

A PROFILE OF THE SOUTH AFRICAN OSTRICH MARKET VALUE CHAIN

2011

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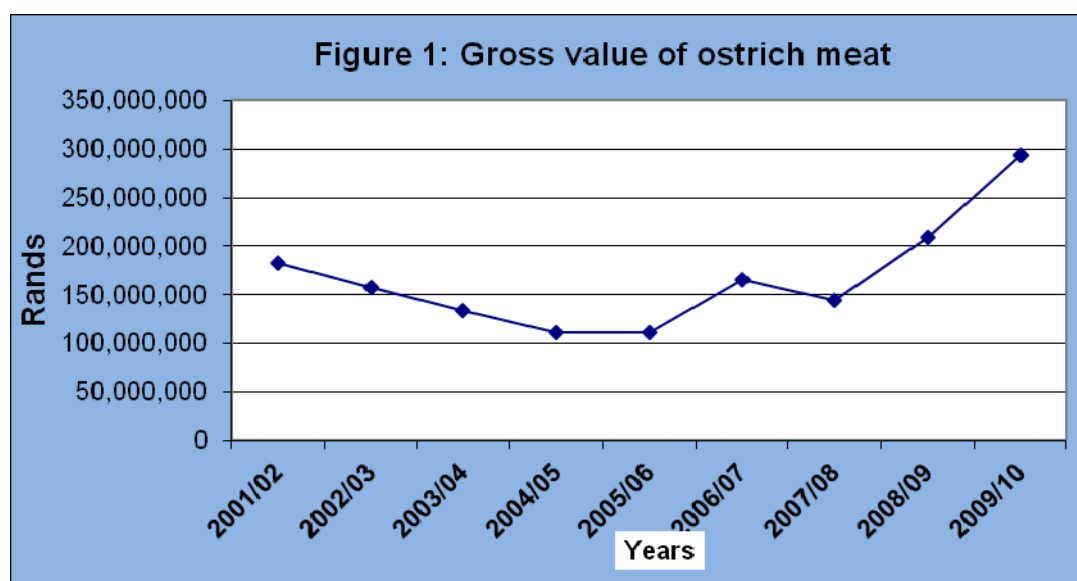
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1. DESCRIPTION OF THE INDUSTRY

South Africa is the world leader in ostrich production with 75% of global market share. Ostrich is characterized by three product phases, *i.e* meat, leather and feathers and the current main source of income is meat and leather. The value of a slaughtered ostrich is broken down into 45% skin, 45% meat and 10% feather. This contrasts with Europe, where the breakdown is 75% meat and 25% skin, this is because of the popular healthy aspects that ostrich meat contains the lowest fat and cholesterol and rich in protein and iron.

In South Africa Ostriches require dry climates, especially for breeding. Therefore Ostrich farming is more suitable in the western drier parts of the country or in winter rainfall regions. The industry dominates in the Western Cape in the Klein Karoo and Southern Cape regions. Oudtshoorn district in Western Cape is called the ostrich capital due to the number of ostriches slaughtered and the value added products from this area.

The gross value of production of ostrich products is dependent on the quantity produced and the prices received by producers. The average gross value over of ostrich production amounted to R 167, 792, 067 over the past 10 years. The contribution of ostrich production to the gross value of agricultural production increased in 2001/02 due to an outbreak of BSE (mad cow disease) in Britain and the weaker South African rand, and declined in 2003/04 due to an outbreak of Avian Influenza (AI) during August 2004 in South Africa. It over-recovered in 2006/07 due to increasing prices but declined again in 2007/08 due to economic crisis and reached a peak in 2009/10. Figure 1 below show the gross value of ostrich production over the past 10 years.

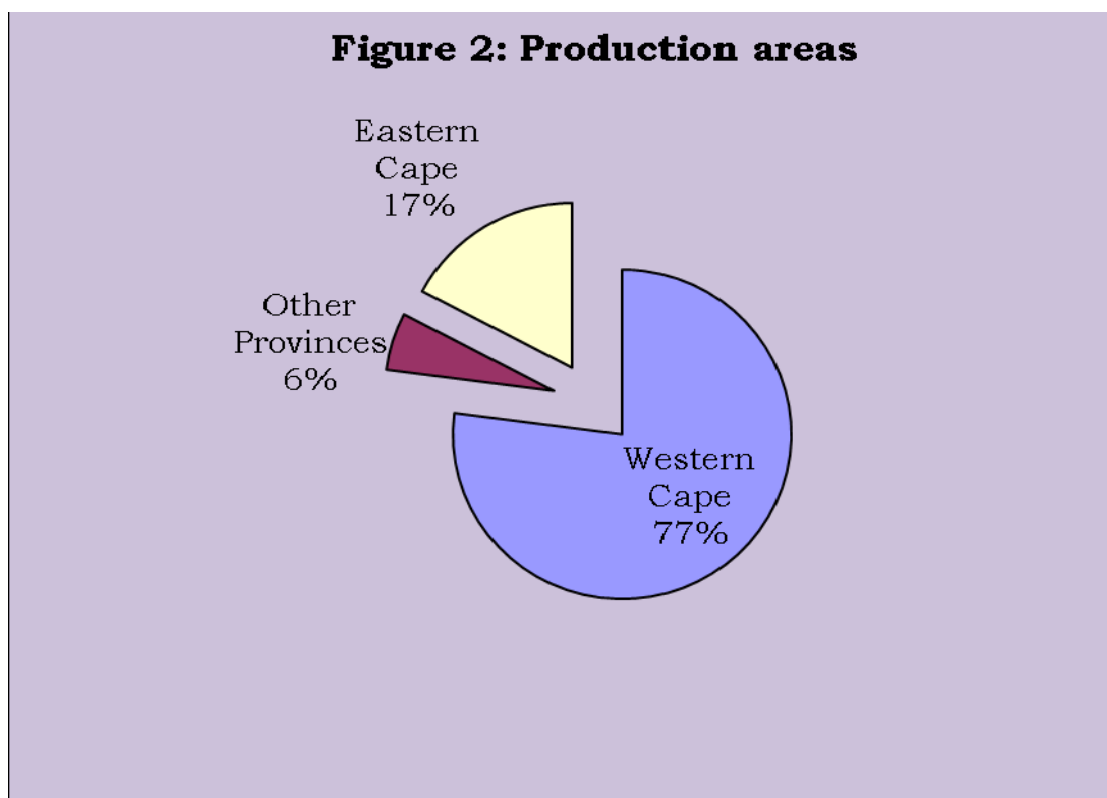


Source: Statistics and Economic Analysis.

1.1. PRODUCTION AREAS

Ostriches are produced throughout South Africa except in Kwazulu-Natal. Approximately 77% of ostriches are found in the Western Cape. The balance 23% is found in the Eastern Cape, Free State, Gauteng, Limpopo, Mpumalanga, North-West and Northern Cape. Oudtshoorn in the Klein Karoo of the Western Cape is regarded as the ostrich

capital of the world. Figure 1 below show the production areas of ostriches in South Africa.



Source: Statistics and Economic Analysis.

Figure 2 above show that Western Cape commands the greatest share of ostrich production accounting for 77% followed by Eastern Cape (17%) and the balance of 6% is shared by 6 provinces.

1.2. PRODUCTION TRENDS

Local ostrich activities have spread from the Klein Karoo region (which maintains its prominent role) into the Western Cape, as well as to the Free State, Gauteng, Limpopo, Mpumalanga, North-West and Northern Cape. South Africa has about 588 registered export farms of which 453 farms are in the Western Cape, 102 in the Eastern Cape and 33 farms in the rest of the country. There are 10 European Union approved export abattoirs, the 10 tanneries for exotic leather like crocodile, snake, game and ostrich, two are dedicated to ostrich. Most ostriches go to slaughter at 10 –14 months of age, produce about 27 kg of meat, 4.2 m² of leather and 1 kg of feathers. Figure 3 below indicate slaughtering and production of ostrich meat.



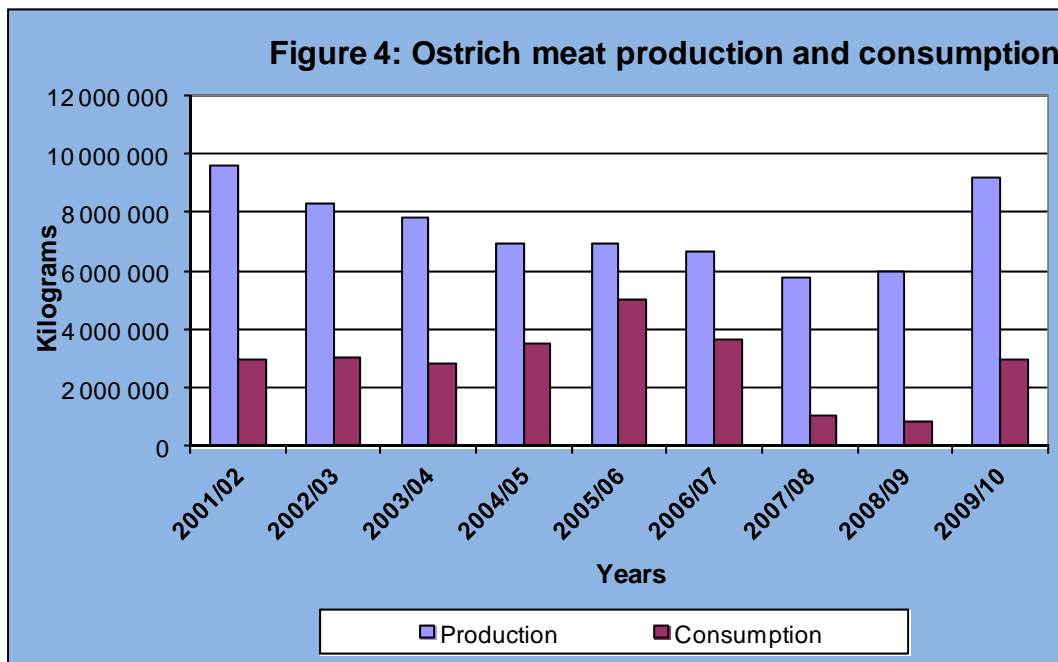
Source: Statistics and Economic Analysis.

The number of ostriches slaughtered and production followed the same trend. They both started high in 2001/02 and decreased continuously from 2002/03 to 2008/09 before increasing in 2009/10. There is a slight decrease of 4.4% for both production and slaughterings during 2009/10 relative 2001/02 which was the highest and an increase of 59% compared to 2007/08 which was the lowest. The decrease experienced in 2007/08 was due to the economic crisis which lowered the demand of ostrich meat as it is classified as luxury goods.

In 2004, South Africa culled around 15 000 ostriches to contain the highly contagious disease (AI). This explains the decrease experienced during the same period.

1.3. LOCAL CONSUMPTION

Figure 4 below depicts local consumption of ostrich meat compared to the total production for each year to determine if the country is self-sufficient.



Source: Statistics and Economic Analysis and Quantec.

There is an increase of 0.03% of ostrich meat consumed and 4.4% decrease of ostrich produced during 2009/10 compared to 2001/02 but figure 4 indicates that there is still more ostrich meat produced than consumed in South Africa and this makes the industry to be export oriented. Local consumption comes in all sorts of forms, with wors (sausage) and biltong (dried and spiced meat) being among the favourites. Production of ostrich meat constituted 65% of income derived from an ostrich.

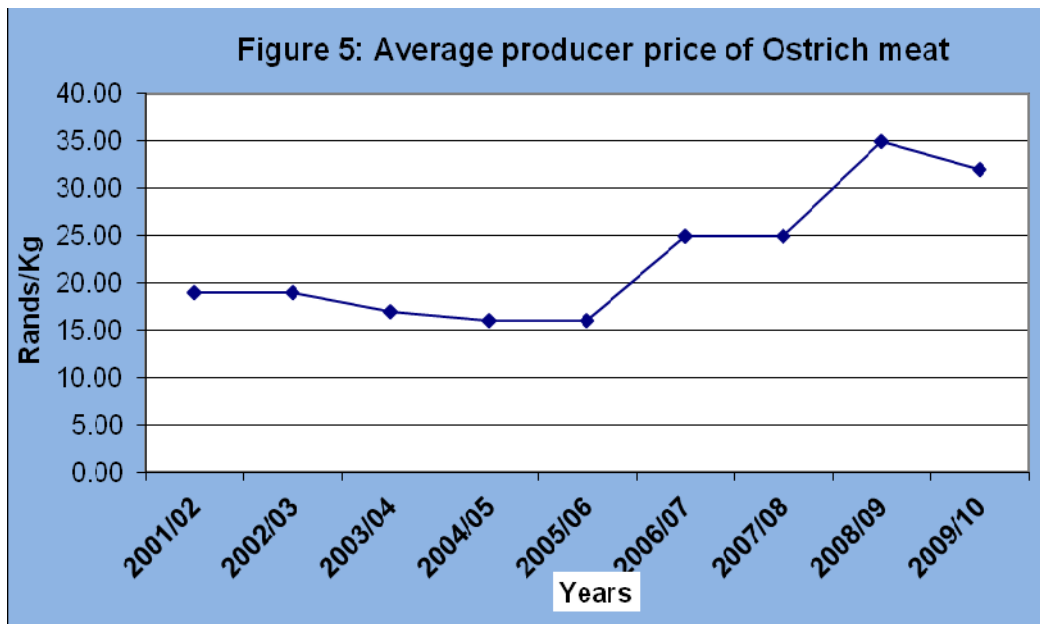
1.4. EMPLOYMENT

The industry created approximately 20 000 direct jobs in South Africa's rural areas.

2. MARKET STRUCTURE

2.1. DOMESTIC MARKET

Ostrich products were sold through the Klein Karoo Co-operative in "one channel marketing system" until November 1993. The farmers promoted this system to ensure protection and a satisfactory income since the industry was not governed by a Control Board. In November 1997 the "one channel marketing system" was replaced by a free market system. The prices are determined by forces of demand and supply. Since deregulation 9 new abattoirs were built, namely; Mosstrich, Grahamstown Ostrich Abattoir, Swartland Ostriches, Camdeboo Meat Processors Ltd, Exon, Marowe (Pty) Ltd, Philippe Genuine Ostrich Products and Camexo. Figure 5 below show the average ostrich meat prices by abattoirs.



Source: Statistics and Economic Analysis.

Domestic ostrich meat price decreased from R19/kg in 2001/02 to R16/Kg in 2005/06 before increasing drastically from 2006/07 to 2008/09. A slight decrease was experienced during 2009/10. Ostrich meat price experienced drastic increases from 2006/07 to 2008/09 with a recent peak of R35/Kg experienced in 2008/09.

2.2 IMPORT- EXPORT ANALYSIS OF OSTRICH

Figure 6 below compares the quantities of imports and exports for ostrich from 2001 to 2010.



Source: Quantec Easy data.

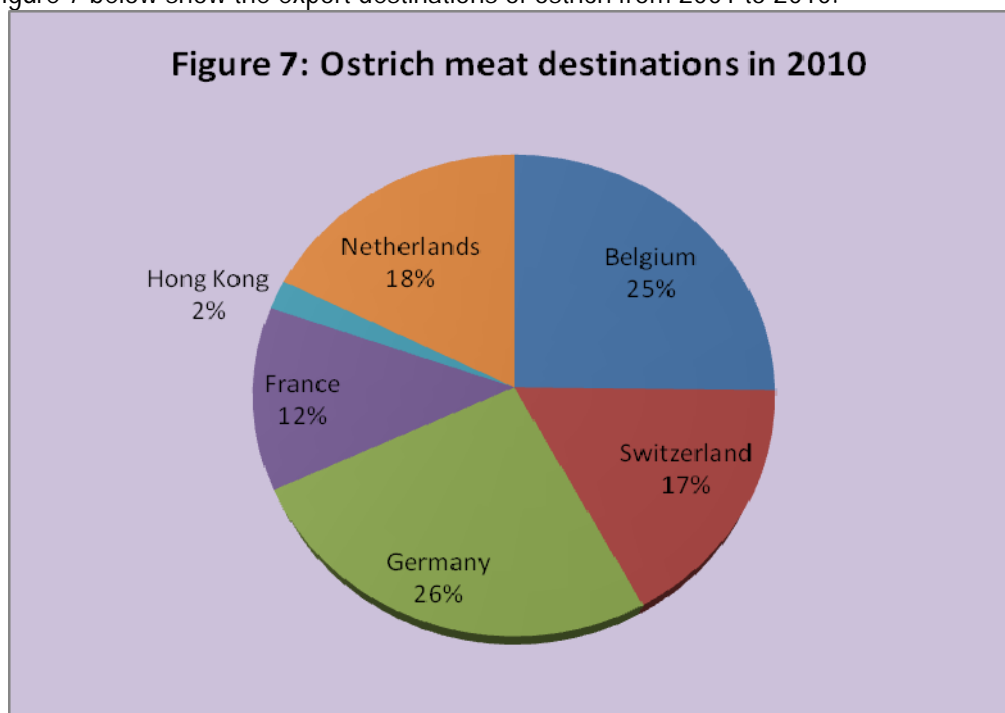
It is clearly indicated from figure 6 above that South Africa is the net exporter of ostrich since exports quantities are far higher than imports quantities. South Africa is the world market leader with more than 75% of ostrich market share. The exports reached the peak in 2009 by 7.4 million Kg of ostrich; this was due to the increased production reaching 8.3 million kg of ostrich during the same period.

2.2.1 EXPORTS OF OSTRICH MEAT

The ostrich industry is an important earner of foreign exchange through the export of ostrich meat, leather and feathers. Ostrich meat is exotic and seasonal and approximately 90% is exported. Ostrich meat and product exports contribute approximately R1.2 billion annually. Approximately R 700 million is from the ostrich meat alone. The emphasis in this chapter is on ostrich meat and most of the ostrich meat exported is fillet.

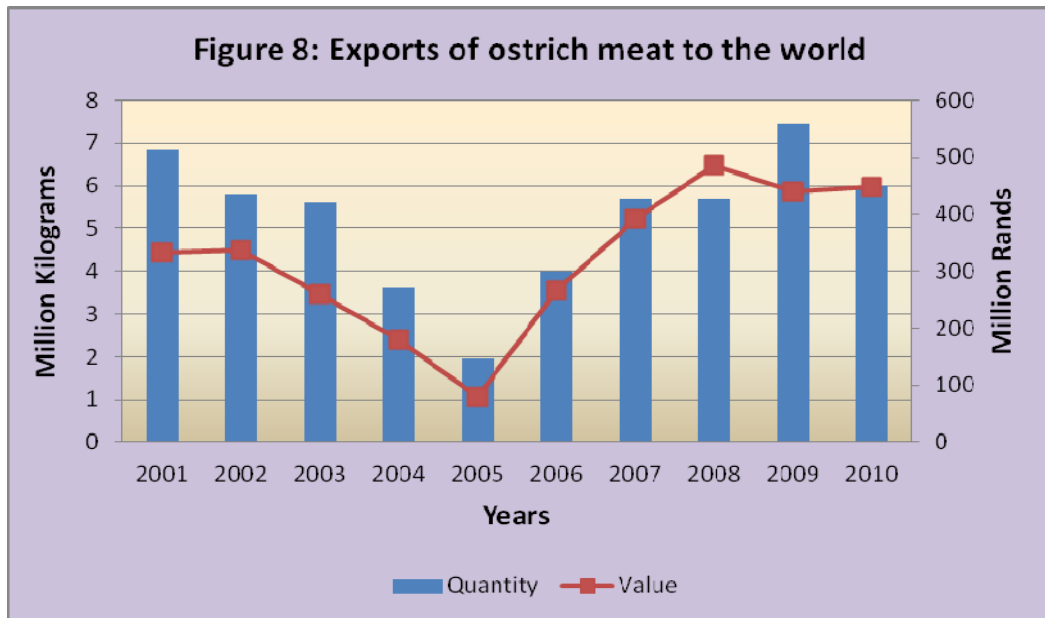
The European Union is the largest consumer of South Africa's ostrich meat (98 %) is a major export destination. Ostrich meat is extremely popular in Europe due to its health characteristics (low in cholesterol and fat). The balance (2%) is exported to the Far East, including Hong Kong.

Figure 7 below shows the export destinations of ostrich from 2001 to 2010.



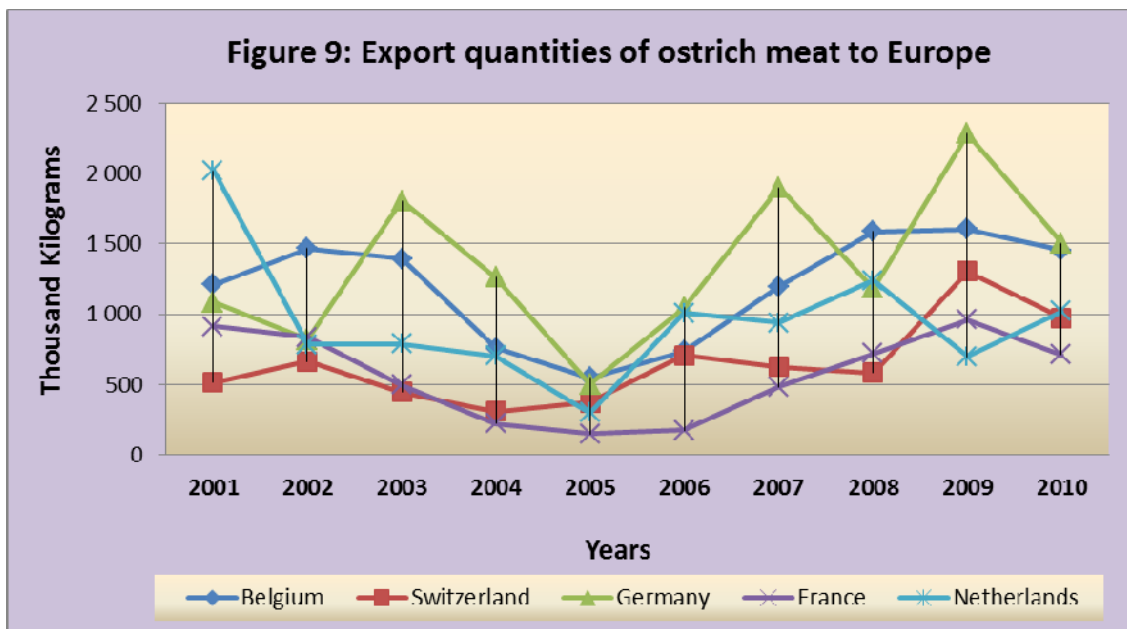
Source: Quantec Easy data.

European Union (Belgium, Germany, France & Netherlands) is the main ostrich importer commanding 81% of South African ostrich, followed by Western Europe (Switzerland) by 17%. Together they constitute 98% of South African exported ostrich. Eastern Asia (Hong Kong) commanded 2% of South African Ostrich meat in 2010.



Source: Quantec EasyData.

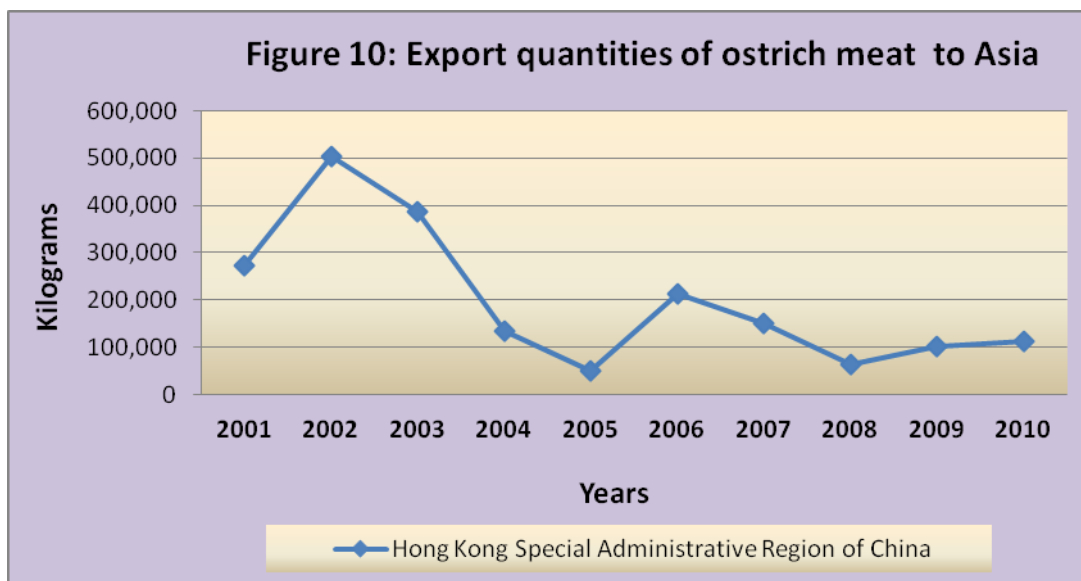
Figure 8 shows that, ostrich meat exports quantity and value followed the same trend during the periods 2001 to 2010, although export value has been below export quantity throughout the period under review. Exports started high in 2001 and continued at a decreasing trend until 2005 before changing to an increasing trend from 2006 to 2010 with minimal fluctuations. Drastic decrease experienced in 2005 was due to the prevalence of the Avian Influenza and the resultant ban on ostrich imports into the European Union (EU). The second decrease was experienced in 2008 due to the world-wide recession which lowered the demand for ostrich meat and leather. During the same period the exports value were above the quantity which indicates that exports of ostrich were profitable. The peak was reached during 2009 due to an increased production during the same period.



Source: Quantec Easy data.

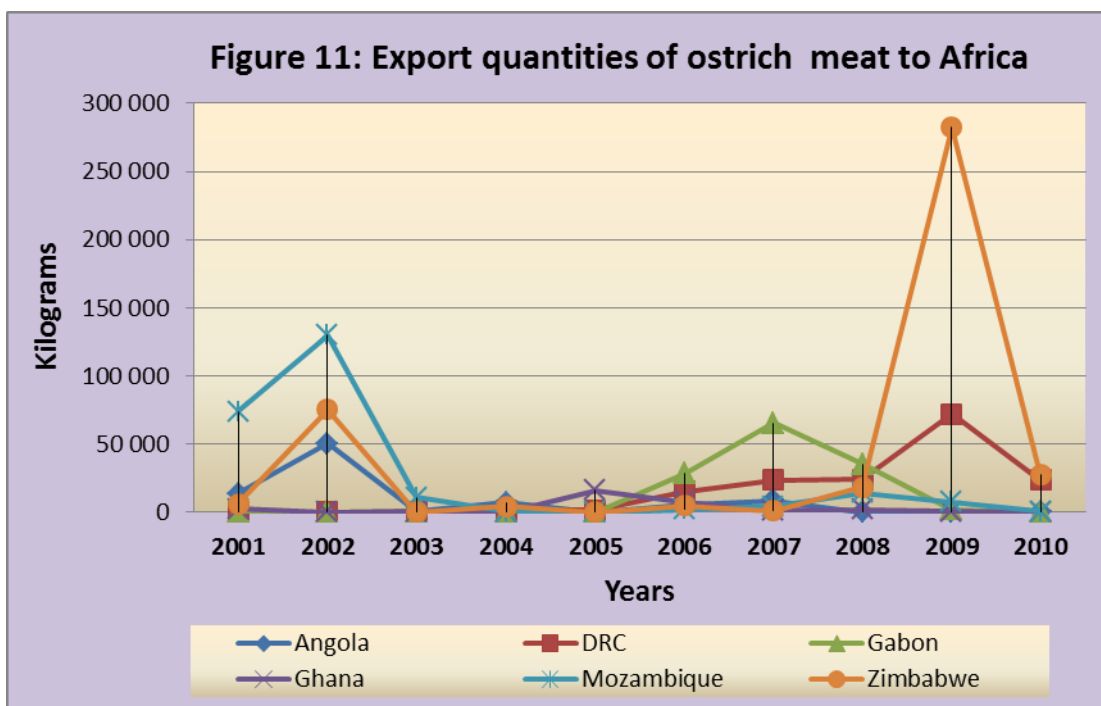
European Union is the main importer of South African ostrich meat and countries competing for the greatest market share were Netherlands (2001), Belgium (2002, 2005 & 2008) and Germany (2003 – 2004, 2006 – 2007 & 2009 -2010). Germany dominated the market with an export share

of 13 million kilograms followed by Belgium with 11 million kilograms then Netherlands by R10 million Kilograms.



Source: Quantec Easy data.

Figure 10 indicate that from Asia, Hong Kong has been the greatest importer of ostrich meat from South Africa from 2001 to 2010 and it has been fluctuating at a deteriorating rate throughout the period under analysis. Its highest imports from South Africa were experienced during 2002 and the lowest was in 2005.

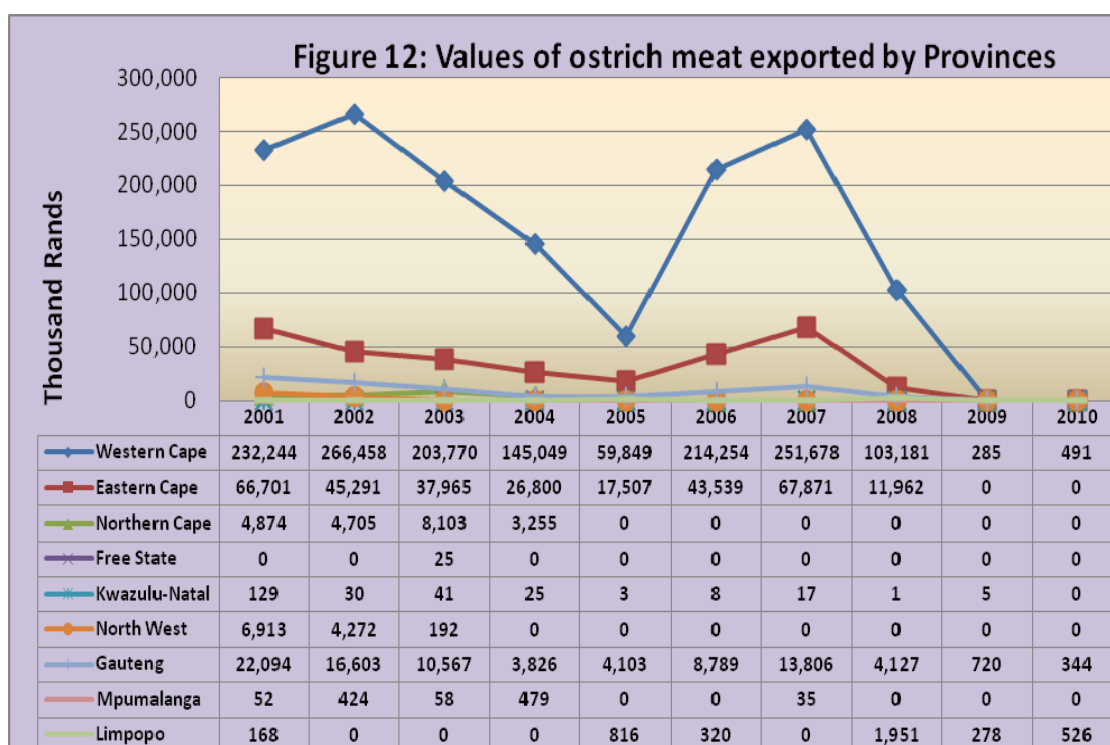


Source: Quantec Easy data.

Mozambique commanded the greatest share of ostrich meat from South Africa from 2001 to 2003, Ghana in 2005, Gabon from 2006 to 2008 and Zimbabwe commanded the greatest share from 2009 to 2010. The drastic increases of ostrich meat to Zimbabwe during 2009 to 2010 made Zimbabwe to be the highest commander during the period under review with a total of 421 000

kilograms followed at a distance by Mozambique which commanded 245 000 kilograms then DRC by 132 000 kilograms.

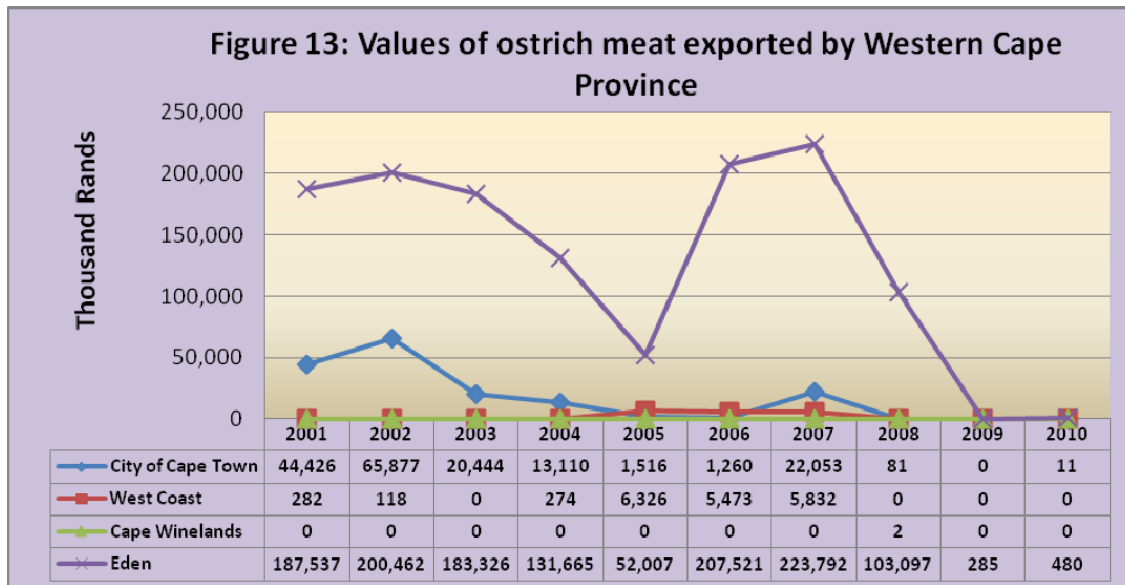
Values of ostrich meat exports from various provinces of South Africa are presented in Figure12:



Source: Quantec EasyData.

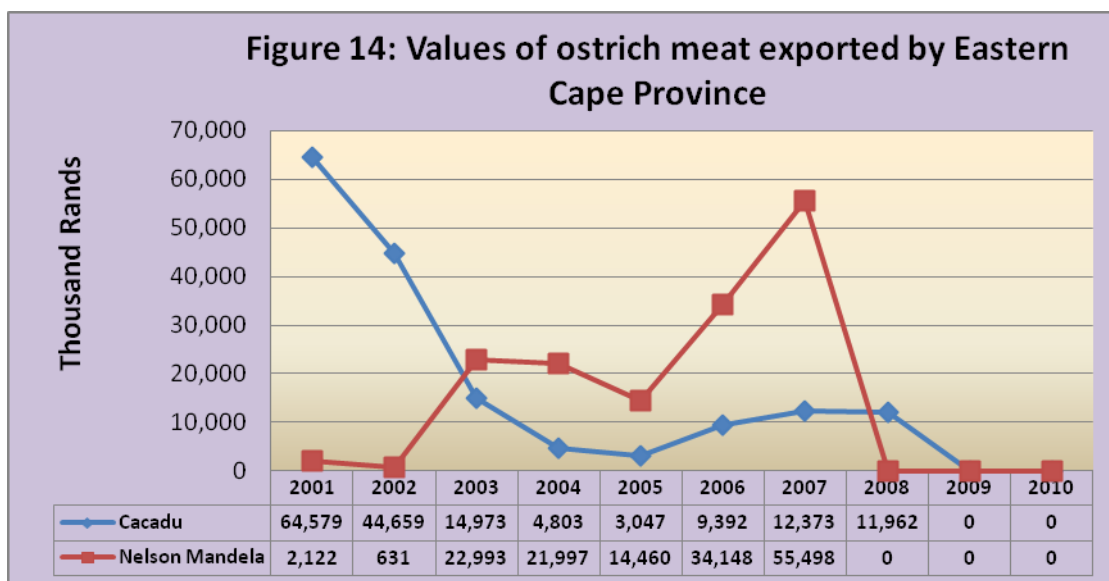
It is clearly indicated on figure 12 above that the highest exports of ostrich meat originate from Western Cape Province. This is due to the fact that approximately 90% of the industry's primary production and ostrich product output emanates from it. The second largest exporter is Eastern Cape although it diminished during 2009 to 2010 and the third largest exporter was Gauteng Province. Intermittent exports were recorded from the other six provinces. The drastic decrease of exports in 2005 is due to the exports suspension of ostrich meat from South Africa due to AI outbreak and a decrease in 2008-09 was due to the world economic meltdown.

The following figures (Figures 13 - 21) show the value of ostrich meat exports from the various district municipalities in the nine provinces of South Africa.



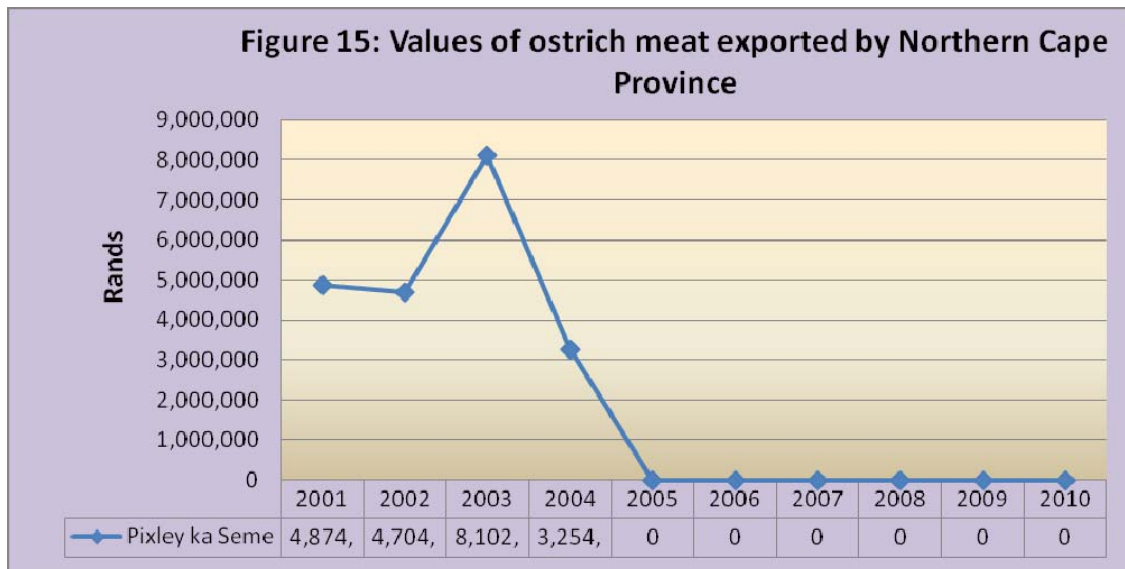
Source: Quantec Easydata.

From the Western Cape Province, Eden district municipality was the main exporter of ostrich meat followed by City of Cape Town Metropolitan municipality. Cape Winelands district municipality was the smallest exporter of ostrich meat during the period under review.



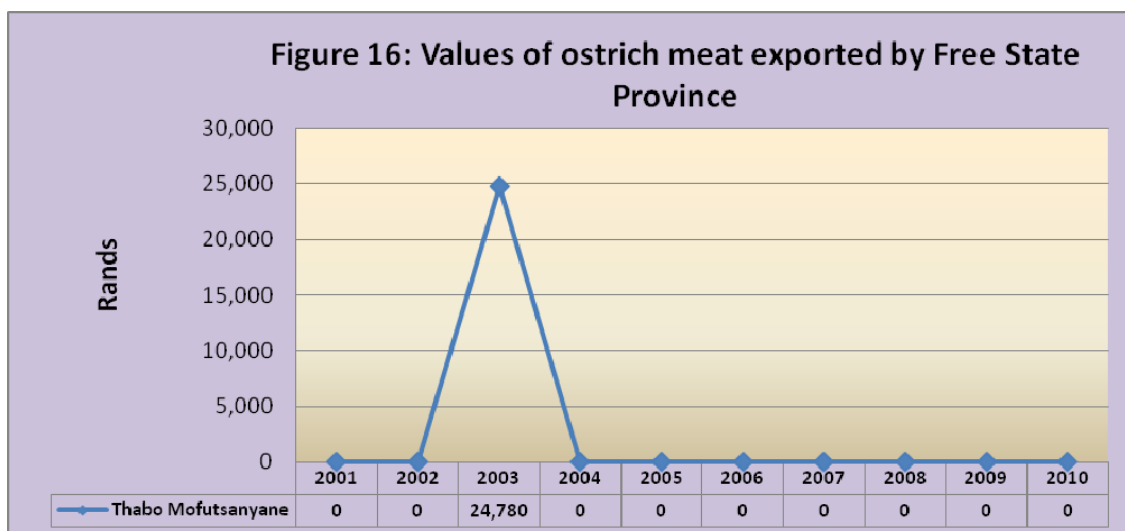
Source: Quantec EasyData.

Cacadu and Nelson Mandela district municipalities had fluctuating exports; Cacadu commanded the greatest share of ostrich exports from 2001 to 2002 and 2008 and Nelson Mandela was the main exporter during the period 2003 to 2007. There were no exports reported from Eastern Cape Province in 2009 and 2010.



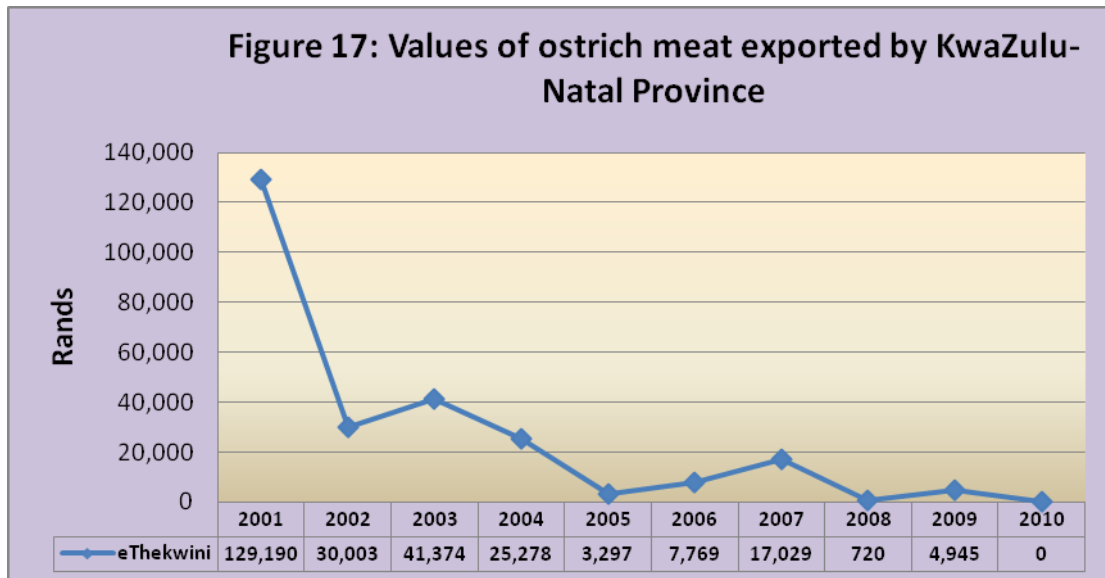
Source: Quantec EasyData.

Figure 15 above shows that Pixley ka Seme district municipality was the only municipality exporting ostrich meat in the Northern Cape Province. It exported from 2001 to 2004 and diminished during the following years.



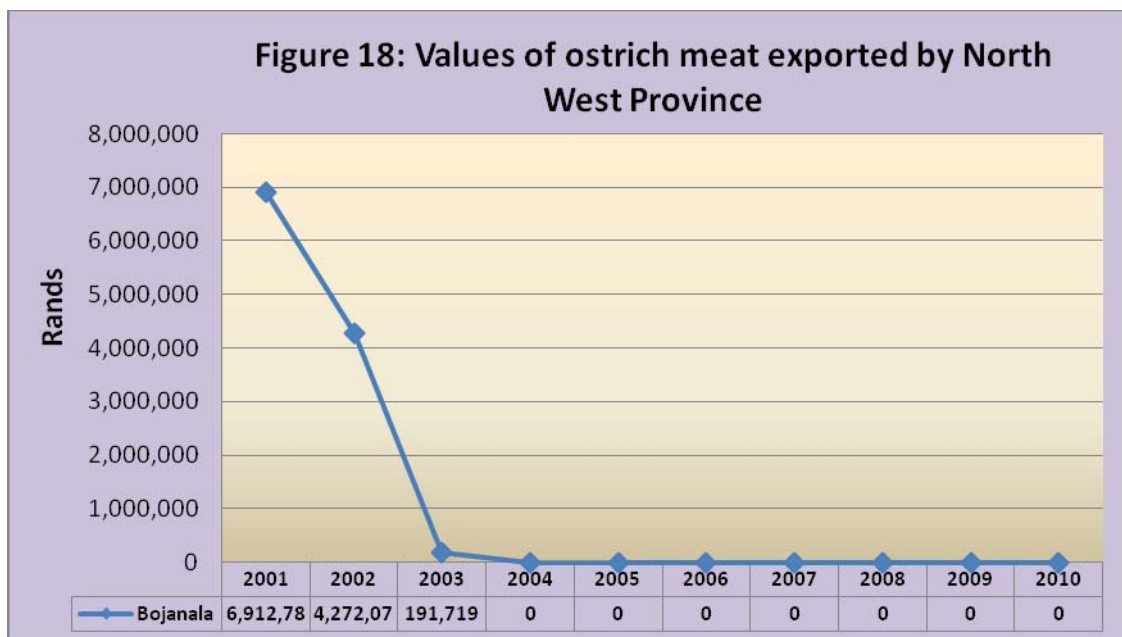
Source: Quantec Easydata.

From Free State Province, Thabo Mofutsanyane district municipality exported the ostrich meat in 2003 worth R 24 780 and diminished thereafter.



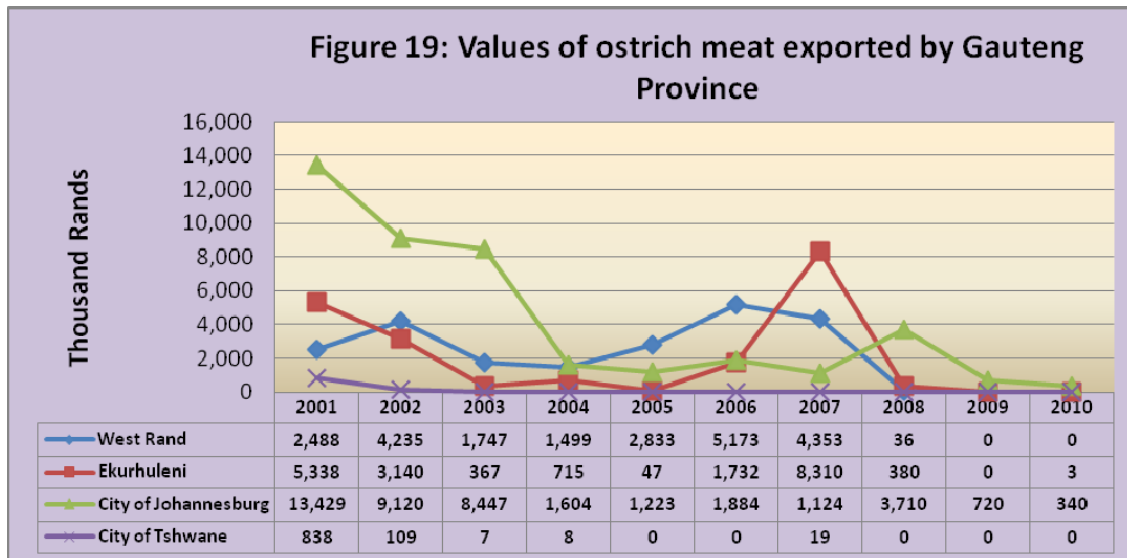
Source: Quantec EasyData.

eThekweni district municipality is the only municipality from KwaZulu-Natal Province which exported ostrich meat throughout the period 2001 to 2009 and diminished during 2010.



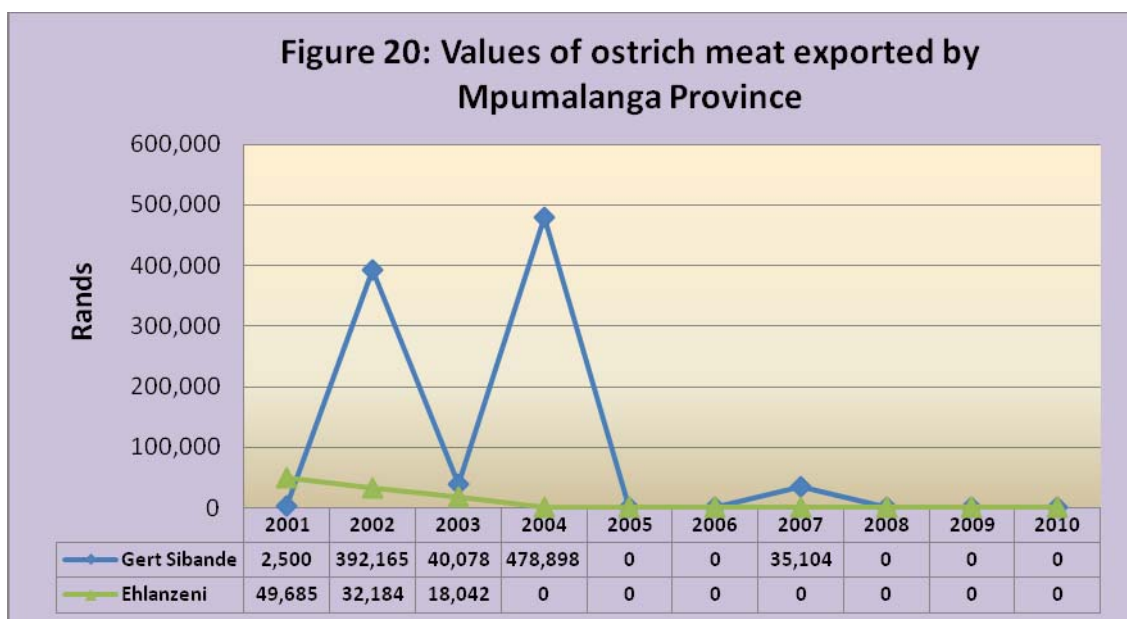
Source: Quantec EasyData.

Figure 18 above indicate that from North West Province, Bojanala district municipality exported ostrich meat from 2001 to 2003 and diminished thereafter. North West Province is a summer rain region and the establishment of Ostrich farms in this province was triggered by the good price of ostrich meat and the weaker rand during the early 2000's and currently all 30 registered ostrich farms are non functional.



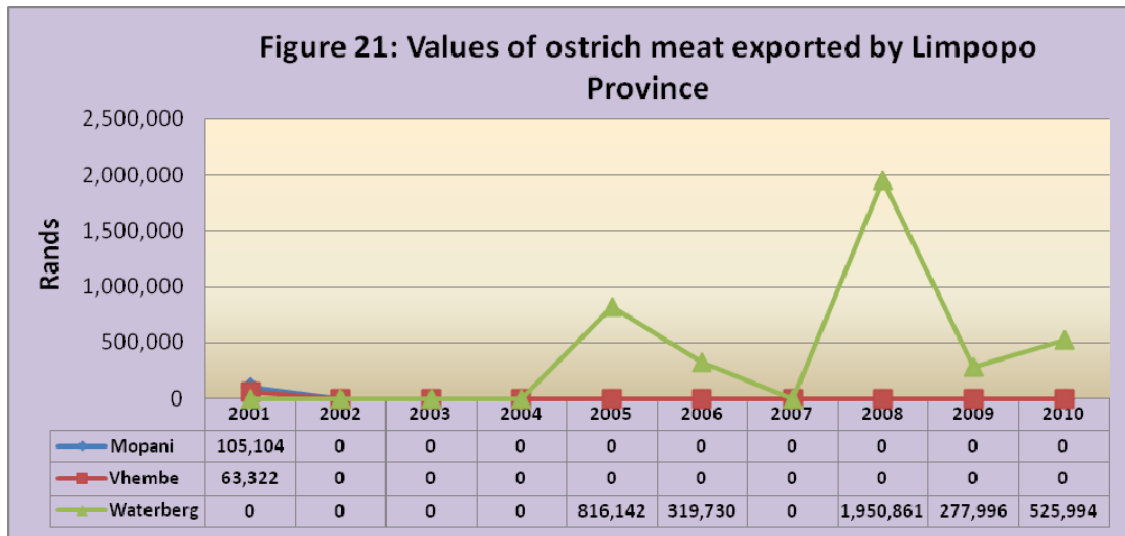
Source: Quantec EasyData.

Figure 19 indicates that City of Johannesburg Metropolitan Municipality was the greatest exporter of ostrich meat during the periods 2001 to 2004 and 2008 to 2010. West Rand district municipality commanded the greatest value during 2005 to 2006 and Ekurhuleni district municipality commanded the highest value during 2007 only.



Source: Quantec Easydata.

Intermittent exports were recorded from Gert Sibande and Ehlanzeni district municipalities. Gert Sibande district municipality reported the highest exports value during the periods 2002 to 2004 and 2007. The ostrich meat exports from this municipality diminished during the periods 2000, 2006 and 2008 to 2010. Ehlanzeni district municipality was the second greatest exported from 2001 to 2003 and diminished thereafter.



Source: Quantec Easydata.

From Limpopo province, Waterberg district municipality was the main exporter of ostrich meat during the periods 2005 to 2006 and 2008 to 2010. Mopani and Vhembe district municipalities reported ostrich meat exports only in 2001 were Mopani reported the highest value of R 105 104 and Vhembe district municipality reported the second highest value of R 63 322.

2.2.2. Share Analysis

Table 1: Share of provincial ostrich meat exports by South Africa (%).

Years Province	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Western Cape	74.51	69.71	78.88	78.16	80.84	72.74	80.27	75.49	85.12	22.16
Eastern Cape	15.43	20.02	13.41	14.56	14.94	21.28	16.31	20.36	9.87	0
Northern Cape	0	1.46	1.39	3.11	1.81	0	0	0	0	0
Free State	0	0	0	0.01	0	0	0	0	0	0
Kwazulu-Natal	0.18	0.04	0.01	0.02	0.01	0	0	0.01	0	0.38
North West	1.44	2.07	1.26	0.07	0	0.00	0	0	0	0
Gauteng	8.45	6.63	4.92	4.05	2.13	4.99	3.29	4.14	3.40	55.88
Mpumalanga	0	0.02	0.13	0.02	0.27	0	0	0.01	0	0
Limpopo	0	0.05	0	0	0	0.99	0.12	0	1.61	21.58
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

Table 1 indicates that Western Cape Province commanded the highest share of ostrich meat exported by South Africa followed by Eastern Cape. This is mainly due to the fact that the industry's primary production emanates from these areas. Gauteng Province also shows regular exports throughout the period under analysis. Other six Provinces reported intermittent exports from the year 2000 to 2010.

The accompanying tables 2 to 10 show a share of the various district municipalities' ostrich meat exports.

Table 2: Share of district ostrich meat exports to the total Western Cape provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
City of Cape Town	19.13	24.72	10.03	9.04	2.53	0.59	8.76	0.08	0.00	2.27
West Coast	0.12	0.04	0	0.19	10.57	2.55	2.32	0	0.00	0.00
Cape Winelands	0	0	0	0	0	0	0	0	0.00	0.00
Eden	80.75	75.23	89.97	90.77	86.90	96.86	88.92	99.92	100.00	97.73
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

Table 2 clearly indicates that Eden district municipality is the greatest exporter of ostrich meat from the Western Cape Province. This is because the main production within the Province originates from Eden district municipality. City of Cape Town metropolitan municipality also recorded regular exports of Ostrich meat. Irregular exports were recorded from West Coast and Cape Winelands district municipalities during the period under analysis.

Table 3: Share of district beef exports to the total Eastern Cape provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
Cacadu	96.82	98.61	39.44	17.92	17.40	21.57	18.23	100.00	0.00	0.00
Nelson Mandela	3.18	1.39	60.56	82.08	82.60	78.43	81.77	0.00	0.00	0.00
Total	100	100	100	100	100	100	100	100	0	0

Source: Calculated from Quantec EasyData.

Cacadu district municipality commanded the highest share of ostrich meat exports from the Eastern Cape Province, followed by Nelson Mandela metropolitan municipality which recorded some exports from 2001 to 2007. There were no exports recorded from the Eastern Cape Province during 2009 to 2010.

Table 4: Share of district ostrich meat exports to the total Northern Cape provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
Pixley ka Seme	100	100	100	100	0	0	0	0	0	0

Source: Calculated from Quantec EasyData.

Pixley ka Seme district municipality within the Northern Cape Province recorded 100 % of ostrich meat exports from 2001 to 2004 and there were no ostrich meat exports from Northern Cape Province from 2005 to 2010.

Table 5: Share of district ostrich meat exports to the total Free State provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
Thabo Mofutsanyane	0	0	100	0	0	0	0	0	0	0

Source: Calculated from Quantec EasyData.

Thabo Mofutsanyane district municipality commanded a 100% share of Ostrich meat exports from Free State Province in 2003. There were no exports of Ostrich meat from Free State Province during the periods 2000 to 2002 and 2004 to 2010.

Table 6: Share of district ostrich meat exports to the total Kwazulu-Natal provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
eThekwini	100	100	100	100	100	100	100	100	100	0

Source: Calculated from Quantec EasyData.

From KwaZulu-Natal Province eThekwini district municipality commanded 100% of ostrich meat exports from 2001 to 2009 and diminished in 2010.

Table 7: Share of district ostrich meat exports to the total North West provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
Bojanala	100	100	100	0	0	0	0	0	0	0

Source: Calculated from Quantec EasyData.

Table 7 shows that Bojanala district municipality within North West Province commanded 100% of Ostrich meat exports from 2001 to 2003 and there were no more exports of ostrich from North West Province during 2004 to 2010 due to the bankruptcy of the Ostrich farms in the Province.

Table 8: Share of district ostrich meat exports to the total Gauteng provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
West Rand	11.26	25.51	16.53	39.18	69.06	58.85	31.53	0.87	0	0
Ekurhuleni	24.16	18.91	3.47	18.68	1.15	19.71	60.19	9.22	0	1.01
City of Johannesburg	60.78	54.93	79.94	41.92	29.80	21.44	8.14	89.91	100.00	98.99
City of Tshwane	3.79	0.66	0.06	0.21	0	0	0.14	0	0	0
Total	100	100	100	100	100	100	100	100	100	100

Source: Calculated from Quantec EasyData.

City of Johannesburg metropolitan municipality commanded the greatest share of Ostrich meat exports from Gauteng Province followed by West Rand district municipality although diminished from 2009 to 2010. Ekurhuleni district and City of Tshwane metropolitan municipalities recorded irregular exports of ostrich meat.

Table 9: Share of district ostrich meat exports to the total Mpumalanga provincial ostrich meat exports (%).

Years	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
District										
Gert Sibande	4.79	92.42	68.96	100	0	0	100	0	0	0
Ehlanzeni	95.21	7.58	31.04	0	0	0	0	0	0	0

Total	100	100	100	100	0	0	100	0	0	0
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Source: Calculated from Quantec EasyData.

Table 9 above shows that Gert Sibande and Ehlanzeni district municipalities from Mpumalanga Province, recorded exports of Ostrich meat during the periods 2001 to 2004 and in 2007 from Gert Sibande only. There were no exports recorded during 2008 to 2010.

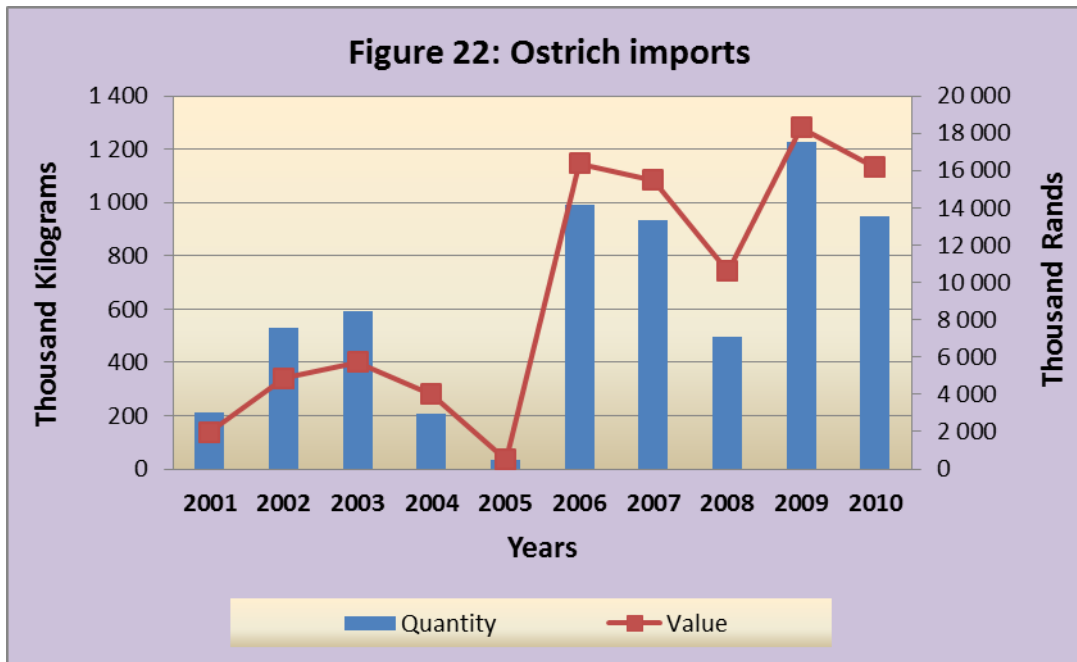
Table 10: Share of district ostrich meat exports to the total Limpopo provincial ostrich meat exports (%).

Years District	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Mopani	62.40	0	0	0	0	0	0	0	0	0
Vhembe	37.60	0	0	0	0	0	0	0	0	0
Waterberg	0.00	0	0	0	100.00	100.00	0	100.00	100.00	100.00
Total	100	0	0	0	100	100	0	100	100	100

Source: Calculated from Quantec EasyData.

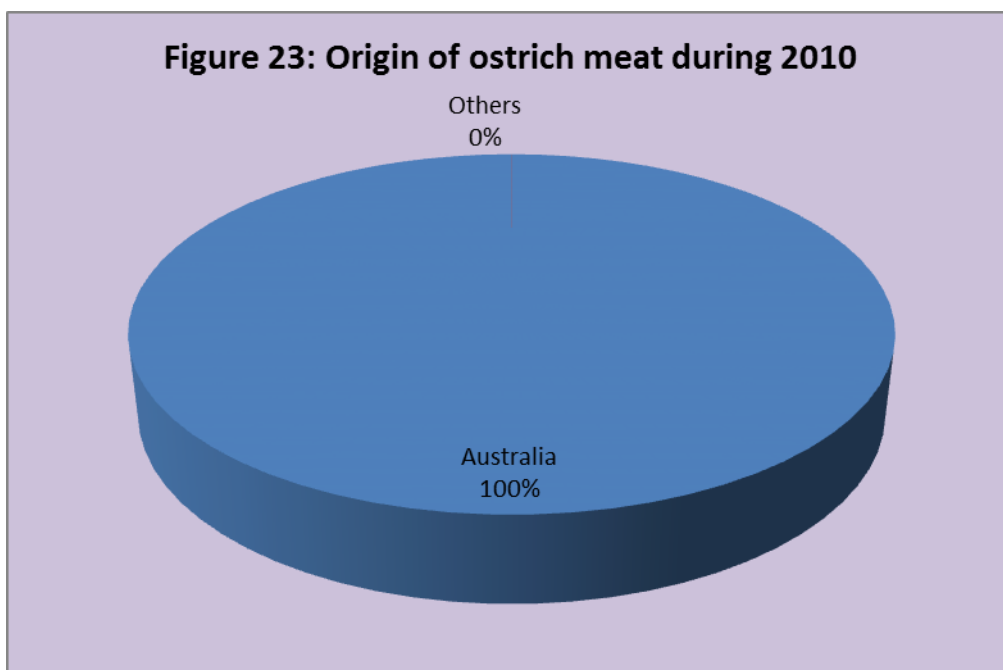
Waterberg district municipality from Limpopo Province commanded 100% share of Ostrich meat exports during the periods 2005 to 2006 and 2008 to 2010. Mopani and Vhembe district municipalities recorded exports of Ostrich meat only during the year 2001. There were no exports recorded from Limpopo Province during the periods 2002 to 2004 and 2007.

2.2.3. IMPORTS OF OSTRICH MEAT



Source: Quantec EasyData.

Import quantities and value has been fluctuating throughout the period under review following the same trend. During the periods 2001 to 2005 imports were generally low which meant that South Africa was not a net importer of Ostrich meat when compared to its exports. During 2006 to 2010 imports were generally high. The increase in 2006 was a response for the lack of supply during 2005.



Source: Quantec EasyData

During 2010 imports of ostrich meat were mainly from Australia. Australia had a 99.98% share of South African import market and other countries (Brazil, France, India and Philippines) were insignificant with a share of 0.01%.

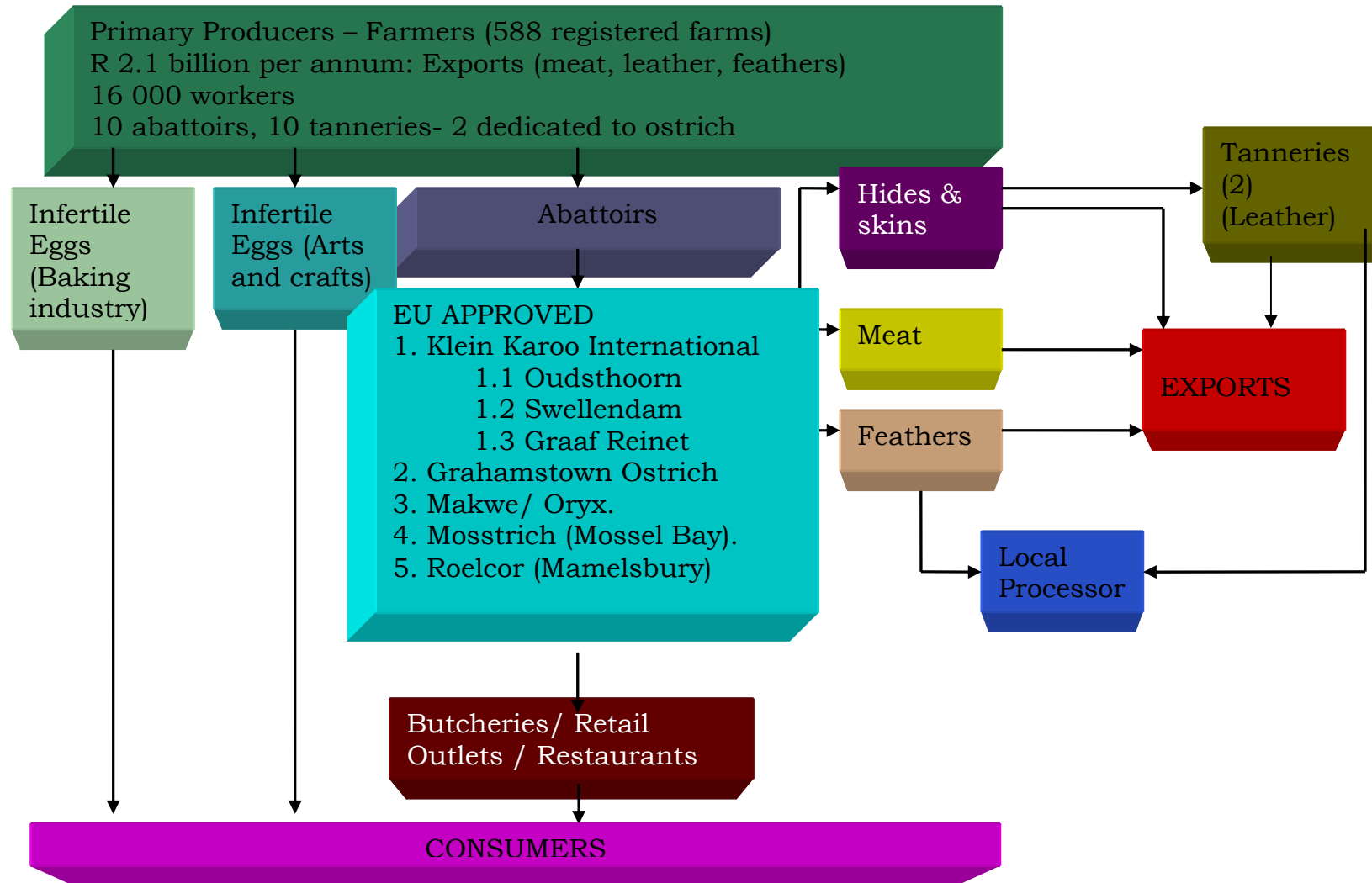
3. OSTRICH PRODUCTS VALUE CHAIN

Ostrich products (leather, meat, feathers and curios) are marketed locally and exported through a free market system. The main market for ostrich meat is restaurants, wholesalers, supermarkets and foodservice suppliers, the market for ostrich leather includes the clothing, fashion and upholstery industries and for feathers the household, fashion and carnival markets.

South Africa has a large number of independent role-players in its ostrich industry. Fierce competition prevails amongst them in order to market their products. Due to the fact that ostrich products are regarded as niche products, the industry as a whole and the different role-players individually has an approach to protect the industry in different ways. This *inter alia* led to an "each for himself"- approach. Unfortunately it also resulted that there is no coordinated approach to work together or to provide important functions for the benefit of the whole industry, e.g. functions relating to product development, generic marketing, research, etc. On the international market each processor sells its ostrich products independently of other processors. This led to the undercutting of prices in order to sell larger volumes. It has also a negative effect on monitoring of quality standards, which led to reduction of optimum income levels realized for ostrich products.

Since deregulation 9 new abattoirs were built. Approximately 70% of ostrich products are in the hands of a few players namely Klein Karoo International (Pty) Ltd, Mosstrich, Grahamstown Ostrich Abattoir, Swartland Ostriches, Camdeboo Meat Processors Ltd, Exon, Marowe (Pty) Ltd, Philippe Genuine Ostrich Products and Camexo. The Ostrich Products Value Chain is represented in Figure 24.

Figure 24: OSTRICH PRODUCTS VALUE CHAIN



4. ORGANISATIONAL ISSUES

The local ostrich industry is structured as follows: Producers belong to ostrich producer organisations according to provinces. These provincial organisations are members of the South African Ostrich Producers Organisation (SAOPO). The processors (ostrich abattoirs and ostrich leather tanneries) are represented in the National Ostrich Processors Organisation of South Africa (NOPSA). The South African Ostrich Business Chamber (SAOBC), representing both NOPSA and SAOPO, was established in 1998. The SAOBC is regarded as the umbrella body for the South African ostrich industry.

4.1. THREATS AND CONCERNS

- A stronger Rand decreases the profit as 90% of ostrich meat and products are exported.
- Smaller margins and labour legislation as well as the Avian Influenza led to producers leaving the industry.
- An increase in Environmental awareness is being experienced on veld utilization.
- Research and development in the industry was previously managed and financed by the Klein Karoo Co-operative but since deregulation this function has to be funded by the industry in collaboration with the Department of Agriculture.
- While South Africa is the world leader proper Government Veterinary Services are needed to ensure that South Africa maintains this position.
- For new entrants into the industry new markets need to be explored as the existing markets are saturated.
- There must be an adequate skilled staff to provide regulatory service at all times.

5. CHALLENGES FACING EMERGING FARMERS

Because ostrich farming does not lend itself towards subsistence farming, there are few emerging farmers in the industry. The learning curve for new farmers is steep, as they grapple with the intricacies of general farm management and the industry-specific pitfalls of ostrich farming. Some of the challenges faced by emerging farmers and new entrants are as follows:

- Capital intensive farming, processing etc.
- High start-up and running costs.
- High Risk Industry - It takes 30 months before money can be obtained from the business. The mortalities can be extremely high during chick raisings and chicks are born without immunity to diseases. Birds are sensitive to temperature changes. The information on diseases is difficult to access.
- Inexperience.
- The absence of guaranteed markets.
- Lack of export expertise.
- Abattoirs and tanneries – Standards are high.
- Feed consumption: 2.5 kg per ostrich per day
- Consumer guarantees on animal welfare and food safety must be given because of the strict requirements of the export market.
- The supply and quality must be consistent.
- The prices are market related and the profit is dictated by and large the rate of exchange.
- Quality cannot be compromised and must adhere to the same world wide standards.

6. MEAT QUALITY STANDARDS

The export of ostrich meat is predominantly to Europe which requires that the industry must comply with the phyto-sanitary requirements of the EU. (Although Switzerland is not part of the EU, they are applying the same phyto-sanitary standards).

The EU requirements are:

- Abattoirs and de-boning and packaging plants must be approved by the EU for the export of ostrich meat to the EU.
- The State as the recognised competent authority must provide meat inspection services at abattoirs approved for export of meat to the EU and must certify the meat prior to export.
- Residue testing of the meat must be done by the competent authority.
- Prior to slaughter, ostriches must be placed in quarantine for at least 14 days. The quarantine camps must be tick free, have no vegetation and must have a 3 metre cleaned area around the camp. Birds must be inspected and treated for tick infection when entering the quarantine camp. A record of the tick control measures must accompany the bird when presented for slaughter. The tick control is required to avoid the possible transmission of Congo fever.
- No growth stimulants or hormonal treatment is allowed.
- Inoculation against Newcastle disease is compulsory. An abattoir is also closed for export to the EU if an outbreak of Newcastle disease occurs within 10 kilometres of the abattoir. A bird that is presented for slaughter must be accompanied by a Newcastle inoculation certificate.
- No sand, hay or other organic material are allowed on vehicles used for transporting birds to the abattoir and the vehicles must be disinfected before leaving the abattoir site.
- The Avian Influenza (AI) status of the farm of origin must be indicated when birds are presented for slaughter. The incidence of AI in South Africa during 2007 has caused the closure of the EU for the import of ostrich meat from South Africa. The EU applies strict control measures in this regard.
- All ostriches must have an identification tag that allows the meat to be traced to the farm of origin. Slaughter ostriches must originate from a registered farm and must have been on a registered farm for at least 3 months prior to slaughter. A farm must be registered for at least 6 months before birds can be presented for slaughter.

7. BLACK ECONOMIC EMPOWERMENT PROJECTS

7.1. Western Cape

7.1.1. Klein Karoo Agri Business Centre (Klein Karoo Region)

- **KLEIN KAROO International Ltd (KKI)** is the sponsor of the Klein Karoo Agri Business Centre (KKABC). The aim of the KKABC is to advise new entrants on their business plans and to assist them with funding applications. 286 new jobs have already been created and the aim is to reach 440 new jobs. Some of the KKABC's successful projects:
 - A manufacturing unit for ostrich leather items sold at the Klein Karoo Ostrich Boutique in Oudtshoorn.
 - At De Hoop (10 km outside Oudtshoorn) a group of previously disadvantaged rural women manufactures ostrich feather and ostrich egg shell products. They ship two containers with products to Germany every six months.

- The Klein Karoo Feather Sorting Project in Dysseisdorp provides jobs for 100 people and is run independently by its members. KLEIN KAROO International supplies the ostrich feathers, which are sorted and sold back to KKI.
- Various other projects are being established at the ten agricultural societies in the Klein Karoo region.
- Study grants are provided to ten students from previously disadvantaged communities. This enables them to enter their first year of degree studies at the Free State University.

7.1.2. SCOT: Southern Cape Ostrich Tanning - (Member of the Mosstrich Group, Mossel Bay)

- SCOT has established joint ventures with Transnet and Eskom. SCOT provides ostrich leather product manufacturing training to unemployed women in the Mossel Bay area and sells the products via SCOT's marketing channels. On occasion SCOT also donates leather for worthy developmental projects.

7.1.3. Mosstrich BEE Trust (Mossel bay)

- Mosstrich is owned by 180 ostrich producers. The company has implemented a project whereby 6 000 preferential shares, representing 6.5% of the issued shares capital, were given to 250 employees. The employees share in the company profits and a total of R1 815 million was paid out to the employees in the form of dividends. The next step is to extend this programme to farm labourers working on some of the farms of the ostrich producers.

7.2. Eastern Cape

7.2.1. Integrated Meat Processors of the Eastern Cape (IMPEC)

- Integrated Meat Processors of the Eastern Cape (IMPEC) is fully BEE-compliant. Facilitates the economic empowerment of previously disadvantaged individuals through this integrated project where beneficiaries are included in the entire value chain and proper business training is provided to ensure sustainability – with the individual ownership.
- The Salem Project, which forms part of IMPEC, focuses on community development. It has trained more than 100 small-scale rural black farmers to raise 7 000 ostriches per annum for slaughter in Grahamstown.

7.2.2. Middleton - Ostrich Development Project

- This project creates the opportunity for the upliftment of various previously disadvantaged role players and farm employees.

7.3. Northern Cape

7.3.1. Kuruman

- The Kuruman Project is a Black-owned enterprise comprising 30 members who are involved in ostrich production.
- The SAOBC's ostrich production training booklet is used extensively by the members of this group.

7.4. ALL OSTRICH PRODUCTION AREAS: COUNTRY-WIDE

- Donating ostrich chicks to workers. The producers then assist with raising the chicks and obtaining feed. After the ostriches have reached maturity (slaughter age), the producers buy the birds from their workers.
- Mentorship programmes exist on numerous farms.
- There are also ostrich producers who have founded co-operatives for the benefit of their workers who are now also shareholders.

7.5. OSTRI-BEE QUICK FACTS

- BEE Expenditure: R12 Million per year.
- BEE Active Farms: 600 in Eastern, Western, Northern and Southern Cape.
- BEE Beneficiaries: 15 000 (Direct and indirect)
- The SAOBC commissioned the publication of The Ostrich Farm – How to Get Started. This booklet is given free of charge to new small-scale ostrich farmers.

8. MARKET INTELLIGENCE

8.1. EXPORT TARIFFS OF OSTRICH MEAT

Table 11 show tariffs faced by ostrich meat originating from South Africa.

Table 11: Export of ostrich meat

Country	Product Code (NTL)	Trade regime description	2009		2010	
			Applied Tariffs	Total Advalorem Equivalent tariff (estimated)	Applied Tariffs	Total Advalorem Equivalent tariff (estimated)
Belgium, France, Germany and Netherlands	0208901000, 0208905500, 0208906010, 0208906090	MFN duties applied	9.00%	9.00%	6.40%	6.40%
	0208901000, 0208905500, 0208906010, 0208906090	Preferential tariff for SA	0.00%	0.00%	0.00%	0.00%
Switzerland	02089010	MFN duties applied	20.00%	20.00%	53.18\$/Ton	0.43%
		Preferential tariff for SACU countries				0.00%

Source: Market Access Map

Table 11 indicates that exports tariff of ostrich meat exports from South Africa receives a preferential tariff rate of 0% when exporting to EU. It is therefore profitable for South Africa to export its ostrich meat to EU which has a high demand than to other countries.

8.2 IMPORT TARIFFS

Table 12: Import of ostrich meat

Country	Product Code (NTL)	Trade regime description	2009		2010	
			Applied Tariffs	Total Advalorem Equivalent tariff (estimated)	Applied Tariffs	Total Advalorem Equivalent tariff (estimated)
Australia	02089010	MFN duties applied	0.00%	0.00%	0.00%	0.00%

Source: Market access map.

Table 12 clearly indicates that South Africa is charging 0% tariff rate to Australia which is the only supplier for South African ostrich meat.

9. PERFORMANCE OF SOUTH AFRICAN OSTRICH INDUSTRY IN 2010

9.1. Exports

Table 13: List of importing markets for ostrich meat (fresh, chilled or frozen) exported by South Africa in 2010

South Africa's export represents 9.13% of world export for ostrich meat (fresh, chilled or frozen); its ranking in world exports is 3.

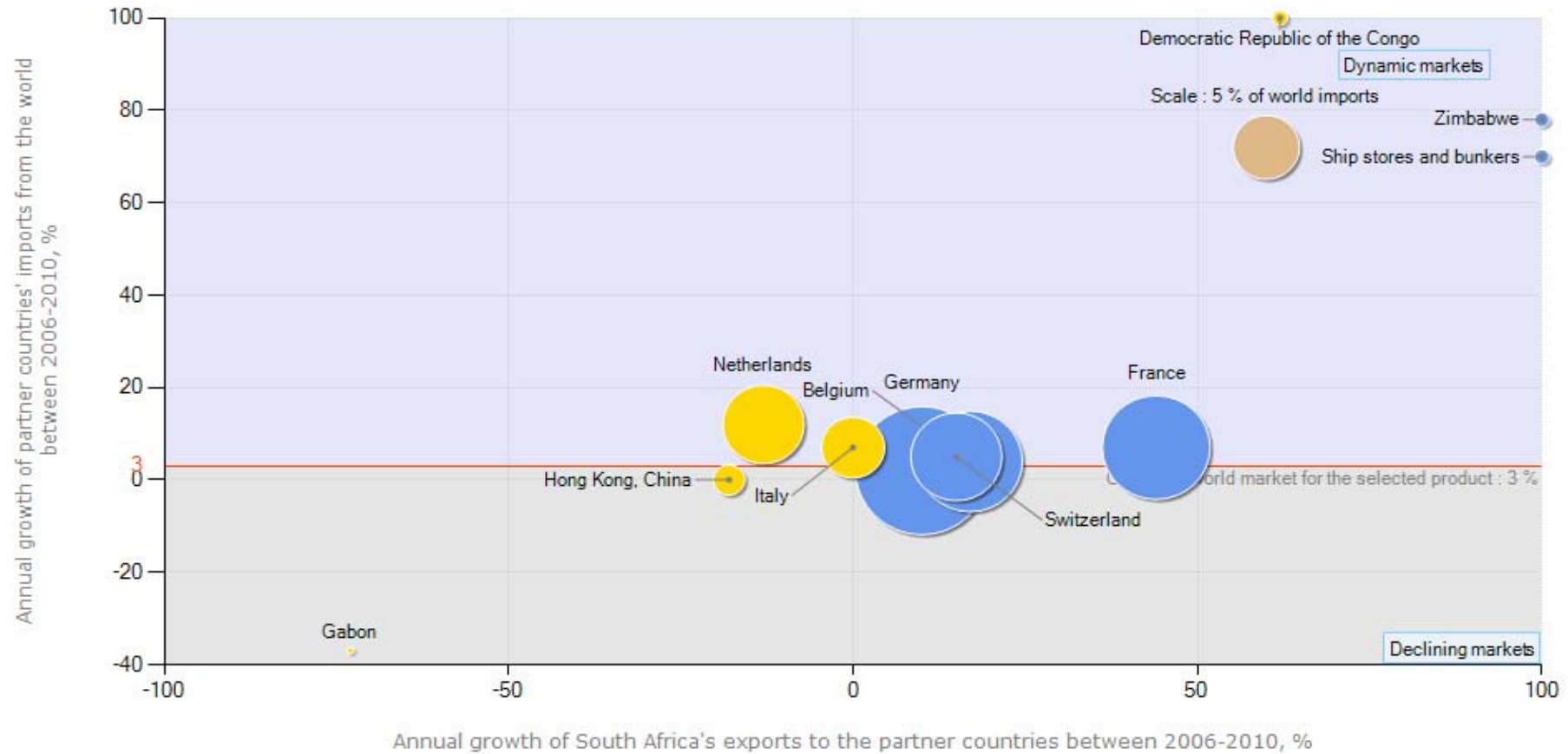
Importers	Trade Indicators											Tariff (estimated) faced by South Africa (%)	
	Exported value 2010 (USD thousand)	Trade balance 2010 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2010	Quantity unit	Unit value (USD/unit)	Exported growth in value between 2006-2010 (% , p.a.)	Exported growth in quantity between 2006-2010 (% , p.a.)	Exported growth in value between 2009-2010 (% , p.a.)	Ranking of partner countries in world imports	Share of partner countries in world imports (%)		Total import growth in value of partner countries between 2006-2010 (% , p.a.)
World	60823	58608	100	5949	Tons	10224	9	11	18		100	4	
Germany	18825	18825	31	1478	Tons	12737	10	9	61	1	21.2	2	0
Belgium	12643	12643	20.8	1430	Tons	8841	17	18	-18	3	12.8	4	0
Switzerland	10111	10111	16.6	970	Tons	10424	15	15	29	5	9.3	5	0.3
Netherlands	8967	8967	14.7	1013	Tons	8852	-13	-3	33	4	10.5	20	0
France	8339	8339	13.7	713	Tons	11696	44	41	9	2	13.7	7	0
Ship stores and bunkers	476	476	0.8	72	Tons	6611	181	111	5850	31	0.1	70	
Hong Kong, China	412	412	0.7	113	Tons	3646	-18	-15	22	9	3.2	12	0
United Kingdom	288	288	0.5	31	Tons	9290		-21	-17	11	1.7	2	0
Finland	235	235	0.4	15	Tons	15667				13	1.3	10	0

Source: ITC calculations based on COMTRADE statistics.

Table 13 shows that during 2010 South Africa exported a total of 60 823 tons of ostrich meat at an average value of US\$ 7 004/unit and the total value exported in 2010 is US\$ 10 224. The major export destinations for beef ostrich meat originating from South Africa during 2010 were Germany, Belgium, Switzerland, Netherlands and France. Germany, Belgium and France are the leading markets for ostrich meat, accounting for 31%, 20.8%, 16.6%, 14.7% and 13.7% respectively of South Africa's export market. On average, during the period 2006 and 2010 South Africa's exports for ostrich meat increased by 9% in value and 11%. During the same period Germany experienced a 17% and 18% increase in value and quantity respectively per annum and Netherlands experienced a decrease of 13% in value and 3% in quantity.

South Africa's exports for ostrich meat to the world increased in value by 18% during the period 2009 to 2010 and Belgium increased by 61% in value during the same period. This indicates that Belgium's imports growth from South Africa are growing at a rate higher than South Africa's exports to the world.

Growth in demand for the selected export product from South Africa in 2010
 Product : 020890 Meat and edible meat offal, nes fresh, chilled or frozen



● South Africa export growth to partner < Partner import growth from the world

● South Africa export growth to partner > Partner import growth from the world

● Reference bubble
 Some bubbles may not be displayed due to lack of growth rate indicators

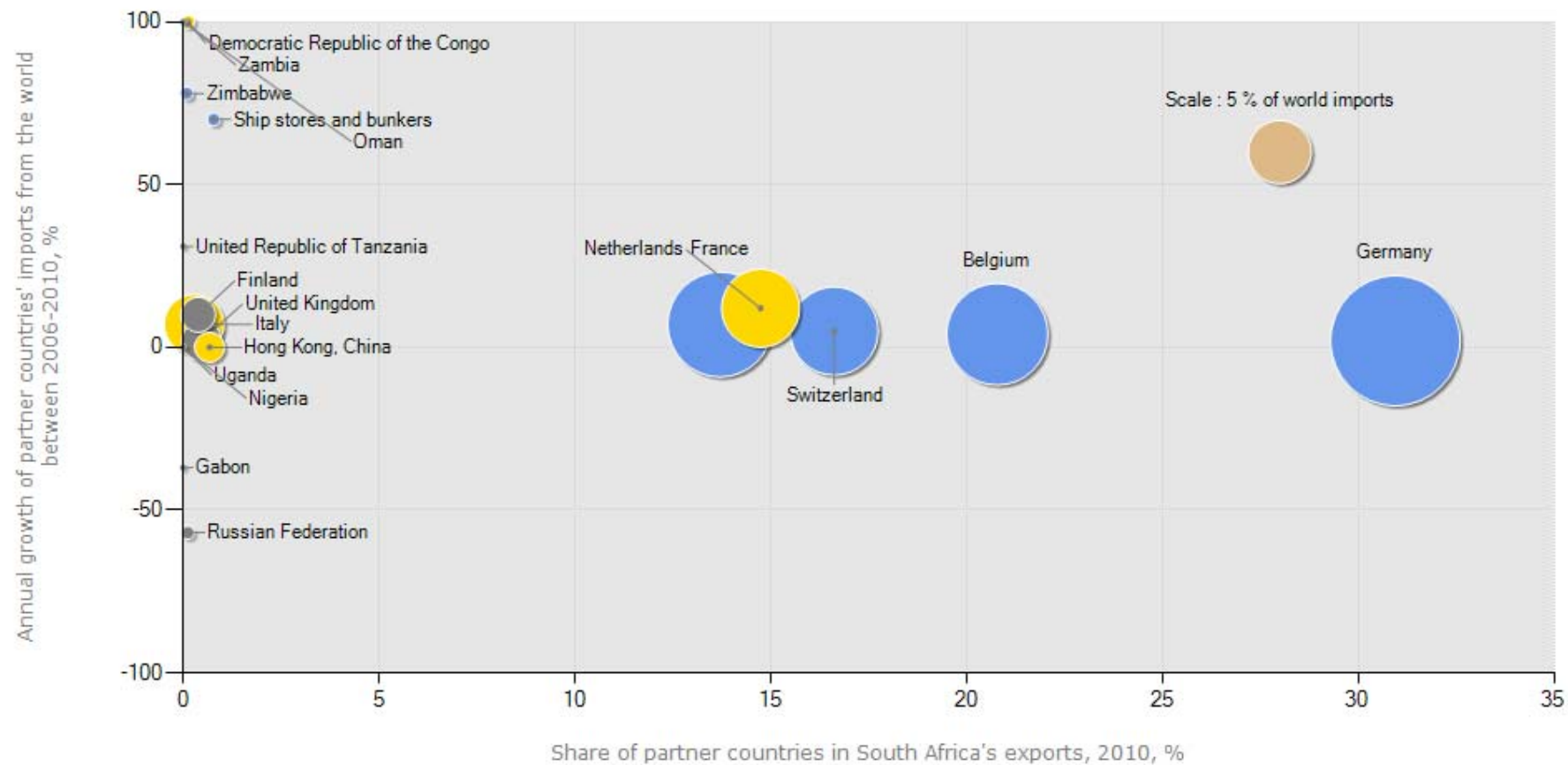
The bubble size is proportional to the share in world imports of partner countries for the selected product



The chart illustrates that between 2006 and 2010 South Africa's ostrich meat exports to Hong Kong, Gabon, Netherlands, Democratic Republic of the Congo and Italy were growing at a rate that is less than their imports from the rest of the world. During the same period, South Africa's ostrich meat exports to Germany, Belgium, France, Switzerland and Zimbabwe were growing at a rate that is greater than their imports from the rest of the world.

Further analysis indicates that Hong Kong represent losses in declining market; with an import growth of 0% and South African exports of ostrich to Hong Kong has declined by 18%. The annual export growth to Zimbabwe, Belgium, Switzerland, Germany and France are all growing at a rate ranging from of 10% to 162%. This meaning that South Africa's exports of ostrich meat is still in demand in the mentioned countries.

Prospects for market diversification for a product exported by South Africa in 2010
 Product : 020890 Meat and edible meat offal, nes fresh, chilled or frozen



● South Africa export growth to partner < Partner import growth from the world

● South Africa export growth to partner > Partner import growth from the world

● N.A.
 ● Reference bubble
 Some bubbles may not be displayed due to lack of growth rate indicators

The bubble size is proportional to the share in world imports of partner countries for the selected product



The chart above indicates that Germany commanded 30.95%, Belgium 20.79%, Switzerland 16.62%, France 13.71 and Zimbabwe 0.09%. Together they commanded a total of 82% of South African ostrich meat.

If South Africa wishes to diversify its ostrich meat exports, the most attractive market will be Democratic Republic of Congo (DRC) and Oman for market development and Zimbabwe for market penetration. Although they are all small markets with world's imports share of 0.1%, 0% and 0.1% respectively, their annual import growth is the highest by 144% in DRC, 108% in Oman and 78% in Zimbabwe. South Africa has a chance to penetrate these markets since their share in South Africa's exports are very low at a rate of 0.13% in DRC, 0% in Oman and 0.09% in Zimbabwe.

9.2. Imports

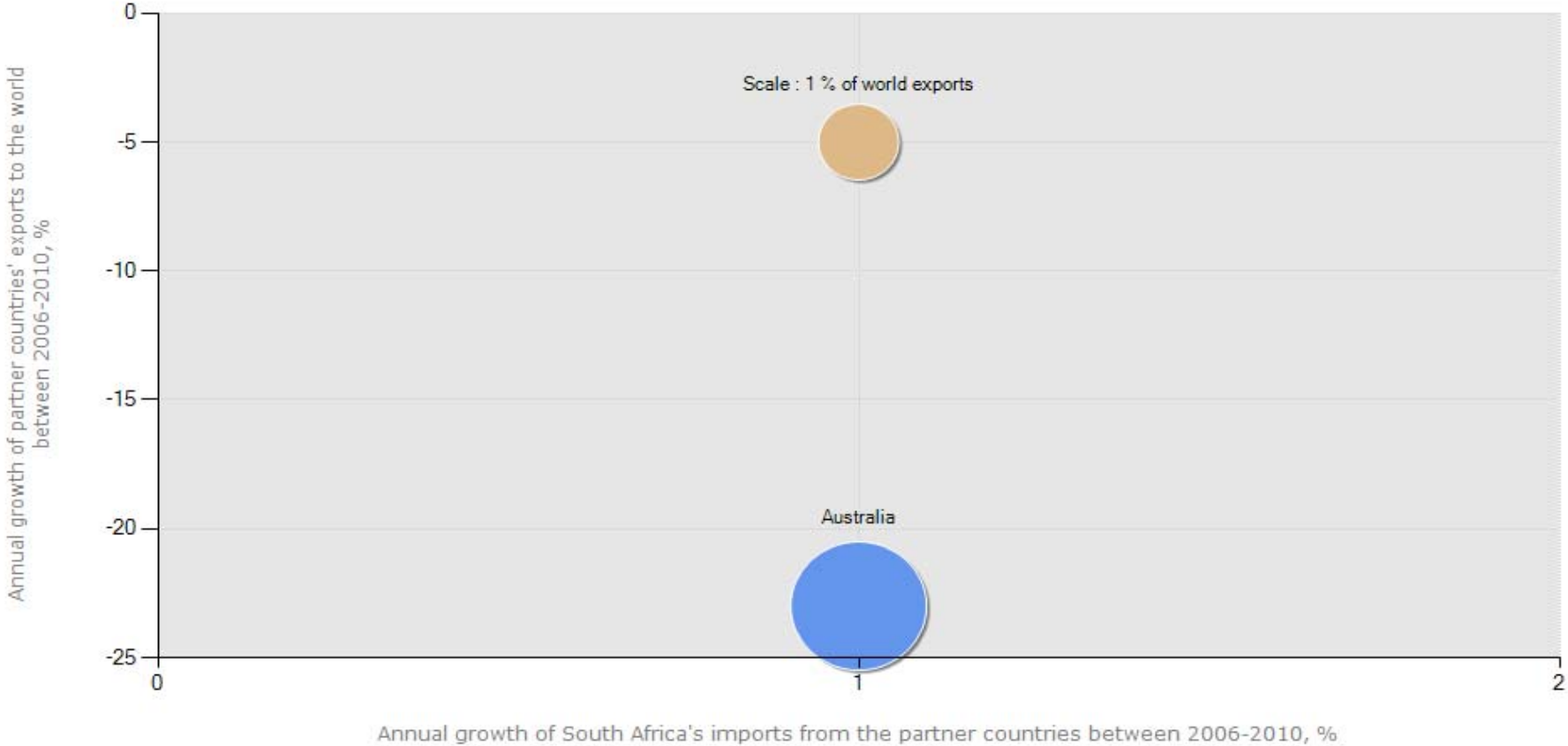
Table 14: List of exporting markets for the ostrich meat (fresh, chilled or frozen) exported by South Africa in 2010
South Africa's export represents 0.35% of world export for ostrich meat (fresh, chilled or frozen)); its ranking in world exports is 21.

	Imported value 2010 (USD thousand)	Trade balance 2010 (USD thousand)	Exporters	Trade Indicators	Tariff (estimated) applied by South Africa (%)	Unit value (USD/unit)	Imported growth in value between 2006-2010 (% p.a.)	Imported growth in quantity between 2006-2010 (% p.a.)	Imported growth in value between 2009-2010 (% p.a.)	Ranking of partner countries in world exports	Share of partner countries in world exports (%)	Total export growth in value of partner countries between 2006-2010 (% p.a.)
World	2215	58608	100	946	Tons	2341	-2	2	3		100	2
Australia	2214	-2214	100	946	Tons	2340	0	2	5	10	2.5	-23 0
Austria										8	4	-6 0
New Zealand										1	21.8	-3 0
Poland										7	5.6	3 0
Spain										9	3.8	13 0
Belgium		12643								2	11.9	5 0
DRC		80										0
Finland		235								30	0.2	7 0

Source: ITC calculations based on COMTRADE statistics.

Table 14 shows that during 2010 South Africa imported a total of 2 215 tons of ostrich meat at an average value of US\$ 2 341/unit. The major origin for ostrich meat imported by South Africa during 2010 was Australia. South Africa imported a total of 2 214 tons (99.95%) from Australia out of the world's total of 2 215 tons, this makes Australia the greatest sharer of South African ostrich meat imports. South Africa's imports of ostrich meat decreased by 2% in value and increased by 2% in quantity between the periods 2006 and 2010. During the same period, imports of ostrich meat from Australia increased by 0% in value and 2% in quantity. Between the periods 2009 and 2010, South Africa's imports for ostrich meat increased by 3% in value and Australia increased by 5% in value. This indicates that South Africa's imports growth in value from the world is growing at a lower rate than Australia's exports growth value to South Africa

Competitiveness of suppliers to South Africa for the selected import product in 2010
 Product : 020890 Meat and edible meat offal, nes fresh, chilled or frozen



● South Africa import growth from partner > Partner export growth to the world

● Reference bubble

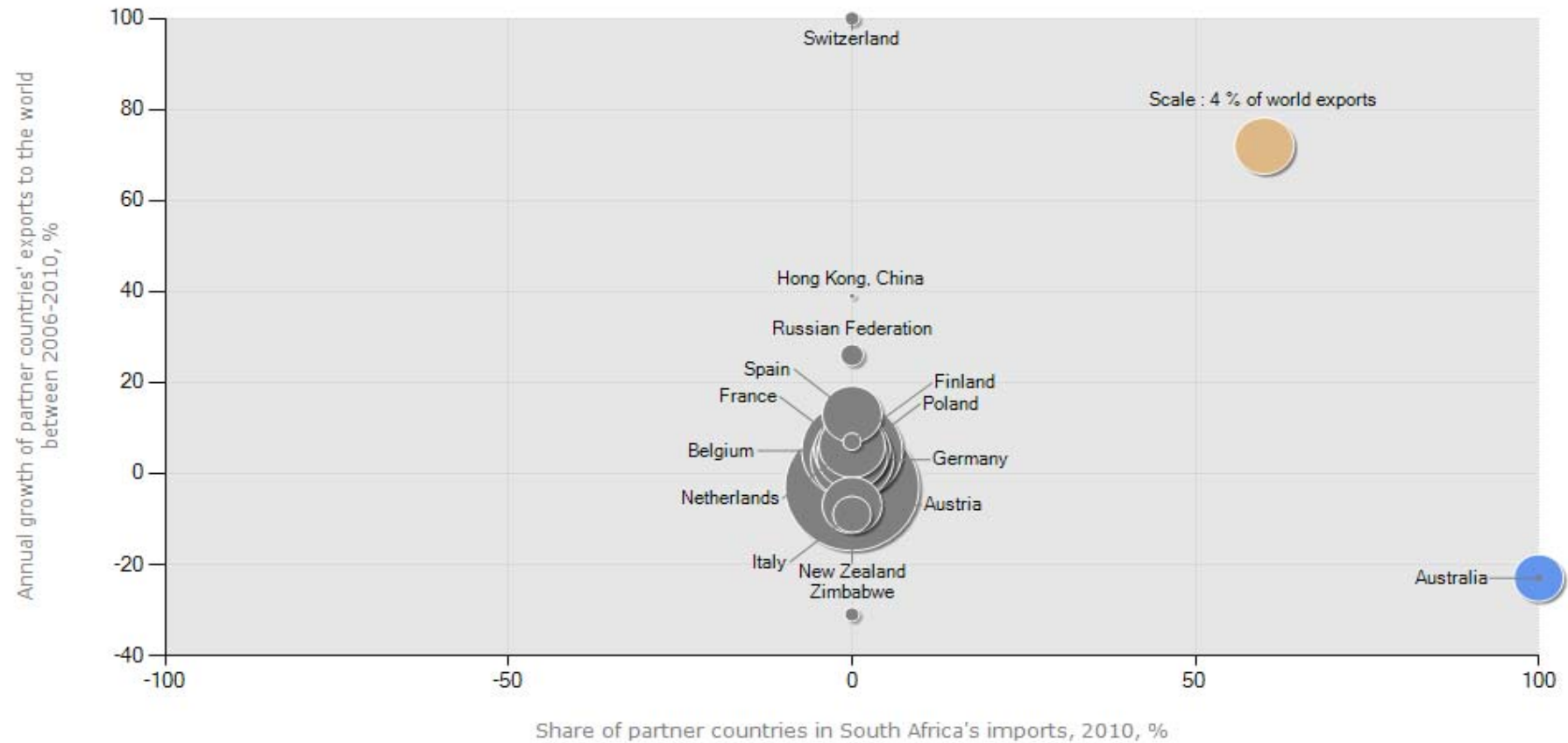
Some bubbles may not be displayed due to lack of growth rate indicators

The bubble size is proportional to the share in world exports of partner countries for the selected product



The chart above proves that Australia is the only competitive supplier of ostrich meat to South Africa. The annual growth of South Africa's imports from Australia is 0%, its exports are declining at a rate of 23% and its world share of ostrich meat exports is 2.6%.

Prospects for diversification of suppliers for a product imported by South Africa in 2010
 Product : 020890 Meat and edible meat offal, nes fresh, chilled or frozen



● South Africa import growth from partner > Partner export growth to the world

● N.A.

● Reference bubble

Some bubbles may not be displayed due to lack of growth rate indicators

The bubble size is proportional to the share in world exports of partner countries for the selected product



If South Africa wishes to diversify its ostrich meat from its main supplier (Australia), New Zealand is the biggest world supplier, which can be considered. New Zealand's world share is 22.3% and its annual import growth is declining by 3%. A declining annual export growth will be restrictive to the new market like South Africa. Switzerland is a small market (0.7% world share) but attractive to South Africa because its annual export growth is the highest by 107%. This makes these countries to be biggest possible prospective markets for South African ostrich meat imports.

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