



FEED INGREDIENT REPORT USING MARCH 2018 AS BASE WITH AN OUTLOOK TO JULY 2018 - 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 international price of maize has been very stable for a reasonable period of time and has been trading between \$3.49/bu and \$3.60/bu in the last few months for the Mar 18 contract on CBOT. In the last few weeks we have seen the price on CBOT trading at \$3.85 to \$3.95/bu for the July 18 contract. We are now in the USA planting season and according to information received, plantings are at an average pace. The northern regions of the USA are still cold and covered with some snow and that does delay the planting of maize. Brazil did have a good crop for both maize and soyabeans, but Argentina has had a severe drought and crops, especially soyabeans are significantly lower.

Local prices do follow international prices and the major impact currently is the strengthening of the rand. Currently the rand is trading at about R12.00 against the US dollar. The local SA maize crop will be harvested from now onwards and although we have 300 000 hectares less being planted with maize, we should still see a crop of over 13 million mt which is more than domestic consumption, including the neighbouring countries. Even with the current exports, we should still have a significant carry-over going into the next season – 3.5 to 3.7 million mt as exports have been slow and less than 2 million mt have been exported from last year's record crop. Currently the exports are not enough to work away surplus stocks. On the current crop situation, plantings are well down from the 2017 crop. The NCEC came out with a number of 2.4 million hectares planned to be planted versus 2.65 million hectares. Rainfall has fallen during the critical stages of the development of the crop and it looks like the yields in most areas will be the same as last year.

International soya meal prices have increased in the last few months trading currently at about \$385/shortton on CBOT. World production for soya is currently at good levels and stocks are comfortable, except for Argentina. Locally, with very little imports, we have seen soya meal prices increase in rand terms, mainly due to CBOT prices increasing and also premiums in South America have strengthened considerably.

The rand has been very stable since the beginning of the year. The forward prospect of the rand is a trading range between R11.80 and R12.80/US\$ for the short term but according to research done, most of the major banks and financial institutions see the rand weakening again, back to R13.80 at the end of 2018.

Tables 1 to 3 are the estimated feed ingredient prices and feed prices for March 2018, and a forecast to July 2018 for feed ingredient prices. Charts 1 and 2 show the historical estimated feed prices from January 2008 to March 2018, with a forecast to July 2018; charts 3 to 6 cover the same period for the feed ingredients.

Table 1: Estimated feed ingredient prices for March 2018

FEED INGREDIENT	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 006	-9%	R2 096	-8%
SUNFLOWER OILCAKE	R3 450	+25.5%	R3 450	+25.5%
SOYA MEAL	R5 752	+7.1%	R5 832	+7.0%
FISHMEAL	R16 450	+6.0%	R16 450	+6.0%

Table 2: Estimated prices for March 2018

FEED (Raw material cost only)	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
BROILER STARTER	R3 569.49	+1.4%	R3 640.89	+1.4%
BROILER GROWER	R3 369.43	+1.0%	R3 440.59	+1.0%
BROILER FINISHER	R3 357.97	-3.3%	R3 429.42	-3.2%
PULLET GROWER	R2 844.93	+0.8%	R2 909.06	+0.8%
LAYER	R2 647.65	-5.3%	R2 716.48	-5.2%

Table 3: Estimated feed ingredient prices forecast for July 2018

FEED INGREDIENT	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 122	+11.0%	R2 212	+10.0%
SUNFLOWER OILCAKE	R3 500	+45.8%	R3 500	+45.8%
SOYA MEAL	R5 995	+16.2%	R6 075	+16.0%
FISHMEAL	R16 450	+6.0%	R16 450	+6.0%

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

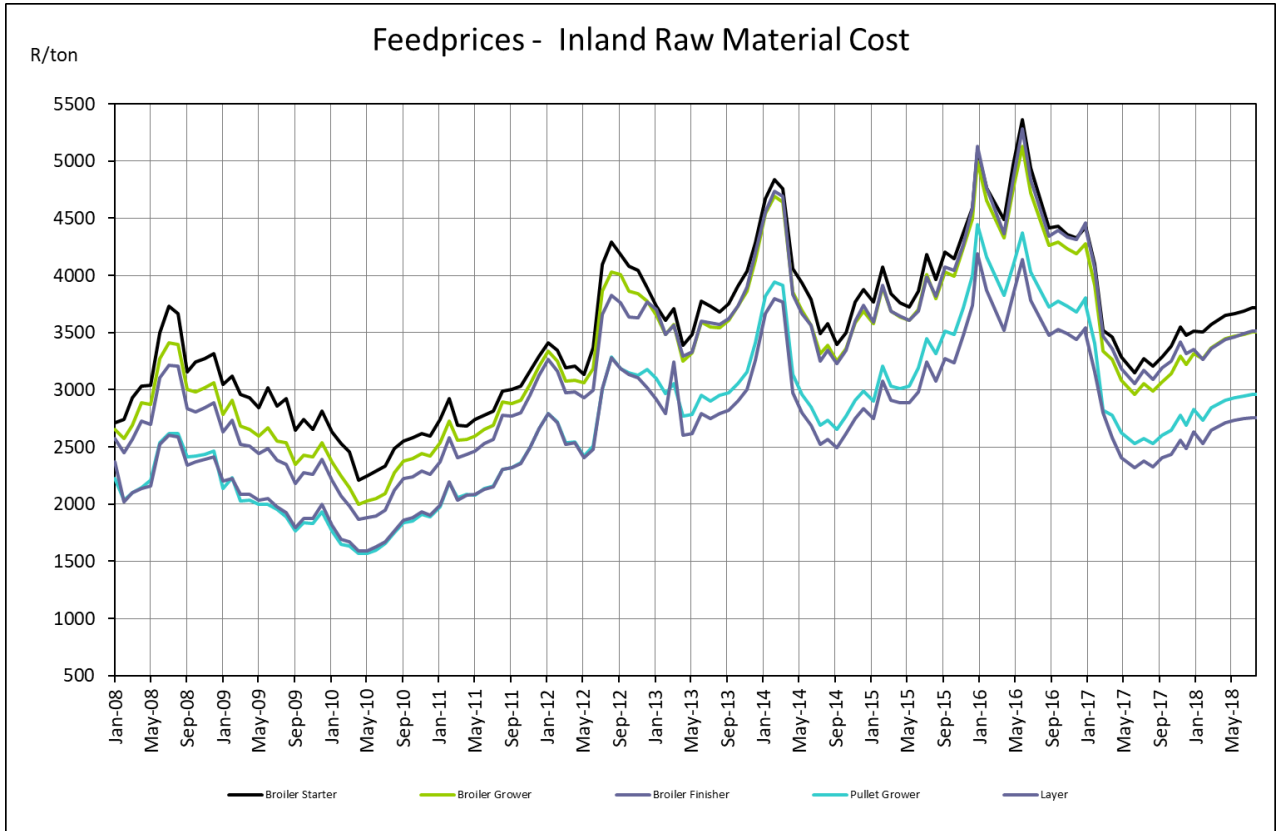


Chart 2: Coastal Feed Prices

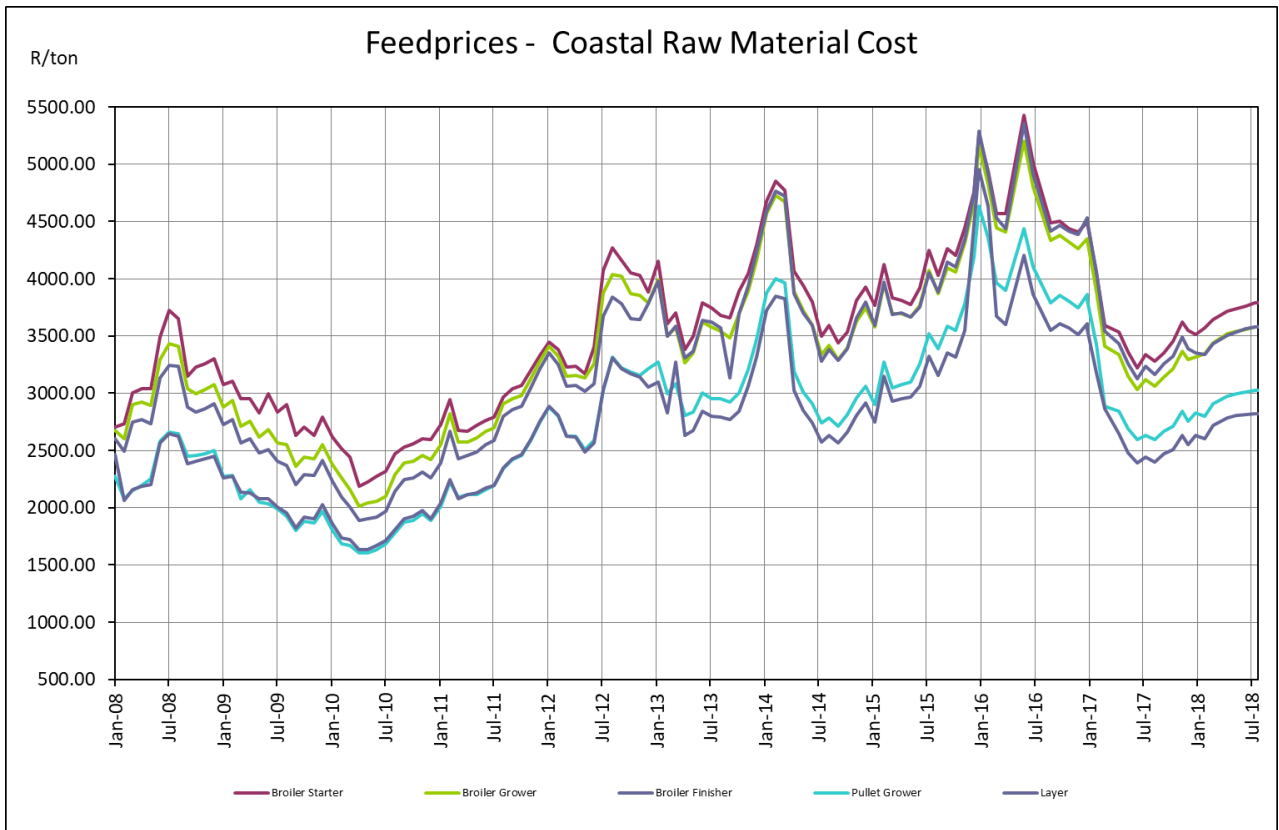


Chart 3: Yellow Maize

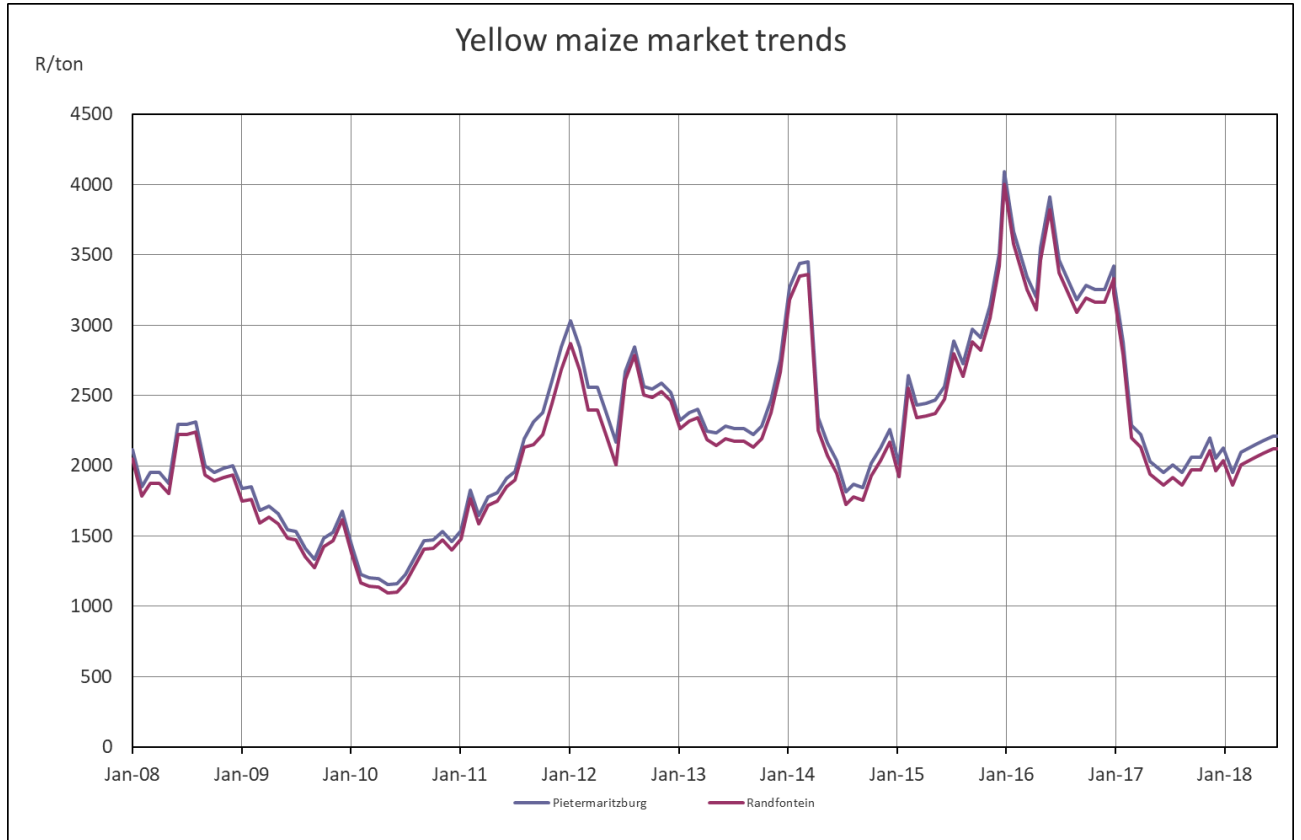


Chart 4: Soya Meal

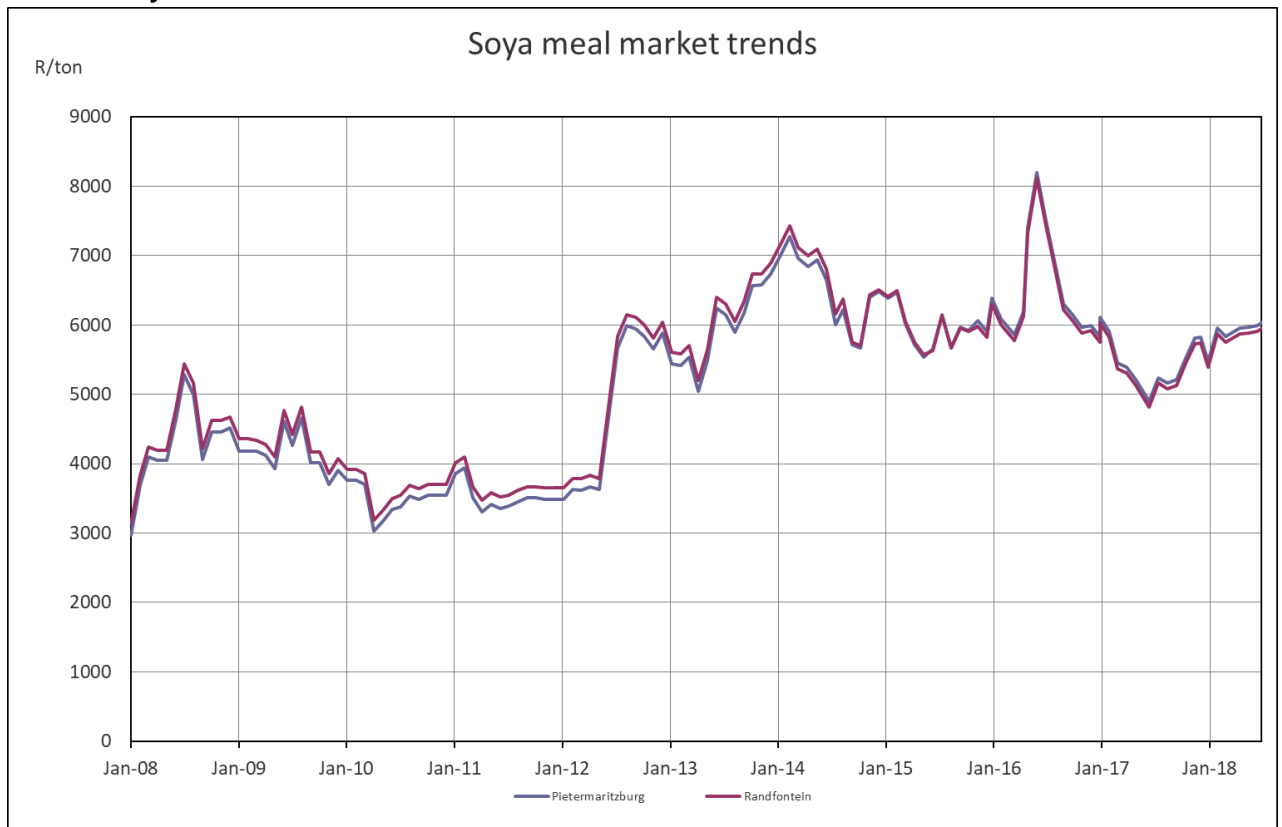


Chart 5: Sunflower Oilcake

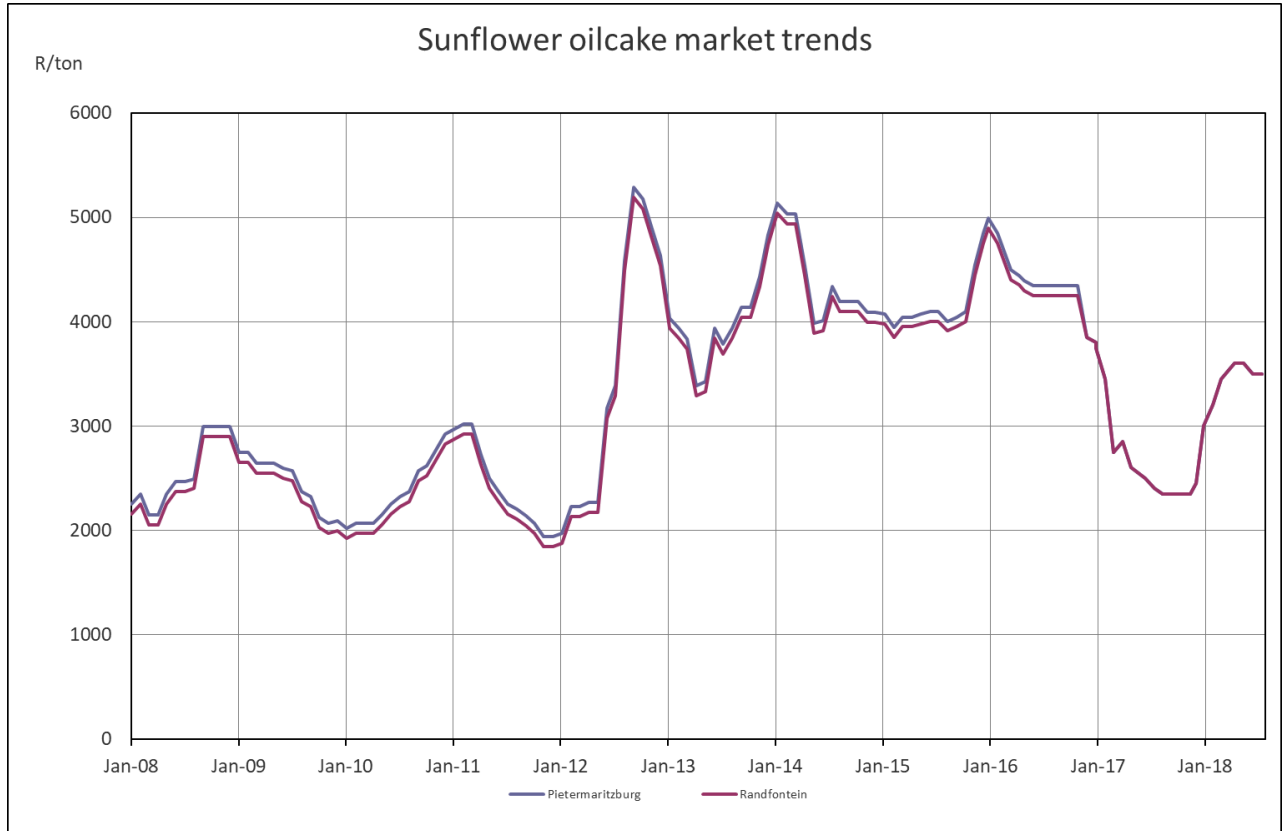
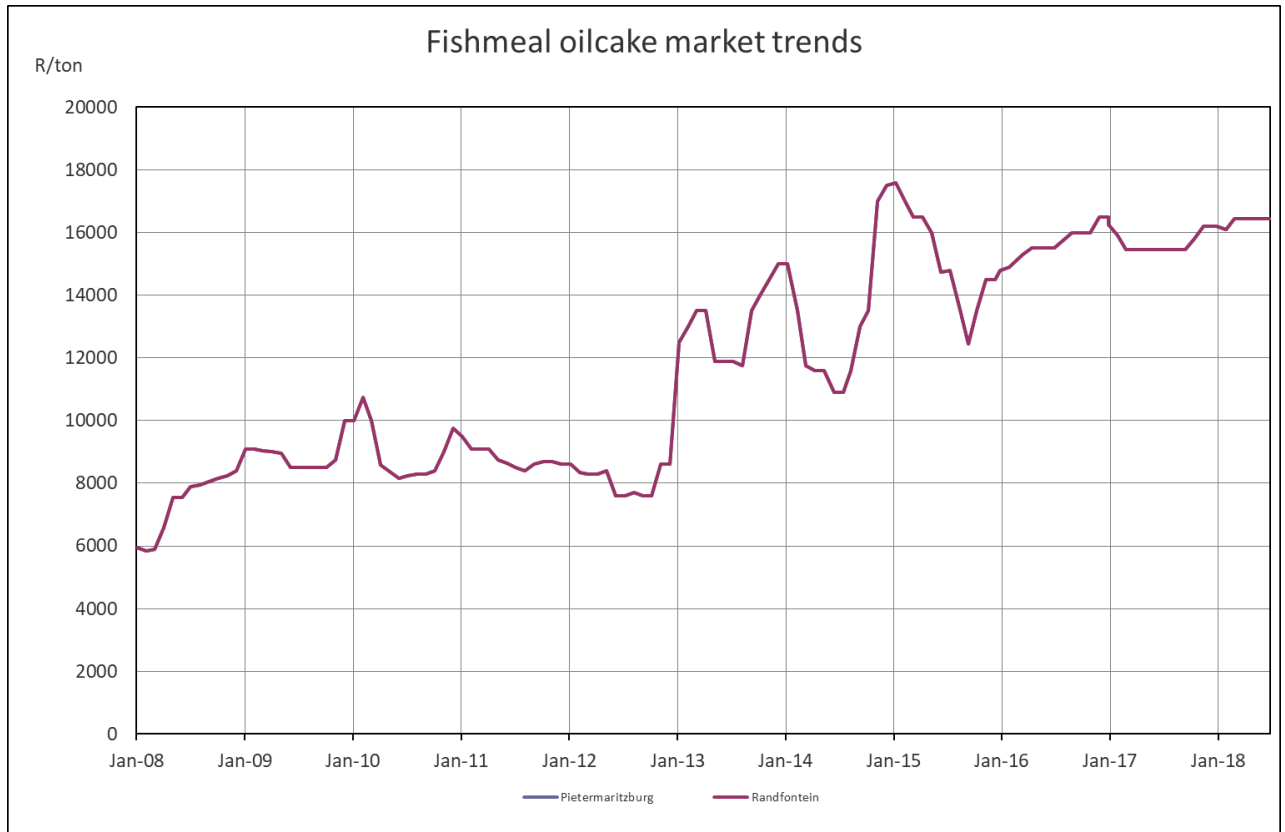


Chart 6: Fish Meal



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 June 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 litres

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 **shortton** is a unit of mass equal to 2000 pounds (907.18474 kg).

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