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Brief overview of the animal feed market

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Maize and soybean are the key ingredients of animal feed production in the world. Over the recent past production of these commodities has increased drastically, driven to a large degree, by growing demand from animal feed and biofuel industries. The growth in animal feed demand has been spurred on by an increase in demand for high protein food – especially within the growing middle class. Notable growth in the past few years has been in Africa and Asia. In this article, we briefly explore the maize and soybean usage in animal feed production on a global and continental context.

Global perspective

Global maize, wheat and soybean production have increased significantly over the recent past, largely driven by increasing demand from both food and animal feed industries. The International Grains Council (IGC) forecasts 2017/18 global maize usage in animal feed industry at 613 million tonnes, up by 2% from the previous season and the highest level in more than a decade (**Figure 1**).

At the same time, soybean use in the global feed industry is estimated at 20 million tonnes. This is a 5% increase from the 2016/17 season and also the highest in more than a decade (**Figure 2**). Asia, particularly China, is one of the fastest growing markets for soybean. Meanwhile, the global usage of wheat in the animal feed industry is set to decline by 5% year-on-year in the 2017/18 season and ease at 144 million tonnes, as feed industries continue to favour maize and soybean.

African perspective

Maize

Africa's 2017/18 maize usage in animal feed industries is estimated at an all-time high of 32 million tonnes, up by 6% from the previous season (**Figure 3**). However, this is widespread across the region. Consistent feed usage growth is in North Africa, particularly Algeria, Egypt, Libya, Morocco and Tunisia. The region's 2017/18 maize usage in animal feed is estimated at 18 million tonnes, up by 6% from the previous season. Meanwhile, Sub-Saharan Africa's 2017/18 maize usage in animal feed is estimated at 14 million tonnes, which is 2% higher than the previous season.

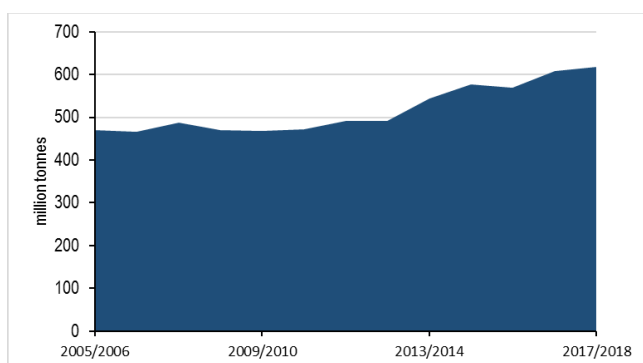


Figure 1: Global animal feed production (maize)

Source: IGC, Agbiz Research

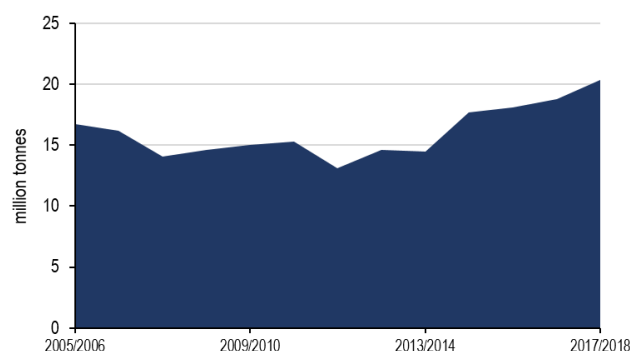


Figure 2: Global animal feed production (soybean)

Source: IGC, Agbiz Research

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South Africa is the largest user of maize for animal feed in its region, constituting a share of 41% in the 2017/18 season. Trailing behind South Africa is Nigeria and Tanzania with a share of 11% and 7% respectively.

African perspective

Soybean

Although maize is a well-established ingredient in animal feed production in the Africa continent, soybean usage is still relatively marginal. The International Grain Council estimates that Africa's soybean usage for the 2017/18 season seats at 470 000 tonnes, up by 34% from the previous season. Furthermore, this is skewed towards the Sub-Saharan Africa region – with a share of 98%. Meanwhile, North Africa only processes about 2% of the estimated 470 000 tonnes (**Figure 4**).

With that said, this does not suggest that North Africa is not a user of soybean products for animal feed. Data from International Trade Centre (ITC) shows that Egypt imports over one million tonnes of soybean oilcake a year. In 2016 alone, the country imported 1.4 million tonnes of soybean oilcake. Algeria is also the largest importer of soybean oilcake. According to ITC data, the country imported 1.5 million tonnes of oilcake in 2015. Tunisia, Libya and Morocco are the least users or importers of soybean oilcake, relative to Egypt and Algeria. These particular countries' annual soybean usage is below 500 000 tonnes.

The import drive of soybean oilcake does not end in North Africa, Sub-Saharan Africa is also a key importer of soybean oilcake for animal feed. South Africa is the leading importer in the Sub-Saharan region, with annual imports of just over half a million tonnes (despite the increase in domestic soybean production in the recent past). Overall, Africa imports over 4 million tonnes of soybean oilcake a year.

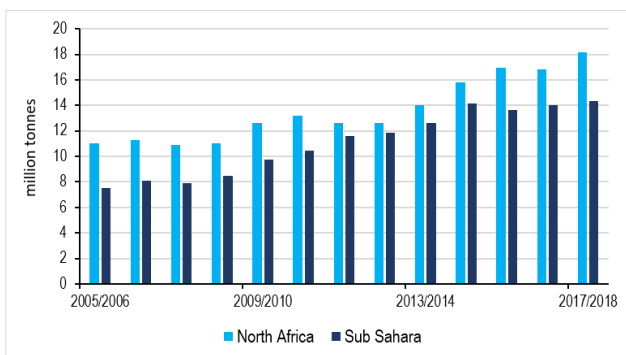


Figure 3: Africa's animal feed production (maize)

Source: IGC, Agbiz Research

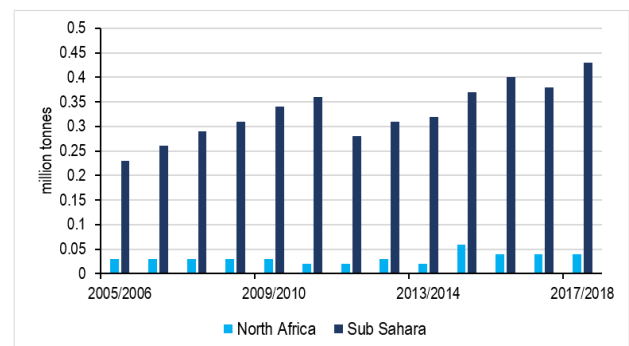


Figure 4: Africa's animal feed production (soybeans)

Source: ITC, Agbiz Research

Concluding remarks

The aforementioned remarks show that the recent growth in soybean and maize demand has, to a large degree, been driven by increasing demand from the animal feed industry. The key beneficiaries of this demand uptick have been South America and the US, with other regions of the world standing on the consumption end of the value-chain. While Africa's maize production has increased over the recent past, the continent remains a net importer of soybean products. This soybean and maize demand from animal feed industries is likely to prevail over the foreseeable future. Therefore, African farmers should consider increasing domestic soybean production in the coming seasons, as a way to substitute for the ever-growing imports of soybean products

