

BROILER PRODUCER PRICE REPORT FOR MARCH 2017

An appeal to all users of this report: Please ensure that your company contributes to the reliability of this data by submitting pricing data every month, whether or not a member of SAPA. We need to increase the sampling pool. Please email cynthia@silverpath.co.za to find out more.

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For a definition of the Producer Price and Sundries referred to in this document, see the end of this report

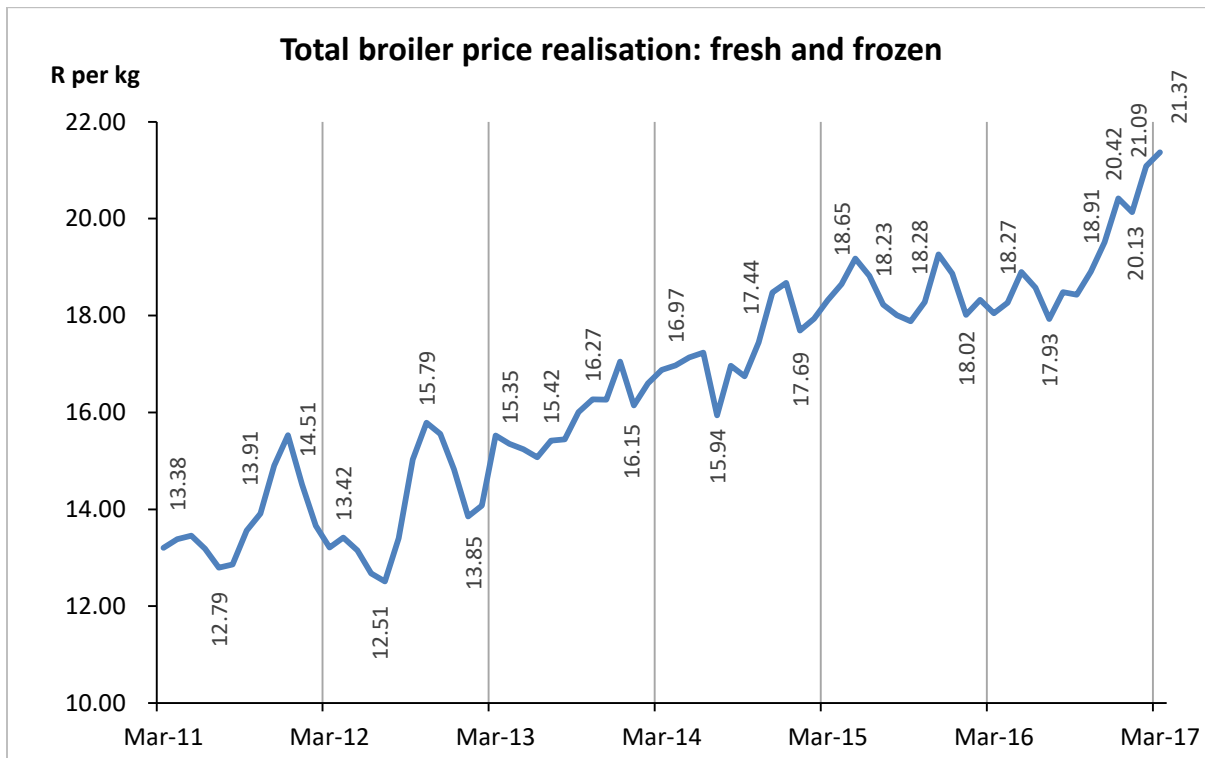
Please note: A request was received by a report user to check the pricing provided in the February 2017 report. Because of Competition Commission directives, the report writers are not allowed access to the raw data submitted by producers. The data are collected and collated by an independent auditor. The request for a check was referred back to this auditor and errors have been found in some of the data submitted by producers and in some of the calculations performed in the data collection process. *This report thus corrects these errors for November 2016 through February 2017.* We apologise for any inconvenience caused because of this issue. A table of data for 2014, 2015, 2016 and 2017 YTD is included in this report to clarify figures.

Leading Edge are currently in the process of redesigning the data collection and summarising processes attached to the monthly survey so that, although we may not access the raw data, we can be much more certain that mistakes are not made at producer or auditor level; and that the numbers we receive are robust.

MONTHLY BROILER PRODUCER PRICE:

- **TOTAL REALISATION**

In March 2017, the *monthly* broiler producer price increased by 1.4 % (+ R0.29). The broiler producer price was estimated at R21.37 per kg. Compared with March 2016, this price has increased by 18.3 % (+ R3.33). Corrected producer prices for November to February are: R19.51, R20.42, R20.13 and R21.09, respectively. The overall monthly price change in March 2017 was the result of an increase in the producer price for frozen broiler product, offsetting a small decrease in the price of fresh product. The monthly data for 2014, 2015, 2016 and 2017 YTD are provided in a table towards the end of this section.

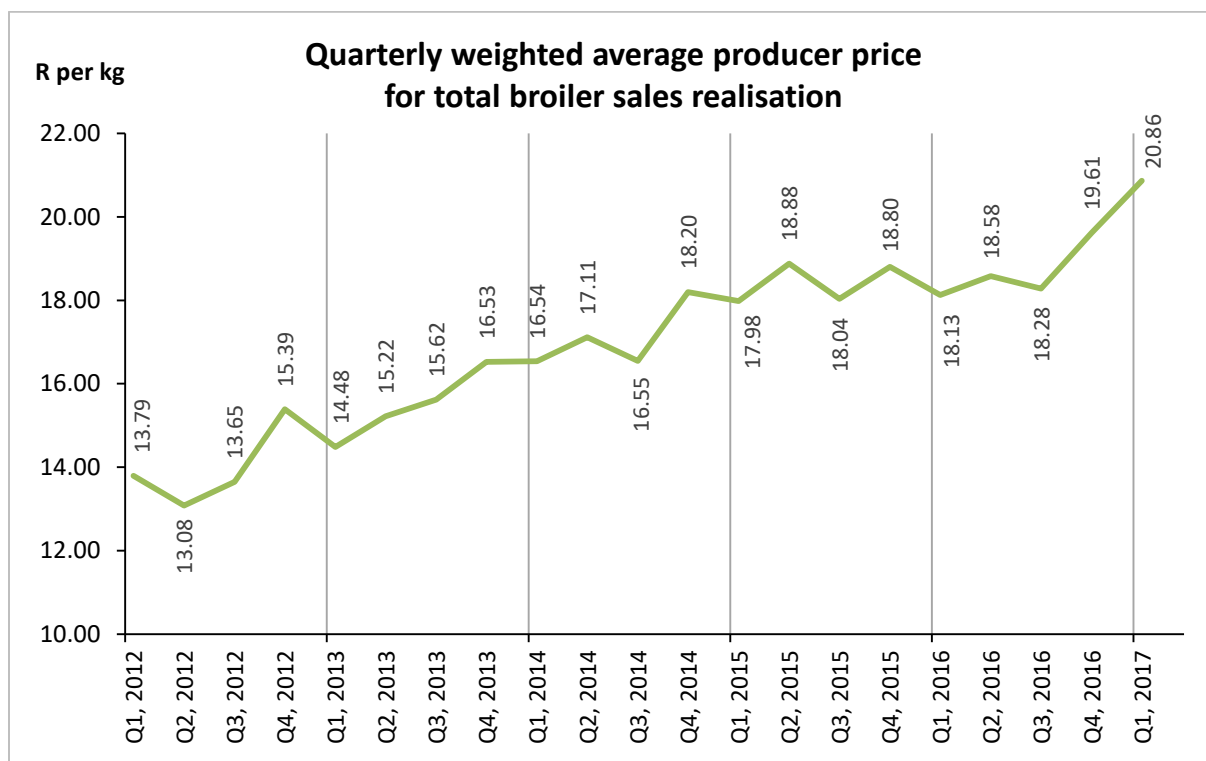


Weighted average producer price for total broiler sales realisation
(less all discounts, rebates, ad spend, secondary distribution, VAT)

| Month | 2014 R/kg | 2015 R/kg | 2016 R/kg | 2017 YTD |
|-----------|--------------|--------------|--------------|----------|
| January | 16.15 | 17.69 | 18.02 | 20.13 |
| February | 16.60 | 17.93 | 18.33 | 21.09 |
| March | 16.88 | 18.32 | 18.05 | 21.37 |
| April | 16.97 | 18.65 | 18.27 | |
| May | 17.13 | 19.18 | 18.90 | |
| June | 17.23 | 18.82 | 18.57 | |
| July | 15.94 | 18.23 | 17.93 | |
| August | 16.96 | 18.00 | 18.49 | |
| September | 16.74 | 17.88 | 18.43 | |
| October | 17.44 | 18.28 | 18.91 | |
| November | 18.48 | 19.26 | 19.51 | |
| December | 18.68 | 18.87 | 20.42 | |

The average total realisation price for the first *quarter* (1Q 2017) was R20.86 per kg, an increase of 6.4 % in comparison with the 4Q 2016 and an increase of 15.1 % in comparison with the same quarter in 2016. The average producer price for broilers for the year 2016 was R18.65.

The *quarterly* producer price for total realisation of broiler meat is given in the graph below:



In the following graph, the *yearly* average producer price since 2012 is shown.



The average *yearly* price (per kg) for net sales realisation for the past four years:

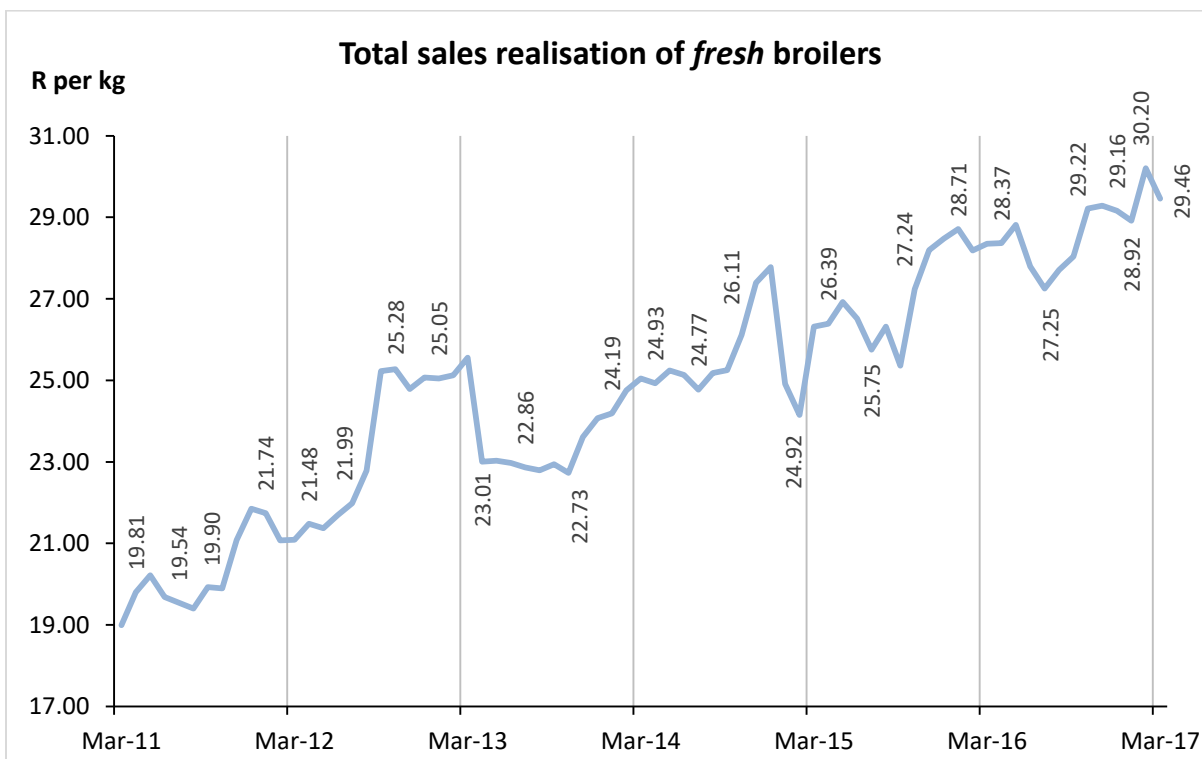
| | | | | |
|----------|---------|---|------|-------------|
| 2017 YTD | R 20.86 | + | 11.8 | % over 2016 |
| 2016 | R 18.65 | + | 1.2 | % over 2015 |
| 2015 | R 18.43 | + | 7.8 | % over 2014 |
| 2014 | R 17.10 | | | |

Despite the seemingly large year-on-year increase in the monthly producer prices between October 2016 and March 2017, it can be seen that the average annual increase in prices between 2015 and 2016 is only 1.2 %. For five months of 2016, producer prices were below those received in the same month in 2015.

In the two graphs that follow, the TOTAL REALISATION (as presented in the first graph above) is separated into: 'Total realisation of fresh product' and 'Total realisation of frozen product'.

FRESH PRODUCT

In March 2017, the *monthly* producer price for fresh broilers decreased by 2.5 % to R29.46 per kg in comparison with the previous month, but increased by 3.9 % on a yearly basis. Corrected producer prices for November to February are: R29.28, R29.16, R28.92 and R30.20, respectively.



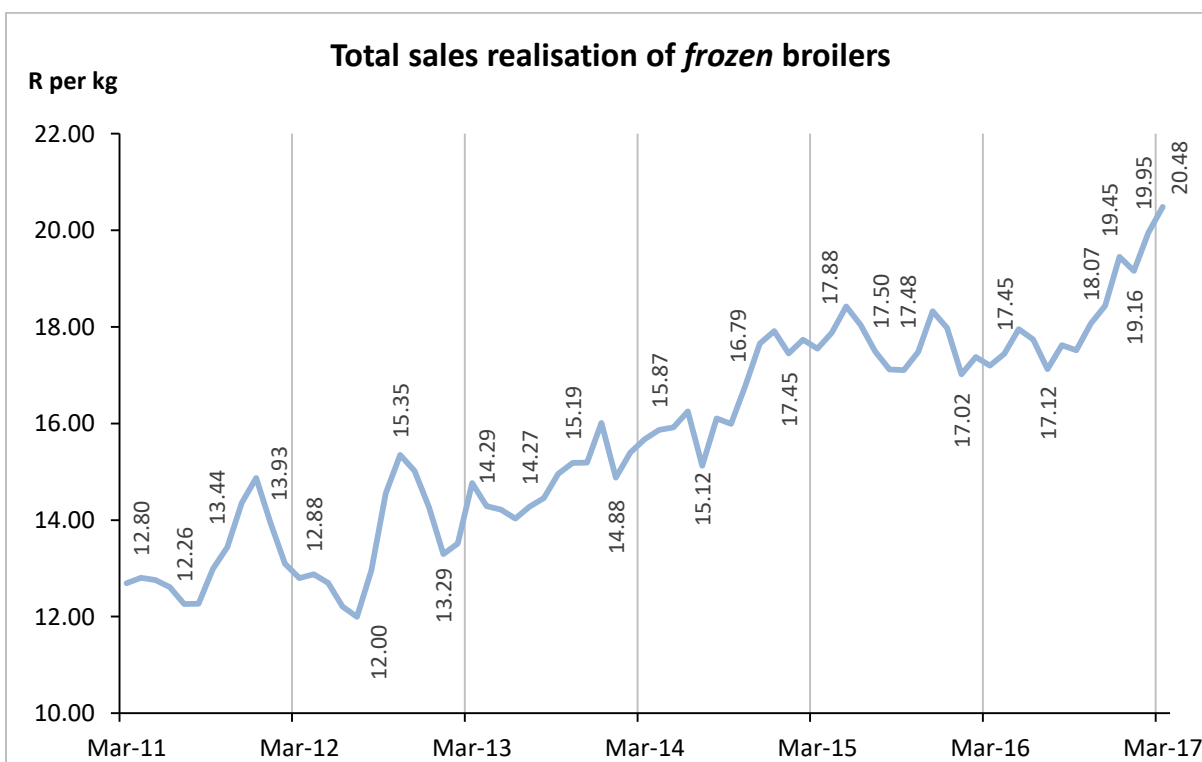
The average realisation price for *fresh* product in the first *quarter* (1Q 2017) was R29.53 per kg; an increase of 1.1 % in comparison with the 4Q 2016 and an increase of 3.9 % in comparison with the same quarter in 2016.

The average *yearly* price (per kg) for net sales realisation for the past four years:

| | | |
|----------|---------|-------------------|
| 2017 YTD | R 29.53 | + 3.9 % over 2016 |
| 2016 | R 28.41 | + 8.1 % over 2015 |
| 2015 | R 26.28 | + 3.5 % over 2014 |
| 2014 | R 25.48 | |

• **FROZEN PRODUCT**

In March 2017, the producer price for *frozen* broilers increased to R20.48 per kg. This is an increase of 2.7 % when compared to the previous month and, in comparison with the same month in the previous year, represents an increase in revenue of 19.1 %. Corrected producer prices for November to February are: R18.44, R19.45, R19.16 and R19.95, respectively.



The average realisation price for *frozen* product in the first *quarter* (1Q 2017) was R19.86 per kg, an increase of 6.5 % in comparison with the 4Q 2016 but an increase of 15.5 % in comparison with the same quarter in 2016.

The average producer price for 2016, for *frozen* product, was R18.06. The average *yearly* price (per kg) for net sales realisation, including offal, for *frozen* product for the last 4 years:

| | | | | |
|----------|---------|---|------|-------------|
| 2017 YTD | R 19.86 | + | 10.0 | % over 2016 |
| 2016 | R 17.75 | + | 0.2 | % over 2015 |
| 2015 | R 17.72 | + | 9.8 | % over 2014 |
| 2014 | R 16.13 | | | |

Again, the year-on-year increase in monthly and quarterly prices in 2017 YTD is put in perspective by the overall annual increase in the producer price between 2015 and 2016. The average increase of only 0.2 %, despite huge drought-related increases in feed prices, suggests the recent increases in prices are a long overdue correction.

PROPORTION OF FROZEN AND FRESH PRODUCT

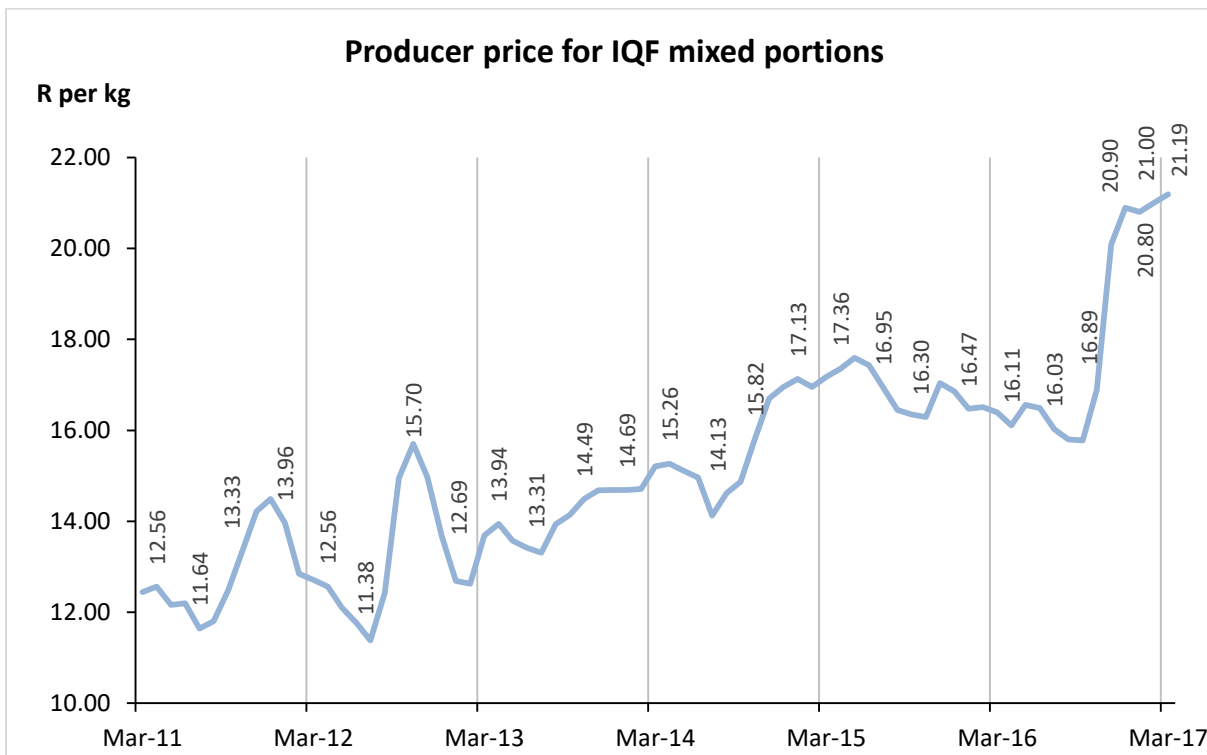
According to the participants in the monthly pricing survey, frozen meat contributed 90.1 % of total sales during February 2017 and fresh meat contributed the remaining 9.9 %.

During 2016 as a whole, frozen meat contributed 91.5 % to total sales and fresh meat contributed the remaining 8.5 %. During 2015, frozen meat contributed 91.9 % to total sales and fresh meat contributed the remaining 8.1 %.

WEIGHTED AVERAGE PRODUCER PRICE OF IQF MIXED PORTIONS

Producer price for March 2017: R21.19 per kg

- if compared to previous month: + 0.9 %
- if compared to same month in previous year: + 29.2 %



The average producer price (per kg) for IQF mixed portions for the past four years:

| | | | | |
|----------|---------|---|------|-------------|
| 2017 YTD | R 21.00 | + | 23.5 | % over 2016 |
| 2016 | R 17.00 | + | 0.2 | % over 2015 |
| 2015 | R 16.97 | + | 11.2 | % over 2014 |
| 2014 | R 15.25 | | | |

The recent month-on-month and year-on-year increases need to be viewed alongside the miniscule increase in the average annual producer price for IQF portions in 2016.

WEIGHTED AVERAGE PRODUCER PRICE FOR WHOLE FROZEN FOWL

Producer price for March 2017: R22.74 per kg

- if compared to previous month : - 5.6 %
- if compared to same month in previous year: + 9.0 %

The average weighted producer price (per kg) for whole frozen fowl for the past four years:

| | | | | |
|----------|---------|---|-----|-------------|
| 2017 YTD | R 22.50 | + | 3.1 | % over 2016 |
| 2016 | R 19.41 | - | 5.8 | % over 2015 |
| 2015 | R 20.62 | + | 8.2 | % over 2014 |
| 2014 | R 19.05 | | | |

WEIGHTED AVERAGE PRODUCER PRICE FOR FROZEN SUNDRY PRODUCTS

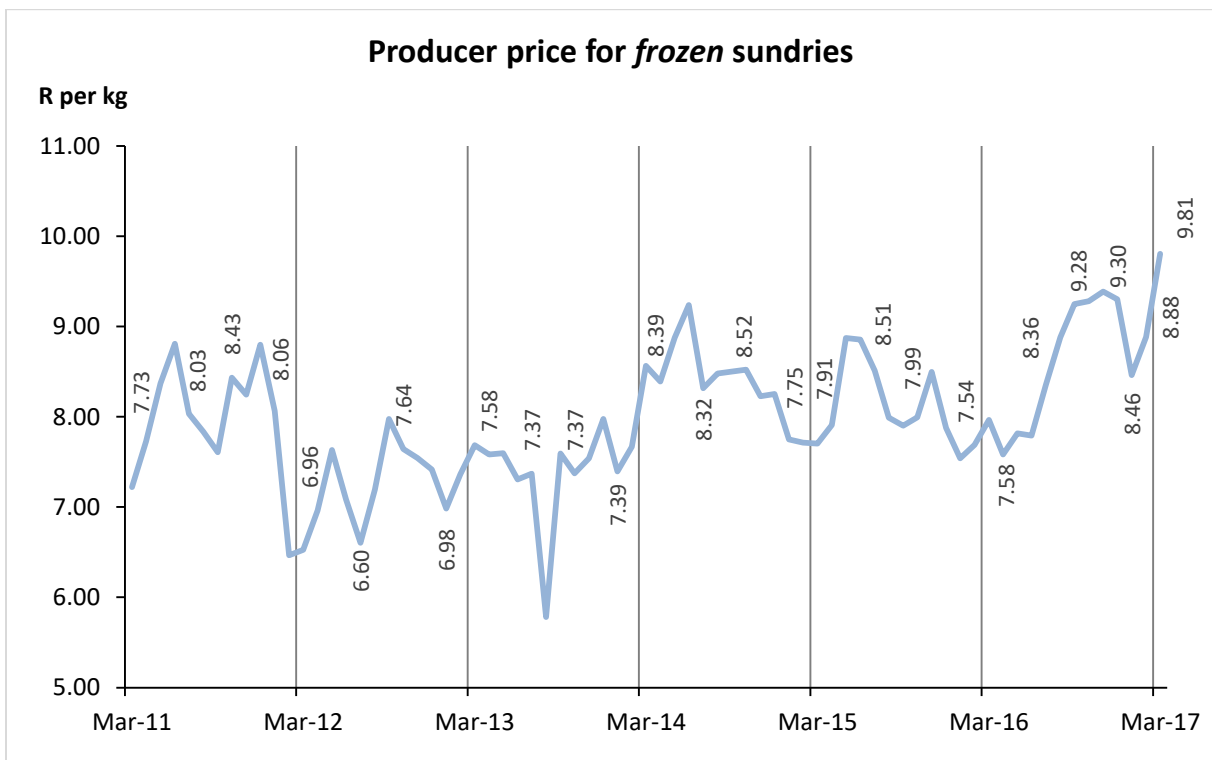
Sundry products include liver, necks, neck skins, hearts, gizzards, heads and feet, and mala.

Producer price for March 2017: R9.81 per kg

- if compared to previous month : + 10.4 %
- if compared to same month in previous year: + 23.1 %

The average producer price (per kg) for frozen sundries for:

| | | | | |
|----------|--------|---|-----|-------------|
| 2017 YTD | R 9.05 | + | 0.7 | % over 2016 |
| 2016 | R 8.40 | + | 3.3 | % over 2015 |
| 2015 | R 8.13 | - | 2.8 | % over 2014 |
| 2014 | R 8.37 | | | |



FEED PRICE INDICATOR:

| R/tonne incl. distribution, excl. VAT | Jan 17 | Feb 17 | Mar 17 |
|---------------------------------------|---------|---------|---------|
| Broiler feed price | 5645.90 | 5564.05 | 5468.79 |
| Broiler breeder feed price | 5041.50 | 5257.50 | 5145.50 |

Not all participants contribute to the Feed Price Statistics.

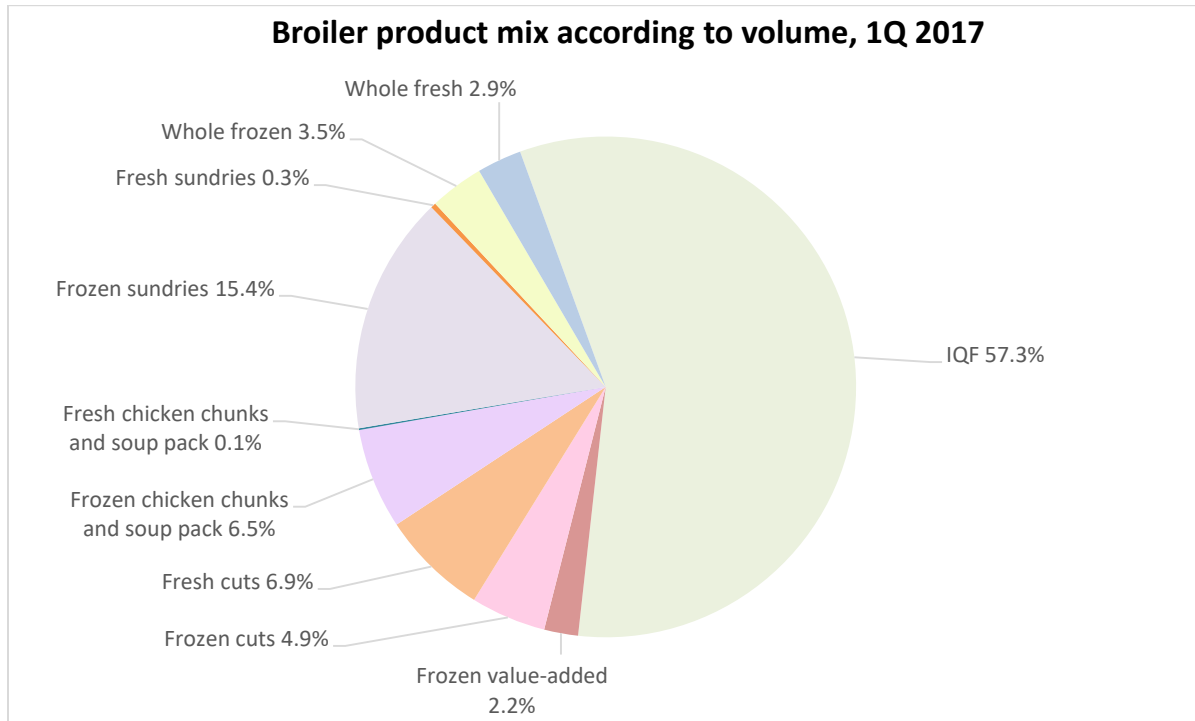
PLEASE NOTE: The reported broiler feed price is an indicator and is presented to demonstrate trends in feed prices. A sample group of producers supply the phase feed prices and a weighted average price is calculated, including distribution, excluding medication and additives and excluding VAT, measured in rand per tonne (R/t).

DISTRIBUTION OF SALES TO MARKETS:

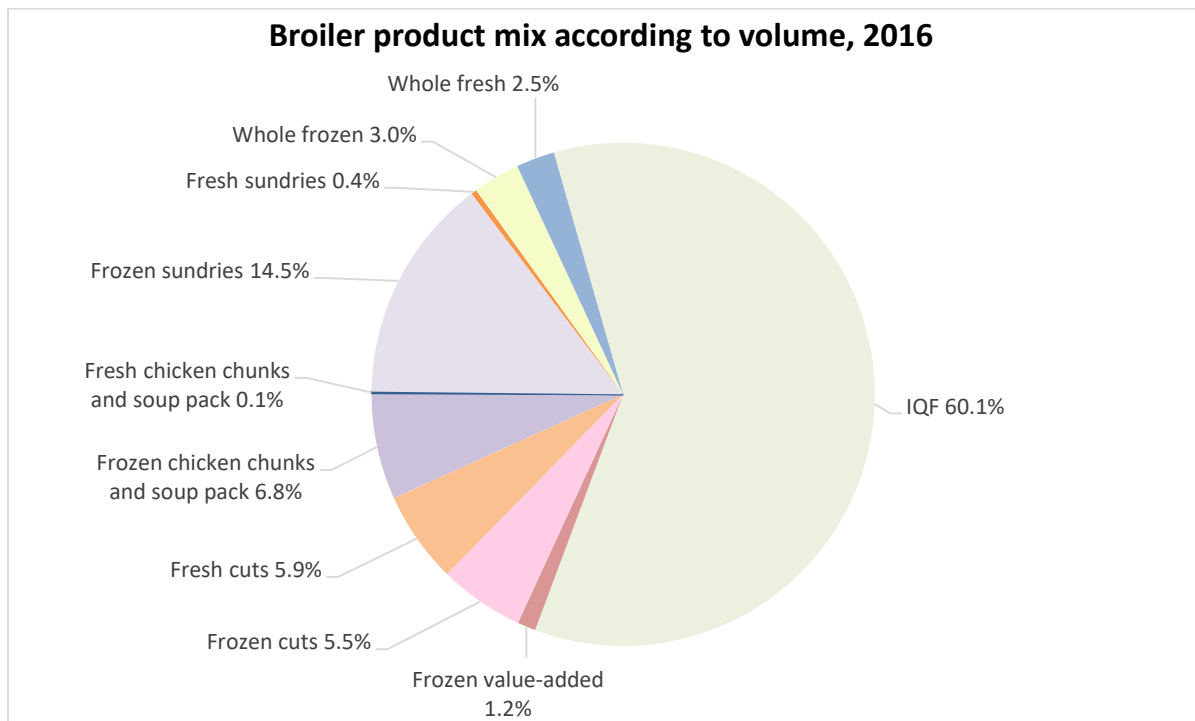
The data collected from contributors for March 2017 were insufficient to provide a truly representative picture of the local markets purchasing South African broiler chicken. This table will feature in future reports, if/when the industry returns to contributing data.

MARKET SHARE IN TERMS OF PRODUCT:

The following graph depicts the **quarterly** product mix of broiler meat, in terms of **volume**:



The following graph depicts the **annual** product mix of broiler meat, in terms of **volume**:



ALL PRICES: The respondents contributing to the “All Prices” stats represent approximately 54.2 % of the monthly SA broiler production, in volume terms (dressing %: 91.3 %).

| # - Too little data to report on | Price (NSV R/kg) | | | | | |
|--------------------------------------|------------------|---------------|---------------|--------------|--------------|--------------|
| | Jan/17 | Feb/17 | Mar/17 | Jan/17 | Feb/17 | Mar/17 |
| Product | <i>Frozen</i> | <i>Frozen</i> | <i>Frozen</i> | <i>Fresh</i> | <i>Fresh</i> | <i>Fresh</i> |
| Whole chicken (with giblets) | 20.69 | 24.08 | 22.74 | # | | |
| Braaipack | 22.31 | 25.67 | 24.05 | 31.51 | 32.43 | 31.21 |
| Breast | 19.66 | 20.77 | 24.24 | 24.89 | 23.87 | 24.86 |
| Thighs | 24.95 | 25.09 | 26.22 | 31.92 | 33.73 | 32.30 |
| Drums | # | # | # | 30.07 | 32.12 | 29.84 |
| Wings | 29.30 | 34.74 | 31.75 | 33.09 | 34.18 | 31.66 |
| Drums/thighs | 22.94 | 26.68 | 23.45 | 31.41 | 32.30 | 32.32 |
| Breast fillets | 31.52 | 41.07 | 36.68 | 38.15 | 40.07 | 38.88 |
| Chicken Chunks | 14.52 | 15.29 | 17.06 | # | | |
| Soup Pack | 11.65 | 12.50 | 14.19 | # | | |
| IQF | | | | | | |
| Mixed Portions | 20.80 | 21.00 | 21.19 | | | |
| Thighs | 20.72 | 21.42 | 21.83 | | | |
| Breast | 19.65 | 20.89 | 21.81 | | | |
| Drumsticks | 24.56 | 25.45 | 25.84 | | | |
| Wings | 24.92 | 25.95 | 26.09 | | | |
| Filletted breast | 32.77 | 32.97 | 34.47 | | | |
| Other | 22.65 | 23.74 | 24.08 | | | |
| Sundry products | 8.46 | 8.88 | 9.81 | # | | |
| Value added: crumbed products | # | | | # | | |
| Total Realisation: value added | 37.22 | 37.81 | 39.24 | 33.18 | 37.26 | 39.40 |
| Total Realisation excl. sundries | 21.41 | 22.28 | 22.54 | 29.75 | 30.92 | 30.20 |
| Total Realisation (NSV) | 19.16 | 19.95 | 20.48 | 28.92 | 30.20 | 29.46 |

DEFINITIONS:

Net Sales Value (NSV):

- Invoiced price
- Less volume discount.
- Less settlement discount.
- Less rebates (incl. advertising spent).
- Less any other discounts i.e. direct distribution etc.
- Less secondary distribution (i.e. from vector or cold chain to retail outlets e.g. Shoprite, PnP, etc.).
- Excluding VAT.
- The NSV amount must be the net income to the business.

Sundry Portions:

- Liver
- Necks
- Neck skin
- Mala (i.e.intestines, meaning the digestive track posterior of the gizzards)
- Hearts
- Gizzards
- Heads and feet

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