



FEED INGREDIENT REPORT USING SEPTEMBER 2018 AS BASE WITH AN OUTLOOK TO DECEMBER 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 \$3.50/bu and \$3.80/bu in the last few months for the December 2018 contract on CBOT. We are now in the USA harvesting season and according to information received, the harvest is ahead of the last 5-year average. Yields are at an all-time high at over 176 bu/acre and this will be the second biggest crop ever. Brazil and Argentina are in their planting seasons and for the moment everything is going well. Argentina had a severe drought and crop yields, especially soyabean and maize, were significantly lower in the last season.

Local prices do follow international prices and the major impact now is the weakening of the rand. Currently the rand is trading at about R14.35 against the US dollar and this was the main reason for local maize prices increasing in recent months. The local SA maize crop has been harvested, but the estimate is that it will be a little smaller than the last crop and should be around 12.75 million tonnes. Even with the current exports, we should still have a significant carry-over going into the next season – 2.8 to 3.0 million mt as exports have been slow and less than 1.35 million mt have been exported from 1st May 2018 going forward. Currently the exports are not enough to work away surplus stocks and the surplus estimate is about 2 million tonnes until the next season.

International soya meal prices have decreased in the last few months and are currently trading at about \$312/shortton on CBOT. World production for soya is at very good levels and stocks are comfortable. Locally, with very few imports, we have seen soya meal prices increase in rand terms, mainly due to CBOT prices increasing and premiums in South America having strengthened. At the moment we have the trade war between China and the US, resulting in less exports to China. This, with the large crop in the USA, will keep prices in US\$ terms at these low levels. The rand is also the dark horse on soya prices.

The rand has been very stable since the beginning of the year but weakened significantly from August 2018. The forward prospect of the rand is a trading range between R14.20 and R14.80/US\$ for the short term but according to analysts, it could strengthen to R13.80 and maybe even lower for the next month.

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

Table 1: Estimated feed ingredient prices for September 2018

FEED INGREDIENT	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 373	+20%	R2 463	+20%
SUNFLOWER OILCAKE	R4 150	+76.6%	R4 150	+76.6%
SOYA MEAL	R6 295	+22.7%	R6 375	+22.4%
FISHMEAL	R15 500	+0.3%	R15 500	+0.3%

Table 2: Estimated prices for September 2018

FEED (Raw material cost only)	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
BROILER STARTER	R4 014.39	+22.2%	R4 085.79	+21.7%
BROILER GROWER	R3 816.09	+24.3%	R3 887.24	+23.7%
BROILER FINISHER	R3 758.36	+17.8%	R3 829.81	+17.4%
PULLET GROWER	R3 286.75	+26.3%	R3 350.88	+25.7%
LAYER	R3 047.69	+26.8%	R3 116.52	+26.0%

Table 3: Estimated feed ingredient prices forecast for December 2018

FEED INGREDIENT	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 441	+24.2%	R2 531	+23.1%
SUNFLOWER OILCAKE	R4 150	+69.4%	R4 150	+69.4%
SOYA MEAL	R5 795	+1.0%	R5 875	+0.9%
FISHMEAL	R15 750	-2.8%	R15 750	-2.8%

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

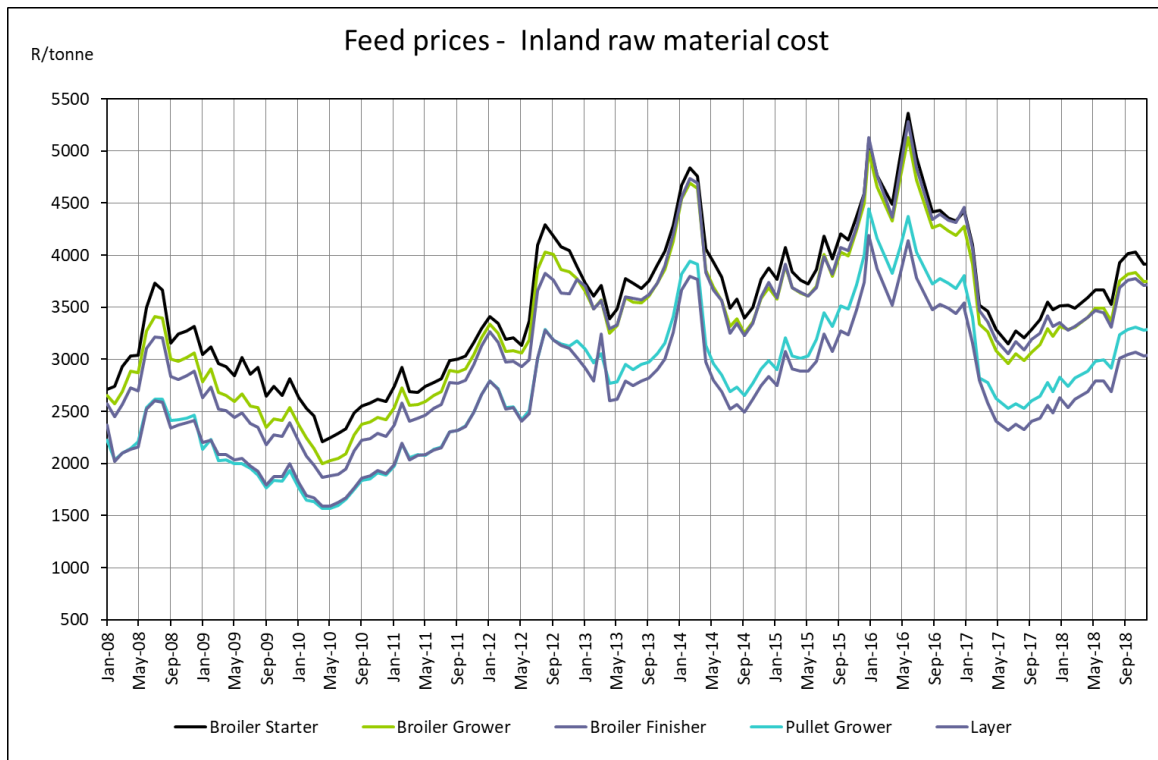


Chart 2: Coastal Feed Prices

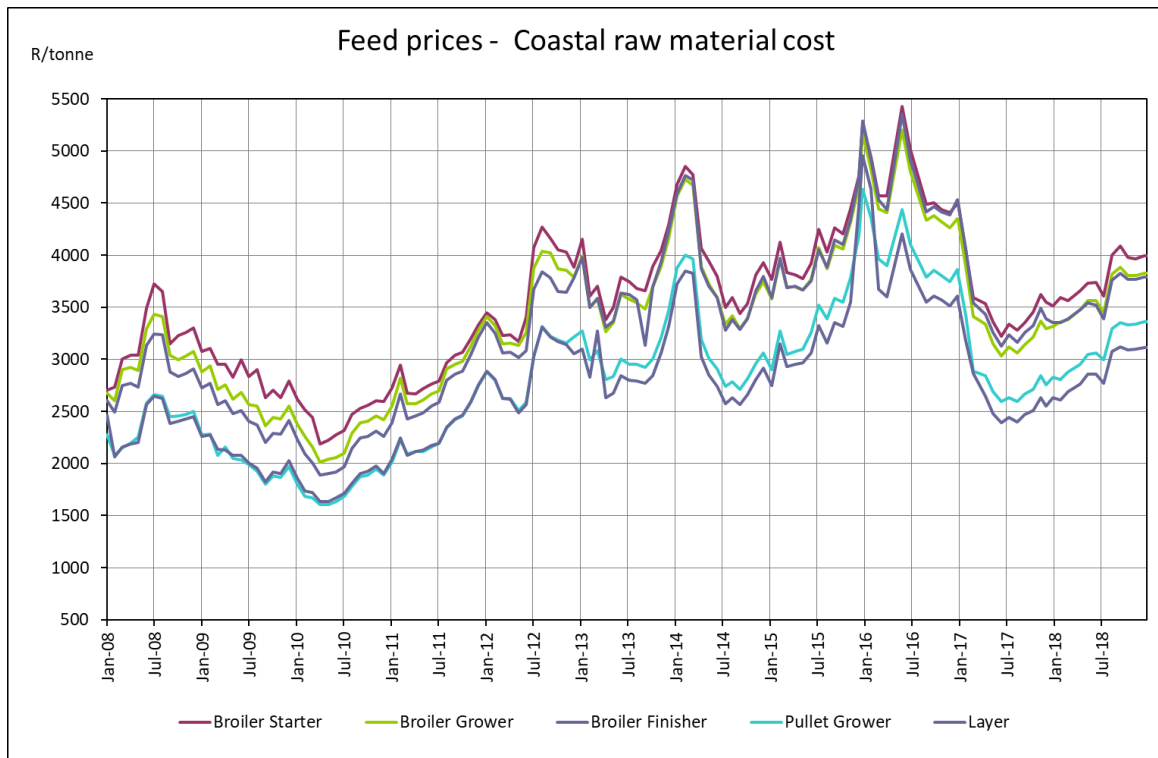


Chart 3: Yellow maize

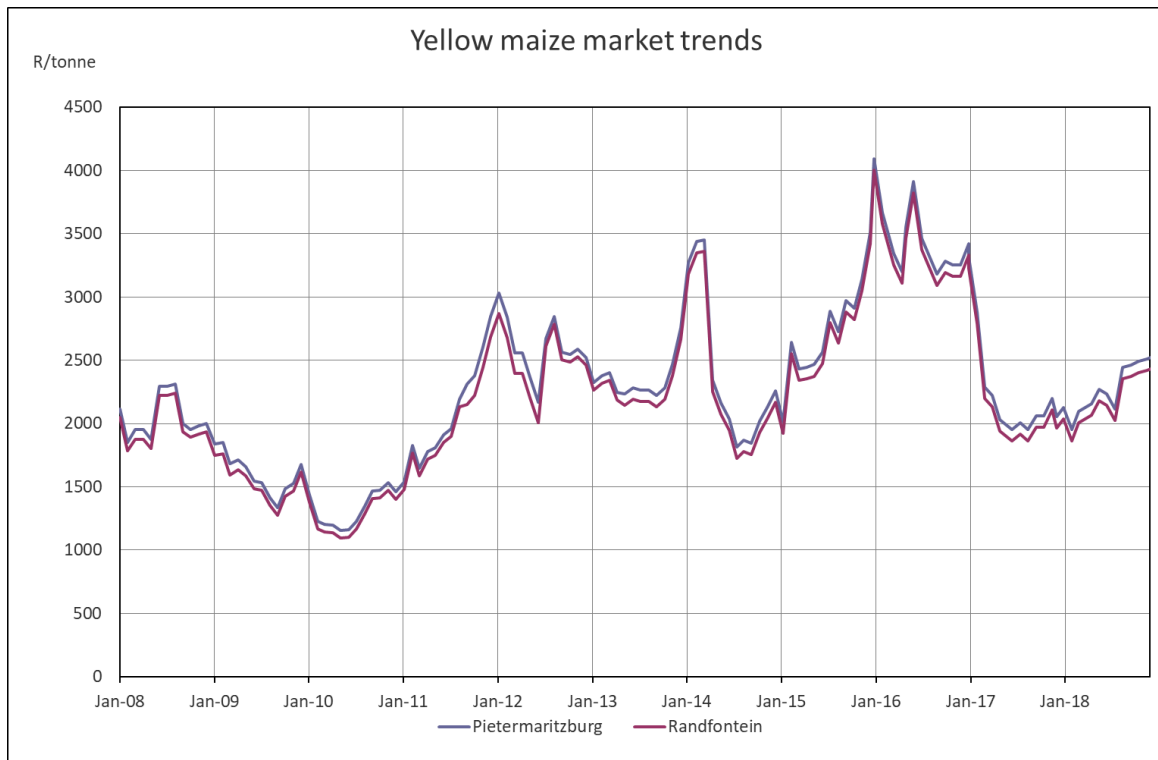


Chart 4: Soya Meal

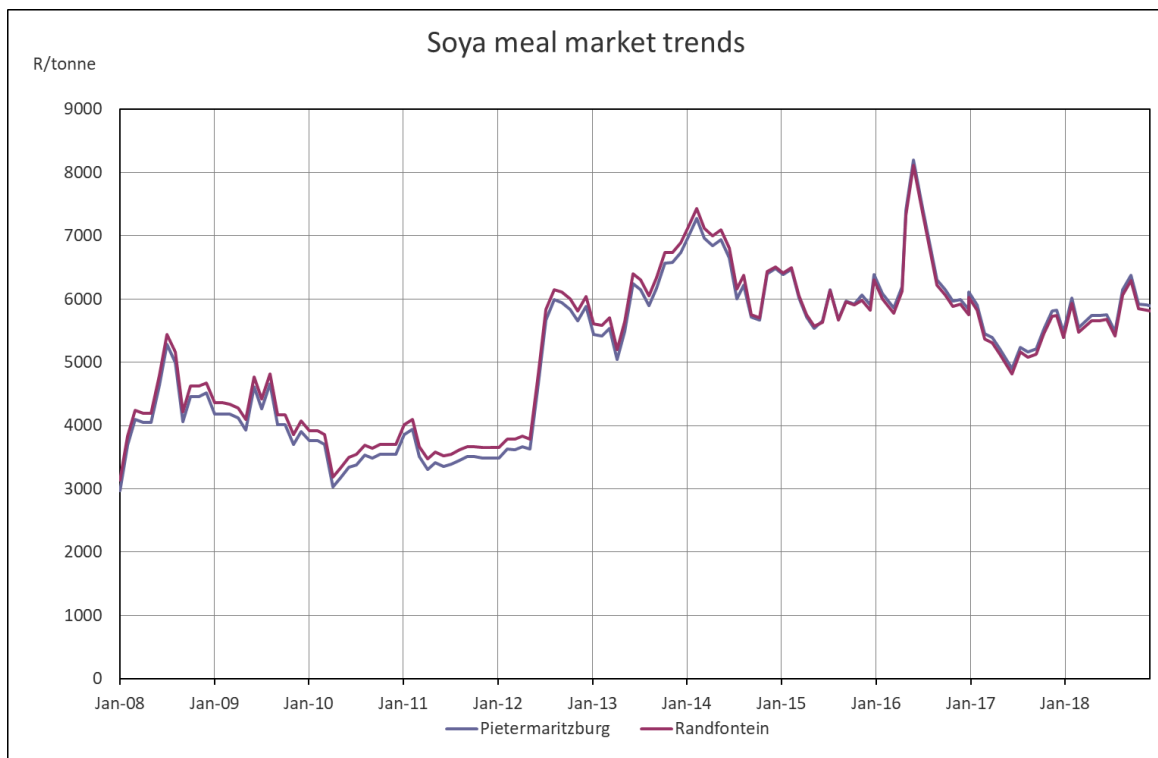


Chart 5: Sunflower oilcake

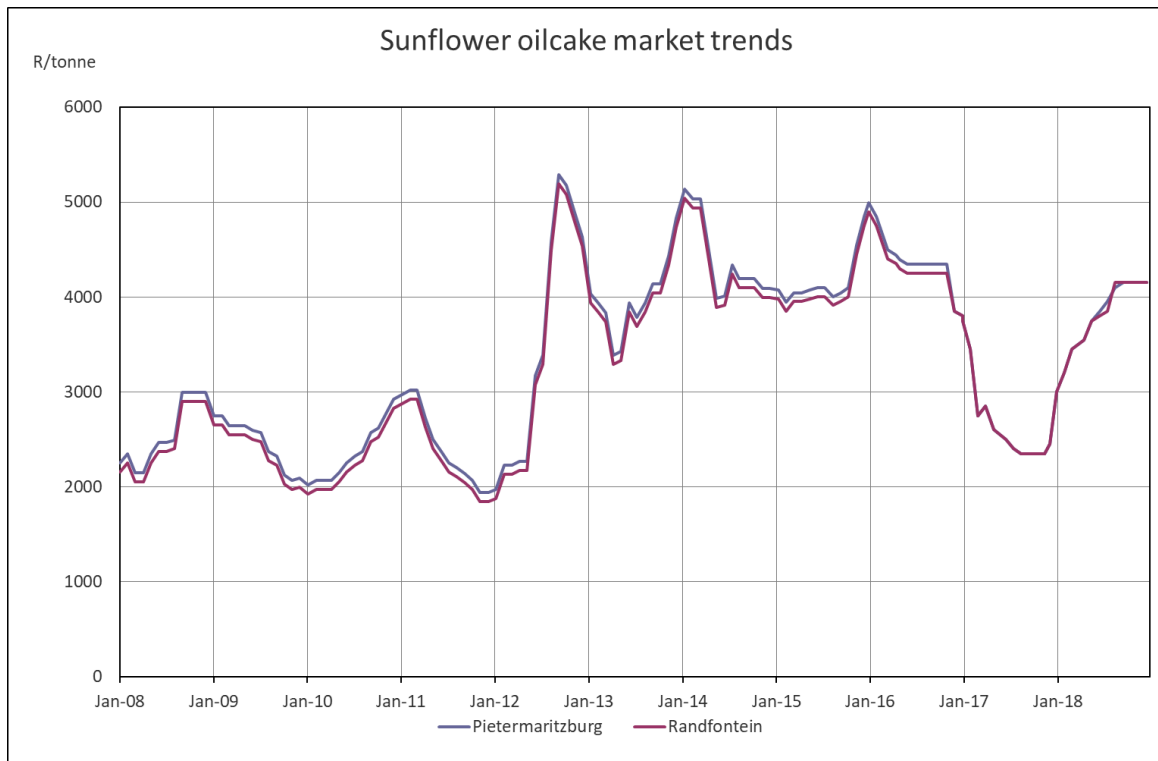
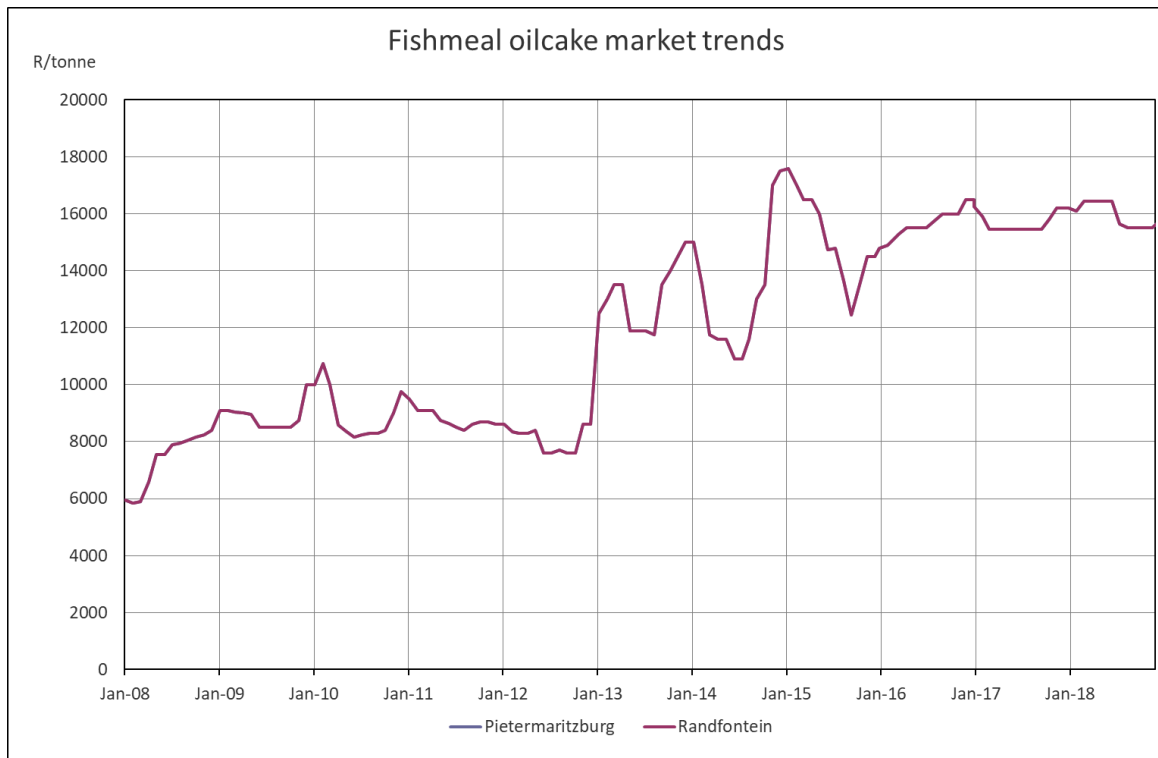


Chart 6: Fishmeal



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 Oct 18). 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 R140/T for bagging costs.
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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