A PROFILE OF THE SOUTH AFRICAN OSTRICH MARKET VALUE CHAIN

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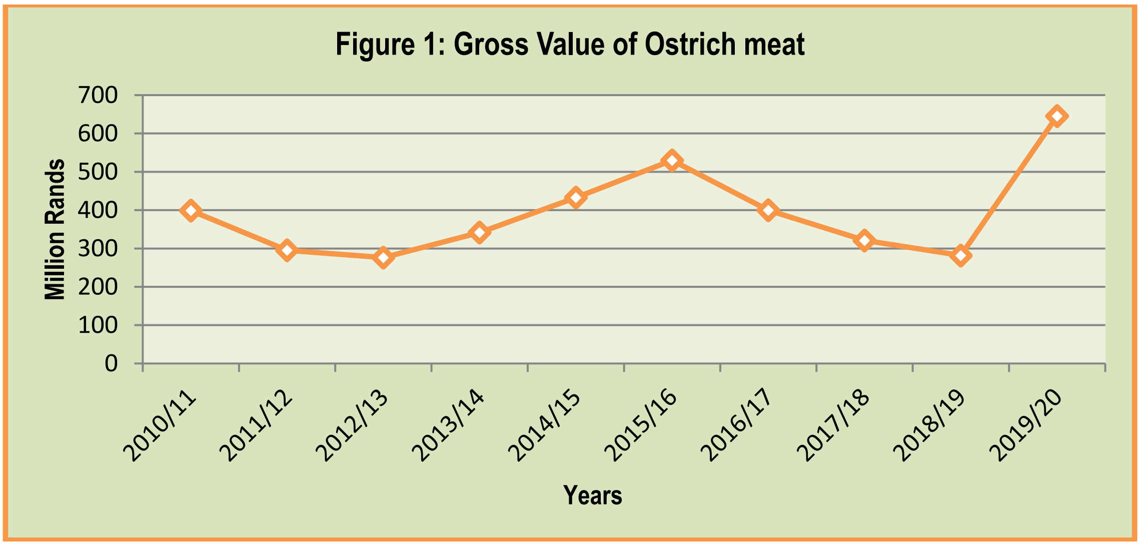
1. DESCRIPTION OF THE INDUSTRY

South Africa dominated the ostrich industry worldwide 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 is rich in protein and iron. South Africa has a unique ability with ostriches. A few decades ago, the country was the sole producer of farmed ostriches in the world and this monopoly was guarded by a law that made it illegal to export live birds. However, with the liberalisation of agriculture, the legal restriction was lifted and many other countries imported South African ostriches to start their own industries.

In South Africa, ostriches require dry climate, 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. Oudsthoorn district in the 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. Figure 1 below show the gross value of ostrich production over the past ten years.



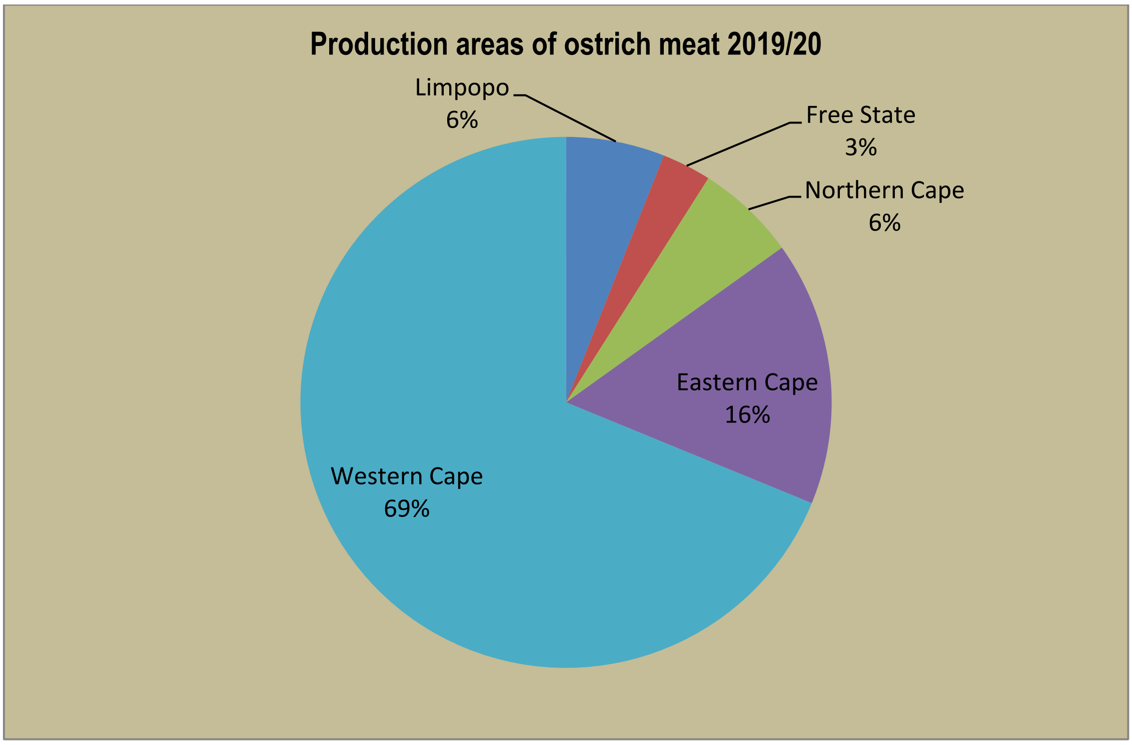
Source: Statistics and Economic Analysis, DALRRD

The average gross value of ostrich production amounted to R392.3 million per annum over the past ten years. The gross value of ostrich production was on first peak in 2015/16 at approximately R529.8 million and a second peak in 2019/20 at R645.5 million. The drastic decreases experienced from 2010/11 to 2012/13 were due to the outbreak of Avian Influenza (also known as bird flu) (AI) in April 2011 that caused the producers to lose main markets. The figure shows that the gross value of production reached its minimum in 2012/13 at approximately R276 million. In 2014, the gross value of ostrich production started to recover. South Africa experienced another AI outbreak in 2017 that led the gross value to drop from 2015/16 to 2018/19. In 2019, the ban imposed by the main markets (European Union) were lifted hence the 129% increase in gross value in 2019/20.

1.1. PRODUCTION AREAS

At least 70% of the world ostriches are found in South Africa while 90% of the produced products (feathers, meat and leather) is exported. Ostriches are produced in few provinces of South Africa.

Figure 2 below show the production areas of ostriches in South Africa.



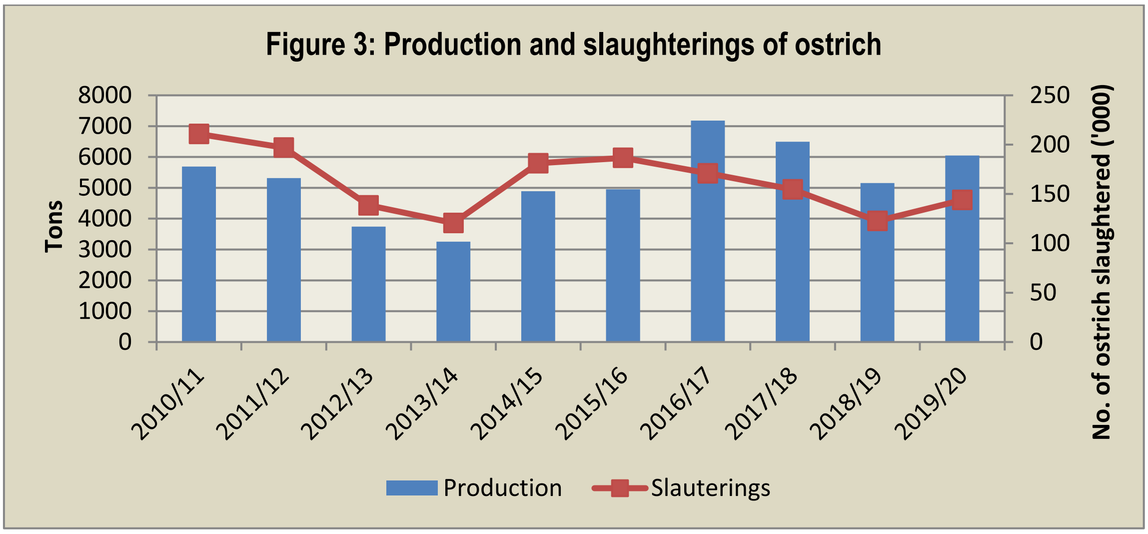
Source: SAOBC

According to Figure 2 above, 69% of the ostriches are found in the Western Cape, with the Klein Karoo dominating the production. Eastern Cape Province followed with a share of 16%. Limpopo, Northern Cape and Free State presented a production share of about 6%, 6% and 3% respectively in 2019/20. Oudtshoorn in the Klein Karoo of the Western Cape is regarded as the ostrich capital of the world.

1.2. PRODUCTION TRENDS

Local ostrich activities have spread from the Klein Karoo region (which maintains its prominent role) into the Eastern Cape, as well as to the Limpopo 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 8 European Union approved export abattoirs. Out of 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 m^2 of leather and 1 kg of feathers.

Figure 3 below indicate production of ostrich meat in South Africa from 2010/11 to 2019/20.

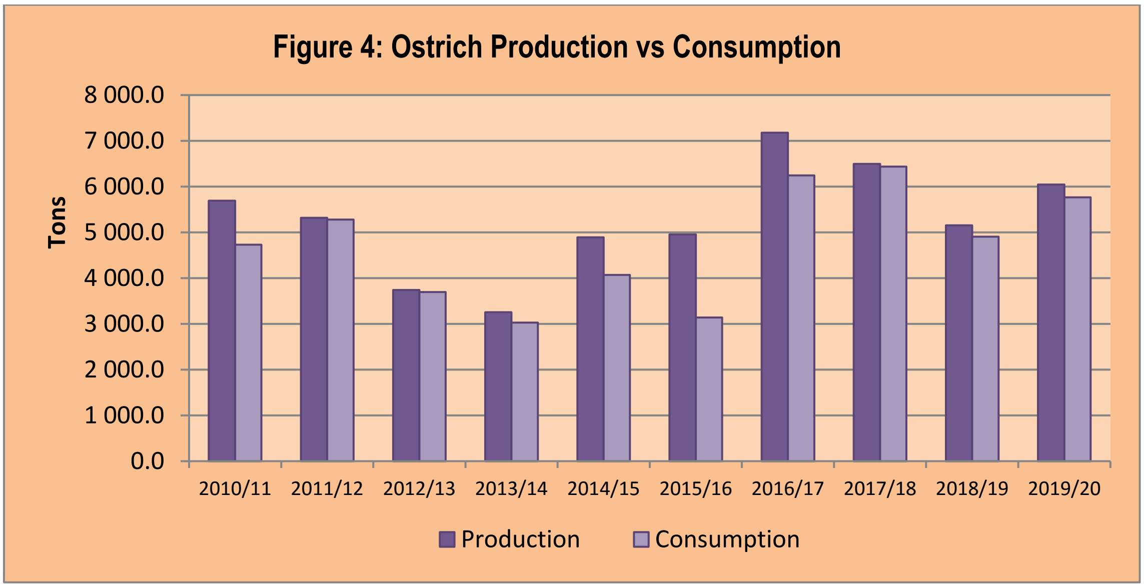


Source: Statistics and Economic Analysis, DALRRD and SAOBC

The production and slaughtering of ostrich has been fluctuating over the past decade. The production and slaughtering of ostrich meat was high in 2010/11 until it start dropping from 2011/12 to 2013/14 production season. The decline was due to the outbreak of Avian Influenza in 2011, which led to the culling of 50 000 ostriches. The number of ostrich slaughtered declined and observably affected production. From 2014/15, production increased following the lifted export ban however remained constant in 2015/16 due to severe drought in South Africa. The figure indicate that the maximum (peak) production of ostrich meat was reached in 2016/17 at approximately 7 179 tons. As the industry recover in 2016/17 with an increase in production, there was another AI outbreak in 2017 which led production and slaughtering of ostrich decline until 2018/19. During 2019, the import ban was lifted which reflect in the increased production in 2019/20.

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

Production and consumption of ostrich meat has been fluctuating over the past decade. Figure 4 indicates that South Africa produces more than local demand of ostrich meat which makes the country self-sufficient and net exporter of ostrich products. The drastic increase experienced during 2011/12 and 2016/17 to 2017/18 on local consumption was due to the fact that ostrich producers decided to explore the local market because of the ban of ostrich meat to the EU. 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. From 2015/16 to 2017/18, the production shows a declining trend while consumption is increasing. In 2019/20, both production and consumption experienced an increase of 17% each.

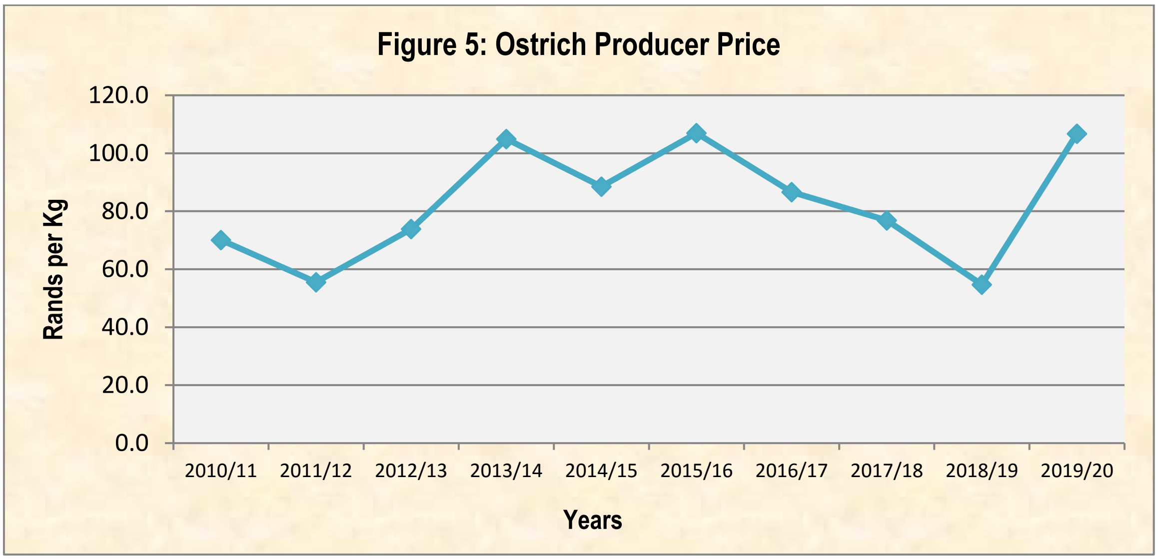
1.4. EMPLOYMENT

Resuming the exports of ostrich to South African main market (European Union) due to ending of a four-year ban will contribute in increasing of jobs. The jobs will increase mainly in Western Cape as the province produce about 75% of ostrich. Currently, the industry creates 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, DALRRD and SAOBC

The producer price of ostrich meat has been fluctuating throughout the period under analysis. The trend shows an immense increase from 2011/12 to 2013/14. The price of ostrich meak per kilogram reached its peak (R106.90) in 2015/16. The trend shows that prices then declined until 2018/19 reaching the lowest (R54.70) price in the past decade. Producer prices increased by 95% in 2019/20 emanating from opening of export market which reduced the local supply.

2.2 IMPORT- EXPORT ANALYSIS OF OSTRICH

Figure 6 below compares the quantities of imports and exports for ostrich from 2011 to 2020.

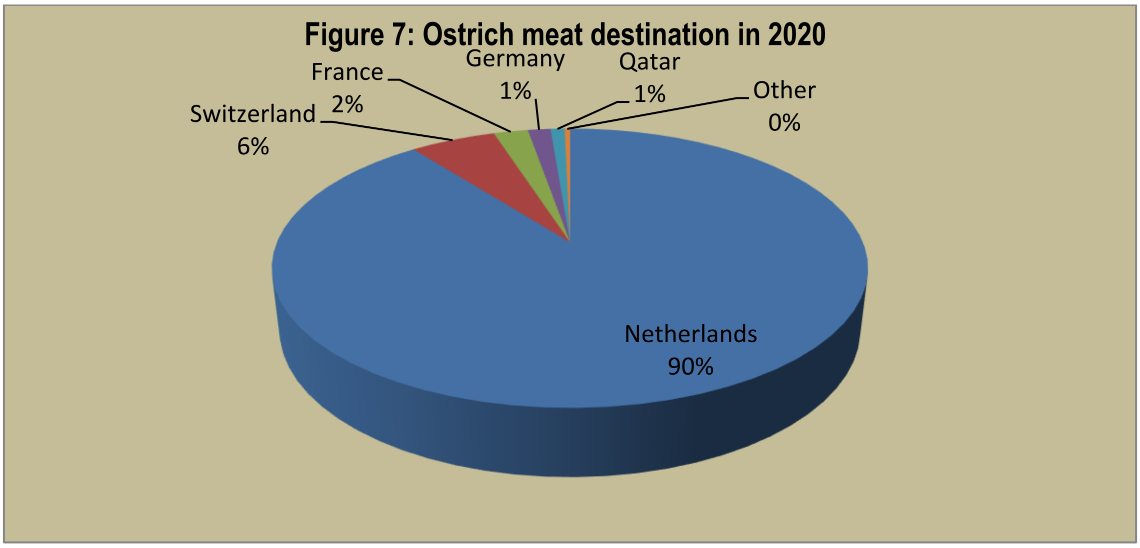
Source: *Quantec*

It is clearly indicated from Figure 6 above that South Africa has been a net exporter of ostrich throughout the entire period of analysis. The export quantities are far higher than import quantities although exports experienced a drastic decrease from 2012 to 2014 due to the ban of ostrich meat in the EU market. However in 2015, South Africa was declared disease free, hence the exports picked up in 2015 and 2016. The exports of ostrich reached the peak in 2016 at 1.8 million kilograms and this was due to the increased production reaching 6 244 tons of ostrich during the same period. The export of fresh ostrich meat was banned following another outbreak of avian influenza in June 2017. This has led to a decrease of ostrich exports meat by 48% in 2017 and 94% in 2018. This may also be attributed by the production decline during those years. In 2019, the EU has lifted the import ban of ostrich meat from South Africa. This has resulted in exports increasing by 325% in 2019 and 13% in 2020. The imports of ostrich was zero from 2018 to 2020.

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. Prior to the ban of ostrich meat and products in 2011, exports contributed approximately R1.2 billion annually. Most of the ostrich meat exported is fillet. Ostrich meat is extremely popular in Europe due to its health characteristics (low in cholesterol and fat). Prior and subsequent to the ban, the European Union was the largest consumer of South Africa's ostrich meat and also South Africa's major export destination, which account for almost 80%. The remaining is exported to the Far East Asia and Africa.

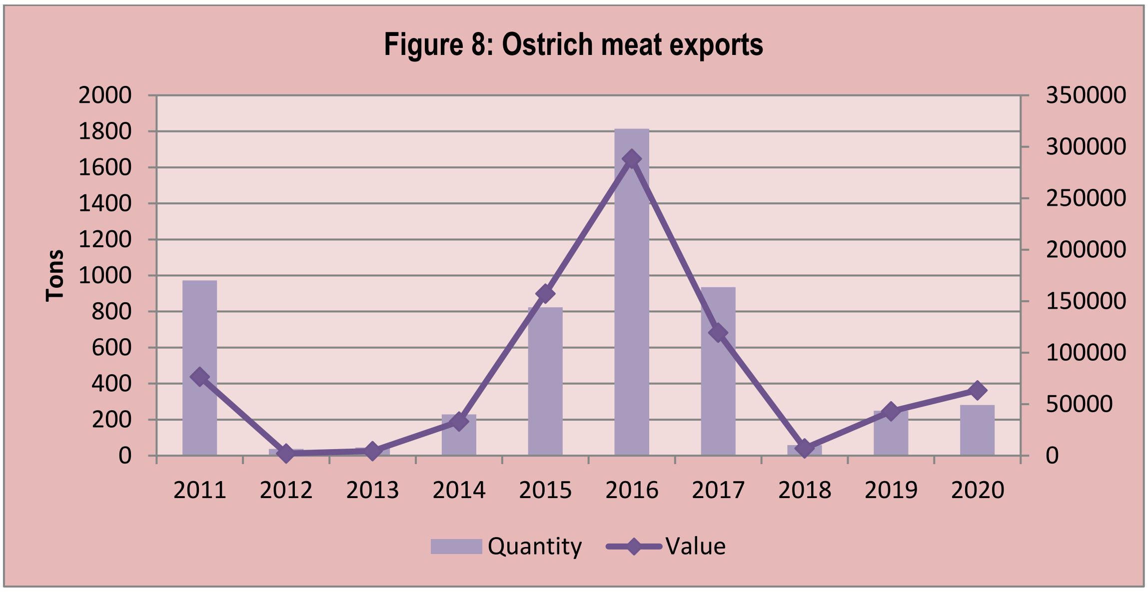
Figure 7 below show the export destinations of ostrich during 2020.



Source: *Trade map*

During 2020, South Africa exported more ostrich meat to Netherlands accounting for a share of 90% followed by Switzerland (6%), France (2%) and Germany (1%). Qatar accounted for 1%. Other countries together accounted for less than 1% share of South African ostrich meat in 2020.

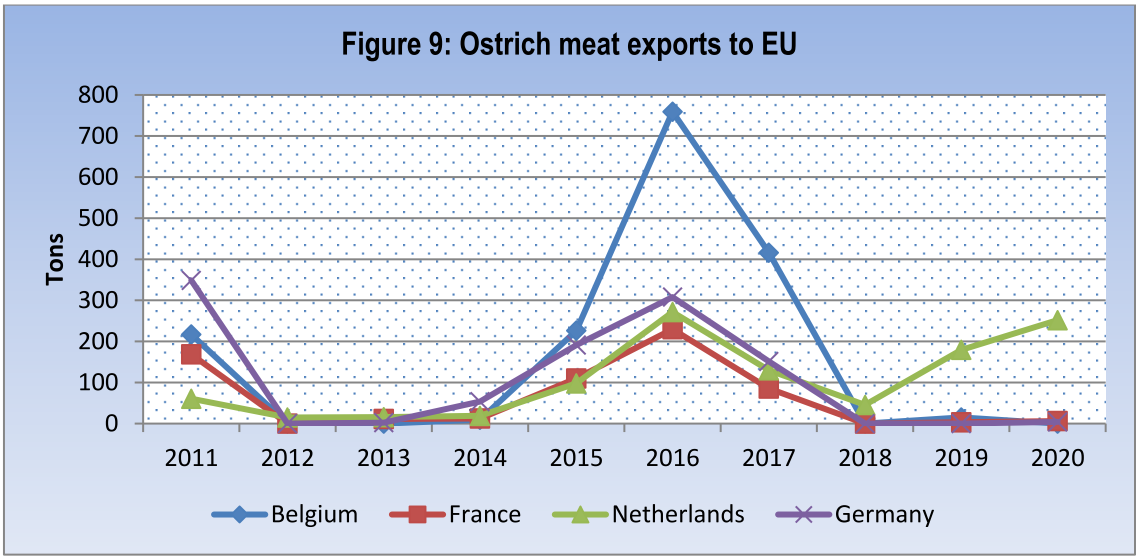
Figure 8 below presents the meat export in quantity and value from 2011 to 2020.



Source: *Quantec*

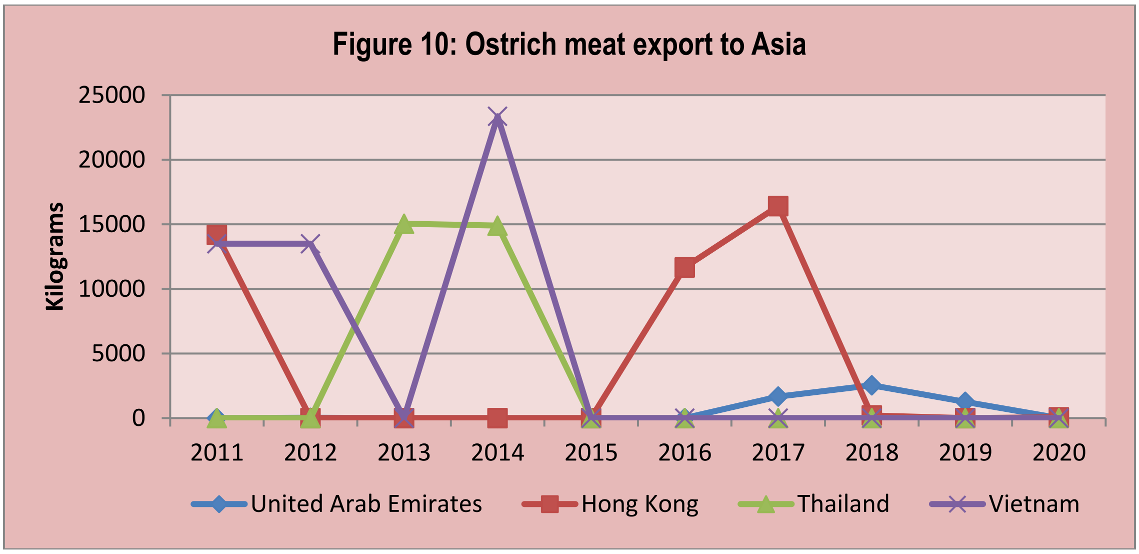
Figures 8 shows that ostrich meat exports quantity and value have been fluctuating in the past decade. From 2011, export quantity and value were experiencing the decline due to the European Union (EU) import ban until 2014/2015. The EU lifted the ban in 2015 based on the prevalence of the Avian Influenza outbreak in South Africa. Following that, the exports emmensly increased in 2016 reaching a new peak. The country faced another outbreak in 2017 which caused the exports to declined by 48% in quantity and 58% in value in 2017. The exports continue to decline in 2018 by 94% and 93% respectively. The ban was lifted in 2019, hence the exports pick up of 325% in quantity and 506% in value respectively. The ostrich meat export increased at a lower rate in 2020 as the world trade of goods were affected by Covid 19 restrictions.

The ostrich export destinations shows that most of exports go to EU. South African ostrich exports to EU, Asia and SADC will be presented in details from Figure 9 to Figure 11 below.



***Source**: Quantec*

The European Union (EU) is the main import market for South African ostrich meat importing more than 90% of total exports. Exports of ostrich meat to EU experienced drastic decreases in 2012 to 2015 due to the H5N2 avian influenza outbreak in April 2011. There was slight overall improvement of ostrich meat export to EU in 2015 (627 tons) and 2016 (1605 tons). Following another AI outbreak in 2017, the export declined in 2017 and further decline in 2018. In 2019 and 2020, the exports increased through Netherlands with an increase of 296% and 40% respectively. In total, Belgium dominated the market followed by Germany and France.



***Source:** Quantec*

Figure 10 indicate that ostrich exports to Asia were fluctuating over the period under analysis. Hong Kong export trend shows that the AI had negatively affected trade with South Africa. Asia's highest imports from South Africa were experienced during 2014. Viet Nam increased drastically in 2014 and commanded the highest imports. On average, Viet Nam is the highest importer of ostrich meat within Asia, which account for 39% followed by Hong Kong with 33%, then Thailand and United Arab Emirates with 24% and 4% respectively. There were no exports of ostrich meat to Asia from South Africa in 2015.

The exports of ostrich meat to SADC are presented in Figure 11 below.

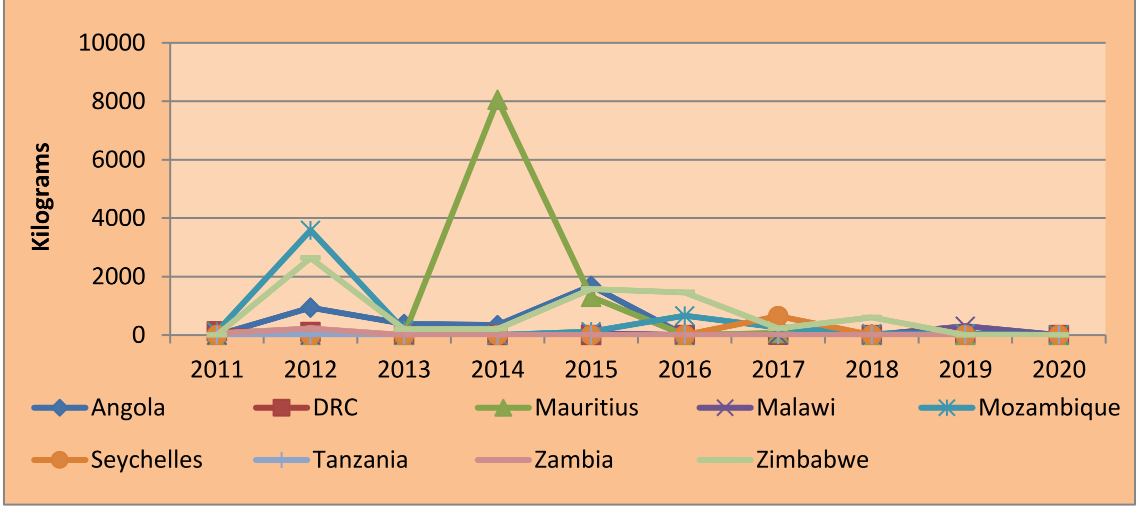


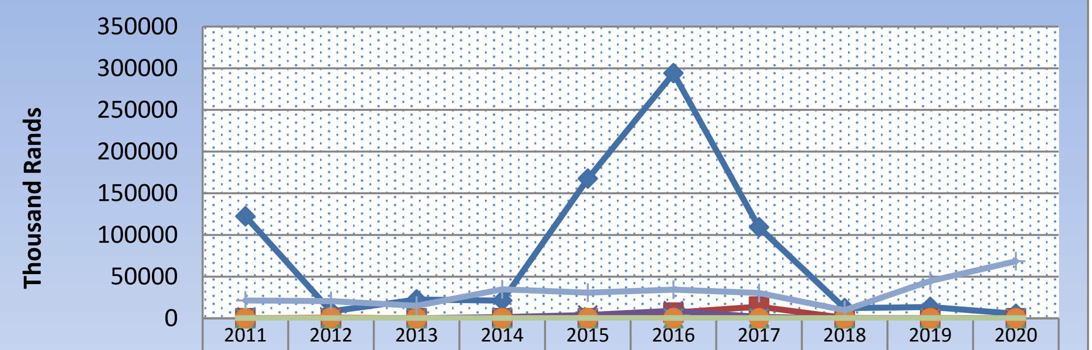
Figure 11: Ostrich meat exports to SADC

Source: *Quantec*

According to Figure 11, ostrich exports were below 10 000 kilograms for majority of SADC countries. The export volumes reached the highest point through Mauritius importing 8 000 kilograms in 2014. Zimbabwe imported 3 000 kilograms and Mozambique imported 4 000 kilograms in 2012. In total, Mauritius commanded the highest share of 9428 kilograms of South African ostrich meat during the period under review, followed by Zimbabwe (6908 kilograms) and then Mozambique by 5 023 tons.

Values of ostrich meat exports from various provinces of South Africa are presented in Figure 12.

Figure 12: Value of ostrich meat exported from Provinces



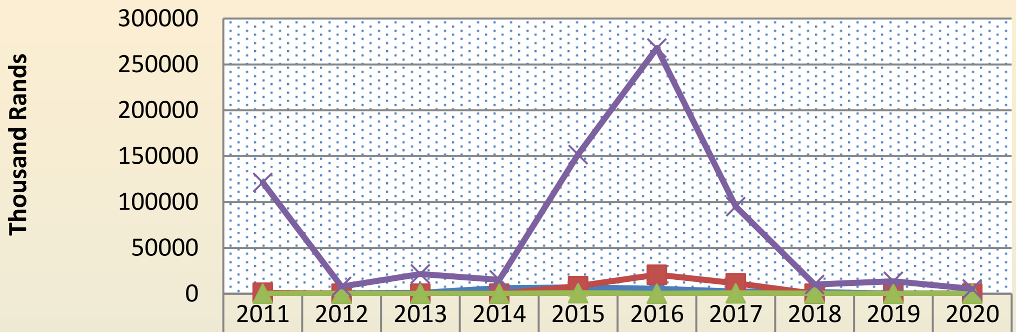
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Western Cape	122382	8318	22557	21217	167521	293987	109272	12187	13628	5447
Eastern Cape	0	0	0	2	0	6748	13942	424	0	0
Northern Cape	0	0	0	0	0.330	0	0	0	0	0
Free State	0	0	116	1547	3868	9066	1712	96	169	213
KwaZulu-Natal	85	37	0	347	2	75	273	31	157	295
North West	0	971	0	0	207	199	0	0	0	0
Gauteng	21367	20629	15092	34782	30700	34352	30370	9711	44824	68380
Mpumalanga	18	8	7	7	41	111	4	11	19	14
Limpopo	8	0	0	0	19	99	0	5	2	0

Source: *Quantec*

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 is in Western Cape Province. The second largest exporter is Gauteng and the third largest exporter was Eastern Cape Province. Intermittent exports were recorded from the other six provinces. The low exports in 2011 to 2014 was due to the exports suspension of ostrich meat from South Africa due to H5N2 avian influenza outbreak. Subsequent to South Africa being declared disease free in 2015, the ostrich exports increased mainly in Western Cape with a total share of above 70% from 2015 to 2018 respectively. In 2019 and 2020, Gauteng raised its exports and led the market with a share of 76% and 92% respectively.

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.

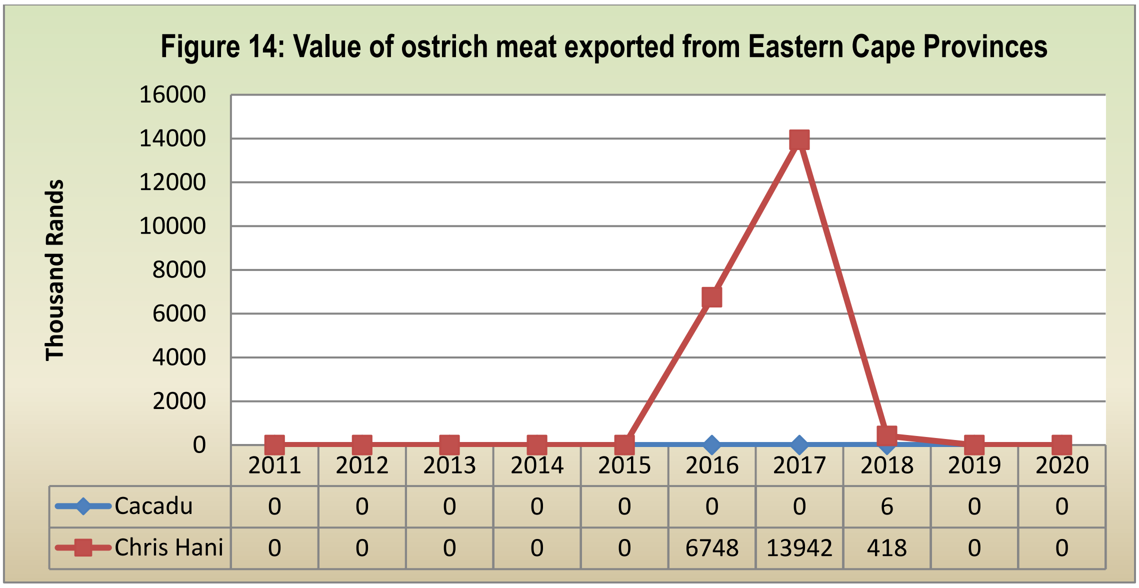
Figure 13: Value of meat exported from Western Cape Province



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
City of Cape Town	38	458	1090	6081	6914	5459	2477	1933	60	116
West Coast	1020	0	0	0	8270	20731	11466	0	0	0
Cape Winelands	0	0	0.4	0	621	0	411	167	1	2
Eden	121324	7861	21466	15136	151715	267797	94918	10087	13567	5329

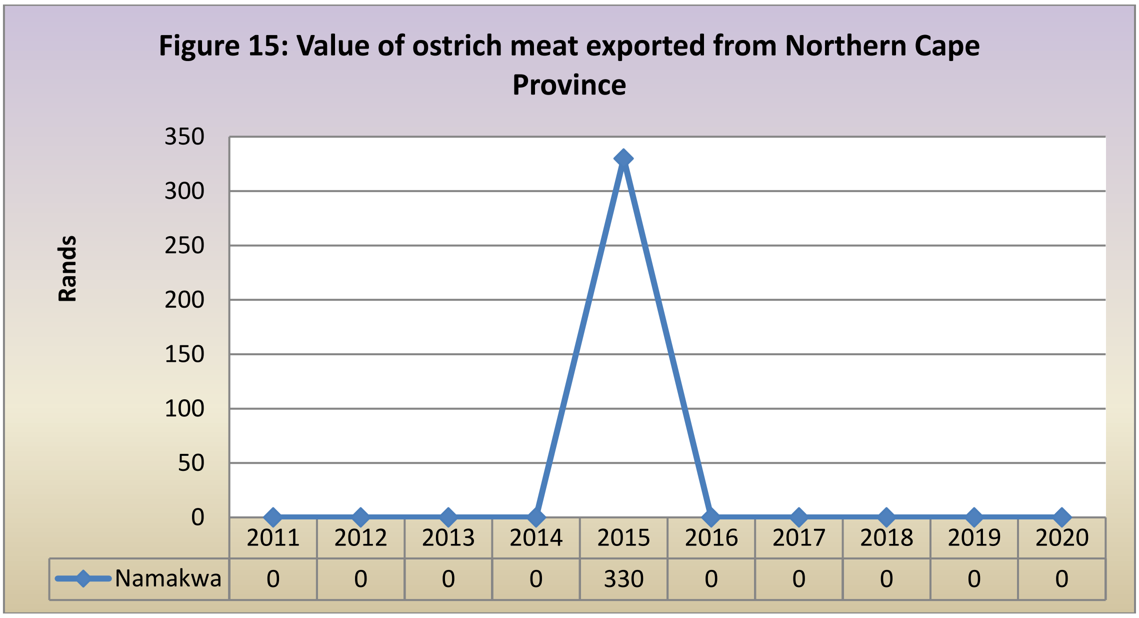
Source: *Quantec*

From the Western Cape Province, Eden District Municipality was the main exporter of ostrich meat with a total of R709 million during the period under review. The Municipality was followed by the West Coast District Municipality and City of Cape Town Metropolitan Municipality with a total of R41 million and R24 million respectively. Cape Winelands District Municipality was the smallest exporter of ostrich meat during the period under review. The figure show that the value of ostrich meat exports from Eden District Municipality attained a peak of R267 million in 2016. The figure also shows that the increase in 2015 and 2016 for this province was mainly from Eden. Eden District Municipality had an export share of above 90% in both 2015 and 2016. The district declined again in 2017 following the export ban due to an AI influenza and remained flat from 2018 to 2020. However, the district had the highest share of above 90% respectively of ostrich products exports.



Source: *Quantec*

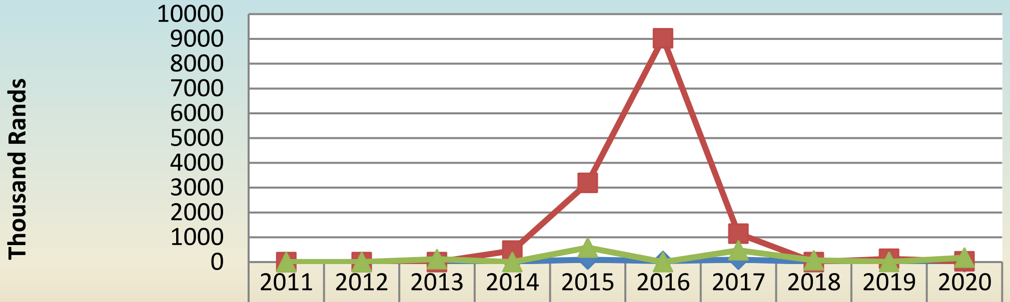
Figure 14 above shows that exports of ostrich meat from Eastern Cape Province were mainly from Chris Hani and Cacadu district municipalities. Chris Hani recorded the ostrich meat exports value from 2016 to 2018 while Cacadu recorded only in 2018. In total, Christ Hani ostrich meat worth of R21 million and Cacadu District Municipality exported R6 000 during the past 10 years. There were no records of ostrich meat exports in Eastern Cape from 2011 to 2015 and again in 2019 to 2020. Chris Hani reported over 99% share of exports of ostrich meat from 2016 to 2018.



Source: *Quantec*

Figure 15 above shows that Namakwa District Municipality was the only municipality exporting ostrich meat in the Northern Cape Province for the past decade. Namakwa District Municipality recorded a value of R330 only in 2015. There were no records of ostrich exports in Northern Cape for the rest of the years.

Figure 16: Value of ostrich exported from Free State province

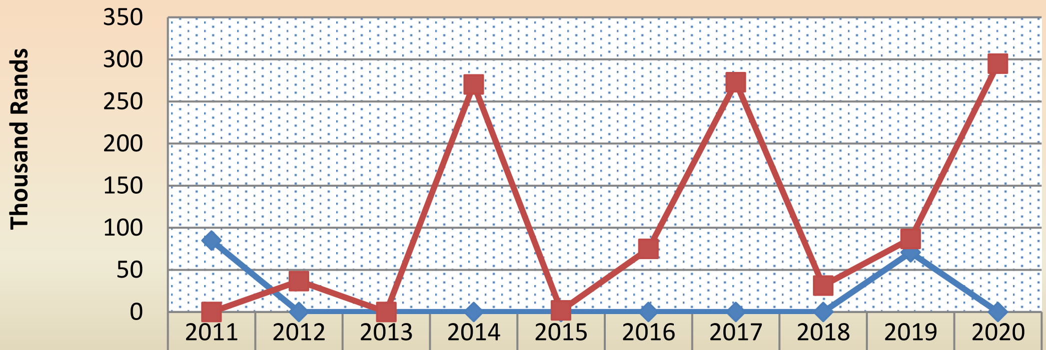


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Lejweleputswa	0	0	0	18	97	42	95	11	32	0
Thabo Mofutsanyane	0	0	0	458	3190	9024	1146	0	130	27
Mangaung	0	0	116	0	581	0	471	69	6	177

Source: *Quantec*

From Free State Province, the exports of ostrich meat were recorded in Mangaung, Lejweleputswa and Thabo Mofutsanyane District Municipalities. The Figure 16 above shows that, the province started to export ostrich meat in 2013 through Mangaung. During the period under review, Thabo Mofutsanyane District Municipality was the highest exporter of ostrich meat worth approximately R14 million in total. It was followed by Mangaung with R1.4 million and lastly Lejweleputswa District Municipality with R294 878. Thabo Mofutsanyane was leading in the exporting years except 2020 were Mangaung took a lead with an export share of 87%.

Figure 17: Value of ostrich meat exported from KwaZulu-Natal Province

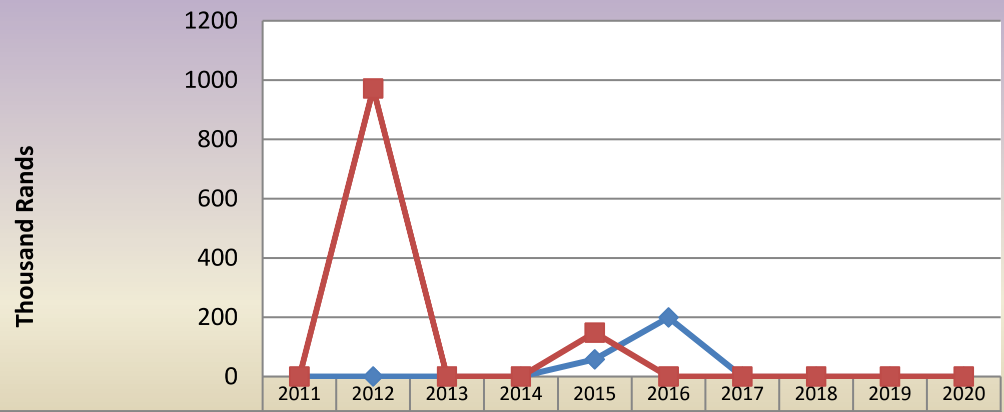


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Uthukela	85	0	0	0	0	0	0	0	71	0
eThekwini	0	37	0	270	2	75	273	31	87	295

Source: *Quantec*

From KwaZulu-Natal Province, eThekwini Metropolitan Municipality was the main expoter within the province. The municipality exported ostrich meat in the past decade except 2011 and 2013. UThukela District Municipality recorded ostrich meat only in 2011 and 2019. The total exports from the province declined by 88% in 2018. In 2019, both municipalities raised exports with eThekwini leading with market share of 45% and Uthukela 45% respectively. eThekwini Metropolitan Municipality recorded the 100% market share in 2020.

Figure 18: Value of ostrich meat exported from North West Province

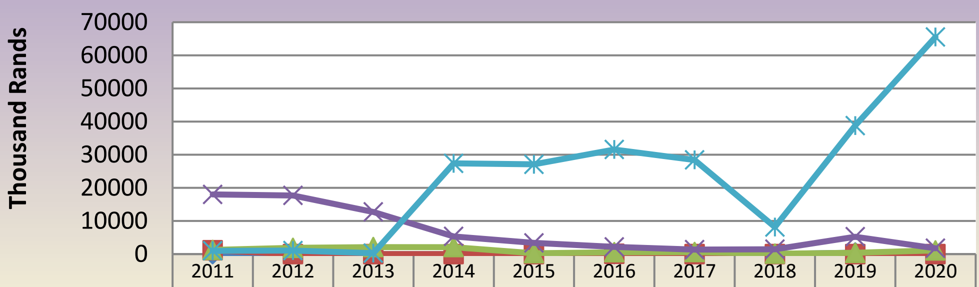


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Ngaka Modiri Molema	0	0	0	0	58	199	0	0	0	0
Dr Ruth Segomotsi Mompati	0	971	0	0	148	0	0	0	0	0

Source: *Quantec*

Generally exports from the North West Province are low due to the fact that 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. Figure 18 above indicate that from North West Province, Dr Ruth Segomotsi Mompati District Municipality was the leading district that exported ostrich meat during the period under analysis. However, Ngaka Modiri Molema recorded its exports in 2015 and increased by 243% in 2016. There were no exports of the ostrich meat in North West Province in 2011 and 2013-2014 and again in 2017 – 2020. Dr Ruth Segomotsi Mompati District Municipality attained a peak of R971 331 in export value of ostrich meat in 2012.

Figure 19: Value of ostrich meat exported from Gauteng Province

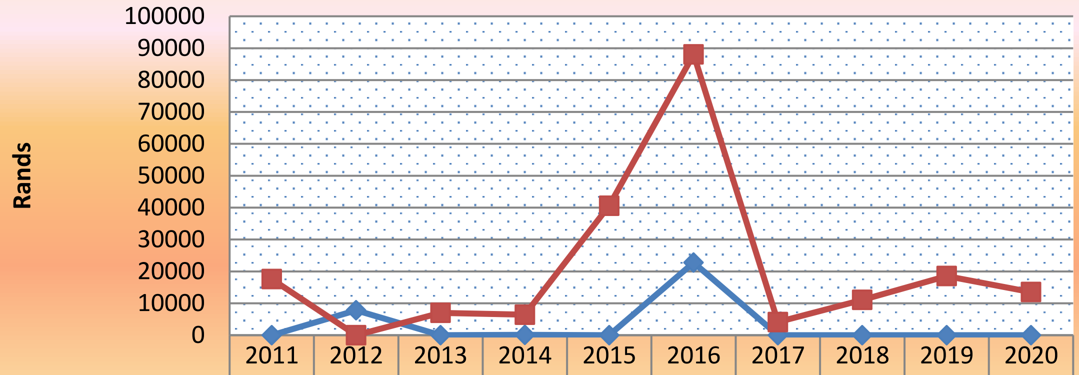


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sedibeng	0	0	0	0	0	0	0	0	443	0
West Rand	1121	0	0	0	0	70	0	0	0	0
Ekurhuleni	1254	1872	2100	2096	259	553	608	107	370	1093
City of Johannesburg	18009	17695	12723	5319	3363	2171	1354	1457	5231	1763
City of Tshwane	983	1062	268	27366	27077	31559	28409	8147	38780	65525

Source: *Quantec*

Figure 19 indicates that the City of Tshwane Metropolitan Municipality was the greatest commander of ostrich meat export in value followed by City of Johannesburg Metropolitan Municipality during the period under review. City of Johannesburg was the leading exporter from 2011 to 2013, and then City of Tshwane took over from 2014 to 2020. City of Tshwane immensely declined in 2018 due to the AI outbreak of 2017. City of Johannesburg Metropolitan Municipality attained maximum of R18 million in 2011 and declined thereafter. Sedibeng, Ekurhuleni and West Rand District Municipalities recorded lowest exports of ostrich meat during the period under analysis.

Figure 20: Value of ostrich meat exported from Mpumalanga Province

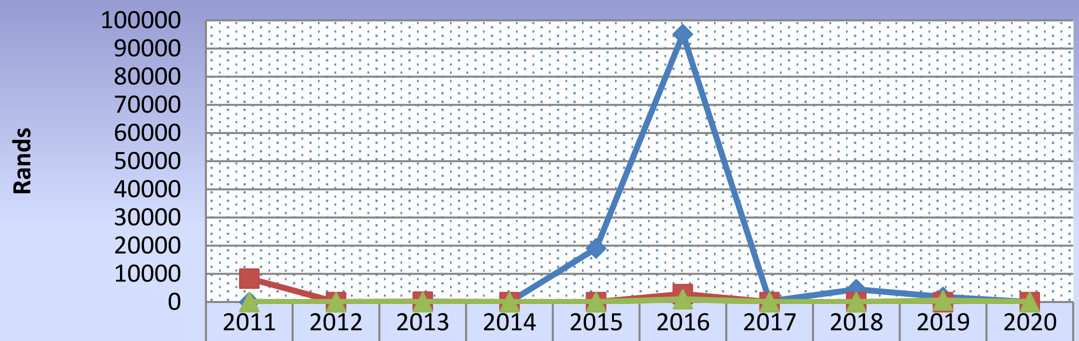


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gert Sibande	0	7798	0	100	0	22759	0	0	0	0
Ehlanzeni	17597	0	7000	6437	40590	88031	4115	11063	18534	13526

Source: Quantec EasyData

In Mpumalanga province, the exports were recorded from Gert Sibande and Ehlanzeni District Municipalities although irregular. Gert Sibande District Municipality reported the 100% share of exports in 2012. Ehlanzeni District Municipality has commanded greatest exports of ostrich meat in, 2011 and 2013 to 2020. In 2016, both districts increased exports whereby Ehlanzeni District Municipality attained highest value of ostrich meat export of R88 031 (79%) whilst Gert Sibande attained its highest of R22 759 (21%). From 2017 to 2020, Ehlanzeni 100% shares of ostrich exports.

Figure 21: Value of ostrich meat exported from Limpopo Province



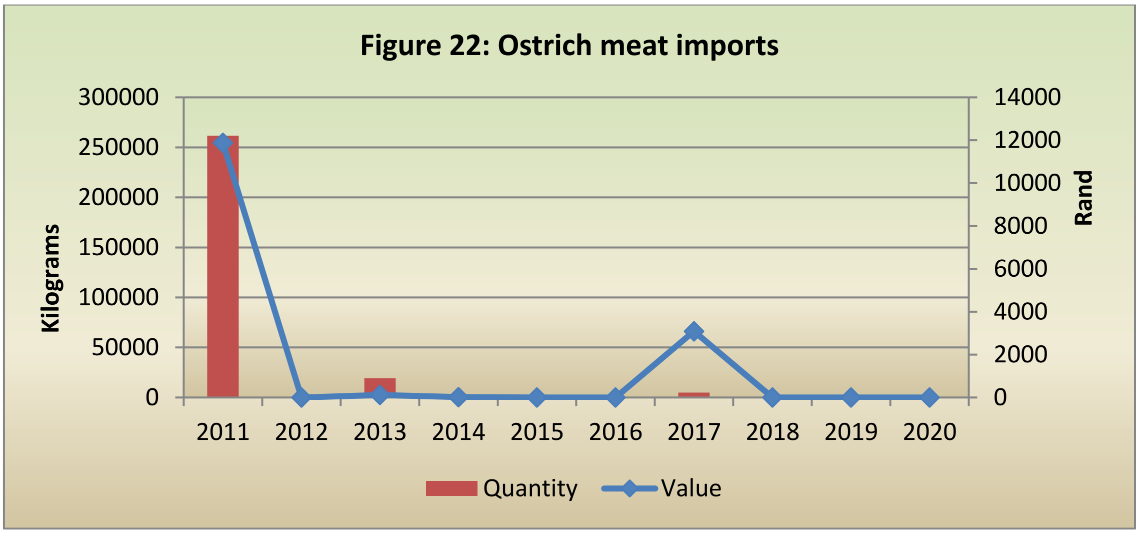
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Vhembe	0	0	0	0	19055	95063	270	4500	1805	0
Capricorn	8342	0	138	0	0	2842	0	0	0	0
Waterberg	0	0	0	0	0	973	0	0	540	0

Source: Quantec EasyData

From Limpopo Province, Vhembe, Capricorn and Waterberg District Municipalities have recorded intermittent exports of ostrich meat during the period under analysis. Vhembe District Municipality reported ostrich meat exports from 2015 to 2019 whereas Capricorn District Municipality exported in 2011, 2013 and 2016. There were no exports of ostrich meat in 2012, 2014 and 2020 from Limpopo Province. The highest exports value of R95 063 was attained in 2016 from Vhembe District Municipality, which accounted for 92% export share. Waterberg and Capricorn District Municipalities dropped to zero exports in 2017 and 2018. In 2019, Vhembe and Waterburg had a share of 77% and 23% respectively.

2.2.2. IMPORTS OF OSTRICH MEAT

Figure 22 below shows the quantities and values of South Africa's ostrich imports during the last ten years.



Source: Quantec EasyData

Import quantities and values have been fluctuating throughout the period under review and also following the same trend. During the period under review, the imports of ostrich meat were very low except in 2011. Thus, the ostrich imports was at its peak in 2011 by attaining 12 208 Kilograms with a value of R254 482. There were no imports of ostrich meat in South Africa in 2012, 2015 – 2016 and 2018 - 2020.

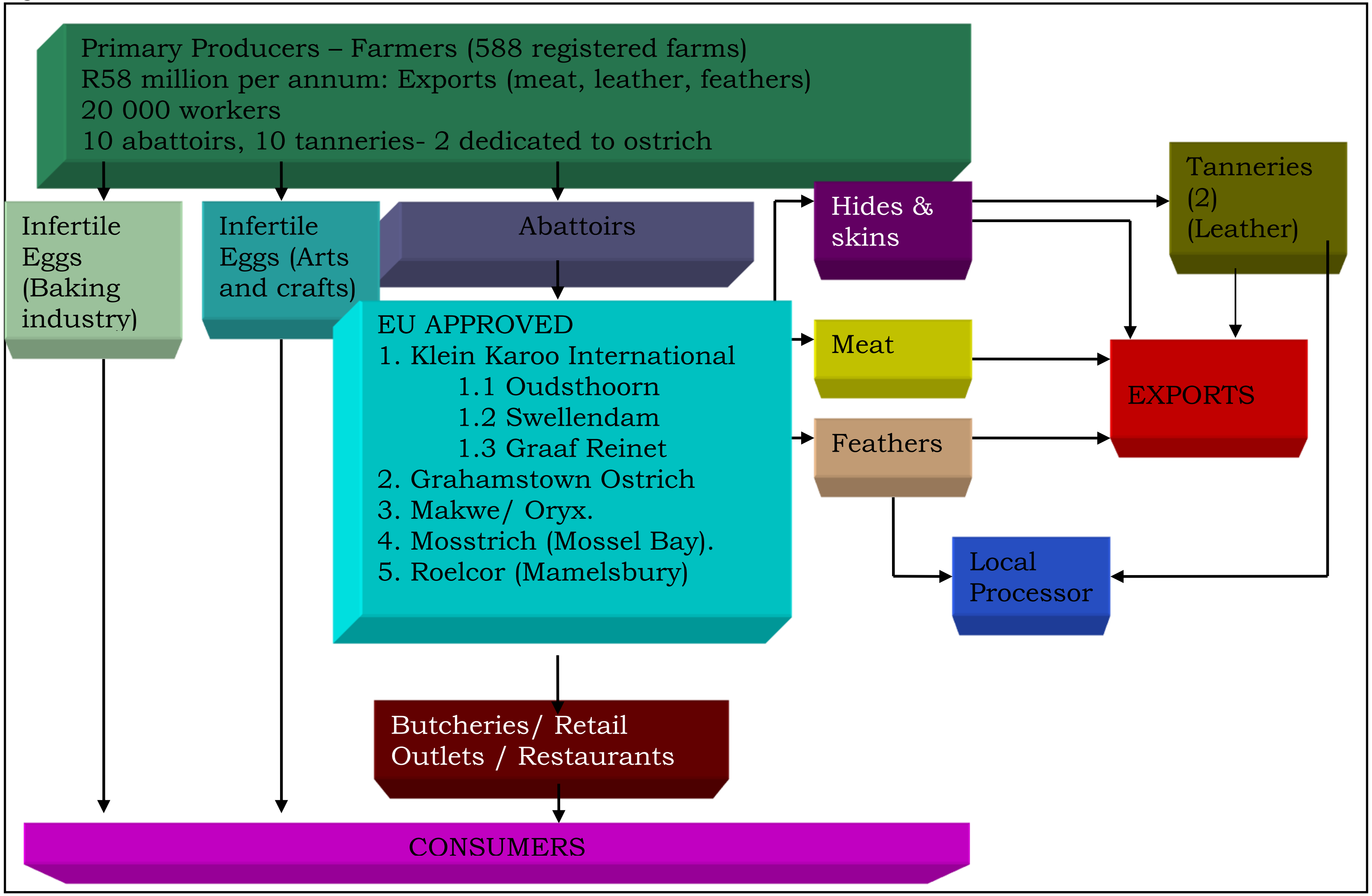
3. OSTRICH PRODUCTS VALUE CHAIN

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 also has a negative effect on monitoring of quality standards, which led to reduction of optimum income levels realized for ostrich products.

Since deregulation, nine 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 23.

Figure 23: 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 then Department of Agriculture, Forestry and Fisheries.
- 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 the rate of exchange.
- Quality cannot be compromised and must adhere to the same worldwide 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 Newcastle inoculation certificate must accompany a bird that is presented for slaughter.
- 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 2011 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 Dysselsdorp 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

- SCOT (Member of the Mosstrich Group, Mossel Bay) 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 and 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.

- 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 1 show tariffs faced by ostrich meat originating from South Africa during 2019 and 2020.

Table 1: Tariffs faced by South African ostrich meat exports

Country	Product Code (NTL)	Trade regime description	2019		2020	
			Applied Tariffs	Total Ad valorem Equivalent tariff (estimated)	Applied Tariffs	Total Ad valorem Equivalent tariff (estimated)
Germany, Netherlands, France and Switzerland	02089010	Preferential tariff for South Africa	0%	0%	0%	0%
Qatar	02089010	MFN duties applied	5%	5%	5%	5%

Source: Market Access Map

Table 1 indicates that South Africa receives an exports tariff of 0% when exporting ostrich meat to Germany, Netherlands, France and Switzerland. Qatar also charged South Africa MFN duties rate of 5% for the product coded above in 2019 and 2020.

8.2 IMPORT TARIFFS

Table 2: Import tariffs applied by South Africa on ostrich meat

			Rate of Duty				
	Article Description	Statistical unit	General	EU	EFTA	SADC	MERCOSUR
02.08	**Other meat and edible meat offal, fresh, chilled or frozen:**						
0208.90	**Other**						
0208.90.10	Of ostriches	Kg	free	free	free	free	free

Source: SARS

Table 2 clearly indicates that South Africa is does not charge tariff to all its trade agreements (EU, EFTA, SADC and MERCUSOR) on ostrich meat imports. South Africa is also applying free of charge on ostrich imports coming from any other general countries.

9. PERFORMANCE OF SOUTH AFRICAN OSTRICH INDUSTRY IN 2020

9.1. Exports

Table 3: List of importing markets for ostrich meat (fresh, chilled or frozen) exported by South Africa in 2020

Importers	Indicators														
	Value exported in 2020 (USD thousand)	Trade balance 2020 (USD thousand)	Share in South Africa's exports (%)	Quantity exported in 2020	Quantity unit	Unit value (USD/unit)	Growth in exported value between 2016-2020 (%, p.a.)	Growth in exported quantity between 2016-2020 (%, p.a.)	Growth in exported value between 2019-2020 (%, p.a.)	Ranking of partner countries in world imports	Share of partner countries in world imports (%)	Total imports growth in value of partner countries between 2016-2020 (%, p.a.)	Average distance between partner countries and all their supplying markets (km)	Concentration of all supplying countries of partner countries	Average tariff (estimated) faced by South Africa (%)
World	4544	4490	100	392	Tons	11592	-35	-40	12		100	-7			
Netherlands	3651	3651	80.3	267	Tons	13674	1	-7	69	2	12.9	-1	4299	0.15	0
Switzerland	267	267	5.9	16	Tons	16688	-42	-45	-62	5	8.1	-9	3002	0.17	0
Germany	236	236	5.2	19	Tons	12421	-74	-50		1	19.6	-8	6468	0.17	0
Italy	86	86	1.9	6	Tons	14333	-23	-34		9	3.4	-8	2288	0.13	0
France	75	75	1.7	6	Tons	12500	-59	-60	-61	4	8.4	-10	8169	0.19	0
Qatar	56	56	1.2	6	Tons	9333	62	60	-15	47	0.05	-22	4670	0.73	5
Somalia	53	53	1.2	14	Tons	3786			-81	33	0.2	148	2649	0.9	
Hong Kong, China	50	50	1.1	12	Tons	4167	-60	-49		7	3.8	12	3463	0.53	0
Namibia	22	18	0.5	9	Tons	2444	-41	-41	-82	77	0.01	-31	8381	0.41	0
Mozambique	19	19	0.4	17	Tons	1118	-34	-34	-46	83	0	-39	950	0.59	0
Eswatini	11	11	0.2	10	Tons	1100	41	14	22						0
Lesotho	4	4	0.1	6	Tons	667	-75	-38	-4	88	0	-68	369	1	0

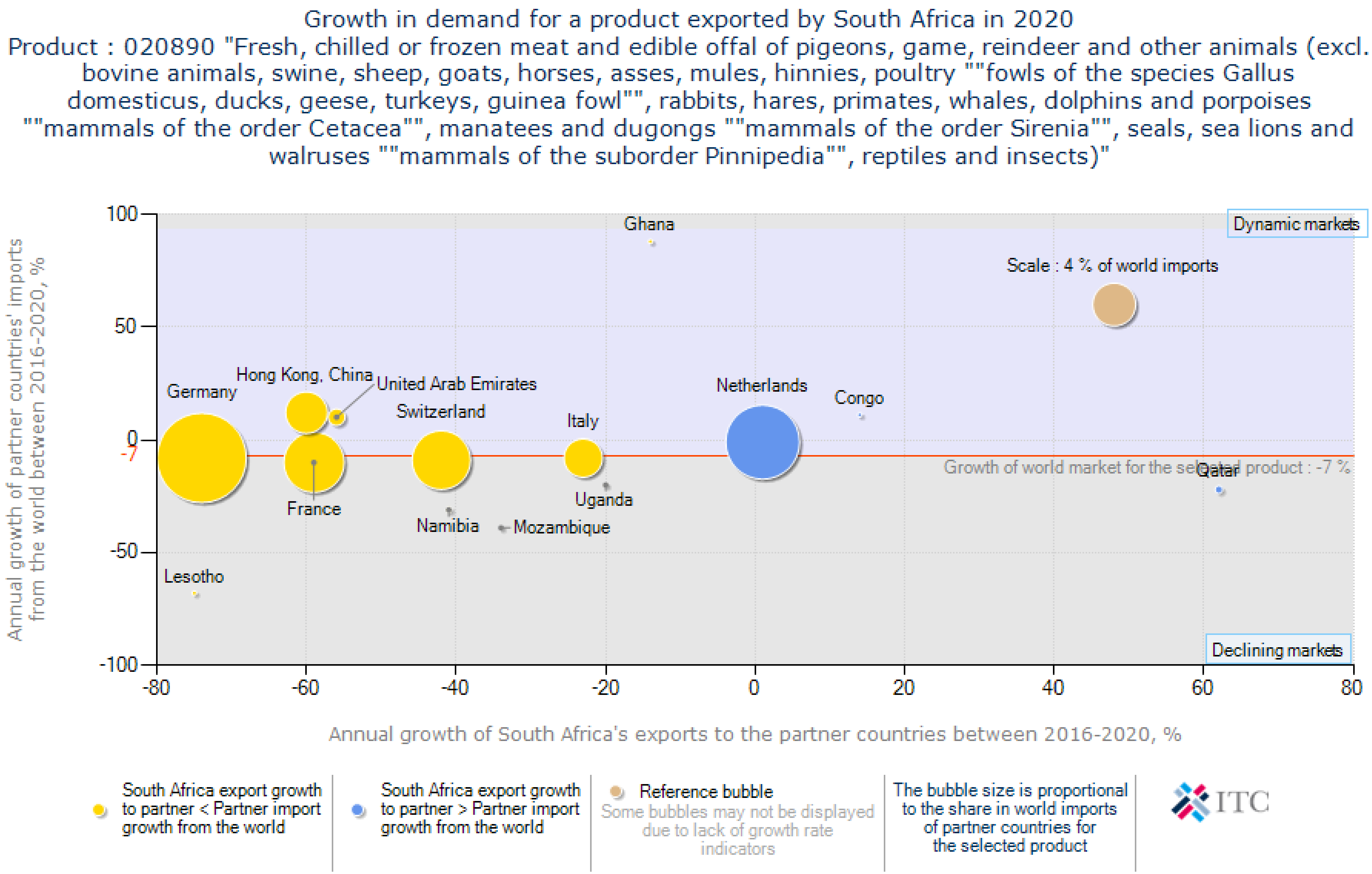
Source: ITC calculations based on COMTRADE statistics.

In 2020, South Africa's export represented **1%** of world export for ostrich meat (fresh, chilled or frozen) and its ranking in world exports was **19**. Table 3 shows that during 2020 South Africa exported a total of 392 tons of ostrich meat at an unit value of US$ 11 592/unit and the total value exported. The major export destinations for ostrich meat originating from South Africa during 2020 were Netherlands, Switzerland and Germany. Netherlands was the leading market for ostrich meat, accounting for 80.3% of South Africa's export market followed by Switzerland with 5.9% and Germany (5.2%) respectively.

On average, during the periods 2016 and 2020, South Africa's exports for ostrich meat decreased by 35% in value and 40% in quantity. During the same period, Netherlands increased by 1% in value and decreased by 7% in quantity per annum.

South Africa's exports for ostrich meat to the world increased in value by 12% during the period 2019 to 2020 and Netherlands increased by 69% in value and Switzerland decreased by 62% during the same period.

Figure 24: Growth in demand for ostrich meat exported by South Africa in 2020

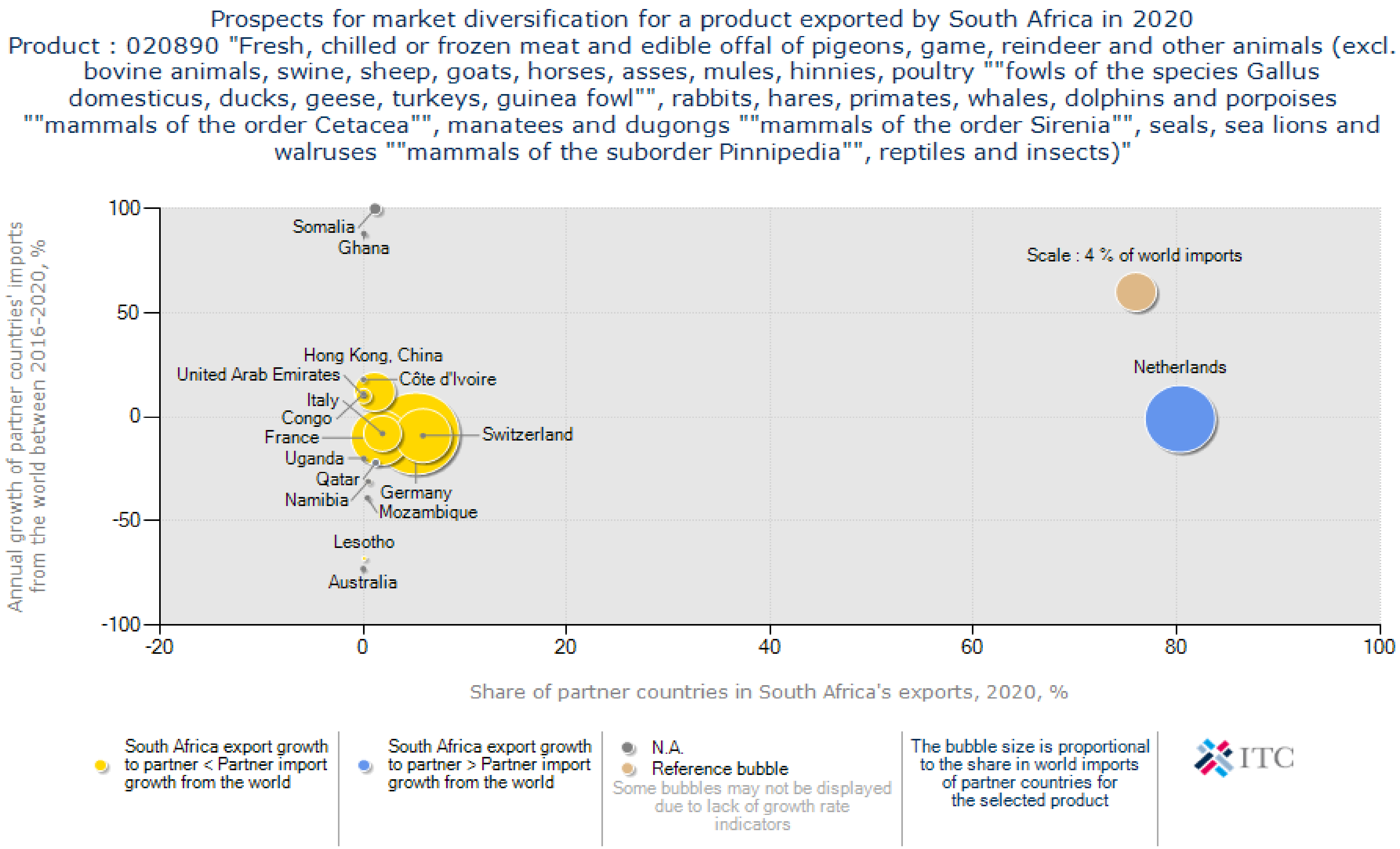


Source: ITC Trademap

Figure 24 shows that between 2016 and 2020 South Africa's ostrich meat exports to Germany, Hong Kong, China,Switzerland, Italy, France and UAE 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 Netherlands, Qatar and Congo were growing at a rate that is greater than their imports from the rest of the world.

Further analysis indicates that Lesotho, Namibia and Mozambique represent loss in declining markets. The most growing export market of South African ostrich meat is Ghana and its annual import growth is 88%.

Figure 25: Prospects for market diversification for ostrich meat exported by South Africa in 2020



Sources: ITC Trademap

Figure 25 shows that if South Africa wishes to diversify its ostrich meat exports, the biggest market exist in Germany which has a share of 19.65% of the world's import market. The most attractive markets although small Somalia because its annual growth of imports has increased by 148%. South Africa is currently exporting less than what is importing from the world, therefore penetration into this market may be beneficial.

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