

## Animal feed crisis addressed

The previous five months have been characterised by chronic out-of stock situations of lucern and lucern-containing pellets. The occurrence was not unique to Namibia but also prevalent throughout the Republic of South Africa.

The primary catalyst was the rising maize price since last year with the period from July 2001 to January 2002 witnessing an 85% price rise. The price of lucern over the period could not hold up under this trend, with farmers in the traditional lucern areas along the Vaal and Orange Rivers and in the Hardap Region ploughing up lucern fields to plant maize.

The first to perceived the effects of this action were dairy producers who, at the expense of production, had lower quantities or no lucern available for their dairy herds. The problem was seriously exacerbated by the onset of the drier winter months.

Rising meat prices compelled farmers who traditionally marketed from the field to round off their herds, particularly sheep, with pellets. Demand for this type of product virtually doubled, leaving various animal feed producers without lucern and a halt in production.

To aggravate matters further, the export of lucern to Middle East countries at undisclosed high prices also increased dramatically. This resulted in factories producing lucern-rich animal feed experiencing order placement at triple the quantity compared to last year's orders. As a result, producers of lucern-based feed operated seven days a week, 24 hours a day.

According to sources, some factories extended their order lead times from 7 to 14 working days in August, with a further extension to 21 days implemented in September. Furthermore, most feed producers did not accept new clients during this period.

It is virtually impossible for the animal feed industry to plan or make capital investments for such highly unusual circumstances. Dealers, such as AGRA, found themselves faced with a scenario that was difficult to manage. A dealer plans according to historic sales and experience of his/her district. A dealer is then caught unawares by an unanticipated 100% increase in demand for a product which carries a lead time of 21 days. Within two days of such an order being placed, the situation is exacerbated by additional orders. The result is a chronic out-of-stock situation. Amongst AGRA's traditional pellet suppliers, some orders have been delayed for up to six weeks.



To ensure market-ready herds, the dry pasture conditions compelled producers to provide supplementary feed.

Logistical capacity also played a role in the process. As though it was not enough that a dealer had to wait 21 days for the order, the availability of transport proved problematic. In certain instances delivery was stalled by a week or longer while waiting for transport.

According to a producer in Upington, vast sums have been invested to increase their capacity. The good news is that the first phase, resulting in a 50% increase in capacity, was completed on 4<sup>th</sup> November 2002. Lucern is also becoming more readily available. Taking these two aspects into account and on the assumptions that demand does not increase and lucern and maize prices are of such a nature that

continued ploughing out of lucern is curbed, it is the opinion of Veekos management that lead time and delivery will return to normal by mid December 2002.

The abovementioned situation, however, necessitated that AGRA source other suppliers in an attempt to meet the demands of producers, improve stock availability and streamline planning at its branches.

The result is that lucern-containing pellets from various suppliers are readily available at AGRA branches. Producers are now provided a choice between a larger variety of products and delivery time is consequently reduced to between 7 and 10 working days.

Various animal feed producers close their doors for trade on 15<sup>th</sup> December and transport during the festive season may be problematic. In order to ensure that your demand is met for the period, AGRA requests that all producers determine their animal feed requirements and forward their orders to their nearest AGRA branch by the end of November 2002.