

# Meadow Feeds: Out of Africa

Meadow Feeds has expanded geographically within its home country of South Africa while also developing feed interests in other African countries.

**“**In terms of profit per tonne of feed produced, we believe that we have outperformed all feed producers on the African continent over the past four or five years. Our net margin, which runs into double digit percentage points, is globally regarded as world class. This achievement does not necessarily imply high feed prices, but rather a new management style which balances production cost, capacity utilisation and raw material management.”

The speaker is Chris Schutte, managing director of the animal nutrition division of Astral Foods' operations in Southern Africa. *Feed International* visited his head office outside Johannesburg to find out more about the division's flagship Meadow Feeds — the largest manufacturer of animal feeds on the African continent and fast becoming a pan-national force through expansion into neighbouring countries.

## Leading the way on profit performance

Data from the company shows Meadow Feeds growing substantially in production volumes during the current decade. Between 2001 and 2004, its annual output had stayed around 1.3 million metric tonnes, but then came increases towards 1.4 million tonnes/year in the period 2005-2007 and the forecast for 2008 is 1.49 million tonnes—this from an operation that has eight feed mills in South Africa, joined by plants in Zambia, Mozambique and Mauritius.

Even more revealing is the company's chart of pre-tax profitability per tonne since the decade started. From just 64 Rand in 2001, the profit has climbed to a projected R275 in 2008. At a mid-2008 exchange rate, a per-tonne profit of 275 Rand would translate as ap-

proximately US\$35.60 per tonne. This net margin, Mr Schutte asserts, is about three times the figure being achieved by competitors nationally.

Mr Schutte became the division's chief in July 2004, having been Meadow's director of marketing and sales before that. But his previous 18 years were in poultry production with the South African foods conglomerate known as Tiger Brands.

It is a connection worth remembering for two reasons. In South Africa's industrial feed sector, all five enterprises at the top based on volume are integrated vertically into poultry businesses. Moreover, Astral was born out of an unbundling of Tiger Brands companies in 2000 and is today a stockmarket-listed group and a significant player in a fully integrated broiler production operation comprising Ross genetics, broiler breeders, broiler production, animal feed, veterinary services and agricultural laboratories.

“Look at Meadow's history over the past seven years and it is wonderful to see how we have developed,” Mr Schutte tells *Feed International*. “We were an insignificant contributor in the Tiger Brands stable, but now we comprise 50 percent of a listed company. It has brought a completely different requirement as

**“Meadow has proved to the world that the business of manufacturing feed can be highly profitable.”** — *Chris Schutte, managing director, animal nutrition division of Astral Foods, Southern Africa.*

far as management style is concerned, with much more hands-on managing of resources and a sharper focus on margins. The international squeeze in ingredient materials means that feed manufacturers must look at the availability of their raw materials as well as the price.

"Every day I ask myself that if I have a four-month supply of stock, for example, how I can turn these raw materials into the most profit. It may be better going for a higher margin than simply chasing volumes, but other companies still operate as if this is just a volume-driven business with the need to fill capacity. A sharper focus on the margin per tonne does not mean charging the customer too high a price. It does, however, mean we make sure that the benefits of new technology and innovation are shared with our customers.

"Meadow has proved to the world that the business of manufacturing feed can be highly profitable. It is much more than using metalwork in a concrete building to grind ingredients and mix them together. Over the last five years, we have turned this company into a highly sustainable business with excellent profitability by applying the right standards of management for the modern market."

### Coast to coast

Take a look at a map of South Africa and you will find that Meadow started out as an inland enterprise, mainly attending to the poultry flocks and dairy herds then found in the Gauteng province around Johannesburg. The contrast with its 2008 geography could not be more marked. It now refers to having adopted a coastline strategy, in recognition of the way in which the animal protein sectors have changed nationally.

"Gauteng is the financial capital. Its development and the urbanisation of consumers have transformed almost automatically into growth for poultry consumption, which has been to the benefit of the poultry producers established there," Mr Schutte comments. "But we decided about five years ago that we needed a coastline strategy in order to position ourselves in the cone of Southern Africa for the dairy market that currently comprises about 30 percent of our volume offtake."

He explains that the move was triggered by observing how the dairy herds of the northern inland districts were disappearing to be replaced by larger operations positioned around South Africa's coast. There has been a huge migration of dairy herds, he says. It is due to a change in production styles, with the coastal herds able to practise a New World style of pasture feeding.

Trucking feed to these new customers would have been time-consuming and costly. Yet, road vehicles represented the only option for long-distance transport in the absence of an efficient national railroad system. So Meadow's strategy translated into a determination to buy or build feed mills close to the coast, such as when a Ladismith mill in the Cape was acquired in 2006 and joined the company's Cape Region network.

"We feel our sites today are perfectly located geographically," Mr Schutte declares. "They are near to our customers and they are well-positioned for the logistics of receiving maize and other raw materials."

### Ready for a new mill

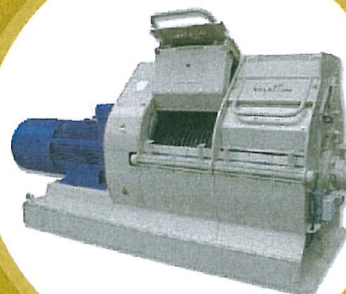
South Africa has stood out recently for having a spate of new feed mills. Three such plants have been constructed by competi-

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