	14,6	17,0	25,4	14,0	18,6
Imports	7,4	6,7	9,1	6,5	7,1	6,3	7,3	6,4	5,8	6,8	8,6	6,2	7,2
Net Trade	7,3	11,1	13,6	6,9	7,1	12,7	17,7	7,7	8,8	10,2	16,8	7,8	11,4



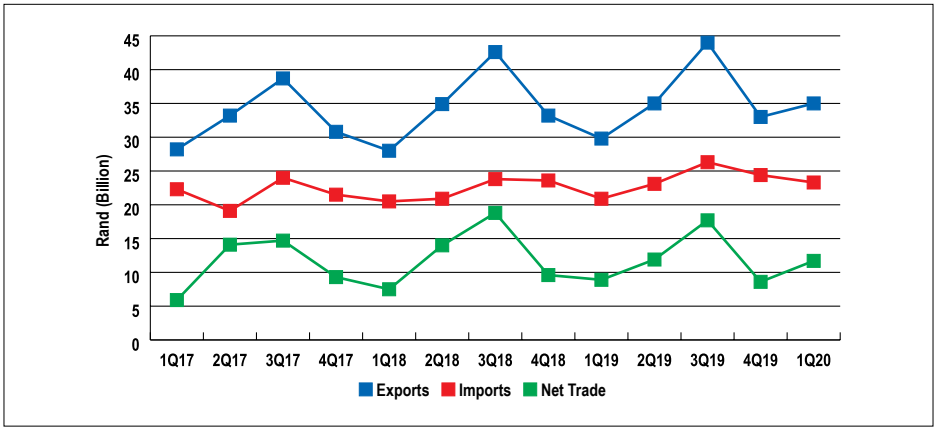
SA TRADE IN PRIMARY AGRIC PRODUCE (2017 – 1ST QUARTER 2020)

TABLE & FIGURE 1B: SA TRADE IN PROCESSED AGRIC PRODUCE (2017 – 1ST QUARTER 2020) (BILLIONS OF RSA RAND)													
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Exports	13,5	15,4	16,0	17,4	13,8	15,9	17,6	19,1	15,2	18,0	18,6	19,0	16,4
Imports	14,9	12,4	14,9	15,0	13,4	14,6	16,5	17,2	15,1	16,3	17,7	18,2	16,1
Net Trade	-1,4	3,0	1,1	2,4	0,4	1,3	1,1	1,9	0,1	1,7	0,9	0,8	0,3



SA TRADE IN PROCESSED AGRIC PRODUCE (2017 – 1ST QUARTER 2020)

TABLE & FIGURE 1C: SA TOTAL TRADE IN AGRIC PRODUCE (2017 – 1ST QUARTER 2020) (BILLIONS OF RSA RAND)													
	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20
Exports	28,2	33,2	38,7	30,8	28,0	34,9	42,6	33,2	29,8	35,0	44,0	33,0	35,0
Imports	22,3	19,1	24,0	21,5	20,5	20,9	23,8	23,6	20,9	23,1	26,3	24,4	23,3
Net Trade	5,9	14,1	14,7	9,3	7,5	14	18,8	9,6	8,9	11,9	17,7	8,6	11,7



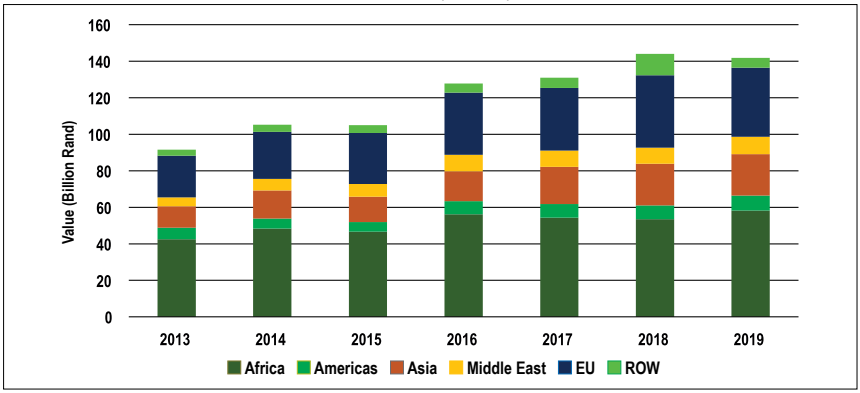
SA TOTAL TRADE IN AGRIC PRODUCE (2017 – 1ST QUARTER 2020)

3.1.6 South Africa's agricultural export trends

In 2019, South Africa's agricultural exports saw a marginal decrease of 1.54% over 2018, decreasing from R144 billion in 2018 to R141.8 billion in 2019 **(Figure 12)**.

From a product perspective, edible fruits and nuts accounted for 35% of South Africa's total agricultural exports, with beverages contributing 13%, vegetables 6%, sugars 6%, fish and crustaceans 5% and cereals 4%, amongst others.

FIGURE 12: TRENDS IN SOUTH AFRICA'S AGRICULTURAL EXPORTS (2013-2019)



Source: International Trade Centre, 2019

ASIA: The biggest contributors of South Africa's agricultural exports to Asia were edible fruit and nuts at 54%, sugars at 10%, wines and spirits at 6%, vegetables at 4% and miscellaneous grains, seeds, and fruit at 4%.

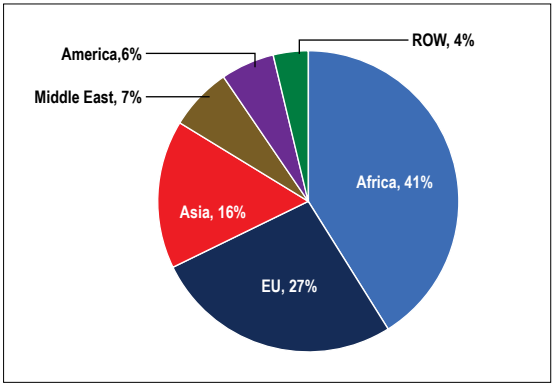
AFRICA: Africa remains the leading market for South African agricultural products, with 41% of total exports or R58 billion in 2019 **(see Figure 12)**. Agricultural exports that saw increases were cereals (41%), products of the milling industry (38%), miscellaneous grains, seeds, and fruit (30%) and preparations of meat, of fish or crustaceans (15%).

MIDDLE EAST: South Africa's agricultural exports to the Middle East increased year-on-year by 7% to R9.6 billion in 2019. Decreases were seen in flours, meals and pellets of fish or crustaceans (69%), tobacco (58%) and vegetables (22%) whilst increases were experienced in exports of live animals (260%), miscellaneous grains, seeds and fruit (31%) and edible fruits and nuts (17%).

EUROPE: South Africa's agricultural exports to Europe (EU28) decreased by 4.84% from R39.7 billion in 2018 to R37.8 billion in 2019 **(see Figure 12)**. Edible fruits and nuts accounted for 56% of the country's total agricultural exports to the EU, followed by wines at 15% and crustaceans and fish at 11%. Exports of edible fruits and nuts decreased marginally from R22 billion in 2018 to R21 billion in 2019. Exports of wines and fish saw decreases of 11.8% and 7.5% respectively.

AMERICAS: South Africa's agricultural exports to the Americas increased by 6% from R7.7 billion in 2018 to R8.2 billion in 2019 **(see Figure 12)**. Edible fruits and nuts remain the major contributor to agricultural exports to the Americas at 51%. Although exports of beverages decreased marginally from 2018 to 2019 by 2.17%, it remains the second-largest product exported at 18.8% of total agricultural exports.

FIGURE 13: REGIONAL SHARE OF SOUTH AFRICA'S AGRICULTURAL EXPORTS (2019)



Source: International Trade Centre, 2019

Overall, Africa remained South Africa's largest agricultural export market, accounting for 41% of total agricultural exports. The EU accounted for 27% of South Africa's agricultural exports in 2019, with Asia taking up 16% and the Middle East 7%. The Americas and the rest of the world (ROW) accounted for 6% and 4% of South Africa's agricultural exports, respectively **(see Figure 13)**.

3.1.7 South Africa's grain trade

South Africa's cereal exports declined by 21% from R7.4 billion in 2018 to R5.8 billion in 2019. Maize exports decreased by 32% from R6 billion in 2018 to R4.1 billion in 2019.

Wheat exports, mainly to African countries, increased from R259 million in 2018 to R650 million in 2019, an increase of 150%.

South Africa remains a net importer of wheat. Although less wheat was imported in 2019 (1.842 million tons) compared to 2018 (1.984 million tons), the value of South Africa's wheat imports increased by 6.41% from R5.35 billion in 2018 to R5.7 billion in 2019. This was mainly due to the weakening of the Rand against the US$. The bulk of imported wheat was sourced from the Russian Federation and other European Union countries.

3.1.8 South Africa's oilseed trade

Imports of oilseeds increased from R1.57 billion in 2018 to R1.8 billion in 2019, increasing by 15%. This was mainly due to an increase in the imports of groundnuts from R196 million in 2018 to R607 million in 2019, an increase of 210%. Imports of both soybeans (R59 million) and sunflower seed (R32 million) in 2019 are well below the 5-year averages of R483 million and R194 million, respectively. This is mainly due to better than average crop estimates experienced in the past five years.

3.1.9 South African animal feed and raw materials

The value of imported animal feed products and related raw materials remained steady at R5.5 billion in 2019 compared to 2018. Exports declined by 12% from R4.9 billion in 2018 to R4.3 billion in 2019.

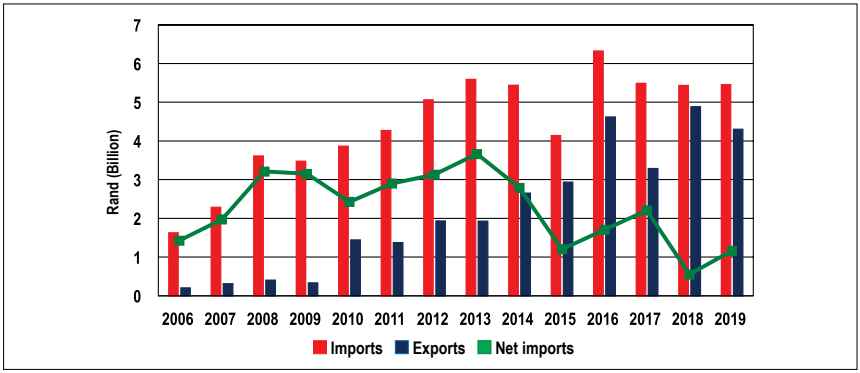
Soya bean meal remained a major import component of animal feed raw materials but did see declines of 9.6% in quantity and 11% in value imported in 2019. Argentina remains the primary source of soya bean meal for South Africa. Imports of soya bean meal from Zambia and Malawi showed a decrease of 89% from 78 000 tons in 2018 to 8 400 tons in 2019.

Cotton oilcake imports decreased from 59 000 tons to 61 000 tons while the value increased by 3.26 % from R184 million in 2018 to R190 million in 2019. Sunflower oilcake imports in 2019 increased by 190% and R251 million from 2018.

The total wheat bran imported saw a decrease of 14% from 2018 to 114 000 tons.

Exports of feed supplements decreased from R2.156 billion in 2018 to R1.4 billion in 2019, decreasing 14.8%. The bulk of the exports was destined for African countries.

FIGURE 14: TRENDS IN SOUTH AFRICA'S ANIMAL FODDER AND FEED RAW MATERIALS (2006-2019)



Source: International Trade Centre, 2019

4. TRADE COMMITTEE MATTERS

Chairman: Heiko Köster (Barnlab)
Vice-chairman: Paul du Plessis (Brisen Commodities)

4.1 Strategic focus areas

During the two Board of Directors strategic sessions held in 2019, the following vision was agreed on namely: ***"To unlock sustainable growth in the local agriculture value chain"***.

In future, more emphasis will be placed on the activities of AFMA Committees and what actions are to be taken to achieve its strategy. There will also need to be more involvement of Board members on the Committees.

To address the AFMA strategy going forward, the Trade Committee identified the following strategic focus areas:

- Grain Commodity Passport System
- Dispute resolution process
- Mycotoxin levels
- Maximum tolerances for poisonous seeds
- JSE: Soya meal and sunflower seed oilcake SAFEX contract
- Soya oilcake import duty review
- Soya value chain master plan
- Agriculture and Agro-Processing Master Plan (AAMP)

4.2 Grain Commodity Passport system

The Trade Groups of the Maize Forum Steering Committee and the Wheat Forum Steering Committee have, in principle, accepted the implementation of a Grain Commodity Passport system.

The main aim of the introduction of the system is to ensure that grains and oilseeds that are traded comply with the minimum food safety requirements of health regulations.

Members of the Trade Groups were requested to provide comprehensive feedback by 31 July 2020 on monitoring systems, screening processes and reasonable steps that need to be introduced to ensure due diligence in the grains and oilseeds value chain.

4.3 Dispute resolution process

A document has been drafted by AFMA and SACOTA to address procedures to be followed when grains that are unloaded by storage providers do not conform to the quality specifications agreed between seller and buyer.

The document has been discussed at both the Trade Groups of the Maize Forum Steering Committee and Wheat Forum Steering Committee. The Trade Groups approved the paper with the provision that a device similar to the *Vac-A-Sample* double pneumatic sampling device will be the only sampling device to be used during the dispute resolution process. The Soybean and Sunflower Seed Forum have also been requested to provide their comments on the draft document..

4.4 Mycotoxin levels

The Mycotoxins Sub-Committee (SC) of the AFMA Technical Committee has resolved that an industry guideline for risk management (action levels) of mycotoxin contaminated feed ingredients (cereals and cereal by-products) needs to be compiled.

In order not to duplicate actions taken by the Mycotoxins SC and the Trade Committee, it was decided that members of the Trade Committee be co-opted to serve on the Mycotoxin SC to address identified issues collectively.

It was proposed that Messrs Heiko Köster and Paul du Plessis be nominated to serve on the Mycotoxin SC.

At its meeting held on 26 March 2020, the Maize Forum Steering Committee discussed the evaluation of mycotoxin levels between intake and out loading at storage providers and to address reasons should there be huge discrepancies between levels detected between intake and out loading.

4.5 Maximum tolerances for poisonous seeds

The current health regulations make provision for a maximum of 1 poisonous seed per 1 000g (1kg) in an agricultural product for seeds of the *Crotalaria* species, *Datura* species or *Ricinus communis*. In the case of seeds of *Argemone mexicana L.*, *Convolvulus* species, *Ipomoea purpurea Roth*, *Lolium temulentum* and *Xanthium* species, it is a maximum seven seeds per 1 000g (1kg).

The reason for the easing of restrictions during 2002 is unknown. The matter is being addressed by the Trade Group of the Maize Forum Steering Committee.

Most of the representatives on the Trade Group concur that the industry should request that the maximum tolerances for mycotoxins be reinstated. The data of the SAGL is to be used to substantiate the industry's preference.

The respective Trade Groups will attend to the matter as it is included in the draft Passport system.

Special attention will be given to the prescribed maximum tolerances considering the toxicity of the poisonous seeds.

4.6 JSE: Soya meal and sunflower seed oilcake SAFEX contract

The following have been finalised regarding the implementation of a SAFEX futures contract for soya meal and sunflower seed oilcake:

- Minimum contract specifications
- Gauteng will be the reference zone (zero basis) for both contracts as most of the crushing plants that supported the contracts are in this region. No location differentials will apply.
- A 15-day period of zero storage cost from the date of delivery on the JSE in completion of the futures contract will be implemented. Storage costs will be charged and escalated every seven days after that.
- Any origin meal and oilcake can be delivered on the JSE registered warehouses if the product meets the minimum (or better) specifications. The foreign product must, however, be stored and monitored separately.
- In the case of quality disputes, tests should be performed by an ISO 17025 accredited laboratory. If no facility is available, then a laboratory that can prove competency in an ISO 17043 proficiency scheme for the matrix and analysis will be accepted.

The official launch of the soya meal and sunflower seed oilcake SAFEX contract by the JSE is awaited.

4.7 Soya value chain master plan

A process was started in December 2018 by the Sunflower and Soybean Forum to

discuss some industry bottlenecks and to strategise the industry's future. The main aim of the meeting was to create an entire value chain plan to create additional value for our end-consumers, namely the poultry industry. This matter will form part of the Agriculture and Agro-Processing Master Plan (AAMP).

4.8 Agriculture and Agro-Processing Master Plan (AAMP)

The vision statement for the Agriculture and Agro-processing Master Plan is: "Globally competitive agricultural zones driving a market-oriented and inclusive production to develop rural economies, ensure food security, and create employment and entrepreneurial opportunities for all participants in agriculture and agro-processing value chains."

The six strategic objectives are to:

- Increase transformation in agriculture and agro-processing value chains;
- Arrest rising poverty and hunger in South Africa, in particular in rural and urban poor communities;
- Expand access in both domestic and international markets for all farmers and agribusinesses;
- Develop competitive value chains to create jobs and entrepreneurial opportunities;
- Develop an effective support mechanism to enable equitable access to inputs, land, water, affordable finance, markets and services for all sector participants;
- Improve farming community safety and reduce stock theft; and
- Improve state capacity to enforce and modernise policy and regulatory compliance.

The National Agricultural Marketing Council (NAMC) hosted a consultative meeting with grain and oilseeds forums representatives on 5 June 2020 to discuss the Agriculture and Agro-Processing Master Plan. At the AFMA Board of Directors' Meeting held on 9 June 2020, it was decided that this organisation should play an active role in driving the process.

4.9 JSE Securities Exchange matters

The Commitment of Traders Report (COT)

The JSE started a process in 2018 to implement a Commitment of Traders report like the US Commodity Futures Trading Commission (CFTC).

The JSE has had several consultations with the Financial Sector Conduct Authority (FSCA) regarding implementing a Commitment of Traders report. The FSCA has undergone some restructuring, and the new team dealing with regulatory frameworks wanted to understand where this request for the introduction of COT report in our market originated.

The FSCA has requested additional information from the industry. This information will be used by the FSCA to formulate a view and inform a policy decision. This will discuss the general need and purpose for a COT report for the JSE Commodity Derivatives Market and the SA grains market.

Location differentials

The report as submitted by Professor Matt Roberts of the USA recommends that location differentials be gradually phased in for JSE Soya and Sorghum futures contracts. It has achieved this by examining the relevance of location differentials in the South African market. It has also reviewed the method how differentials are calculated.

After much deliberation, the JSE has unilaterally decided to implement the location differentials for soya beans, over four years, using a phased-in approach. This decision has never reflected the viewpoint of most roleplayers in the soya bean industry or been regarded as such by the Commodities Advisory Committee of the JSE. The decision was also not in line with the recommendation set out in the Roberts report that the implementation of soya bean differentials should be accomplished over two years.

AFMA expressed its concern with the JSE's decision but has indicated that it accepts its recommendations. AFMA has requested that the principle of location differentials should now be accepted by all roleplayers in the grains and oilseeds value chain as crucial for the effective functioning of the futures market, stating that the matter should not be open for discussion in the near future. AFMA also petitioned the JSE and the Agricultural Commodities Advisory Committee to take a strong stand in this regard.

Amendments to Requirements for Approved Storage Operators

The JSE is currently in the process of reviewing the current requirements for approved storage operators, as set out in Appendix C and D to the Agricultural Derivatives Contract Specifications.

SACOTA has drafted a comprehensive framework of matters relating to the requirements for approved storage operators that will be discussed with the JSE. The current out-loading issues experienced in the case of white maize and the way to address this matter to avoid a re-occurrence in the future is an important discussion point.

AFMA supports the recommendations made by SACOTA.

Delisting of Sorghum Futures Contract

Grains SA requested the delisting of the sorghum futures contract on the Commodity Derivatives Market due to dwindling local production and periods of no trading activity. Consequentially the JSE approached the industry for comments.

AFMA indicated to the JSE that although the use of sorghum and its by-products do not play a significant role in the production of animal feed, it would caution the body not to take a unilateral decision based on the viewpoint or request of only one constituency in the value chain.

AFMA asked that the JSE first review the liquidity of the sorghum futures contract after introducing location differentials, as per the Roberts report's recommendation, before deciding on a delisting.

The JSE indicated that, based on the market's overwhelming response, the Sorghum contracts are to remain listed for the foreseeable future.

4.10 Maize grading regulations

The Trade Group of the Maize Forum Steering Committee has made good progress with the revision of the definitions of defective maize kernels in the grading regulations.

The following definitions regarding maize kernels still need to be addressed by the Trade Group:

- Discolouration
- Water damage
- Coffee stains
- Percentage of defective kernels that can pass through the 6.35mm round-hole sieve

The SAGL has been requested to do research, which will enable the Trade Group to formulate proper definitions for discoloured and water damaged maize kernels. A project proposal needs to be submitted by the SAGL to MFSC for consideration.

The Trade Group will also deliberate on the possible inclusion of the Hectolitre mass and the Milling index as grading factors.

4.11 Leaf Services

Leaf Services had a meeting with the industry on 14 May 2020 to present and discuss their role as assignee appointed by the Department of Agriculture, Land Reform and Rural Development.

The outcome of the meeting was that Leaf would proceed with a feasibility study to compare two options for ensuring a compliance regime, those being:

- an inspection protocol in addition to the self-regulation done by industry; and
- assuming control of the grading function by transferring existing graders to the Leaf Services to create an independent inspectorate.

AFMA will study the outcome of the feasibility study by Leaf Services but does not support the appointment and role of Leaf Services as an assignee to conduct grading inspections in the handling and trading of grains and oilseeds.

5. TRAINING AND SKILLS DEVELOPMENT COMMITTEE
Chairperson: Ms Sharlene Moodley

5.1 Occupational qualification
Training of learners in the AFMA developed and endorsed Livestock Feed Milling Learning Program was officially launched on 1 May 2020. Members are encouraged to enrol learners in the learning program. They can contact the AFMA office or Learning Pathways for more information.

AFMA is in the process of reviewing the Feed Miller qualification to make a clear distinction between an operator and management level. The AFMA learning program's focus is on the operator level, which needs to be registered as a part qualification of the currently registered qualification.

AFMA is having Livestock Feed Miller listed as a unique occupation on the Organising Framework for Occupations (OFO). This will enable members to implement learnerships for suitable candidates in the feed milling industry and score BBBEE points for skills development.

5.2 Feed Miller Short Course
Due to popular demand in this highly-valued Feed Miller Short Course, the AFMA Board of Directors decided to postpone the hosting to a suitable date during the first half of 2021. This will ensure that AFMA keeps building on the momentum in terms of skills and training of members' employees. A provisional date of 31 May to 10 June 2021 has been earmarked for the course to take place.

5.3 Career opportunities
Previously part of the AFMA Technical Committee, this portfolio is better placed within the Training and Skills Committee. This subcommittee will join forces with Agrijob, SASAS, and SACNASP in reaching out to students through the AFMA Student Seminars, internships, and career days.

5.4 AFMA Technical Writing Skills Workshop
In May 2018, AFMA again hosted a well-received one-day technical writing skills seminar aimed explicitly at transferring these abilities to employees or members in the field. The seminars were introduced after the AFMA Technical Committee highlighted a demand.

The seminar was facilitated by external experts in this discipline, in conjunction with the AFMA Technical Committee and AFMA office. The seminar had a 100% attendance rate.

It is expected that this type of skills transfer will be provided by AFMA to its members on a more frequent basis and possibly in more provinces.

The AFMA Technical Writing Skills Workshop scheduled for 15 April 2020 has been postponed until 12 October 2020, which will also take place via a virtual platform.

Dr Pieter Henning and *Plaas Media* have been contracted to co-host the workshop with AFMA due to their extensive knowledge and expertise on this discipline.

5.5 Student Outreach Seminar

During 2014/15, a strategic decision was taken to host the workshop for non-production industry members and the student workshop as separate events due to the different needs of the audiences and target markets.

During 2019/20, a student seminar was hosted at the University of Limpopo Campus, in cooperation with the University of Venda. This resulted in an excellently attended event by more than 100 students, personnel and lecturers.

AFMA is passionate about connecting with students and bridging the gap between the academic and formal work sectors, thereby contributing to a sustainable professional industry that attracts the most suitable employees. Student outreach projects aim to provide information about the feed industry and potential career opportunities. Due to the COVID-19 pandemic, the Student Outreach seminar that was to take place at the University of the Free State has been postponed to 2021.

5.6 AFMA Student Nutrition Poster Award

The award is presented annually by the AFMA Technical Committee to recognise excellence among Animal Nutrition graduates in their dissemination of nutritional knowledge through a poster presentation at the South African Society for Animal Science (SASAS) annual congress.

No award was presented during the reporting period as SASAS has decided to postpone its congress to 2021 due to COVID-19.

6. TECHNICAL COMMITTEE MATTERS

Chairperson: Dr Francois van de Vyver (Nutri Feeds)
Vice-chairperson: Ms Chantelle Fryer (Evonik)

The Technical Committee of AFMA focuses on animal nutrition, feeding practices

and principles. They have identified four major strategic areas going forward and have aligned its projects and resources to achieve outcomes within feed safety, feed ingredients, nutritional standards and feed analysis.

6.1 Feed safety

6.1.1 Salmonella

The monitoring of salmonella contamination in the animal feed and food value chains is done by AFMA members nationally as part of a regular quality control programme. The results are submitted voluntarily to the AFMA on-line salmonella monitoring programme. Contamination can potentially occur anywhere – from raw materials, through transport, during processing, packaging, finished products, storage, facilities, environment and personnel.

The AFMA salmonella monitoring programme has been running since July 2005. It has collected almost 92 000 laboratory analysis results on all types of samples taken from raw materials, finished products and environmental samples.

Currently, the full members participating contribute to 79% of the total volume of AFMA feed produced. A dedicated technical sub-committee evaluates the pooled results quarterly, and industry trends are discussed to stay informed and pro-active. Towards the end of 2019, a member survey was conducted with feedback. It highlighted the value-added benefit to participating members and created awareness for the monitoring programme amongst new AFMA members. As a result, four members were added as new participants during the reporting period.

6.1.2 Mycotoxins

a) Pre-processing maize mycotoxin project

During this reporting period, AFMA feed mills submitted approximately 160 pre-processed maize samples over three cycles to contribute to the SAGL mycotoxin project. The project is in its fifth consecutive year and is funded by the Maize Trust. The research aims to provide reliable information on the mycotoxin contamination of pre-processed maize at intake.

AFMA supports this project and will also support future research and collaborations that enable earlier detection of maize mycotoxin contamination and a pro-active approach to mitigate risk before it reaches intake at the processing level of feed mills.

b) Mycotoxin regulations

The Technical Committee undertook a comprehensive assessment of the proposed amendment to the regulations relating to undesirable substances dealing with mycotoxins (published for comment in November 2018). It included comparison

studies with the EU, Canada, and the USA. They concluded that only Aflatoxin should be regulated in animal feeds and feed ingredients in South Africa in the future. This aligns with global practice and scientific evidence. All other mycotoxins should be managed by guidance values for industry and not regulated by government legislation.

To achieve this situation in the future, the Technical Committee proposed a collaborative approach, including some minor changes to the regulation of the undesirable substance relating to farm feeds (addition of Fumonisin B2 and T-2 + HT-2), and the initiation of a monitoring programme (or database) to assess the mycotoxin contamination of local feed ingredients and complete feeds.

A future project of the committee will be to survey AFMA members to determine the most feasible way for obtaining mycotoxin contamination data on feed ingredients and finished products.

Another method is to establish a reliable database to determine guidance values, supporting the proposal to manage mycotoxin risk with action levels pro-actively as an industry.

c) Total mould count regulations

At the end of 2019, the Technical Committee accepted a proposal to re-evaluate the total mould count requirement for feed and feed ingredients currently regulated as 5 000 cfu/kg (max) under Act 36 of 1947. The request was based on discrepancies observed with global requirements, literature reviews and scientific information provided on mould count requirements for livestock feed and ingredients.

An expert committee was established to investigate. They confirmed the findings and subsequently proposed that the AFMA Technical Committee make a recommendation to the registrar to remove the requirement for total mould count for animal feed and feed ingredients in South Africa.

The proposal was submitted for the registrars' consideration in July 2020. A second suggestion from the committee was to compile an industry guideline on total mould and yeast counts to support the anticipated lack of regulation thereof. The guideline will be aligned with global guidance values and will be categorised according to levels on safety, risk and whether they are actionable. They will apply to all livestock feeds. The guideline is expected to be completed by the end of 2020.

6.1.3 Dioxins & PCBs

AFMA members voluntarily submit data from quantitative dioxin analysis or PCB screening results from complete feed and feed ingredients. The technical sub-committee on Dioxins and PCBs review the trends observed based on the pooled

data and provides annual reports. This year, the emphasis was placed on member participation by creating renewed awareness of the monitoring programme and encouraging feed mills and premix suppliers to submit available data (routine screening/analyses certificates) to the AFMA office.

The committee also completed a comprehensive industry guideline for the detection, monitoring and prevention of dioxins and PCBs in animal feed. The guideline highlighted various risk levels of feed ingredients and was published on the AFMA website.

6.1.4 Unavoidable carry-over of approved veterinary drug residues to non-target species feed

Section VII of the proposed regulations on undesirable substances in farm feeds (published for comment in November 2018), is the maximum content of authorised feed additives in non-target feed following unavoidable carry-over.

The AFMA Technical Committee established an expert working group that conducted a thorough investigation of the recommended guideline. This involved consulting manufacturers and suppliers of animal feed, feed additives, stock remedies & veterinary medicines and analytical laboratories.

After extensive research on global vs local practices, the committee compiled a detailed technical recommendation based on South African conditions. Many value changes to the proposed regulations were made, as well as the removal of *Halofuginone hydrobromide* (not an SA registered product), and the addition of both *Amprolium* and *Clopidol*. The recommendation was submitted to the Registrar in July 2020.

6.2 Feed ingredient quality

6.2.1 Hominy chop

The project originated from the feed regulators' intention to regulate hominy chop for use in animal feed and the subsequent request by industry to stipulate the nutrient requirements for such registration. It was known at the time that a wet-milling technique was used to produce hominy chop and that traditional moisture specifications for registration (13%) could not be met. The registrar subsequently requested AFMA Technical committee to evaluate wet-milled hominy chop as a feed ingredient and to make a recommendation on the moisture level and shelf life for registration purposes.

Preliminary trials were conducted in 2018, and although the committee could make various conclusions, they also deducted that the product and trial design held a lot of variabilities. More scientific information was required, as well as a mandatory addition of an antioxidant. The investigation is ongoing. Further studies on hominy chop quality will be conducted to ensure that high moisture (16%) hominy chop can be safely

recommended for use in animal feed – even if special feeding recommendations need to be included to feed within 14 days. These conditions need to be tested under the warm South African conditions to ensure product safety. AFMA encourages collaboration with the universities in this regard, especially the University of Free State (UFS), which already played an instrumental role in this project. AFMA further acknowledges the support of members who provided hominy chop samples and assisted with laboratory analysis.

6.3 Nutritional standards and guidelines

Collectively, the compilation of an industry guideline on the nutrient specifications of all farm feeds is one of the most significant projects of the Technical Committee. It will include the total revision of the current specifications, with improvements such as added categories, references, feeding recommendations and a completely new section on game feed.

The project is being conducted in collaboration with the Regulatory Committee to add additional value to the guideline and to focus on what may be needed when placing a farm feed on the market and its labelling.

Information on feed classification, warnings, feeding recommendations, analytical variations, allowable claims, list of ingredients and prohibited substances could be included to assist manufacturers in obtaining pre-market approval for their product in an open and transparent process.

The guideline will also establish an important baseline for placing farm feeds on the open market when compound feeds are no longer regulated under Act 36 of 1947. The various species committees have made significant progress in the review of the specific guidelines during this year, and the alignment between the groups is underway. It is expected that the technical evaluation of the nutrient guidelines should be completed by the end of 2020 and the first draft circulated for comment by the beginning of 2021.

6.4 Feed analysis

A new strategic focus was created in the area of Feed Analysis to satisfy the purpose of providing a proactive approach towards feed safety and encouraging partnerships and collaborations between feed industry professionals and laboratories. The scope of this committee supports the other areas of Feed Safety and Raw Material Quality. It should identify the analysis needs of the feed industry to address a strategy going forward.

Expertise within this group can support anything from soya quality to contaminant analysis discussions within the agriculture value chain on behalf of the animal feed manufacturers.

7. REGULATORY COMMITTEE MATTERS

Chairman: Ms Liza Burger (AFGRI animal feeds)
Vice-chairman: Mr Mark Manley (Sovereign Foods)

7.1 COVID-19 action group compile industry guideline

The COVID-19 pandemic challenged the agro-processing industry as an essential service and its ability to continue producing agricultural products for South Africans.

As a result, an action group was initiated amongst the Regulatory Committee of AFMA and tasked to compile a sector guideline and contingency plan. It consisted of experts from within AFMA members and under leadership from the AFMA Board. A comprehensive guideline was compiled with all the relevant information and legal references to guide agro-processors to compose their unique documents that are required by the Disaster Management Act. The swift action was necessary to ensure the risk in the value chain was appropriately managed and to attempt the uninterrupted supply of food of animal origin to people in times of crisis.

This body will remain active for the duration of the state of disaster. It will keep the sector guideline updated to assist agro-processors in keeping abreast of the latest developments on how to keep employees and the workplace safe. The guideline and a flow diagram can be downloaded from the AFMA website at **https://www.afma.co.za/covid-19/**

7.2 Feed regulatory framework

The Regulatory Committee of AFMA has identified two major strategic focus areas going forward. It aligned its projects and resources to achieve strategic outcomes within the feed regulatory framework and industry self-regulation mechanisms in South Africa.

7.2.1 Animal Feed Forum (AFF)

The quarterly liaison meetings of AFMA with the registrar of feeds, Pet Food Industry Association (PFI) and the RSA Renderers started on an all-time high at the end of 2019. The stakeholders acknowledged the best turn-around time of service delivery yet recorded. Unfortunately, 2020 proved to be a year of extremes. Not only did a technical adviser resign in January, but the impact of COVID-19 placed an additional burden on the farm feed division. This caused the reversal of many of the previous successes.

Liaison meetings were either postponed due to lockdown status or technical difficulties at the Department of Land Reform and Rural Development (DALRRD). Communication with industry was severely hampered. Other stakeholders shared similar experiences under Act 36 of 1947. As an alternative and emergency measure, AFMA and other stakeholders initiated an industry platform to act as a united front and to address

matters of critical importance as a partnership to the authorities of DALRRD. Read more about the Agricultural Input Forum (AIF) in section 7.

7.2.2 Feed registrations and renewals

The Regulatory committee receives direct feedback from DALRRD on the status of farm feed registrations during quarterly meetings. Up until the beginning of the reporting period, the capacity for assessment and processing within the farm feed division was on par with the demand from industry and in addition to the officials' exceptionally hard work, the service delivery timeframe for a new registration was just less than three months.

The resignation of an experienced technical adviser in January and the lockdown since March resulted in a substantial delay in assessing registrations that negatively impacted the service delivery timeframe for the rest of the year. Of more significant concern for the industry is the personnel's ability to recover under these conditions without the assistance of additional staff to fill the vacancy that will be required to provide the necessary service.

It is expected that once the restriction is lifted on the submission of new registration applications, volumes will be enormous and that a substantial backlog will result.

Under current conditions, the issuing of renewal registration certificates for farm feeds is also under pressure. Many were still outstanding by the time certificates expired at the end of March 2020. This proved to be a year of significant change in the farm feed registration environment.

The Regulatory Committee will continue to monitor the issue and engage in the matter via the Agricultural Input Forum as a short term strategic output.

7.2.3 Act 36 regulations and guidelines

During this period, the Regulatory and Technical Committees have jointly finalised their comments on the amended Act 36 regarding farm feed regulations. The comments focused on the regulation of the undesirable substance of mycotoxins, mould and carry-over of authorised veterinary medicine and feed additives in non-target feed. They also provided a recommendation on the registration of a high-moisture hominy chop (16% moisture) as an alternative to the registration of a standard hominy chop (13% moisture). The recommendations were submitted to the registrars' office for consideration.

Another joint project of the committees is the Nutrient Guideline revision project in which all categories of farm feed specifications have been revised, including a new category for game feed. The nutrient tables will be compiled in a guideline including general feeding recommendations, examples of warnings and general information on

labelling, claims and placing farm feed on the market. It is expected to conclude this project by the end of the year. Plans include the revision of the registration requirement guideline.

7.2.4 National Standards (SABS)

AFMA is a permanent member of two SABS Scientific Committees dealing with animal feed (TC034/SC10) and pet food (TC034/SC13). The national standards in their scope of work include:

- SANS 489:2009 – Good manufacturing practice in the animal feed industry
- SANS 898:2011 – Good manufacturing practice for the self-mixing of feed in the animal industry
- SANS 22005:2009 – Traceability in the feed and food chain
- SANS 909:2018 – Pet food nutritional & manufacturing requirements
- SANS 2235:2019 – Raw pet food (new)

During this period, both committee meetings were hosted by the SABS, and it was necessary to amend the scope of the SANS 898 standard since it is not referenced in current legislation. The members voted, and the new parameters were accepted. The other standards are up for review in 2021.

7.2.5 Feeds and Pet Food Bill

The Department of Land Reform and Rural Development embarked on a series of public consultation workshops throughout the country towards the end of 2019 to discuss the intention of the new feed legislation and the impact on various stakeholders. During the quarterly meeting in November, the Regulatory Committee engaged with DALRRD on the feedback observed from the consultation workshops. It noted the following concerns which were raised on the draft bill. Some of the points included:

- The practicality of regulating farmers making their feed on farms. It was generally accepted amongst smallholder farmers that feed must be non-toxic to humans. Information and awareness on feed safety can be enhanced, but the administrative burden of registration and forms should be reconsidered and simplified. Alternative (or existing) systems to capture farm feed facility information for registration purposes received strong support amongst the farmers who attended the workshops.

- The lack of distinction between the powers and functions for assignees and officials created uncertainty. Inspection functions need to remain with officials, whereas auditing roles can be assigned and must be clearly defined.

- The funding of assignees via a levy system and third-party administrator needs to elaborate on how the fees are payable and will be allocated.

- The financial impact of the cost of compliance between the previous system of

product registration and the newer one, focusing on facility licencing should be quantified for commercial manufacturers and discussed in more detail.

- The legislative framework and specific phrases in the bill must be revised to ensure alignment with global feed legislation terminology, Codex standards, etc and reference to relevant national standards and guidelines.

- DALRRD enforcement resources such as extension officers, technical advisers (animal scientists), and veterinarians are to be re-assessed in terms of their ability to regulate the new legislation.

In general, the draft bill was well-received throughout all the provinces, and only minor revisions will be needed to improve on the concerns raised during the public consultation workshops. The Regulatory Committee will continue to support the registrar drafting regulations to develop the feed regulatory framework.

7.2.6 Inspection Compliance Forum (ICF)

The agricultural input sectors on animal feed, fertilisers, agricultural and stock remedies meet quarterly with the inspectors of Act 36 to discuss non-compliance trends and risks observed in the industry.

Feedback on the target inspections achieved during the second quarter of the year indicated a slight increase due to inspectors being allowed to use their vehicles after Treasury announced a delay in the supplier contract, which halted the provision of vehicles to inspectors during preceding periods.

The ability to identify risk within the agricultural sectors remains critical. With the inspectorate not able to perform optimally due to severe budget constraints, it will fall on the self-regulation mechanisms from each industry sector to work together and proactively protect the value chain.

Unfortunately, the COVID-19 and lockdown conditions also have limited engagements with the Inspection Compliance Forum during this period. Going forward, partnerships and open communication platforms with the inspectorate will strengthen the agricultural input supplier value chain and protect their clients.

7.3 Industry self-regulation

The development of self-regulatory instruments in monitoring, compliance and ensuring enforcement is a strategic focus of AFMA. These initiatives will be driven from within the Regulatory Committee. These schemes can work with government entities, and other stakeholders in a co-regulatory capacity and the degree of involvement can vary significantly. This body will align its' outputs in three areas of self-regulation.

7.3.1 AFMA Code of Conduct

An Advisory Committee has been initiated within the 2020 Regulatory Committee. It comprises health, safety, and quality (SHEQ) expertise from within AFMA members.

This committee will be instrumental in the successful implementation of the revised Code of Conduct audit programme. It will advise the AFMA Management team on various aspects of the scheme, including but not limited to the appointment of auditors, the audit scope, criteria and compliance principles. This will ensure that it remains relevant, updated and of value to the members.

The implementation of the revised Code of Conduct is a work in progress that has been negatively impacted by COVID-19. To ensure that all stakeholders are involved with the new programme and timelines required, a detailed project plan will be drafted by a professional project management facilitator to clearly outline the milestones to be achieved with the updated Code of Conduct.

Once the project plan is approved, the execution and roll-out will be managed from within the AFMA office, and the appointment of assessment service providers will commence. It will also make provision for on-farm, feedlot and pet food manufacturing categories not previously included.

All renewal audits for AFMA membership have temporarily been suspended to allow for the implementation of the revised Code of Conduct programme. Membership status of current compliant members will not be affected during the transition period, and conformity with the new programme will be phased in by the newly appointed assessment service providers, in conjunction with the regulatory advisory committee.

Provisions have been made to temporarily accommodate new members and to allow initial assessments on the previous Code of Conduct scope and audit criteria by the current service provider. Renewal audits of new members will be phased in on the new programme in future. The new plan recognises third-party accredited Certification body audits such as ISO22000 and will require a less frequent AFMA Code of Conduct audit.

7.3.2 AFMA Transport Protocol

The AFMA Transport Protocol is a risk management tool in the feed industry. It is an additional self-regulatory instrument that provides guidelines and cleaning regimes for road transporters moving raw materials and feed ingredients for the animal feed manufacturing industry, either indirectly, via storage facilities first, or direct to manufacturing facilities.

The guidelines are adapted from the GMP standard for road transport in the animal feed sector and provide a measure of risk management to the feed manufacturer when evaluating transporters and raw materials stored for use.

AFMA members are encouraged to use carriers that comply with the AFMA Transport protocol and contribute to a responsible value chain. To date, there are 19 transport providers listed on the AFMA website. Currently, AFMA does not provide a transporter membership category, but those found compliant with the Transport Code of Conduct are awarded a logo for display on their trucks. The code will be audited by the same assessment service providers to be appointed for the future assessment of the revised AFMA Code of Conduct programme.

7.3.3 Early Warning System

The third area of self-regulation is the Early Warning System (EWS) protocol developed in 2009. This facilitates the early detection and reporting of irregularities in raw materials and ingredients for use in animal feeds.

It describes the rapid response to alerts and efficient communication throughout the animal production chain to prevent and limit harmful consequences for animals, the environment and the consumer of animal products.

The Regulatory Committee aims to boost awareness of the EWS and work towards an active industry mock recall as a proactive measure and demonstration of industry readiness in risk management.

8. COOPERATION WITH LIVESTOCK INDUSTRIES

8.1 Cooperation with value chain partners governed under Act 36 of 1947

The capacity and budgetary constraints on the Directorate Inputs Control (Act 36 – Registrar's Office) have resulted in a steady decline in service delivery by DIC within the Department of Agriculture, Land Reform and Rural Development (DALRRD). The sectors governed under Act 36 of 1947 convened a meeting to discuss the crisis and mutual interest matters.

The relevant industries affected include AFMA, CropLife SA, South African Animal Health Association (SAAHA), Fertiliser Association of South Africa (FERTASA), the Pet Industry Association of South Africa (PFI), SA Renderers and the South African Pest Control Association (SAPCA).

The sectors decided to establish an Agriculture Inputs Forum (AIF), to act as the voice of the industry in Strategic discussions with DALLRD and other Government departments. Founding documents that include an MoU, Terms of Reference and a Regulatory Strategy were developed by a legal expert, giving the AIF a legal framework and foundation. The AIF partners workshopped and developed a Regulatory framework catering for an immediate, medium-term and long-term strategy to be tabled and discussed with Government (DALRRD).

The immediate issue to be addressed as a matter of urgency affecting all AIF partners, is the process of pre-market product registrations and renewals of existing product registrations. This will attempt to sensitise government to the greater issue at hand and to assist at arriving at a sustainable strategic solution for the dilemma.

The AIF will be meeting with the Registrar of Act 36 and DALRRD senior management within a few weeks in the first round of strategic discussions to address various situations.

During the AIF process, AFMA has been requested to take the lead as Interim Chair, due to the expertise and favourable relationship established through years of cooperation with Act 36 and the Registrar.

8.2 Cooperation with grain, oilseeds and livestock value chain partners

As reported in the 2018/19 Chairman's Report, management changes occurred in four of AFMA's major traditional value chain partners in the poultry industry and within the Livestock environment. SAPA, AFMA's largest client, restructured into the Egg Organisation and the Broiler Organisation, each with its own board of directors, with the SAPA Board consisting of nominated board members from Eggs and Broilers, governing all poultry-related matters.

In the livestock fraternity, Johann Kotze and Dewald Olivier joined SAPPO and SAFA respectively as new executive directors of their producers' organisations.

An excellent working relationship has been established with the new management of both bodies. This relationship laid a solid foundation for cooperation, especially during the global COVID-19 pandemic. The ongoing cooperation between the Animal Feed Forum (AFF) partners, being AFMA, the PFI and the SA Renderers continued.

The unfavourable South African economic situation has been exacerbated by the devastating effects of the COVID-19 pandemic and has led to the creation of many workstreams within the broader economy. Agricultural Master and Recovery Plans are to be put in place to revive the South African economy by igniting economic activity and sustainable economic growth, employment, transformation and better lives for all.

The economic and industry-related plans include:

- The Economic Recovery Master Plan;
- The Agriculture and Agro-Processing Master Plan;
- The SA Poultry Sector Master Plan; and
- Planned SA Soya Strategy.

AFMA occupies a strategic position in agriculture. Its vision of being a thought leader in the value chain, producing the highest quality feed from the highest quality grains, oilseeds and related products, will support its contribution to the industry. This contribution will be driven by its mission to ensure "Safe Feed for Safe Food". By achieving this, the value chain process will be unlocking sustainable growth for all value chain partners, to benefit the broader agricultural sector.

9. MEMBERSHIP OF OTHER ORGANISATIONS

AFMA understands the value of being an integrated role player in the grains, oilseeds, livestock and food value chains. Therefore, it serves as a member of associations and institutions representing different aspects of the feed industry. These organisations include:

9.1 The International Feed Industry Federation (IFIF)

AFMA's involvement in the international animal feed arena is strengthening. The Executive Director, and Manager: Technical and Regulatory Affairs participate in feed summits, annual general assemblies and global feed conferences on behalf of the South African animal feed industry, keeping the South African feed industry informed on all the latest technology and international and industry trends.

During the reporting period and the preceding year, the AFMA Executive Director served on both the Board of Directors of the IFIF and the Executive Committee of the IFIF Board of Directors.

9.2 Agricultural Business Chamber (AGBIZ)

AFMA joined AGBIZ as a council member in 2013 and is now celebrating its fifth year as a member. Membership of AGBIZ forms part of AFMA's strategic plan to align the Association with matters in the broader agricultural and political arena.

10. FEED MANUFACTURING

10.1 Raw material costs

The domestic grain and oilseed commodity outlook is discussed in detail in section 1.2.2 of this report.

10.2 Raw material utilisation in 2019/20 by AFMA members

Table 2 indicates the raw material usage and inclusion rates from 2015/16 to 2019/20.

The average inclusion rates for the various raw materials are shown as a percentage of total feed sales. They will generally reconcile to an inclusion rate of higher than 95%, allowing for possible milling losses due to breakdowns, spillages and raw material

that cannot be reworked. It must be noted that not all raw materials are used in all compound feeds. The inclusion rates of different raw materials vary from formulation to formulation, as well as between different species.

TABLE 2: RAW MATERIAL USAGE (APRIL 2015 TO MARCH 2020) – AFMA MEMBERS (TONS)

Raw material	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate
	2015/2016	2015/2016	2016/2017	2016/2017	2017/2018	2017/2018	2018/2019	2018/2019	2019/2020	2019/2020
Bagasse	87 150	1,26%	67 235	1,04%	79 989	1,26%	80 862	1,22%	73 123	1,10%
Barley (All)	3 363	0,05%	4 896	0,08%	2 519	0,04%	2 070	0,03%	4 556	0,07%
Bicarbonate of soda	6 641	0,10%	7 639	0,12%	6 652	0,10%	7 612	0,11%	8 327	0,13%
Blended oil	22 940	0,33%	28 902	0,45%	35 587	0,56%	41 515	0,62%	49 456	0,74%
Blood meal	9 083	0,13%	8 604	0,13%	12 517	0,20%	13 405	0,20%	12 293	0,19%
Brewers grain	11 459	0,17%	5 775	0,09%	5 522	0,09%	3 579	0,05%	4 234	0,06%
Canola fullfat	546	0,01%	713	0,01%	2 958	0,05%	767	0,01%	750	0,01%
Canola oilcake	38 109	0,55%	37 902	0,59%	32 121	0,51%	28 161	0,42%	27 618	0,42%
Carcass meal	6 757	0,10%	9 490	0,15%	10 012	0,16%	8 781	0,13%	2 732	0,04%
Citrus meal	3 736	0,05%	1 702	0,03%	488	0,01%	649	0,01%	1 596	0,02%
CMS	9 852	0,14%	7 980	0,12%	5 405	0,09%	9 002	0,14%	9 235	0,14%
Cottonseed oilcake	8 888	0,13%	9 245	0,14%	8 188	0,13%	3 766	0,06%	1 475	0,02%
Cotton seed	7 845	0,11%	9 852	0,15%	9 572	0,15%	10 104	0,15%	9 769	0,15%
Defatted maize germ meal	5 947	0,09%	6 432	0,10%	7 882	0,12%	11 736	0,18%	12 083	0,18%
Fat	4 791	0,07%	4 431	0,07%	3 075	0,05%	2 948	0,04%	3 960	0,06%
Feather meal	21 685	0,31%	21 318	0,33%	21 496	0,34%	20 316	0,31%	16 757	0,25%
Feed wheat	3 082	0,04%	2 760	0,04%	4 679	0,07%	2 446	0,04%	11 224	0,17%
Fish meal	12 178	0,18%	12 677	0,20%	12 204	0,19%	13 513	0,20%	18 453	0,28%
Groundnut oilcake	573	0,01%	273	0,00%	0	0,00%	2	0,00%	55	0,00%
Hominy chop	122 871	1,78%	123 745	1,91%	141 077	2,22%	121 793	1,83%	108 315	1,63%
Limestone grit	94 880	1,37%	79 502	1,23%	74 795	1,18%	79 681	1,20%	84 521	1,27%
Limestone powder	114 613	1,66%	110 924	1,71%	112 136	1,76%	117 566	1,77%	119 381	1,80%
Lucerne hay	76 728	1,11%	55 204	0,85%	46 998	0,74%	43 465	0,65%	34 815	0,52%
Lucerne meal	23 316	0,34%	20 175	0,31%	23 853	0,38%	31 899	0,48%	33 752	0,51%
Lupin meal				0,00%		0,00%	100	0,00%	238	0,00%
Lysine	10 423	0,15%	10 509	0,16%	8 784	0,14%	9 211	0,14%	10 740	0,16%
Maize	3 344 875	48,42%	3 136 112	48,42%	3 022 919	47,57%	3 063 498	46,10%	3 118 338	46,93%
Maize germ meal	26 666	0,39%	12 690	0,20%	14 649	0,23%	12 080	0,18%	13 355	0,20%
Maize germ oilcake	843	0,01%	453	0,01%	1 186	0,02%	4 752	0,07%	3 753	0,06%
Maize gluten feed (20%)	52 010	0,75%	45 797	0,71%	48 665	0,77%	57 273	0,86%	57 656	0,87%
Maize gluten feed (60%)	18 512	0,27%	16 653	0,26%	16 957	0,27%	18 938	0,29%	13 974	0,21%
Maize meal	4 211	0,06%	1 627	0,03%	14 312	0,23%	26 679	0,40%	33 443	0,50%
Maize screenings	19 081	0,28%	20 411	0,32%	12 033	0,19%	9 600	0,14%	8 776	0,13%
Meat & bone meal	5 136	0,07%	2 264	0,03%	552	0,01%	210	0,00%	167	0,00%
Medicaments	14 903	0,22%	14 102	0,22%	14 717	0,23%	25 559	0,38%	21 063	0,32%
Methionine	8 403	0,12%	9 184	0,14%	8 176	0,13%	8 149	0,12%	8 635	0,13%
Molasses	489 005	7,08%	422 547	6,52%	426 015	6,70%	445 092	6,70%	441 672	6,65%
Monocalcium phosphate	49 251	0,71%	43 847	0,68%	43 535	0,69%	41 970	0,63%	34 266	0,52%
Oats				0,00%		0,00%	6 737	0,10%	5 187	0,08%
Other: Codes – 512+525+529+538+545+546+552+553+554+557+582+583+584+598+599+601+602	152 189	2,20%	127 602	1,97%	74 883	1,18%	114 219	1,72%	115 007	1,73%
Palm kernel oilcake	11 568	0,17%	9 882	0,15%	8 061	0,13%	5 378	0,08%	5 398	0,08%
Plant oil	19 634	0,28%	19 994	0,31%	16 727	0,26%	13 144	0,20%	31 659	0,48%
Poultry by-product	76 451	1,11%	68 614	1,06%	65 752	1,03%	59 289	0,89%	51 091	0,77%
Remix				0,00%		0,00%	4 980	0,07%	2 715	0,04%
Rice				0,00%		0,00%	315	0,00%	173	0,00%
Rice bran				0,00%		0,00%	3 590	0,05%	2 288	0,03%

TABLE 2: RAW MATERIAL USAGE (APRIL 2015 TO MARCH 2020) – AFMA MEMBERS (TONS) (CONTINUED)										
Raw material	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate	TOTAL (T)	Incl. rate
	2015/2016	2015/2016	2016/2017	2016/2017	2017/2018	2017/2018	2018/2019	2018/2019	2019/2020	2019/2020
Salt	65 059	0,94%	51 722	0,80%	55 170	0,87%	60 706	0,91%	54 348	0,82%
Shell grit				0,00%		0,00%	647	0,01%	811	0,01%
Sorghum	4 221	0,06%	4 633	0,07%	4 679	0,07%	5 064	0,08%	1 516	0,02%
Soya full fat	72 415	1,05%	59 317	0,92%	114 839	1,81%	162 473	2,45%	130 993	1,97%
Soybean hulls				0,00%		0,00%	15 002	0,23%	19 417	0,29%
Soya oilcake	936 283	13,55%	891 467	13,76%	861 981	13,57%	872 729	13,13%	950 175	14,30%
Soya seed				0,00%		0,00%	939	0,01%	939	0,01%
Sunflower hulls	10 185	0,15%	2 966	0,05%	5 761	0,09%	15 451	0,23%	15 805	0,24%
Sunflower seed							164	0,00%	134	0,00%
Sunflower oilcake	308 633	4,47%	299 357	4,62%	314 930	4,96%	293 752	4,42%	269 917	4,06%
Sterilized poultry manure				0,00%		0,00%	2	0,00%	0	0,00%
Threonine				0,00%		0,00%	2 202	0,03%	2 462	0,04%
Triticale	8	0,00%	0	0,00%	0	0,00%	14	0,00%	1	0,00%
Urea	29 400	0,43%	22 913	0,35%	25 818	0,41%	27 892	0,42%	25 177	0,38%
Vit & Min premixes	30 854	0,45%	33 534	0,52%	38 136	0,60%	41 288	0,62%	48 940	0,74%
Water				0,00%		0,00%	9 624	0,14%	12 052	0,18%
Wheat				0,00%		0,00%	991	0,01%	3 295	0,05%
Wheaten bran & flour	434 226	6,29%	424 708	6,56%	408 752	6,43%	463 623	6,98%	437 481	6,58%
Wheaten straw	13 611	0,20%	10 575	0,16%	9 293	0,15%	8 111	0,12%	11 955	0,18%
TOTAL	**6 905 572**	**99,96%**	**6 400 966**	**98,83%**	**6 297 007**	**99,10%**	**6 567 080**	**98,83%**	**6 613 497**	**98,36%**
Feedsales for the period	**6 908 428**	**2,9%**	**6 476 509**	**-6,3%**	**6 354 318**	**-1,9%**	**6 644 647**	**4,6%**	**6 723 822**	**1,2%**

10.2.1 Oilcakes and fishmeal

The details of oilcake and fishmeal consumption by AFMA members during the period 1 April 2015 to 31 March 2020 are shown in **Table 3**.

Although fishmeal's availability has fluctuated over the years, and in most cases is in short supply, Table 3 indicates how it was utilised over the last five years (AFMA members included). The use of fishmeal is determined by its availability, product mix, and price compared to other available protein sources. Fish meal used showed a further increase to 18 453 tons in 2019/20 after a decrease in 2017/18.

Soya oilcake and full-fat soya consumption are similar, increasing slightly to 1 082 107 tons from the 1 051 143 tons consumed in 2018/19. This is a testimony to the flat market conditions, which show a static to the prolonged positive movement towards recovery.

As far as the dairy, beef and sheep diets are concerned, the slow move towards recovery can be attributed to a combination of variables ranging from it to the beef and sheep markets, which are still recovering from drought conditions. This forced producers to reduce animal numbers to herd sizes that were economically viable and able to survive on the limited natural grazing available and reliance on feeding breeding stock for the future. However, unnatural and unpredictable weather patterns in certain parts of the country (the Western Cape Province and provinces in the far North West of the country), continue.

Activity in the poultry industry, however, has begun stabilising since we last reported. Since 2018/19, all stakeholders (i.e. industry, the government, labour, independent producers and importers and exporters), in the SA poultry sector developed and reached consensus on a SA Poultry Sector Master Plan which was signed into force in November 2019. In addition to the Master Plan, the government finally approved the trade remedies applied for by SAPA, protecting the poultry industry from the impact of the dumping of excess product in the SA market by the EU and Brazil.

Sunflower oilcake utilisation dropped to 270 051 tons in 2019/20, underlining the recovery in the beef and sheep market, while soya showed a slight increase as the poultry industry shows signs of recovery.

TABLE 3: OILCAKE AND FISHMEAL USAGE BY AFMA MEMBERS: 1 APRIL 2014 TO 31 MARCH 2020 (TONS)

Oilcake	2015/2016	% Inc	2016/2017	% Inc	2017/2018	% Inc	2018/2019	% Inc	2019/2020	% Inc
Soya*	1 008 698	14,60%	953 750	14,73%	960 974	15,12%	1 051 143	15,82%	1 082 107	16,09%
Sunflower	308 633	4,47%	308 353	4,76%	313 912	4,94%	309 367	4,66%	270 051	4,02%
Cottonseed**	16 733	0,24%	19 097	0,29%	17 761	0,28%	13 870	0,21%	11 244	0,17%
Groundnuts	573	0,01%	1 489	0,02%	0	0,00%	2	0,00%	55	0,00%
Canola***	38 655	0,56%	38 615	0,60%	31 224	0,49%	28 928	0,44%	28 368	0,42%
Copra; Palm & Lupin	19 990	0,29%	15 756	0,24%	8 061	0,13%	5 478	0,08%	5 636	0,08%
TOTAL	**1 393 282**	**20,17%**	**1 337 060**	**20,64%**	**1 331 932**	**20,96%**	**1 408 788**	**21,20%**	**1 397 461**	**20,78%**
Fish meal	12 178	0,18%	12 676	0,20%	12 205	0,19%	13 513	0,20%	18 453	0,27%
Animal Feed Sales	6 908 428		6 476 933		6 354 318		6 644 647		6 723 822	

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

TABLE 3.1: USAGE OF MAIZE PRODUCTS BY AFMA MEMBERS: 1 APRIL 2014 TO 31 MARCH 2020 (TONS)

	2015/2016	% Inc.	2016/2017	% Inc.	2017/2018	% Inc.	2018/2019	% Inc.	2019/2020	% Inc.
Maize (incl. maize meal)	3 349 086	48,48%	3 136 112	48,42%	3 037 231	47,80%	3 090 178	46,51%	3 151 780	46,87%
Maize gluten feed (20%)	52 010	0,75%	45 797	0,71%	48 665	0,77%	57 273	0,86%	57 656	0,86%
Maize gluten feed (60%)	18 512	0,27%	16 653	0,26%	16 957	0,27%	18 938	0,29%	13 974	0,21%
Maize screenings	19 081	0,28%	20 411	0,32%	12 033	0,19%	9 600	0,14%	8 776	0,13%
Maize germ meal	26 666	0,39%	12 690	0,20%	14 649	0,23%	12 080	0,18%	13 355	0,20%
Defatted maize germ meal	5 947	0,09%	6 432	0,10%	7 882	0,12%	11 736	0,18%	12 083	0,18%
Maize germ oilcake	843	0,01%	453	0,01%	1 186	0,02%	4 752	0,07%	3 753	0,06%
Hominy chop/Germ meal	122 871	1,78%	123 745	1,91%	141 077	2,22%	121 793	1,83%	108 315	1,61%
TOTAL	**3 595 016**	**52,04%**	**3 362 293**	**51,91%**	**3 279 680**	**51,61%**	**3 326 350**	**50,06%**	**3 369 692**	**50,12%**
Total feed production (tons)	**6 908 428**		**6 476 933**		**6 354 318**		**6 644 647**		**6 723 822**	

10.3 Raw materials available to the feed industry: 2019/20

10.3.1 Oilcakes

The production of oilseeds and oilcake during the 2018/19 production season and the volumes available during the 2019/20 marketing season, are shown in **Table 4**. Information on imports is supplied in **Table 4.1**, while **Tables 4.2** and **4.3** contain summaries of the available oilcake.

After record summer crops during the 2017/18, large parts of the summer crop regions suffered a much drier year than previous periods, consequently leaving a much smaller crop in 2018/19.

These conditions are reflected in the crop sizes of all summer crops.

The soybean crop decreased by 380 455 tons from the 2018's 1 550 800 tons to 1 170 3451 tons in 2018/19. However, 1 263 370 tons went for crushing for soybean meal. Soy available for full-fat soya followed the same trend as soya production, decreasing by 16% to 186 737 tons from the previous year's 222 285 ton.

However, cotton production experienced a bumper crop, increasing availability by 27%, for crushing and as full-fat products in the reporting period.

TABLE 4: LOCAL OILCAKE AVAILABLE FOR MARKETING – 1 APRIL 2019 TO 31 MARCH 2020 (MARKETING SEASON) (TONS)

Description	Total crop 2018/2019	Available for crushing	Conversion rate (seed)%	Oilcake 2019/2020
Sunflower [1,2]	680 940	666 254	42%	279 827
Groundnut [1,2]	20 030	367	54%	196
Soya [1,2]	1 170 345	1 263 370	80%	1 010 696
- Full fat [2]	–	186 737	80%	149 390
Cotton [3]	238 222	–	50%	–
- Full fat [4]	–	83 037	50%	41 519
Canola [1,2]	104 052	46 897	55%	25 793
- Full fat [4]	–	2 136	55%	1 175
Lupins – Full fat [1]	18 000	16 800	100%	16 800
TOTAL LOCAL OILCAKE		**2 265 598**		**1 525 395**

Sources:

1. *National Crop Estimates Committee – 26 November 2019*
2. *SAGIS – Monthly reports (Jan-Dec '18; Jan-Mar '19; Jan-Mar '18; Oct '18-Sept' 19)*
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.*

TABLE 4.1: OILCAKE IMPORTS – 1 APRIL 2019 TO 31 MARCH 2020 (TONS)

Cake / Seed	Tons seed + oilcake	Conversion rate	Oilcake 2019/2020
Sunflower oilcake *	91 305	100%	91 305
Sunflower seed *	1 156	42%	486
Groundnut oilcake *	53	100%	53
Soya oilcake *	474 020	100%	474 020
Soya beans *	60 309	80%	48 247
Cotton oilcake *	57 125	100%	57 125
Cotton seed	16 276	50%	8 138
Other seeds *	186	50%	93
Other oilcakes *	7 838	100%	7 838
TOTAL IMPORTS	**708 268**		**687 305**
Local Production (Ex Table 4)			**1 525 395**
GRAND TOTAL – Table 4 + 4.1			**2 212 700**

Sources:

* *Department of Customs & Excise*
* *Cotton Seed Processors (Pty) Ltd*
* *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)*

TABLE 4.2: SUMMARY OF TOTAL OILCAKE AVAILABLE FOR MARKETING – 1 APRIL 2015 TO 31 MARCH 2020 (TONS)						
Oilcake	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**%**
Sunflower	434 220	422 418	401 728	447 077	371 617	16,79%
Groundnut	1 798	405	1 448	17 393	249	0,01%
Soya	1 559 230	1 467 093	1 429 250	1 456 143	1 682 353	76,03%
Cotton	88 677	74 924	13 135	111 969	106 782	4,83%
Canola	56 587	69 707	66 481	59 577	26 968	1,22%
Other oilcakes *	12 433	15 550	10 626	7 008	7 931	0,36%
Lupins	16 800	16 800	24 951	16 963	16 800	0,76%
TOTAL	**2 169 745**	**2 066 897**	**1 947 619**	**2 116 130**	**2 212 700**	**100,00%**
** Other oilcakes / seeds: Copra, Linseed, Rape & Palm*						

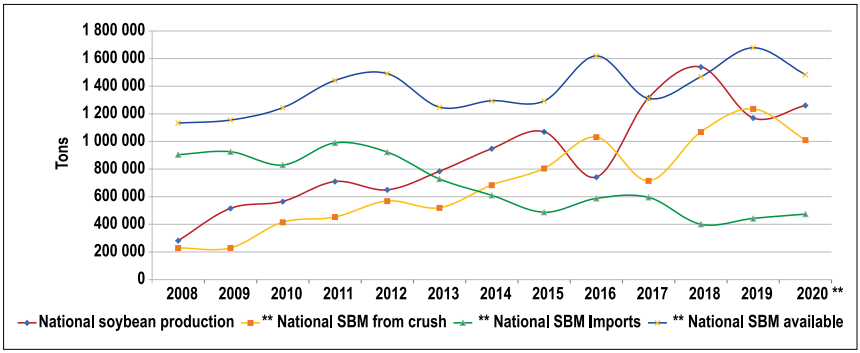
TABLE 4.3: TOTAL OILCAKE AVAILABILITY IN SOUTH AFRICA DURING 1 APRIL 2015 TO 31 MARCH 2020 (TONS)						
Oilcake	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**Increase / Decrease**
Sunflower	434 220	422 418	401 728	447 077	371 617	-17%
Groundnut	1 798	405	1 448	17 393	249	-99%
Soya	1 559 230	1 467 093	1 429 250	1 456 143	1 682 353	16%
Cotton	88 677	74 924	13 135	111 969	106 782	-5%
Canola	56 587	69 707	66 481	59 577	26 968	-55%
Others oilcakes	12 433	15 550	10 626	7 008	7 931	13%
Lupin	16 800	16 800	24 951	16 963	16 800	-32%
TOTAL	**2 169 745**	**2 066 897**	**1 947 619**	**2 116 130**	**2 212 700**	**4,56%**

10.3.2 Imports

Due to the drought experienced in the 2018/19 season and a steady increase in demand, a rise in major summer crops was to be expected.

An increase of 5% and 30%were respectively experienced in the case of sunflower oilcake and soya oilcake.

COMPARISON: SOYBEAN PRODUCTION, NATIONAL SBM CRUSHED & SBM IMPORTED

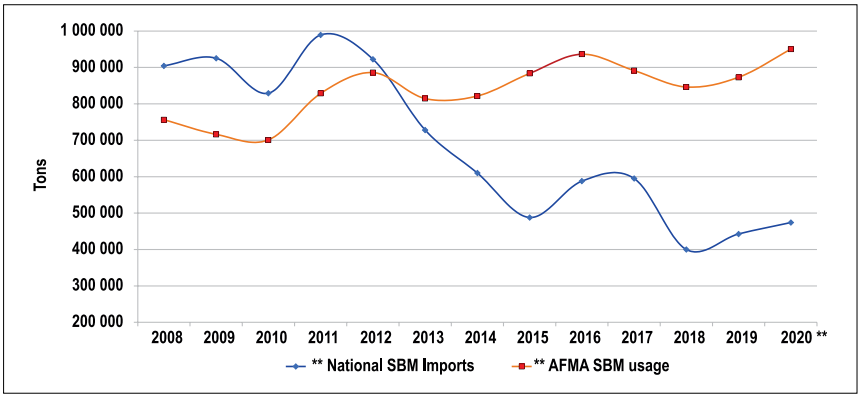


Source: AFMA Chairman's Reports

*** For the year April to March (AFMA stats year)*

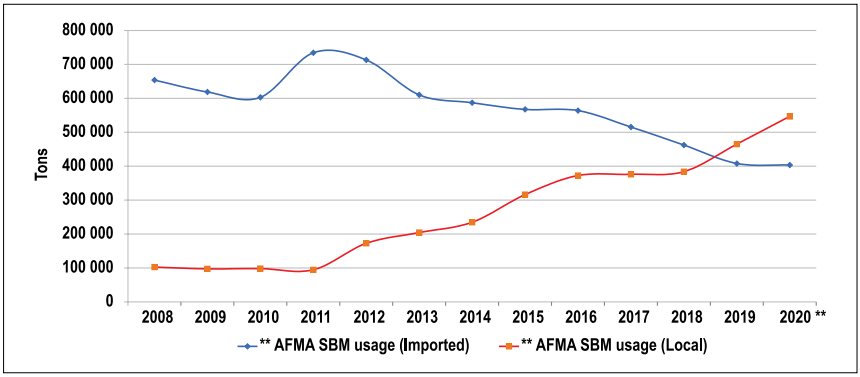
**** Estimates available for the next marketing year*

COMPARISON: AFMA SBM USAGE VS NATIONAL SBM IMPORTS



Source: AFMA Chairman's Reports
*** For the year April to March (AFMA stats year)*
**** Estimates available for the next marketing year*

COMPARISON: AFMA SOYA SBM USAGE (IMPORTED VS LOCAL)



Source: AFMA Chairman's Reports
*** For the year April to March (AFMA stats year)*
**** Estimates available for the next marketing year*

10.3.3 Fishmeal

The estimated fishmeal production for 2019/20 in South Africa, Namibia and Angola are shown in **Table 5**. Namibian fishmeal is regarded as imported and is calculated as part of the available total, although the entire output is exported. This is also the case with fishmeal manufactured by trawlers.

As seen in **Table 5**, local production was 66 000 tons, while output on trawlers was 8 000 tons. Imports accounted for an additional 1 700 tons, bringing total availability to 81 700 tons.

International prices influence exports of fishmeal. Therefore, the availability of fishmeal in South Africa and Namibia can be linked to these prices. Domestic consumption for 2019/20 was estimated at 20 000 tons.

TABLE 5: LOCAL AND IMPORTED FISHMEAL – 1 APRIL 2015 TO 31 MARCH 2020 (TONS)

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Local production: RSA *	73 000	86 500	72 500	79 000	66 000
Namibia*	5 000	7 500	6 000	6 000	6 000
Sub-Total	**78 000**	**94 000**	**78 500**	**85 000**	**72 000**
Imports **	1 700	2 400	1 000	1 000	1 700
"Russian Trawlers" *	8 000	8 000	8 000	8 000	8 000
TOTAL FISHMEAL AVAILABLE	**87 700**	**104 400**	**87 500**	**94 000**	**81 700**
Exports					
South African product	62 000	75 000	61 000	66 000	48 000
Namibian product	5 000	7 500	6 000	6 000	6 000
Russian trawler product	8 000	8 000	8 000	8 000	8 000
TOTAL AVAILABLE IN SA & NAMIBIA	**12 700**	**13 900**	**12 500**	**9 300**	**9 300**

* *IFFO The Marine Ingredients Organisation*
** *Customs & Excise*
*** *All the Russian trawler meal and some local fishmeal has been exported*

10.3.4 Maize

The availability of maize from 2015/16 to 2019/20 is shown in **Table 6**. As is the case with all raw materials in this report, opening and closing stocks have not been considered.

With yet another dry spell in some parts of the maize production areas, maize availability during the 2019/20 marketing season decreased by 3% to 11 767 534 tons.

TABLE 6: MAIZE AVAILABILITY – 1 MAY 2015 TO 30 APRIL 2020 (TONS)

Local	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
White [(1)]	4 810 790	3 408 500	9 268 593	6 308 941	5 538 240
Yellow [(1)]	4 984 418	4 370 000	6 360 089	5 674 911	5 719 610
Developing Agriculture [(1)]: White maize					
: Yellow Maize					
Imports [(2)]	1 968 519	2 236 743	0	171 622	509 684
TOTAL	**11 763 727**	**10 015 243**	**15 628 682**	**12 155 474**	**11 767 534**
Exports [(2)]	879 811	1 026 302	2 481 708	2 284 058	1 809 573

Source:
1. Crop Estimate Committee (CEC) – 26 November 2019
2. SAGIS – 28 June 2020
3. National Crop Estimates Committee – July 2020
Note: Developing Agriculture from 2006 included in White and Yellow total

10.4 Estimated raw material availability: April 2020 – March 2021 (tons)

10.4.1 Oilcakes

Table 7 shows details of the estimated availability of locally produced oilcake in the 2020/21 marketing season. These will be generated from local and, possibly, imported seed depending on the estimated requirement for oilcake for the 2020/21 season.

TABLE 7: ESTIMATED AVAILABILITY OF OILCAKES – 1 APRIL 2020 TO 31 MARCH 2021 (TONS)					
Oilseeds	**2019/2020 Crop estimated**	**Total available (Incl. Imports + Stock – Exports)**	**Available for crushing ****	**Conversion rate (seed) ***	**Equivalent oilcake**
LOCAL PRODUCTION					
Sunflower [(1)]	765 960	906 785	768 500	42,00%	322 770
Soya [(3)]	1 261 250	1 619 305	1 410 000	80,00%	1 128 000
Groundnut [(5)]	52 140	15 142	500	54,00%	270
Cotton seed [(4)]	47 163	67 163	60 000	50,00%	30 000
Canola [(2)]	92 500	111 774	100 000	55,00%	55 000
Lupins [(2)]	18 000	18 000	16 800	100%	16 800
ESTIMATED LOCAL PRODUCTION					**1 552 840**
Total Estimated Requirements [(6)]					2 000 000
IMPORT REQUIREMENT					**447 160**
Sources: *(1; 2; 3; 4; 5) – Crop Estimates Committee – 29 July 2020* * *AFMA & Protein Research Foundation* ** *SOILL – Southern Oil (Pty) Ltd*					

10.4.2 Fishmeal

The estimated fishmeal production in South Africa, the total requirement and the potential imports and exports are shown in **Table 8**. Significant volumes (more than 76%) of South African fishmeal is expected to be exported. The bulk of Namibian and Russian trawler fishmeal is shipped to destinations other than South Africa. Fishmeal imports into South Africa will be highly influenced by availability and price.

TABLE 8: ESTIMATED FISHMEAL PRODUCTION, REQUIREMENT AND EXPORTS – 2020/2021 (TONS)	
SA requirement	20 000
Export	50 000
TOTAL REQUIREMENT	**70 000**
Local production: (RSA)	70 000
Surplus / (Shortage)	–
IMPORT REQUIREMENT *	
Source: SA Fishmeal Marketing Company & Oceana Brands	

10.4.3 Maize

In sharp contrast to the production in 2019/20 of 11 767 534 tons, estimates show a sharp increase in maize availability during the 2020/21 marketing season, as shown in **Table 9**.

The continually changing rainfall patterns in the grains and oilseeds regions move the maize industry between being a net importer and a net exporter. These volumes are reflected in **Table 6**.

The considerable carry-over of stock from the previous season, which amounted to 1 082 643 tons in conjunction with the second-largest maize crop being expected, will help South Africa remain a net exporter of white and yellow maize. A small volume of yellow maize is expected to be imported for the animal feed industry. The results can be seen in **Table 9**.

TABLE 9: ESTIMATED MAIZE AVAILABILITY – 1 MAY 2020 TO 30 APRIL 2021			
Local maize crop estimate	Tons	Tons	Tons
	White maize	Yellow maize	Total maize
Opening Stock (1 May)	651 100	431 543	1 082 643
Deliveries – All producers	8 323 465	5 905 885	14 229 350
Est. Imports *	0	80 000	80 000
TOTAL AVAILABLE	**8 974 565**	**6 417 428**	**15 391 993**
Est. Exports *	1 560 000	1 000 000	2 560 000

Source:
National Crop Estimates Committee – 29 July 2020
Supply & Demand Estimate Committee – July 2020
** *The above include production for commercial purposes and traditional production*

10.4.4 Sorghum

According to the Crop Estimates Committee and Grain SA projections for 2020/21, the expected production for 2020/21 will be 135 300 tons. The calculated final crop for 2019/20 was 123 925 tons. **Table 10** gives the actual usage for the period from 2015 to 2019/20 (Grain SA) and the estimated usage for 2020/21. Grain sorghum usage in animal feed has become extremely limited.

TABLE 10: USAGE OF SORGHUM FROM 1 APRIL 2015 TO 31 MARCH 2020 AND ESTIMATED USAGE FOR 2020/2021 (TONS)						
	Usage 2015/2016*	Usage 2016/2017*	Usage 2017/2018**	Usage 2018/2019**	Usage 2019/2020**	Est. usage 2020/2021**
Malting	61 370	62 732	60 113	56 352	60 381	37 100
Meal, Rice and Grit	88 041	97 872	92 719	87 715	94 286	101 900
FOOD	**149 411**	**160 604**	**152 832**	**144 067**	**154 667**	**139 000**
Animal Feed	10 413	8 710	7 772	9 827	8 908	20 900
Pet Foods	1 029	1 001	818	850	555	700
FEED	**11 442**	**9 711**	**8 590**	**10 677**	**9 463**	**21 600**
Released to end consumers	2 608	1 209	1 482	766	613	800
Withdrawn by producers	2 569	644	2 370	1 032	957	1 300
OTHER	**5 177**	**1 853**	**3 852**	**1 798**	**1 570**	**2 100**
Exports ***	29 039	12 649	13 599	9 482	7 643	8 800
TOTAL REQUIREMENT	**195 069**	**184 817**	**178 873**	**166 024**	**173 343**	**171 500**
Opening Stock	121 812	83 142	35 238	59 246	51 860	63 400
Deliveries	120 231	68 578	150 967	115 394	123 925	135 300
Imports	34 316	74 957	55 824	45 739	59 253	20 000
TOTAL AVAILABLE	**276 359**	**226 677**	**242 029**	**220 379**	**235 038**	**218 700**
Closing Stock	83 142	35 238	59 246	51 860	60 423	58 000

Sources:
* *SAGIS – 29 April 2020*
** *Grain South Africa – 29 July 2020*
*** *Exports include both products and grain*

11. AFMA FEED SALES: 2019/20

After recovering from a -1.9% loss in sales volumes in 2017/18, feed sales remained on the road to recovery and ended with a 4.6% volume increase for 2018/19.

However, feed sales continued to reflect the drought conditions suffered in some parts of the country and ongoing challenges within the poultry industry. Despite these hardships, feed sales remained positive, recording a 1.2% growth in 2019/20

amounting to 6 723 822 tons. Measured in volumes, the further increase from 2018/19 was led by the poultry feed sales segments followed by pork and dairy (refer to **Table 11**).

Like the local poultry industry, the feed industry, the primary supplier to the poultry industry is anxiously awaiting the outcomes and effects of the new SA Poultry Sector Plan, which includes specific trade remedies against unfair trade and dumping of poultry in the SA market primarily by the EU, Brazil.

Additional trade remedies against specific importing countries have been applied for by SAPA. Should these applications be successful, they will support the local poultry industry's implementation of their Poultry Sector Master Plan. The plan is aimed at growth of the local industry, transformation, expansion of production and the development of a sustainable export market.

Should these outcomes materialise, it would benefit not only the feed sector but also the entire South African grain and oilseed value chain. It would also lead to policy certainty, encourage investments, growth, and vast job creation in these sectors by achieving the primary outcomes of the National Development Plan (NDP).

TABLE 11: AFMA FEED SALES FROM 2015/2016 TO 2019/2020 (APRIL – MARCH)* (TONS)

Type of Feed	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	% Growth
Dairy	912 312	925 185	950 243	956 400	967 560	1,2%
Beef and sheep	1 030 101	861 792	860 052	906 485	845 843	-6,7%
Pigs	285 020	308 569	342 076	379 313	394 184	3,9%
Layers	951 536	885 676	784 856	900 668	999 407	11,0%
Broilers	2 808 360	2 652 906	2 583 948	2 617 516	2 709 516	3,5%
Broiler breeders	499 307	468 431	476 924	528 181	536 709	1,6%
Horses	41 646	35 425	32 075	28 008	26 182	-6,5%
Dogs (D&W)	91 799	83 842	84 650	84 289	23 416	-72,2%
Ostriches	15 735	14 807	14 446	10 686	14 450	35,2%
Game Feed	71 319	60 927	52 591	41 208	34 257	-16,9%
Other mixtures	13 266	13 974	12 139	13 809	10 834	-21,5%
Aquaculture	5 281	4 357	4 730	4 847	4 048	-16,5%
CONCENTRATES						
Pigs	14 066	12 312	14 583	23 736	24 229	2,1%
Other concentrates	763	239	2 287	2 824	5 743	103,4%
Beef finisher	45 245	46 339	52 215	55 331	46 759	-15,5%
Dairy + urea	28 434	20 669	19 841	17 350	11 438	-34,1%
Dairy – urea	6 810	5 845	8 118	9 614	3 863	-59,8%
Sheep finisher	25 814	21 239	25 578	23 367	23 751	1,6%
Layers	51 774	47 188	26 134	29 339	31 936	8,9%
Broilers	5 846	3 569	2 425	2 023	2 174	7,5%
Ostriches	0	109	0	162	39,16	-75,8%
Horses	9	57	45	47	11	-76,6%
Ruminants – other	3 981	3 477	4 362	9 444	7 472	-20,9%
TOTAL	**6 908 424**	**6 476 934**	**6 354 318**	**6 644 647**	**6 723 822**	
%Growth	2,9%	-6,2%	-1,9%	4,6%	1,2%	

Source: AFMA STATS – Only AFMA members

11.1 Feed sales per province: 2019/20

Table 12 shows the feed sales of AFMA members per province. As previously mentioned, feed sales figures have, in some cases, been consolidated by province or area to prevent disclosing the statistics of individual feed mills. Mill production is regarded as feed sales and allocated in regions according to the location of the production facility.

It must be borne in mind that feeds are sold over provincial and national borders. Feed sales, therefore, effect points of production. No information on the movement of feed after production is available.

The market share of the different provinces shows some changes, due to expansion in certain areas and new members joining AFMA in various provinces.

AFMA began reporting on SADC figures in 2010/11. Some minor changes to market share have since taken place.

TABLE 12: ANIMAL FEED SALES PER PROVINCE – 1 APRIL 2019 TO 31 MARCH 2020 (AFMA MEMBERS ONLY) (TONS)

	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpuma-langa	North West Province	SADC	Western Cape	Total
Dairy	190 357	44 327	37 592	244 109	311	43 251	24 234	351	383 028	967 560
Beef and Sheep	39 898	117 962	11 458	214 637	3 797	307 969	11 946	6 843	131 333	845 843
Pigs	29 024	52 837	33 018	24 730	1 917	80 948	30 694	5 698	135 318	394 184
Layers	41 202	192 444	322 088	76 456	21 371	97 251	64 228	48 775	135 592	999 407
Broilers	184 071	365 247	473 426	146 186	56 483	464 461	415 885	149 696	454 061	2 709 516
Broiler Breeders	26 271	44 791	98 572	132 882	2 102	96 233	41 347	23 991	70 520	536 709
Horses	946	347	14 623	240	3 937	4 046	–	–	2 043	26 182
Dogs	–	–	22 086	–	660	–	648	22	–	23 416
Other Mixtures	196	265	2 250	591	1 070	427	1 282	3 862	891	10 834
Maize-free Mixes	3 216	31 317	17 163	5 659	125	73 365	6 245	–	20 325	157 415
Aquaculture	–	–	6	–	–	–	–	–	4 042	4 048
Ostriches	103	315	52	–	120	249	–	–	13 611	14 450
Game Feed	1 384	3 438	8 397	178	7 420	9 080	1 728	–	2 633	34 258
TOTAL 2019/2020	**516 668**	**853 290**	**1 040 731**	**845 668**	**99 313**	**1 177 280**	**598 237**	**239 238**	**1 353 397**	**6 723 822**
Percentage of sales	7,7%	12,7%	15,5%	12,6%	1,5%	17,5%	8,9%	3,6%	20,1%	100,0%
TOTAL 2018/2019	**501 130**	**857 636**	**1 005 749**	**837 603**	**65 666**	**1 136 879**	**610 552**	**272 305**	**1 357 127**	**6 644 647**
Percentage of sales	7,5%	12,9%	15,1%	12,6%	1,0%	17,1%	9,2%	4,1%	20,4%	100,0%

Source: AFMA STATS – Only AFMA members

12. NATIONAL FEED SALES: 2019/20

According to **Table 13**, national feed production showed the same trend as that of AFMA. National feed volumes for 2018/19 were calculated at 11 508 521 tons, showing an increase of 4.4% on a countrywide national production level.

TABLE 13: NATIONAL ANIMAL FEED PRODUCTION DURING 2019/2020 (TONS)			
Feed type	**AFMA feeds plus feeds derived from concentrates**	**National feed production ****	**AFMA feed as% of national production**
Dairy	1 005 685	2 314 971	43,44%
Beef & Sheep	979 439	3 242 499	30,21%
Pigs	454 758	1 030 607	44,13%
Layers	1 079 248	1 392 551	77,50%
Broilers	3 251 661	3 408 091	95,41%
Dogs	26 219	352 609	7,44%
Horses	23 416	116 154	20,16%
Ostriches	14 581	98 445	14,81%
Aquaculture	4 048	4 942	81,91%
Other	45 091	–	–
TOTAL	**6 884 145**	**11 960 870**	**57,56%**
Source: *Dr Erhard Briedenhann – Modelling*			

13. AFMA – MARKETING, COMMUNICATION & PROMOTION

13.1 AFMA marketing

AFMA's marketing and branding are part of maintaining and enhancing its corporate image as a leading and trendsetting industry body and include:

- Modernising its logo (which has been registered as the AFMA official Trademark);
- Modernised stationery and e-stationery;
- Frequent updating of banners in line with international standards;
- Branded corporate clothing for staff;
- Keeping the AFMA Matrix up to internationally competitive standards;
- The Chairman's Report is widely utilised – locally and internationally;
- The 12th annual AFMA Golf Day – drawing record industry participation;
- Sponsorship of student seminars;
- The annual AFMA Symposium;
- *Ad hoc* workshops;
- AFMA's website; and
- Social media platforms such as Facebook, Twitter and LinkedIn.

The AFMA Board continuously investigates improvements and identifies the latest technologies that can be utilised to strengthen the AFMA image and brand on behalf of its members. The branding and marketing of AFMA have since its outset received a widespread positive reaction from members, state departments, organisations in the feed value chain, and private institutions.

13.2 AFMA website

The AFMA website forms the pivotal point and the central theme of the branding of the association. It has a contemporary look that is continuously updated with the latest information and new features.

The website was specifically designed to be used as an information platform for the animal feed industry and related matters.

The newly revamped and modernised AFMA website was launched in July 2016. It features a new user-friendly look and layout and is accessible from any mobile smart device. When designing the new site, the focus was on making more information available to members and the public.

The website is available at **www.afma.co.za**.

13.3 Professional and corporate image

AFMA maintains its professional and corporate image in all activities in which it is involved. This is evident in every activity that AFMA presents at any level.

As part of its professional and corporate image, AFMA has complemented its branding and marketing by using e-marketing. It has dedicated websites for each type of event, adding to the corporate and professional profile already in place. The websites are:

- **www.afmaagmza.co.za**
- **www.afmasymposium.co.za**
- **www.afmaforum.co.za**
- **www.afmagolfday.co.za**

In addition to the electronic media tools, AFMA has begun to align its printed versions' look and feel with those of its digital counterparts.

13.4 Industry communication

In addition to the above branding and marketing vehicles used by AFMA, two newsletters have been added to its stable of existing communication tools:

13.4.1 AFMA Member Updates

The AFMA Member Updates is a quarterly newsletter designed to provide members with an overview of various AFMA activities initiatives and committee decisions. The AFMA Member Updates are distributed to members only.

13.4.2 AFMA E-News

The purpose of the quarterly AFMA E-News is to engage with value chain partners and related industries on AFMA's activities, industry involvement and upcoming events.

13.4.3 Social media

AFMA's social media presence is growing in both followers and engagement across Facebook, Twitter, and LinkedIn. These platforms enable AFMA to share information in real-time as events happen or information becomes available.

13.4.4 E-mail

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

In addition to its routine e-mail correspondence and communication channels, AFMA has also launched a bulk e-mail delivery system for its mass communication needs. This was mainly driven by the need to reach all contacts on the expanded AFMA communication network to improve communication to all.

13.4.5 Radio and television interviews

As part of the co-publishing agreement between AFMA and *Plaas Media*, and as part of the AFMA communication strategy, interview opportunities (on *RSG*, *Landbouradio* and *Plaas TV*) to promote AFMA and its activities became a reality.

AFMA's Executive Director and AFMA's Chairperson are regular guests on *Die Groot Ontbyt* morning breakfast television programme where they discuss issues concerning the South African feed industry. Copies of these interviews can be obtained on the AFMA website: **www.afma.co.za/broadcasts**.

13.5 Sponsorship and presentation of awards

13.5.1 AFMA Person of the Year Award

During 2018/19, the prestigious award was made to Mr Terry Wiggel of Chemuniqué International (Pty) Ltd, for the role he has played in the animal feed and nutrition industry and his contribution to the broader agricultural environment in various forums.

Our appreciation goes to Chemuniqué International (Pty) Ltd, for their generous support and sponsorship of this award.

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

The Barney van Niekerk/AFMA Technical Person of the Year Award for 2018/19 was sponsored by AFMA.

The award was presented to Dr Peter Plumstead of Chemunique International (Pty) Ltd, for his valuable contribution to the technical science of animal nutrition in South Africa.

13.5.3 Koos van der Merwe/AFMA Student Award

The Koos van der Merwe/AFMA Student Award for 2018/19 was awarded to Anne-Marie Verhoef from the University of Pretoria.

13.6 AFMA publications & communication

13.6.1 AFMA Matrix

A total of 116 issues of AFMA Matrix, the AFMA quarterly industry magazine, have been published since March 1992. Special editions of the AFMA Matrix have been published to coincide with major industry events that have involved most of the feed industry's major players. These have included the AFMA 2007 Forum, the World Conference on Animal Production (WCAP) in 2008, the AFMA Forum in 2010, the fourth GFFC in 2013, the AFMA Forum 2016, AFMA Forum 2020 and AFMA's annual symposia).

All the issues were very well received and are read worldwide in hard copy and electronic format (available on the AFMA website). The popularity of the AFMA Matrix can be gauged from constant enquiries about articles and information regularly received from across the globe.

As reported earlier, a co-publishing agreement between AFMA and *Plaas Media* was concluded in 2012. After concluding this agreement, the first issue of the AFMA Matrix in its new format was published and distributed at the fourth GFFC as a special edition. AFMA's Marketing and Promotion Committee will continuously monitor the development of the new format of the AFMA Matrix, ensuring that the ongoing needs of AFMA members are met.

13.6.2 Intervarsity Writer's Cup

During 2019, AFMA initiated an exciting new initiative. Part of its student outreach programme, the Intervarsity Writer's Cup (IWC) competition is open to students studying at tertiary institutions where animal nutrition is part of the curriculum.

The IWC competition aim is to motivate final year or first-year-post-graduate students studying animal nutrition to write first-class technical articles that can be published as research pieces in AFMA's quarterly magazine, the AFMA Matrix.

The competition involves the student, his or her lecturer, or a mentor and the tertiary institution. The AFMA Matrix, which is published quarterly, publishes an article in each edition and the winning writer receives a cash prize of R2 000. The best article published over four editions of the magazine wins its writer a cash prize of R7 000. The winner's lecturer or mentor receives R7 000.

To complete the circle, the tertiary institution at which the student is studying receives R10 000 in cash, a floating trophy and the 'bragging rights' to being home to the Intervarsity Writer's Cup Champion of the year.

Through the competition, AFMA is encouraging students to develop their technical writing and research abilities. Simultaneously, the writers, their lecturers or mentors

and their tertiary institutions receive publicity in the AFMA Matrix, which is distributed quarterly to more than 4 000 addresses, locally and internationally.

Ultimately, the recognition received by the writers could, hopefully, result in offers of employment or other career development opportunities.

13.7 International participation

13.7.1 International Feed Industry Federation (IFIF)

AFMA was re-elected to the IFIF Board of Directors for a further two-year term during the federation's General Assembly in 2019. It was hosted at the FAO Headquarters in Rome during October 2019. AFMA has remained a member of the three IFIF PET (policy, education and technical) committees.

AFMA was further honoured by being elected to serve on the IFIF Board's EXCO during 2018 and part of 2019. The IFIF EXCO consists of five Feed Association Members on the IFIF Board, of which the F4 – (China, USA, EU and Brazil) are standing members. Thus, AFMA is honoured to be the fifth member of the EXCO joining the F4.

13.7.2 International Feed Regulators Meeting (IFRM)

The twelfth International Feed Regulators Meeting (IFRM) was hosted in Atlanta, Georgia, USA, at the end of January 2019. AFMA is represented on the IFIF Board and the EXCO by its Executive Director, Mr De Wet Boshoff.

AFMA was represented in Atlanta by its Technical and Regulatory Manager, Liesl Breytenbach, who also serves on the IFIF Regulatory Committee. Unfortunately, the South African regulators could not attend the meeting.

13.7.3 The Southern African Feed Manufacturers Association (SAFMA)

As reported in previous AFMA Chairman's reports, following the official founding of SAFMA during the fourth Global Feed and Food Congress (GFFC) in April 2013, AFMA has been driving this initiative within SADC. The key objectives of SAFMA are:

- The establishment of a network of contacts of relevant feed and related role players in the region.
- The establishment of country feed associations in SADC member states, with AFMA playing a mentoring role.
- Agreeing and implementing generally accepted manufacturing practices in member states.
- Deciding on aligned, like-minded feed and milling legislation (equivalence), regulations and guidelines for member states.
- Skills transfer, training and education through the structures within the region as well as from IFIF.

AFMA, with the assistance of individuals within Zambia, is currently planning the launch meeting of the Zambian Animal Feed Manufacturers Association (ZAFMA). This will be the second association to be established based on the AFMA model's principles, which also takes account of the member country's requirements.

13.8 Presence and credibility on forums

During the year under review, AFMA entered its ninth year of hosting the full-time secretariat of SACOTA. This annual venture builds on synergies, with more activities and functions being used to the optimum benefit of AFMA and SACOTA members.

The joint synergies between AFMA and SACOTA have led to a significant combined impact and a more streamlined decision-making process over the past years.

The most significant synergy was the commodity clearance received for all GMO events through multinational seed companies' assistance. This clearance was synchronised to occur with the USA and took place while South Africa was suffering its worst drought in a century. The drought's net effect was a drop in the yellow maize price from levels of more than R3 300 per ton during the latter parts of 2016 to levels of around R2 000 per ton in early 2017.

The savings achieved by synchronising the three global yellow maize suppliers were conservatively calculated at around R2.4 billion on yellow maize. This allowed manufacturers and processors to recover from the harsh economic conditions they had to endure that resulted in some companies having to extend their credit lines and others having to secure loans to stay afloat.

With this as an example of how a single industry issue can be addressed at ground level, AFMA has further enhanced its position as one of the leading decision-making organisations in agriculture. Even more significantly, it has increased its stature as an association that can address issues on an operational level to the benefit of the livestock, animal feeds, and the integrated grain value chain.

13.9 Membership

Unfortunately, AFMA has to report that it lost several full and associate members due to the state of the economy. However, this situation is already being addressed through the 2019/20 strategic focus and is already bearing results with new members joining the AFMA ranks.

13.10 Own identity

For more than a decade, AFMA has successfully regained, established and expanded its new identity. It is now well known to all government departments. These departments include the Department of Agriculture, Land Reform and Rural Development (DALRRD); the International Trade Administration Commission of

South Africa (ITAC); the Department of Trade, Industry and Competition (the DTIC); the Department of Health (DoH), and the Department of International Relations and Cooperation (DIRCO).

The AFMA brand is equally well known and respected by its private sector industry partners, specifically in the grains, oilseeds and livestock sector's value chains. This is clear from all the enquiries, interactions, requests and invitations that AFMA receives from across the private livestock sector, and government and parastatals that deal with feed and related matters.

13.11 International recognition

As a member of IFIF, the IFIF Board and the IFIF EXCO to the Board, AFMA enjoys international recognition as the leading representative feed organisation in Africa. Other members of IFIF (among them the USA, EU, China and Brazil (F4)) also regard the association as a leader in Africa. Furthermore, the FAO recognises AFMA as the leading association and commentator on animal feeds in Africa, especially after hosting the fourth GFFC hosted by AFMA at Sun City in 2013.

This recognition was further enhanced after the acceptance of the proposal that feeds companies in SADC become full members of AFMA, with the association being their representative in Southern Africa. This momentum was taken further with the establishment of SAFMA in April 2013, which is expected to enhance AFMA's position to provide feedback at future international events.

In addition to the AFMA linkages and recognition, the SACOTA management agreement enhances this recognition in the international trading fraternity. It enables these associations to cover a much broader scope of work, to the benefit of both bodies.

During the past nine years, AFMA and SACOTA have established an excellent business relationship with the US Grains Council on grain production, procurement and regulatory matters regarding potential imports from the USA due to the drought that South Africa experienced.

This relationship is being furthered through cooperation with SACOTA in the ZAFMA and AKEFEMA (Kenyan Feed Association) project.

13.12 National recognition

AFMA is currently enjoying recognition as a national role player. AFMA participates in all forums related to livestock; animal feeds, the grain value chain, the oilseeds value chain, and the broader food value chain, where it is a leading decision-maker. As previously mentioned, the AFMA/SACOTA synergy has enhanced both associations' impact on the issues they deal with on behalf of their constituents.

AFMA has taken the AFMA/SACOTA cooperation further with the signing of a contract with the South African Oilseed Processors Association (SAOPA), supplying several services to the Association. This agreement was renewed for a third year.

14. AFMA MEMBERSHIP

During the period under review, twelve (12) potential full members and eighteen (18) potential associate members applied for membership to join AFMA. Two members resigned during this period and Nu-Pro Feeds merged with TripleV Animal Feeds and both entities' names were changed to Qpro Feeds.

AFMA's total membership for 2019/20 amounts to 139 and consist of:

- Full members (compound feed manufacturers) 65
- Associate members 74

Associate membership categories provides for:

- Premix manufacturers 34
- Traders 18
- Producers and suppliers of raw materials 14
- Manufacturers and suppliers of equipment 2
- Laboratory services 5
- Transport services 1

14.1 New members

The following companies have successfully applied for AFMA membership and have been found compliant with the AFMA Code of Conduct by a third-party assessment body. They have been awarded a conformance certificate for membership:

Associate members:

1. Alcom Feeds (Pty) Ltd
2. Envarto (Pty) Ltd
3. Essential Nutrient Systems (Pty) Ltd
4. Griekwaland Wes Korporatief
5. Huvepharma South Africa (Pty) Ltd
6. Idwala Industrial Holdings

15. STAFF MATTERS

15.1 The staff in the AFMA office

The number of staff in the AFMA office during the year under revision has remained unchanged.

The current full-time staff members are as follows:

- Executive Director - De Wet Boshoff
- Manager: Operational Services - Dirk Kok
- Manager: Technical and Regulatory Affairs - Liesl Breytenbach
- Office Administrator - Wimpie Groenewald
- Technical Administrator - Karla Hendriks

16. ACKNOWLEDGEMENTS

My heartfelt appreciation and acknowledgement go to the Board and directors for their support and inputs on industry matters during my term as Chairman.

The committees and sub-committees of AFMA once again made a tremendous effort and presented valuable work, with the chairpersons of the various committees making significant contributions.

My thanks go to Francois van de Vyver (Technical), Heiko Köster (Trade), Liza Burger (Regulatory), Dirk Kok (SACOTA), Sharlene Moodley (Training and Skills Development), Jennifer Roets (Marketing, Communication, and Promotion) and De Wet Boshoff (Management Information, AFMA Matrix Editorial Sub-Committee, and SACOTA).

I also extend my gratitude, thanks and appreciation to all participants and attendees of the AFMA committee meetings for their valuable inputs during the year and their contributions to the success of AFMA.

My further appreciation goes to AFMA members for allowing and sponsoring their employees' time and expenses, enabling them to contribute to the broad AFMA cause unselfishly.

The AFMA staff worked extremely hard and with dedication. I thank Liesl, Dirk, Wimpie, Karla, Jennifer, Herman, Ronel, and Mandy for their exceptional efforts.

De Wet Boshoff, the Executive Director of AFMA, has excelled once again and continued to make a considerable difference to AFMA and SACOTA. With his professional attitude and innovative approach, he has been a pleasure to work with.

Finally, my thanks go to all members and associate members for their contributions throughout the year and their great support of AFMA.

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