



FEED INGREDIENT REPORT USING MARCH 2017 AS BASE WITH AN OUTLOOK TO SEPTEMBER 2017 - EXECUTIVE SUMMARY

All forecasts of future feed ingredients and finished feed prices are based on the opinion of an independent feed consultant contracted to SAPA. These forecasts are for guideline purposes only and SAPA does not, in any way, warrant that these predictions will be realised. SAPA therefore cautions any user of this information to treat it in an appropriate manner.

SUMMARY:

The price of international maize has been very stable for a reasonable period of time and has been trading between \$3.60/bu and \$3.80/bu in the last few months for the May 17 contract on CBOT. The USA has harvested the biggest ever crop in their history. South America crop prospects also look very good for 2017. World stock levels of maize are also in good shape. Imports are finished and the local market has switched over to local SA maize. The prospects for 2017-2018 are looking very favourable for a big crop of 14,5 million mt and more and low maize prices compared to 2016-2017. We could see white maize being used in animal feed for the 2017-2018 season.

Soya meal prices have been stable in the last few months trading between \$310 and \$325/shortton. Soya meal is currently trading at under \$315/shortton for the May 17 contract on CBOT. World production for Soya is currently at a good levels and stocks are comfortable.

The rand has had one of its most volatile moves in many years, peaking at R18/US\$ and is currently trading at about R13.35/US\$. The forward prospects of the rand is a trading range between R13.20 and R15/US\$.

Tables one to three are the estimated feed ingredient prices and feed prices for March 2017, and a forecast to September 2017 for feed ingredient prices. Charts one and two show the historical estimated feed prices from Jan 2007 to March 2017, with a forecast to September 2017; charts 3 to 6 cover the same period for the feed ingredients.

Table 1: Estimated feed ingredient prices for March 2017

FEED INGREDIENT	PRICE PER TON Randfontein	% CHANGE Y/Y	PRICE PER TON Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 197	-33%	R2 287	-32%
SUNFLOWER OILCAKE	R2 750	-37.5%	R2 750	-38.8%
SOYA MEAL	R5 370	-7.0%	R5 495	-6.9%
FISHMEAL	R15 450	+1.0%	R15 450	+1.0%

Table 2: Estimated prices for March 2017

FEED (Raw material cost only)	PRICE PER TON Randfontein	% CHANGE Y/Y	PRICE PER TON Pietermaritzburg	% CHANGE Y/Y
BROILER STARTER	R3 488.57	-22.3%	R3 572.55	-22.0%
BROILER GROWER	R3 296.82	-24.4%	R3 377.59	-24.2%
BROILER FINISHER	R3 408.08	-23.5%	R3 487.24	-23.2%
PULLET GROWER	R2 799.41	-28.1%	R2 867.9	-27.8%
LAYER	R2 615.14	-27.4%	R2 688.44	-27.1%

Table 3: Estimated feed ingredient prices forecast for September 2017

FEED INGREDIENT	PRICE PER TON Randfontein	% CHANGE Y/Y	PRICE PER TON Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 042	-36%	R2 132	-35%
SUNFLOWER OILCAKE	R2 750	-35.3	R2 750	-36.7%
SOYA MEAL	R5 535	-8.7%	R5 660	-8.5%
FISHMEAL	R15 750	-2%	R15 750	-2%

PLEASE NOTE: The assumptions that were made, major factors influencing the local cost of raw materials and other factors taken into account can be viewed in Appendix A.

Chart 1: Inland Feed Prices

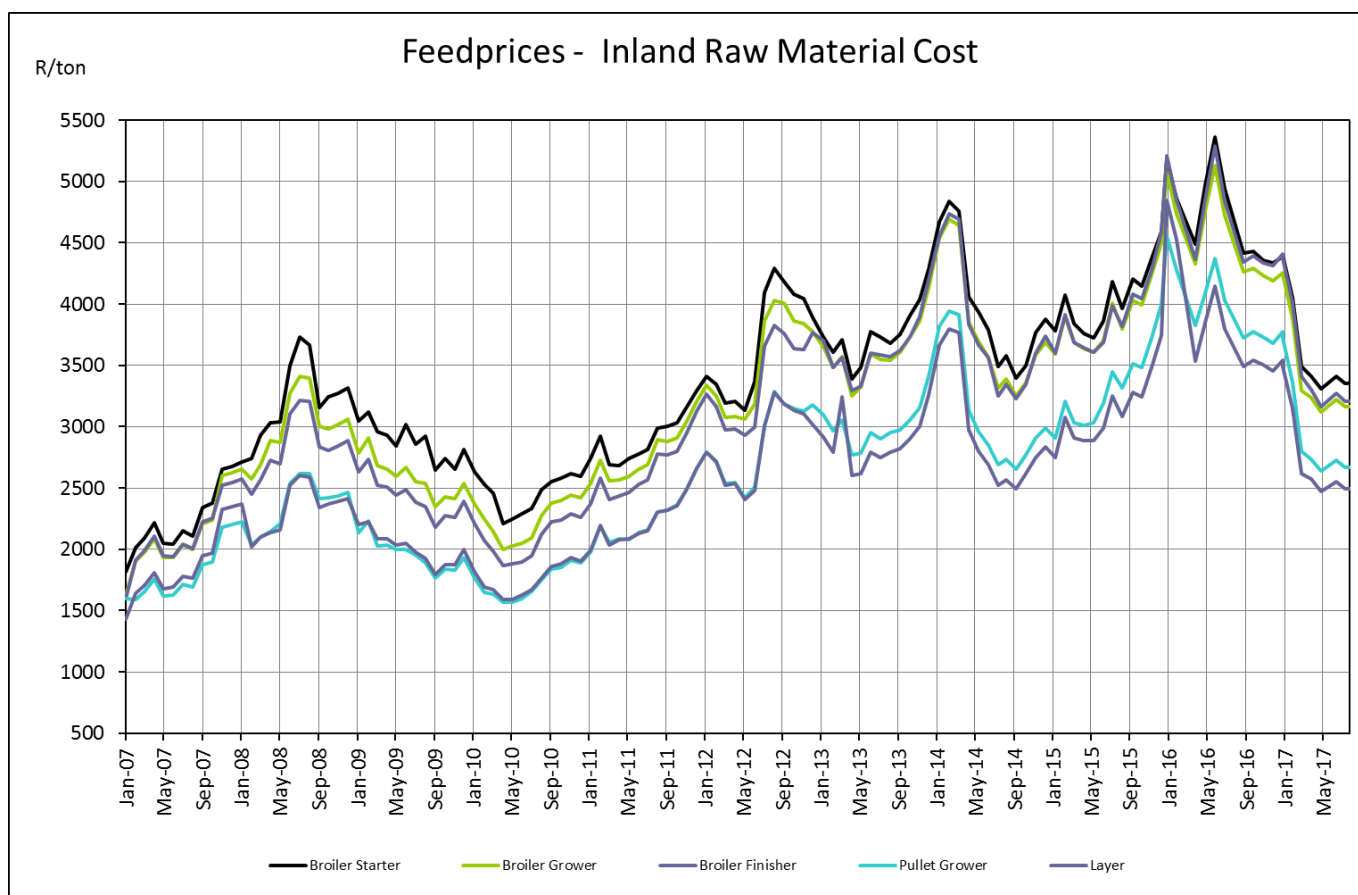


Chart 2: Coastal Feed Prices

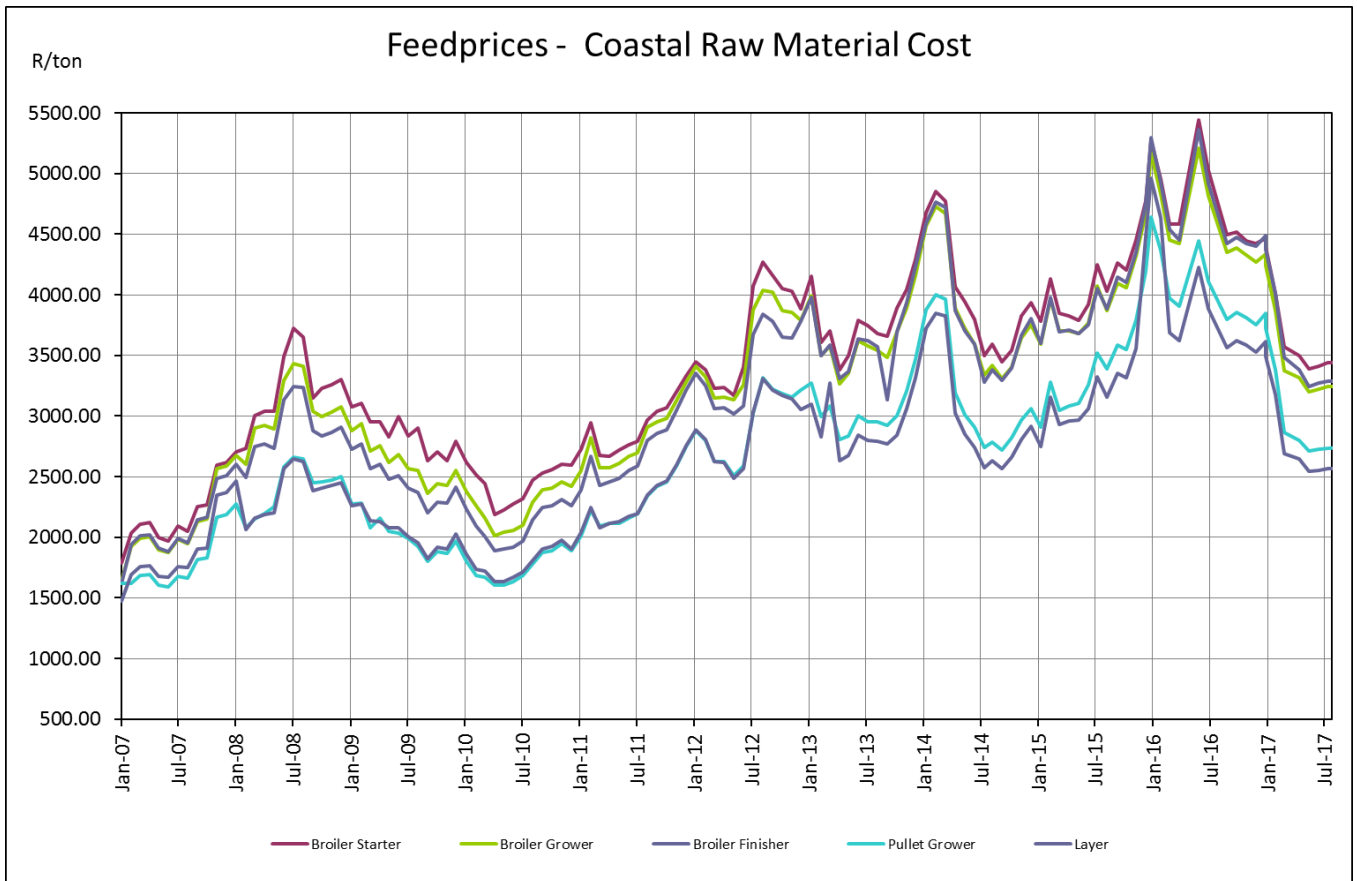


Chart 3: Yellow Maize

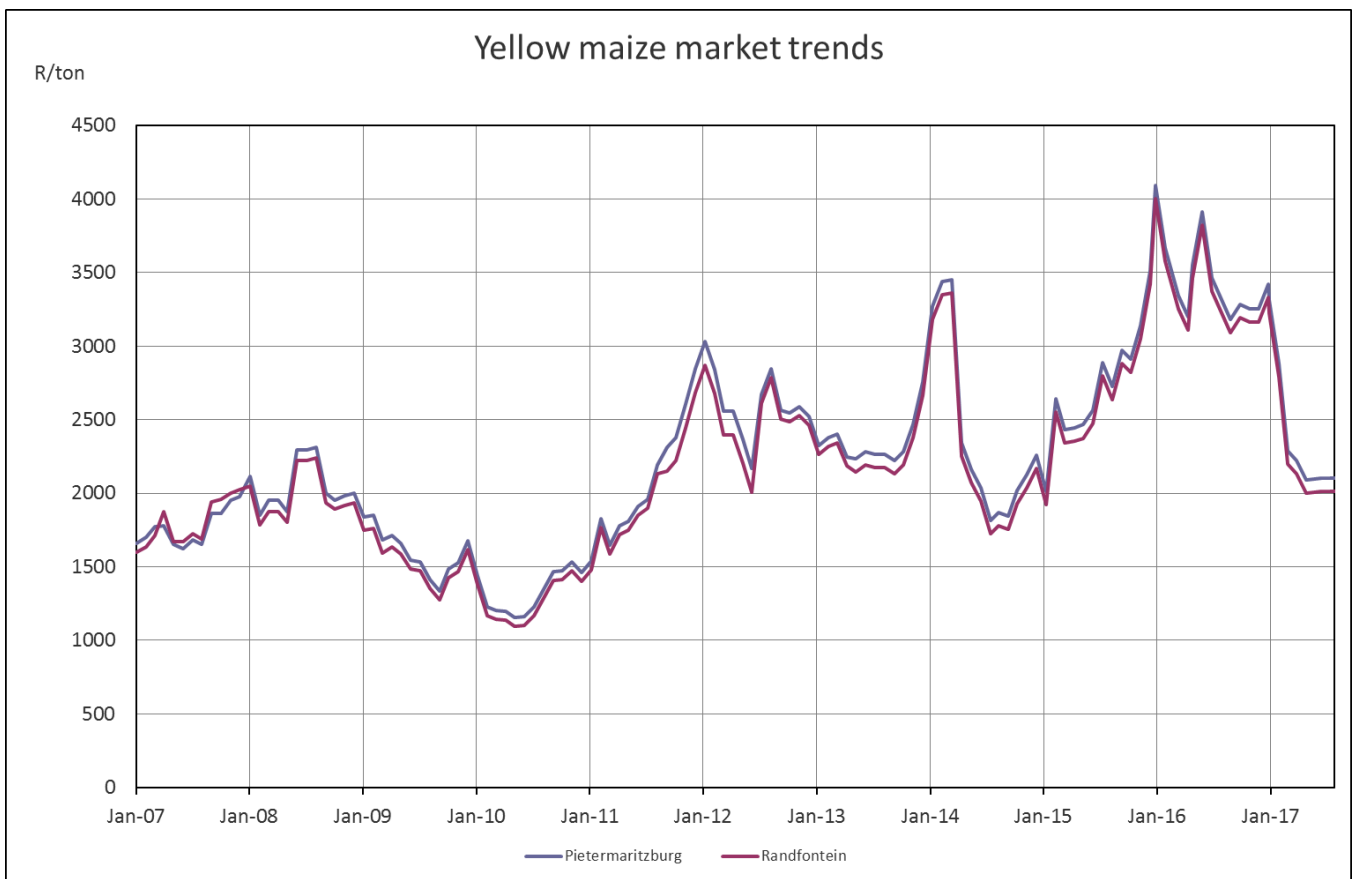


Chart 4: Soya Meal

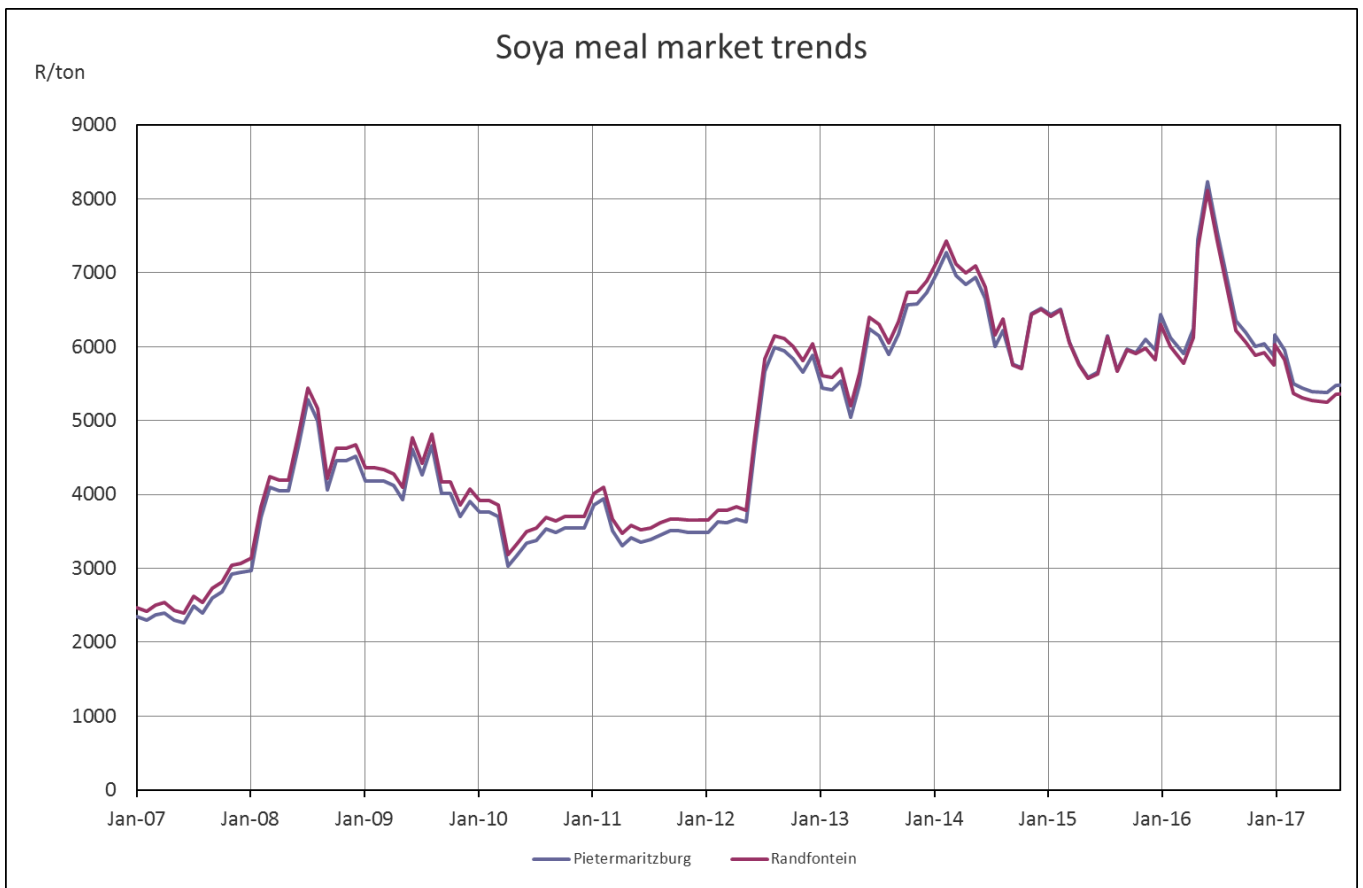


Chart 5: Sunflower Oilcake

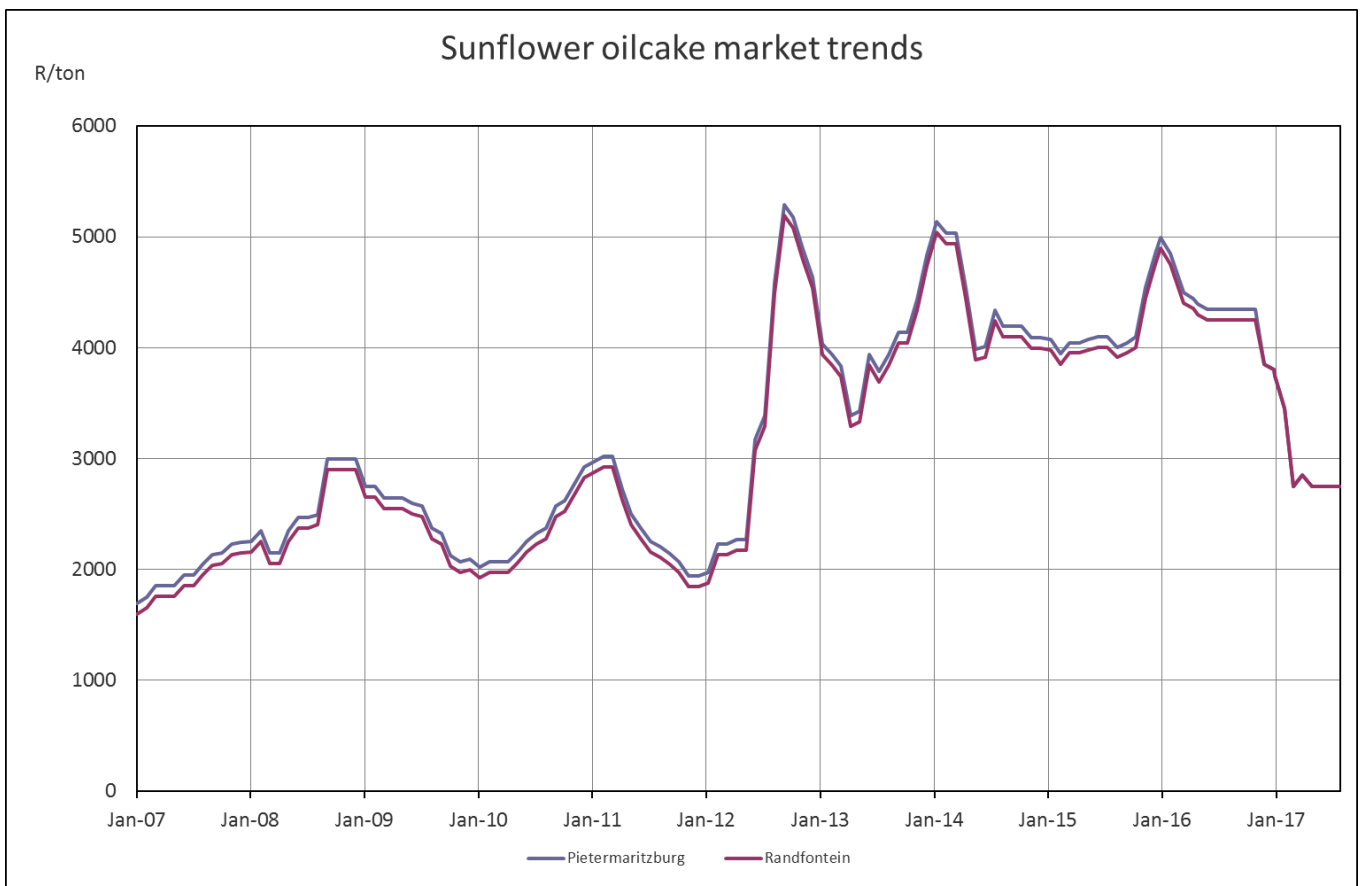
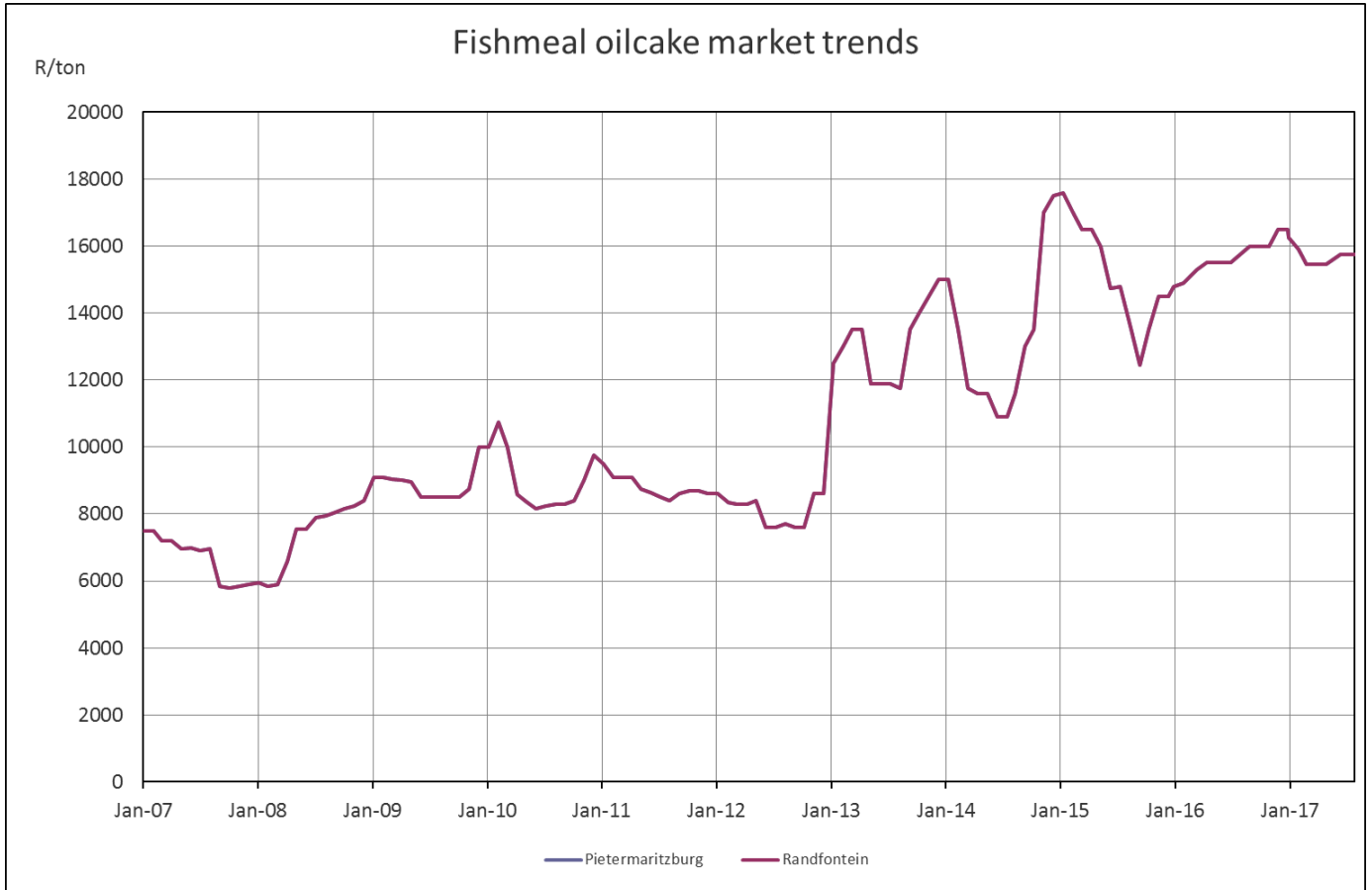


Chart 6: Fish Meal



APPENDIX A:

The following assumptions were made:

1. It is assumed that ration ingredients remain constant, and no least costing has been done. We therefore use the same formulation.
2. Here we can experience some price differences especially regarding sunflower meal, fishmeal, oil and full fat soya inclusion levels.
3. Assumption is based on present prices of ingredients (maize, full fat and soya oil cake prices are fixed until May 2017). These prices were taken. Prices may however vary in future depending on R/\$ exchange rate and CBOT.
4. Feed prices of feed manufacturers can vary significantly depending on their raw material positions which can be better/worse than the cost used to do the calculations. Currently we use yellow maize in our calculations.
5. No margin, production cost, cost of transport, milling losses, interest, and where applicable pelletizing, bagging and fat-coating were considered.

Major Factors influencing the local cost of raw materials are as follows;

- Chicago Board of Trade (CBOT)
- Supply and Demand
- Exchange Rate
- Premiums
- Interest
- Transport cost
- Interaction between different raw materials for example energy/proteins

Other factors that influence cost to the local users/buyers are;

1. Quality of raw materials.
2. Quantity - for orders less than truck loads add 10% - 15%.
3. Bulk or bags - add R125/T for bagging costs on imported products and R80/T for bagging costs on local products.
4. Payment method - cash or terms
5. Credit worthiness

Additional costs that are added to feed prices by the manufacturers of feed are;

1. Labour
2. Technical / Analysis
3. Interest
4. Depreciation
5. Mixing costs (dependant on sophistication of the process)
6. Additional medications

- All price calculations are based only on raw material cost forecast for the next month and stock losses, interest and productions. Cost and margins have not been taken into account in the calculations of the average feed prices.

- Maize prices are based currently on SAFEX yellow maize related prices,

DEFINITIONS:

A **bushel** is an imperial and U.S. customary unit of dry volume, equivalent in each of these systems to 4 pecks or 8 gallons. It is used for volumes of dry commodities (not liquids), most often in agriculture. It is abbreviated as **bsh.** or **bu.** In modern usage, the dry volume is usually only nominal, with bushels referring to standard *weights* instead. 1 US bushel = 35.239072 liters

The **Chicago Board of Trade (CBOT)**, established in 1848, is the world's oldest futures and options exchange. The concerns of U.S. merchants to ensure that there were buyers and sellers for commodities have resulted into forward contracts to sell and buy commodities. Still, credit risk remained a serious problem. The CBOT took shape to provide a centralized location, where buyers and sellers can meet to negotiate and formalize forward contracts.

The **tonne** (SI symbol: **t**) is a metric system unit of mass equal to 1,000 kilograms (2,204.6 pounds) or 1 megagram (1 Mg). It is a non-SI unit accepted for use with SI. To avoid confusion with short ton, it is also known as **metric ton** in the United States.

The **short ton** is a unit of mass equal to 2000 pounds (907.18474 kg).