VIEWPOINT: THE WORLD OSTRICH INDUSTRY: WILL SOUTH AFRICA MAINTAIN ITS DOMINATION?

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1. Background

For more than a century, South Africa has dominated the world ostrich industry. However, two questions need to be answered: Will the growth in demand experienced over the past three decades for ostrich leather and other products continue, thereby permanently guaranteeing a successful future for the industry? Secondly, will South Africa continue to dominate this industry, in view of developments in countries such as the United States and Israel?

2. History

The ostrich belongs to the order of birds called *Ratitae*, or running birds. It is the largest living bird in the world. Ostriches were farmed for the sole purpose of selling the feathers until 1914 when the market collapsed. In the 1960's the emphasis shifted towards ostrich leather. The increase in demand and in price made it worthwhile for farmers to slaughter ostriches soon after they had matured. As far as can be ascertained, the world's ostrich population is estimated as indicated in Table 1.

Table 1: The worlds ostrich population

Country	Population
South Africa	160 000
Bophuthatswana	2 000
United States	15 400
Mexico	200
Israel	8 000
Australia - at least	500
Zimbabwe	4 000
Canada - less than	500
Namibia	2 000
Elsewhere	4 000
Total	196 000

3. Commercial Production Statistics

For any product to be marketed successfully over time there has to be, among other things, a stable supply (production) of the product. Production figures will also give an idea of how the industry world-wide could change as well as the relevant time period involved. This would also indicate whether other countries have a chance of becoming serious competitors to South Africa in the near future. South Africa is the largest and most efficient producer. In comparison the USA production statistics indicates room for improvement. Although no accurate figures for the USA are available, various sources have been consulted. Statistics should therefore only act as a guideline to illustrate the more important point of "potential growth in the industry" (see Table 2).

4. Product Demand

In 1986, before USA sanctions against South African agricultural products were imposed, the USA imported 90 000 skins from South Africa; almost South Africa's entire output.

Table 2: Some indications of efficiency in the South African and American ostrich industries

	South Africa	United States
Eggs per hen (average)	80	50-60
Fertility	90%	80-90%
Hatchability	80%	70%
Survival rate until chickens are 3 months old	90%	60%
Survival rate until breeding stage	90%	60-70%
Chickens reaching adult stage	±47%	±13%

After 1986 South Africa had to find new markets. This event had two reactions in the USA. Prices of skins rose sharply. Secondly, high skin prices gave the local ostrich industry a major boost. Imports of live ostriches rose dramatically while hundreds of farmers started breeding ostriches, selling the chickens to new potential breeders. An adult breeding pair of proven quality in the USA sell for anything between $30 000 - $50 000 per pair. The ultimate goal of the industry is to supply the market with skins and other products. It is difficult to estimate world demand for skins. Although always popular, ostrich skins are expensive. Demand is likely to be relatively elastic. Potential world demand is estimated at between 100 000 to 750 000 per annum.

5. Growth Potential of the Industry

5.1 Countries

At the beginning of the century South Africa had a million ostriches, and there is still potential to expand considerably.
The USA, whose ostrich population grew from almost zero to 15 400 in basically four years, has as much potential as any other country, including South Africa, to establish a successful industry. Management experience in farming ostriches, and inferior genetics are current problems to be overcome. The latter is more serious, but even if this problem is not overcome in the short term, it might delay, but not stop, growth.

Israel has had considerable success through a government support project. A successful breeding program with some excellent genetic content has been established. The Israeli industry is developing in as many ways as possible. For example, a small, but growing number of ostriches, are deliberately slaughtered and the products marketed. Although the ostrich industry is only in its initial stages in Australia and Canada, there is great optimism about the future. Several reports of ostriches in other countries across the world, specifically Africa, have been received. It therefore appears that genetic material is available and depending on the investment, breeding programs, energy, etc., many countries would be able, over time, to develop a significant industry.

5.2 Growth Rate

Once a country has obtained a significant number of reasonable quality ostriches it could, in just a few years, establish a local industry.

This is best illustrated when looking at the fast multiplying rate of ostriches. The USA serves as a good example: Assume that there are 15 400 ostriches in the USA. Based on this figure, a reasonable estimate of the current and future population of ostriches in the USA would be as indicated in Table 3.

Table 3: Estimation of the future population of ostriches in the USA

Year	Total	Male	Female	< 1yrs	1-2	2-3
1990	15400	110	300	7600	4640	2750
1991	65610	1530	1600	55000	4640	2840
1992	146000	3000	3000	103000	34000	3000

Whoever analyses the USA ostrich industry is likely to come up with a different set of figures. The real issue however, is that ostrich numbers can multiply at an incredible rate. The fact that South Africa's ostrich numbers today vastly outnumber any possible future competitor does not mean that the same situation would apply at the end of the century.

6. The Future of the South African Ostrich Industry

The ostrich industry in South Africa is heavily regulated by legislation. These laws came into effect with the objective to organise and promote the sales of ostrich products in the best interest of the producers and to protect the South African industry. Two of the main characteristics of the industry are:

- Firstly, with only one abattoir (the Klein Karoo Agricultural Co-operative (KKAC) owns one in Oudtshoorn) licensed to slaughter ostriches, as well as difficulties in transporting ostriches over long distances, the industry is limited to an area of about a 100 kilometre radius around Oudtshoorn. Any potential producer outside the Klein Karoo region would find it difficult and probably uneconomical to farm ostriches.

- Secondly, since all marketing of skins are undertaken by the KKAC, sales are structured according to their preference. The KKAC allocates about 25% of production to the local market. Only a selected group of buyers approved by the KKAC have the right to buy and prices are fixed as determined by the KKAC. The rest of the production is exported. The KKAC have appointed agents, one for every country (or a few countries). Potential buyers would find it difficult, if not impossible to obtain ostrich skins.

In view of the international developments regarding supply and demand, the South African industry might find it worthwhile to study the following policy options at their disposal:

A. Policy Options for Export of Breeding Material

Until now the government has clearly opted to use its powers in a way believed to be in the best interest of the ostrich industry and South Africa. Changes abroad may necessitate the government to independently analyse the existing position and the consequences of legislation in this regard.

Prohibiting the Export of Breeding Material

The government has currently chosen the option to protect the industry from potential competitors abroad by prohibiting the export of breeding material. South Africa is no exception in this regard, as Zimbabwe and Israel have proven. An important factor to keep in mind is that quite a significant pool of genetics currently exists outside South Africa's borders and other countries are in the process of building up their own industries.

Should the government decide to continue with this policy, it should take note of the following:

(i) Breeding material are currently high in demand world-wide and excessive if not outrageous prices are being paid but this market will collapse as soon as enough breeding stock is available.

(ii) Valuable income could be earned by exporting breeding stock and this could be re-invested in the South African industry.

Lifting the prohibition on exports of ostriches are therefore an alternative policy option that could be considered.

All Sales of Ostriches must be Approved by the KKAC

The purpose of the legislation is to prevent individuals obtaining breeding material for illegal export. It is doubtful whether this legislation has made a significant contribution in stopping illegal exports, thereby not really fulfilling its objective. Furthermore, this legislation is now yet another hurdle for potential (but honest) buyers and sellers to overcome. It has a negative influence on growth in the industry as it sends out the wrong signals. Options therefore to be considered by the government are firstly whether this legislation is necessary at all, secondly whether it should not be the responsibility of the government and thirdly, if it is necessary, should it not be softened, for example, to the extent where sellers are only required to register sales? At least this would create a positive climate in which no restrictions exist, allowing potential farmers to become involved or to expand.

KKAC's Statutory Monopoly to Market Ostrich Products

Regulations of this nature are always put into affect with the good intention of organising and stabilising the industry to create further growth opportunities. This is often necessary and usually is accomplished after several years. However, management, directors and other members of these organisations often start to believe that the industry could not survive without their monopoly powers.

In reviewing its policy options, the government should ask itself whether current legislation is still promoting the best interest of South Africa and the ostrich industry or maybe only the interest of the current members of the KKAC. As explained before, the current structure of the ostrich industry, i.e. abattoir facilities, transportation problems, sales regulations, etc., make it difficult, if not impossible for the industry to expand outside of the Klein Karoo region.

If the government accepts that the ostrich industry world-wide is going to change in the next 5 to 10 years, existing legislation might perhaps be amended to cope with these changes in the best interest of South Africa.

B. Options for KKAC

The KKAC could continue with its existing policy of vigorously serving the interests of only their existing members. Although no basis of comparison exists whereby its success could be judged, existing members appear to be generally satisfied. Depending on changes in the industry world-wide, and whether or not the KKAC can maintain its statutory monopoly, this situation could continue indefinitely, in which case the possibility that this policy might not be in the best interest of the industry or South Africa would never be put to the test.

The KKAC and its members should however realise that challenging times may be upon them soon. It is possible that even with the most favourable of local legislation, they could still lose their market domination world-wide. The KKAC should therefore consider adopting a policy whereby they recognise that they will have to depend less on government legislation to guarantee their future, and instead prepare themselves for possible competition from abroad. Among other things this could mean that they might have to sacrifice some of their exclusive benefits which current members have, in exchange for a growing, expanding and prosperous industry nation-wide, which might also guarantee their own future.

7. Conclusion

Enough ostrich breeding material is now available outside South Africa to establish ostrich industries in interested countries world-wide. Given the high multiplier effect of ostriches, other countries might market their products in significant volumes before the end of the century. Both the South African government and the KKAC will have to re-analyse existing policy options. In deciding what policies to follow they will have to bear in mind that there is a reasonable chance that the KKAC's market dominance internationally may be challenged in a few years time. Whether this challenge will be overcome could very much depend on what policy decisions are taken with regard to the South African ostrich industry at home.