

# THE ASSOCIATION OF ANIMAL FEED PRODUCERS IN THE UK

## INDUSTRY REPORT FOR 2014 AND BEYOND

### **Introductory Message from the Chief Executive:**

Welcome to this, the 20<sup>th</sup> annual report from The Association of Animal Feed Producers in the UK. As you will see from the statistics and analysis presented in this report, 2014 has been a positive year for the industry both globally and in the UK.

Global production of animal feed is fast approaching the 1 billion tonne mark as the ever expanding population fuels growth in the meat and animal products industry. Indeed with the global population set to reach 9 billion by 2050, this growth and expansion can only increase.

Within the UK animal feed production has now reached approximately 1.2% of total global production which is a slight increase from the previous year at 1.1%. The industry is thriving, especially for niche products from the small but growing independent sector.

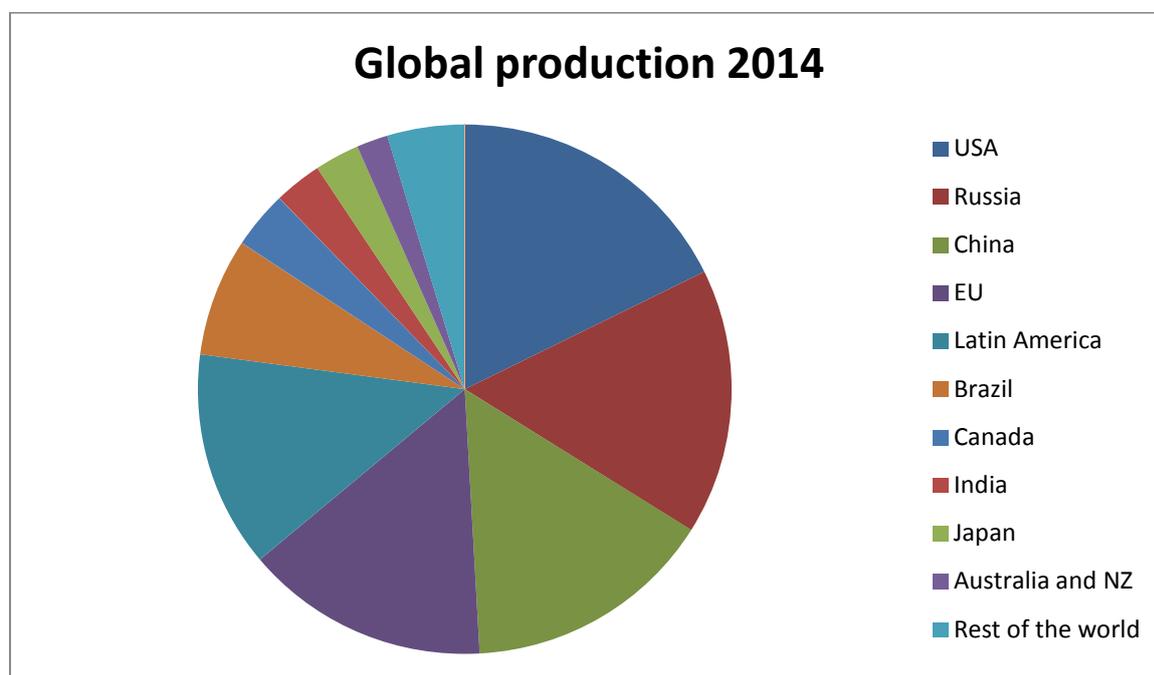
There are challenges ahead, however all the signs are that 2015 and beyond will show increased growth and opportunity.

*Terry Jones*

Chief Executive

## Global production statistics for 2014:

Production of farm animal feed throughout the world in 2014 has been as follows:

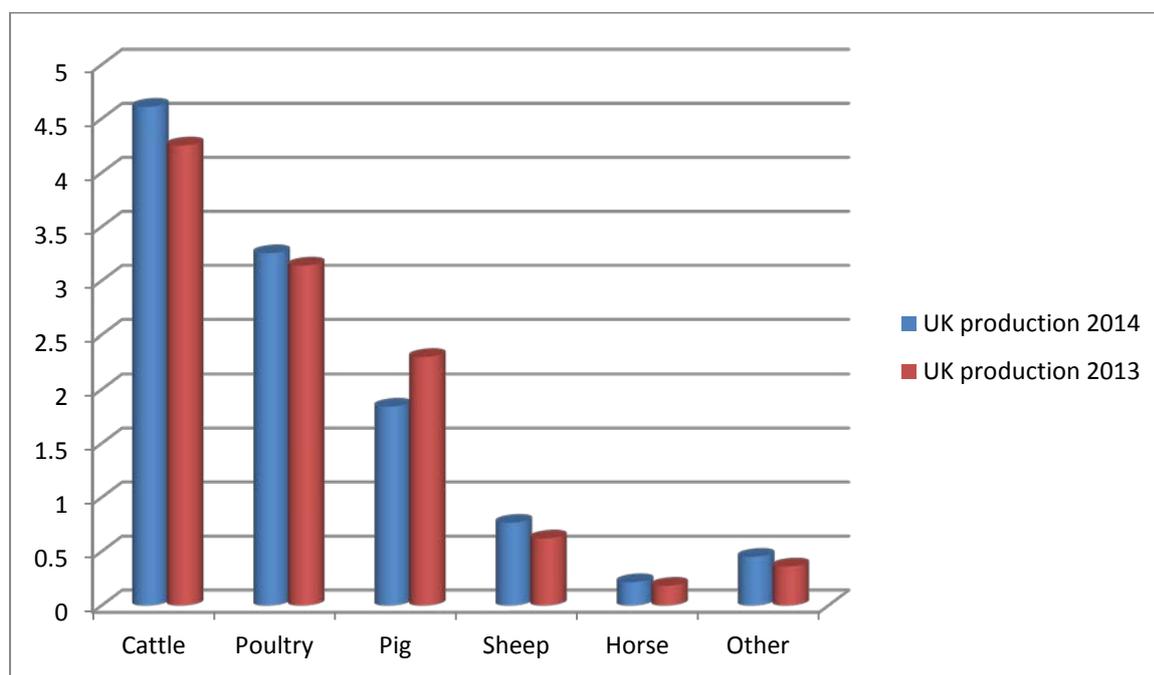


	<b>Tonnes (million)</b>	<b>%</b>
USA	168	17.7
Russia	154	16.2
China	144	15.2
EU*	141	14.8
Latin America (excluding Brazil)	125	13.2
Brazil	68	7.2
Canada	33	3.5
India	28	2.9
Japan	26	2.7
Australia and New Zealand	18	1.9
Rest of the world	45	4.7
<b>Total</b>	<b>950</b>	

\*this includes 11 million tonnes for production from the UK.

## UK industry statistics:

Production by animal type for 2014 and 2013 is shown in the following graph:



	<b>Tonnes (thousands) 2014</b>	<b>Tonnes (thousands)2013</b>
Cattle feed	4,610	4,253
Poultry feed	3,254	3,140
Pig feed	1,840	2,300
Sheep feed	765	620
Horse feed	215	182
Other feeds*	450	361
	<b>11,134</b>	<b>10,856</b>

\*other feeds includes goats and llamas

### **Composition of UK producers:**

	<b>*Small scale producers % of total production</b>	<b>National producers % of total production</b>
Cattle feed	15.2	84.8
Poultry feed	25.1	74.9
Pig feed	33.0	67.0
Sheep feed	58.4	41.6
Horse feed	65.1	34.9
Other feeds	70.3	29.7

\*small scale is defined as a UK producer with revenue of less than £10 million a year

## **UK industry analysis:**

The industry in the UK has followed the EU trend with output increasing by approximately 2.6% from 2013. Total EU production in 2014 was 141 million tonnes, around 15 % of the global output, of which the UK production accounts for 11 million tonnes or 8% of EU and 1.2% of global output. In the UK slight decreases in the overall production of pig feed have been offset by increases in cattle and poultry feed, which remain the leading segments of compound feed production.

The most important factors in the feed demand have been the gradual economic recovery, which has led to an increasing trend in the cost of feed production materials. With regard to ruminants the severe wet weather of late winter and early spring have led to lower forage harvests, but the good autumnal weather conditions have favoured grass growth and helped restore some stability. Within the EU there are big differences between member countries with the Czech Republic and Denmark showing declines of 14% and 7% respectively, but with Germany and Poland achieving positive growth of around 3%, mainly due to increasing exports. As a result Germany maintains its position as the leading producer of compound feeds, with France and Spain in second and third position respectively.

Key drivers in the compound feed market have been new standards for the cages for laying hens and new group housing requirements for pig production. The unfortunate development of the Schmallenberg virus in ruminant populations has also had an adverse effect on demand.

On the feed ingredients side, high prices for all feed materials both energy sources like cereals and protein sources like soya bean meal have resulted from continued high Chinese demand. Seasonal drought in South America has also added to high material costs and will continue to affect industry profitability.

As a consequence of these factors it is expected that cattle and poultry feed production will increase slightly by 1%, and pig feed reduce by 0.5%, giving an overall stable level of compound feed production for next year.

## **Challenges and opportunities facing the UK animal feed industry:**

As noted in the overall market analysis in the previous section the UK forms a small but increasingly influential segment of the overall market. Feed producers in the UK have become increasingly successful at producing nutritional feed. This is particularly important as a move away from the use of antibiotics to control disease is taking place. As in humans the continued use of such drugs is proving increasingly ineffective at dealing with some diseases, and is ultimately having a detrimental effect on the quality of livestock.

As a result feed manufacturers have become increasingly reliant on amino acids and enzymes to boost quality and prevent diseases in livestock. The global market for such additives was valued at \$16,183 million in 2012 and was estimated to have risen 25% to \$ 20,233 million last year, further increasing producer price pressures, and driving the search for innovative and cost effective compounds.

The process is supported and encouraged by the European Platform for the Responsible Use of Medicines in Animals (EPRUMA), a multi stakeholder platform supported by the feed industry, livestock farmers, veterinarians, the animal health industry and other key partners of the livestock chain and of the pet world. This promotes regimes which ensure adequate animal nutrition, meeting both the physiological and physical feed structure requirements which are a prerequisite to maintaining the health of farm animals.

The import of other essential ingredients forms another important part in the overall development of the industry. Maintaining a reliable supply of one of the main ingredients, soya, along with palm oil and palm kernel oil, (20% of all palm oil and 83% of all palm kernel oil imported into the UK is used in producing animal feed), is increasingly important. As such the industry is increasingly looking to protect the sustainability of supplies and acting in partnership with producers. The industry participates in the Round Table on Responsible Soy (RTRS) which in 2010 developed and adopted the first global standard for responsible soya production.

This is the result of a multi-stakeholder negotiation and bans the use of certain agrochemicals and also lays down standards for responsible labour conditions, community relations, environmental responsibility as well as legal compliance and good business practice in the growing regions.

Energy use is another increasing challenge for the industry. It is estimated that energy consumption of the 130 UK production sites is running at 2 terawatt hours a year, generating carbon emissions of 620,000 tonnes, and as a result the increasing use of technology to control and reduce this is of increasing importance.

These factors, together with changing weather patterns, disease outbreaks and global supply and demand fluctuations together with an ever increasing global population combine to present an increasingly challenging environment for the industry.