Blue Mountain Ostrich Nutrition E-Bulletin #96

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Ostrich Industry Review of 2004

Review of 2004

Part 1 - The industry today

The mid-nineties were probably the peak of the first phase of the development of Ostrich production. The strong breeder market in Northern Europe, North America and Australasia had collapsed, leaving farmers who had invested heavily asking "where to from here?" Many of us were working to understand our industry better and what was required for Ostrich production to become a viable livestock production industry.

The Internet was just becoming available to the many. My (Fiona Benson) first introduction to mailing lists was "The Ratite List" in 1996. Membership was nearly 500 members at the time, of which approximately 90% were Emu related messages, 9% Ostrich and 1% Rhea. Understandably it was extremely difficult for Ostrich members to pick out messages relating to our industry.

Daryl Holle, of Blue Mountain, offered to run a dedicated Ostrich List. We all leapt at that the idea as a number of us were also discussing the very same thing. At the same time Daryl Holle started his Blue Mountain Nutritional Bulletin program. I would read each one, download and distribute as best I was able as it was so evident that we had someone in our industry providing solutions that all were seeking. It never occurred to me that a year later I would be contributing to these bulletins. Working with Daryl Holle since that time has been an honour as he has so much valuable knowledge to share.

Those early months of the Ostrich list we had some wonderful discussions with membership from many different countries. One message that was very clear from the mailing lists was the fact that producers were seeking solutions to rearing and marketing difficulties. This was the same message we were hearing amongst producers in South Africa, where I was living. We started farming ostriches to better understand the rearing problems for ourselves.

At the end of 1997, it seemed a good idea to write a summary of progress made in our industry and this has now become an annual tradition. At first I just posted these messages to the Ostrich list. In recent years, we have published these summaries as Blue Mountain Nutritional Bulletins to expand the readership over and above the Ostrich list membership and maintain them as a permanent record.

2004 has seen only one major Bulletin – "Cutting the Costs of Production" – a subject very dear to every single producer's heart. This Bulletin could also be sub-titled "Increasing Revenue per Bird".

One important factor in increasing the Revenue per Bird is the need for a sound industry with a full supporting infrastructure which must include industry standards. Industry standards provide our buyers with guidelines on the quality of the product and therefore the price, as clearly all meat, all skins, all fat and all feathers are not produced to the same standards. Clearly defined standards also provide guidelines for producers as a measure of their performance.

In 2004, Blue Mountain's voluntary time spent supporting our industry has been utilised in helping to progress the World Ostrich Association (WOA), producing Monthly newsletters for members and other development work.

We hope that all readers of this report not yet members, will join the WOA. The WOA has membership from 24 countries, spread across the globe. Figure 1 shows the percentage of that membership by zone and Figure 2 shows the Zones. These figures cannot show, at this time, the percentage of "production" as there is insufficient accurate data available to make that determination at this time. There are a number of WOA members with potentially very high production capacity and some of the largest production companies outside South Africa. There are also members who are involved in the various support industries.

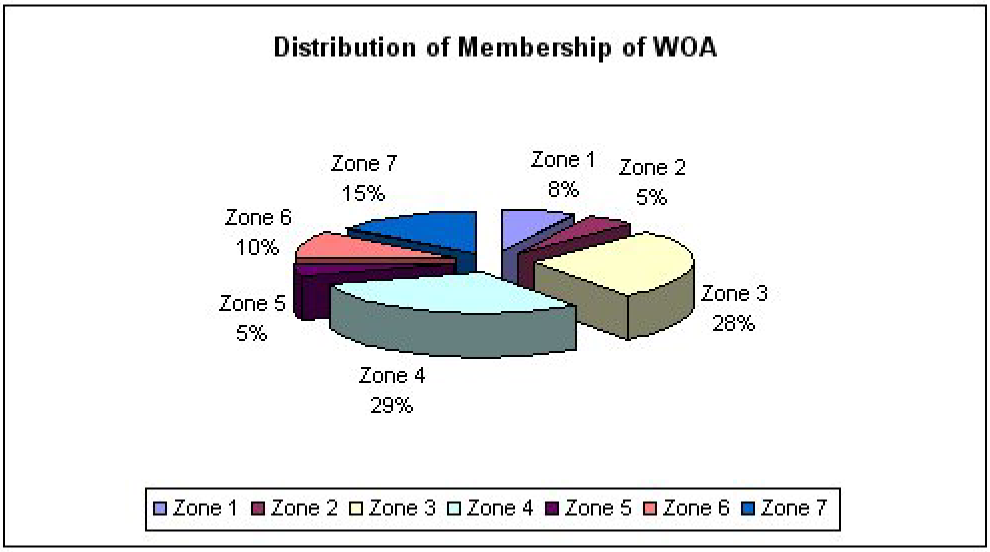

Figure 1 - World Ostrich Association Membership Distribution

[Figure 1 reprinted with permission from WOA]

There have been a number of changes and developments in 2004, as the industry continues to find its way from Breeder Markets to an industry capable of competing with mainstream livestock industries. There are now only a few dedicated producers left in Northern Europe, Australasia and North America – the original pioneers of a modern ostrich industry. The larger operators are now concentrated in China, the Middle East, Eastern Europe and South America.

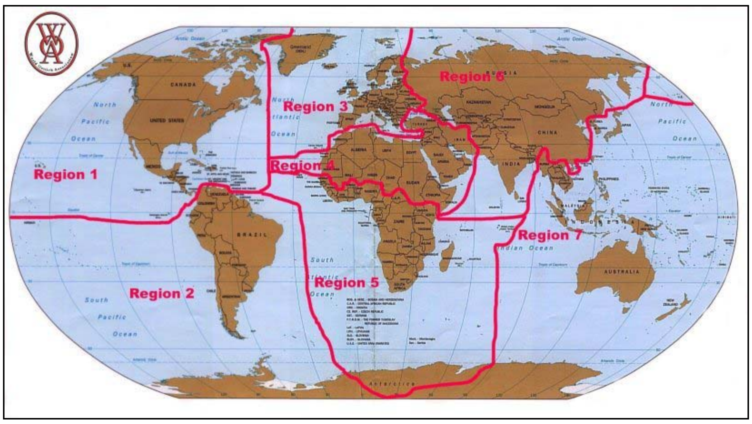

Figure 2 - WOA Regions

[Figure 2 reprinted with permission from WOA]

The most dramatic event of 2004 that had a significant affect on our industry has been the Avian Influenza outbreaks in South Africa. This resulted in the culling of nearly 30,000 birds in the Eastern Cape belonging to the very farmers who had been working to open up the South African industry. This outbreak has resulted in a total ban on the export of Ostrich meat from South Africa until they are clear for a full 6 months from the last identified case. The event has highlighted the importance for an industry to have a local market for their meat and not to be totally dependent on the export markets. This came at a time when South African production was reducing – why was that?

My reason for leaving South Africa 2 years ago was the lack of evidence from the South African industry leaders that they wished to modernise their industry and go for volume production. Volume production is clearly essential to ensure that Ostrich production is commercially viable. Despite all the evidence to the contrary, there was a clear determination within the South African industry to accept that meat production should remain at 25kgs per bird (poor), with carcass weights averaging 42kgs in 14 months (very poor). This became very evident when I was privileged to be a member of South African Ostrich Section 7 Committee. The full report of that committee was published for all to read in 2004 and can be downloaded at: http://dms.namc.co.za/published/20040416-1212.pdf.

To help explain the impact of volume on the commercial viability of our industry, Bulletin No. 93 http://www.blue-mountain.net/bulletin/bullet93.pdf compared the total world ostrich meat production to the output of saleable beef from a single cattle feedlot in the United States. It shows World Ostrich production at approx. 1/3rd – ONE THIRD – of the output of just ONE average cattle feedlot in the United States.

In November 2004, I had the privilege of running one of our training courses on a farm that was sending out annual meat tonnage of Pork/hog meat similar to the current total tonnage of saleable ostrich meat produced in South Africa. This group is now starting ostrich production.

There are a number of WOA members who produce high volumes of meat from other production specie every week. These production units are in the business of producing "PROTEIN" for human consumption. That is the same market for which Ostrich has significant potential. The potential of the skin is an added bonus, provided we as an industry develop this in a structured manner as we grow the meat production.

As our industry has been developing, there have also been significant shifts in the way the food is distributed and marketed. Multi-national supermarkets and multi-national restaurant, fast food and hotel business chains have arrived – they operate in a global supply chain. Their dominance has made very significant changes to the way our food supply chain operates during the very time that the Ostrich industry has been developing. The implications of these changes are too complex to discuss in this report, but do need to be understood by everyone in the ostrich industry.

Food producers are also operating in a market with a more educated and concerned consumer who is increasingly driving the market. The consumer now cares how the animals providing their meat protein are raised. Are the methods humane? Are the methods minimising the risks of disease? Are the methods ensuring no chemicals, growth promoters and routine use of antibiotics are fed to the meat production animals?

Ostrich can satisfy all these criteria, with the added benefit that they are also extremely feed efficient when reared correctly. Developing our market continues to be the concern of ostrich production companies along with achieving the right value for the products. Understanding and supporting industry standards is one step to market development and increasing revenues per bird.

Earlier, I mentioned the importance of understanding the impact of our current very low volume of production. Put this low volume in context to the increasing dominance of multi-national buyers with distribution networks that require high volume. Put the low volume into the context that these buyers also require consistency of product quality and guaranteed consistency of supply. Put this volume into the context that it represents tonnage that can be compared to single production units of other specie, but is spread over many countries around the globe. These facts indicate that our industry competitors are other specie servicing the meat markets and demonstrate how fragmented our industry is at this time.

These facts all prove the need for greater communication and collaboration within the global ostrich industry. The WOA is a starting point providing the opportunity for greater communication, collaboration and industry standards. To develop from there requires collaboration on a commercial basis. It is well known that all major innovation and development of modern agri-processing or for that matter any industrial process is primarily driven from within the industry to meet commercial needs. The problem for the widely fragmented ostrich industry is how to achieve that collaboration whilst still protecting the individual intellectual properties of those wishing to be involved.

Some ideas will be discussed in Part 2 of this report.

Review of 2004

Part 2 - Moving Forward - Solutions

Blue Mountain Ostrich has always been at the forefront of advancing the Ostrich industry as a whole and is the leading ostrich nutrition company worldwide. While trying to be as helpful as possible in sharing information, the company has had a constant battle to prevent others from attempting to pirate their nutritional technology. It would be much more productive for people in this industry to be working together with steady and positive purpose towards mutually beneficial goals rather than everyone constantly attempting to rip each other off. The Blue Mountain ostrich nutrition, ostrich feeding management and ostrich farm management technology is much more complex than can be ascertained by doing a chemical analysis of the feed or premixes, copying a few formulas, or any simply minded act such as those examples. To date none have been successful and this behaviour sets the entire industry back a couple notches due to misinterpretations, rather than moving it forward as we all should be doing.

The general standard of nutritional expertise being applied throughout the ostrich industry is still rooted back in the 1960's. Great advances have been made in most other livestock industries in the intervening 40 years and Blue Mountain is the only company to have brought those advances to ostrich production. We would like to make this technology available to all and at the same time advance the causes espoused by the WOA, but that cannot be done for nothing.

The current control of the markets by the traders, playing one producer off against the other, ensures the producers are paid the minimum returns for their efforts of raising birds, which is a very negative problem for the industry. The growth of the major supermarket chains that operate on a global basis requires a large business to be able to negotiate with them on their own terms. To sell to these organisations the products must be consistent, of high quality and consistently available in large quantity. This requires a strategic plan and cooperation from sensible and serious ostrich industry people working together towards the same positive goals.

In our ongoing determination to support the industry and provide solutions, Blue Mountain therefore suggests that a commercial company be formed that is affiliated to the WOA to undertake the Marketing of the industries products on a global scale. At the same time this company will also fund the Research and Development the industry needs to enable it to compete with the other protein producing agri-processing industries.

We suggest this company be called 'World Ostrich Marketing, Research and Development Company' (WOMRAD)

This global company would invite participants from all around the world to invest in the infrastructure required to market their products on an international scale. This company would have the benefits of economies of scale and the resources to identify and develop new markets. All the suppliers from wherever in the world they are operating would receive the same price for their produce. In addition all suppliers would benefit directly from the results of the research and development, training and many other areas of support.

It is envisaged the company would retain a small levy in percentage terms of the proceeds from all sales with all of the balance being returned to the producer. This levy would be used to carry out the marketing functions and to fund research for the benefit of all the participants. Non-propriety data would be made available generally through the WOA to help the overall advancement of the industry. Individual companies would be required to provide the initial funding until sufficient volume of production becomes available. This initial investment would be returned along with an agreed rate of interest after the initial period.

Blue Mountain will continue to work on this idea in an effort to guide the industry in the right direction and will discuss it in detail with the directors of the WOA to see if such a commercial enterprise could be dovetailed into the WOA whilst retaining the principals of that organisation. In the interim, we invite everyone to give some thought to this idea and consider whether they think their own business could benefit from belonging to such an enterprise.