



## Emerging Markets Drive Feed Industry Growth



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**Quick read****Introduction**

Strong population growth and rising incomes suggest a positive growth outlook for the feed industry in both emerging and developing regions. However, typically for a commodity driven industry, the feed sector is highly competitive and poses particular challenges to players. An assessment of the strategies employed by some of the most successful players in mature markets suggests ways in which a progressive company can compete in a commodity sector.

**Market Size & Growth**

According to Alltech's most recent Global Feed Survey, the global feed industry is worth an estimated \$460 billion. Global production of compound feed grew at a CAGR 2.7% to 980 million tonnes since the turn of the millennium.

Figure 1 illustrates the regional breakdown of global production by species and number of feed manufacturing facilities by region in 2014. Asia and Europe dominate production, producing 36% and 24% of global feed production respectively. Combined, the Americas produce 35% of global volumes, while Africa and the Middle East produce 4% and 3% respectively.

The species breakdown is similar in all regions except the Middle East, where poultry feed dominates to a greater extent in the absence of pork.

Growth in the industry is underpinned by increasing demand for livestock and poultry products which is in turn, driven by population growth, increased affluence and changing dietary preferences.

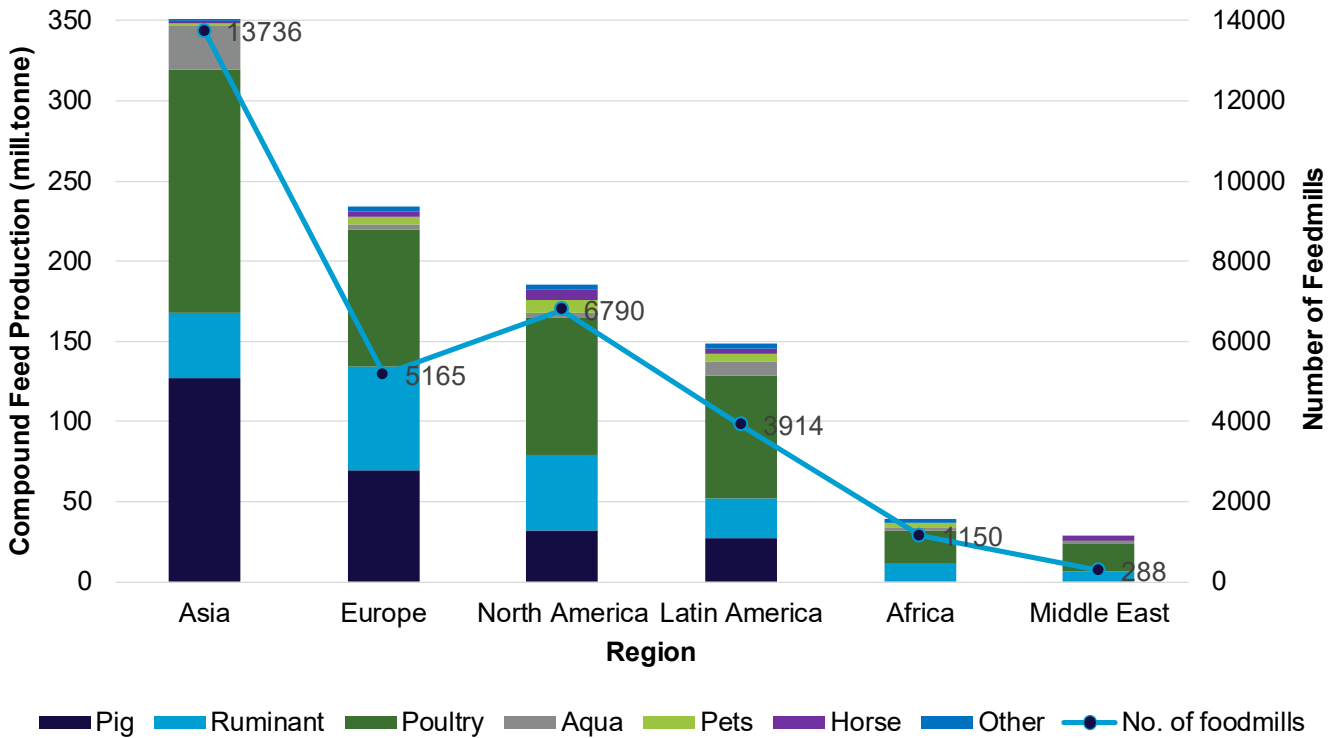
Feed is a mature industry in Europe and North America. However, a simple comparison of the percentage of global feed production with the percentage of world population in each region (see figure 2) indicates positive growth prospects for the compound feed industry in Asia and Africa in particular.

This potential is augmented by forecasts of robust population growth and continued income convergence.

- Population growth and rising incomes add up to positive growth for the global feed industry
- To assess how to compete in the sector we observe the most successful players
- Feed is a mature industry in Europe and North America
- A comparison of the percentage of global feed production with the percentage of world population in each region indicates positive growth prospects for the compound feed industry in Asia and Africa in particular
- Feed market dynamics include powerful suppliers, stiff competition, more demanding customers and developing substitutes
- Key strategies for the feed sector entrant include focusing on attractive market segments, addressing different customer needs to create superior customer solutions and building a strong brand to reinforce a strong customer value proposition

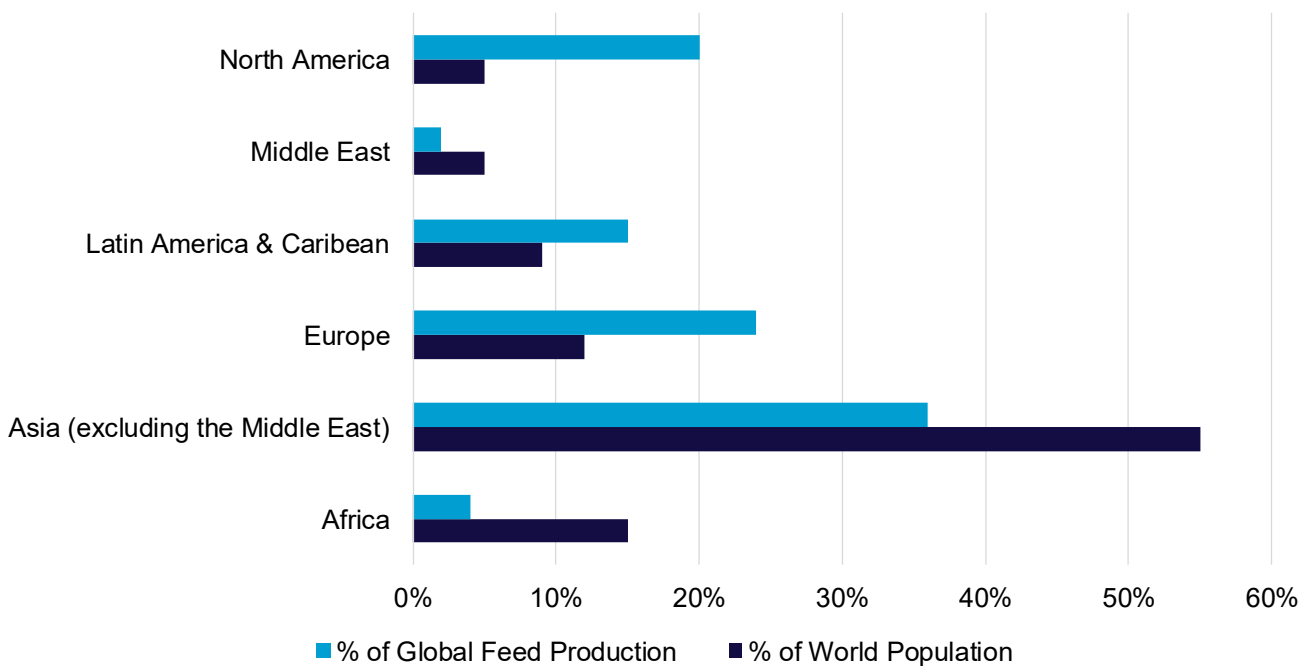


**Figure 1: Production Volume and Number of Feed Mills by Region and Species 2014**



Source: Alltech

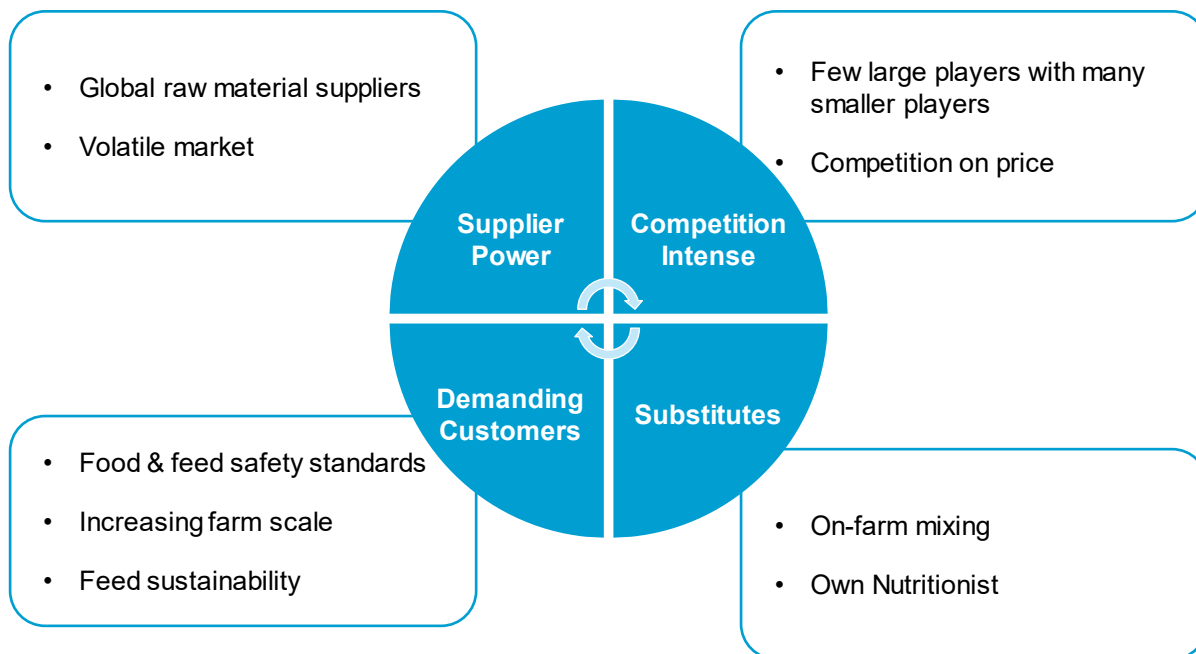
**Figure 2: % of Global Feed Production vs Population**



Source: Alltech, United Nations, OECD World Bank



**Figure 3: Feed Market Dynamics**



Source: Farrelly & Mitchell research

Despite regional variance, the feed market dynamics illustrated in Figure 3 are common worldwide in a typically competitive and global commodity business. These dynamics include powerful suppliers, stiff completion, more demanding customers and developing substitutes.

Our research shows that manufacturers can unlock value by becoming feed solution providers. Analysis of the most successful feed manufacturers in Europe, indicates that the key strategies to ensure success in the industry going forward include:

- Focusing on Attractive Market Segments: Addressing different customer needs to create superior customer solutions;
- Building a Strong Brand: Reinforcing a strong customer value proposition;
- Functional Excellence with Scale: Feed manufacturers must optimise what is in their control - logistics, production and sales;
- Strategic Alliances: For feed supply and to identify products for cross-selling opportunities;
- Addressing Feed Sustainability Issues: Focusing on sustainable sourcing of ingredients.

**Conclusion**

Population growth and rising incomes add up to positive growth for the global feed industry. A comparison of the percentage of global feed production with the percentage of world population in each region indicates positive growth prospects for the compound feed industry in Asia and Africa in particular. Key strategies for the feed sector entrant include focusing on attractive market segments, addressing different customer needs to create superior customer solutions. ...



**Expert in this Insight**

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