

## BROILER PRODUCER PRICE REPORT FOR DECEMBER 2017

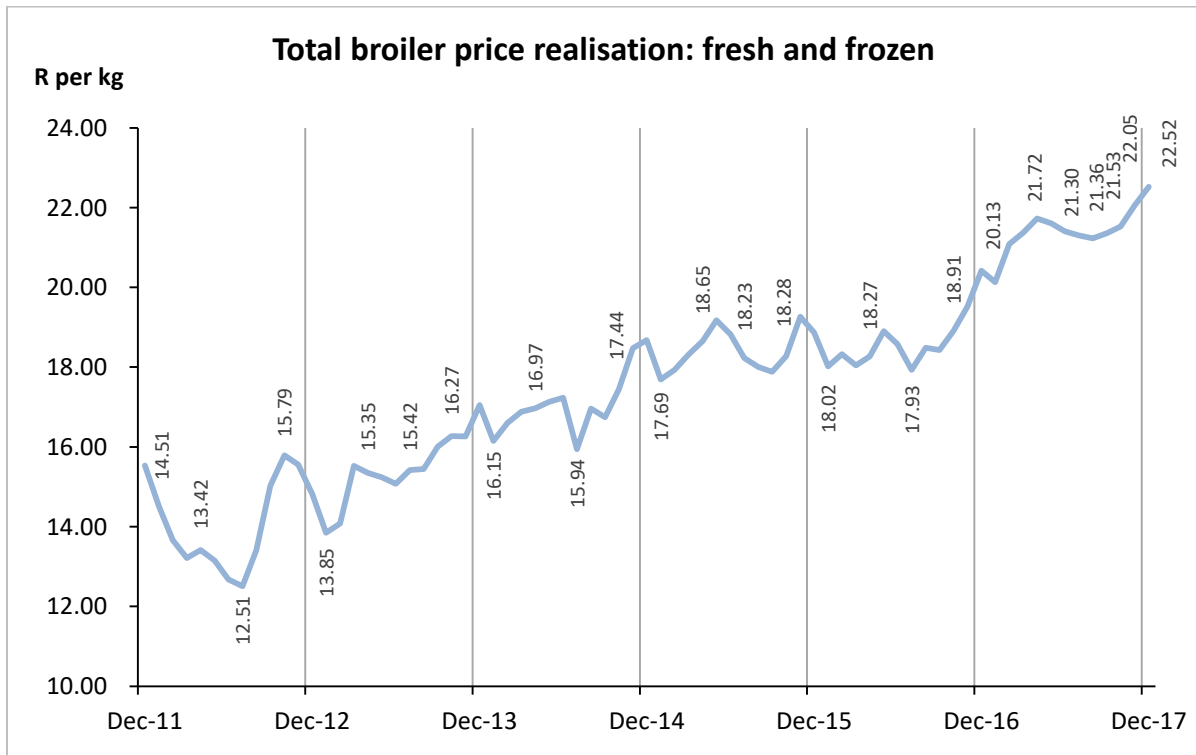
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*For a definition of the Producer Price and Sundries referred to in this document, see the end of this report*

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### MONTHLY BROILER PRODUCER PRICE:

- TOTAL REALISATION

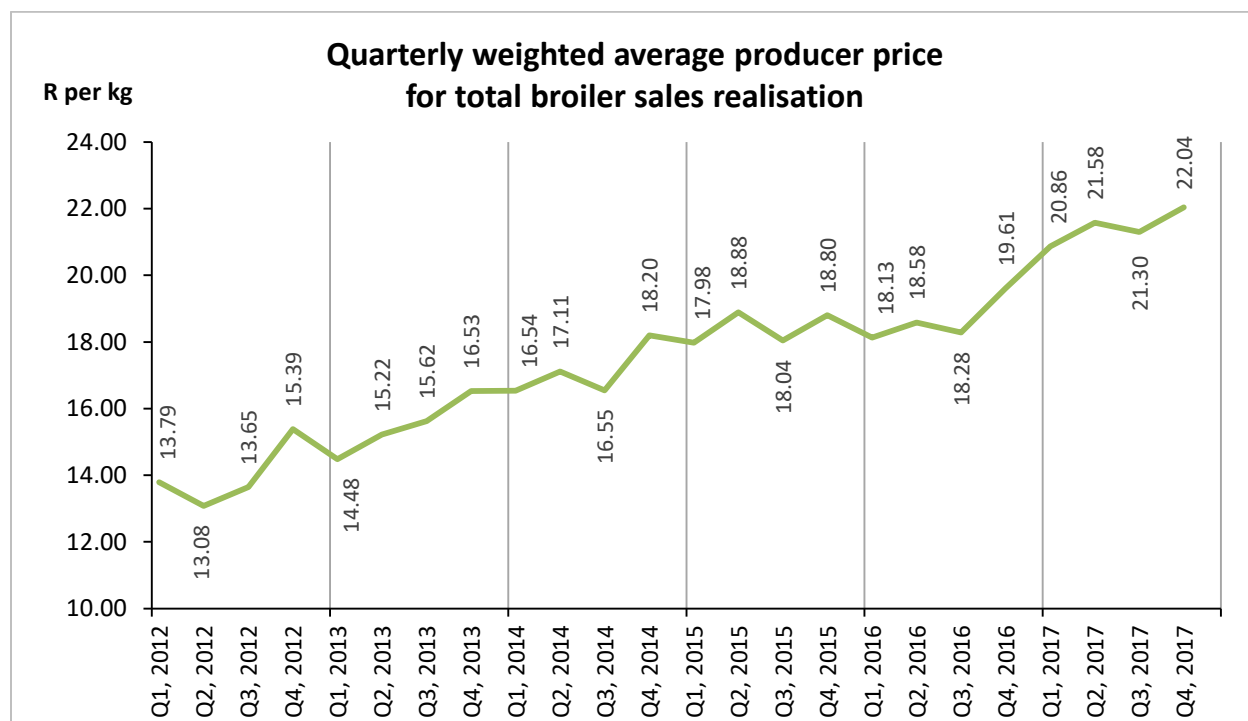


In December 2017, the *monthly* broiler producer price increased by 2.1 % (+ R0.47). The broiler producer price was estimated at R22.52 per kg. Compared with December 2016, this price has increased by 10.32 % (+ R2.11). The overall monthly price change in December 2017 was the result of an increase in the producer price for frozen chicken and a small decrease in the price of fresh broiler product.

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

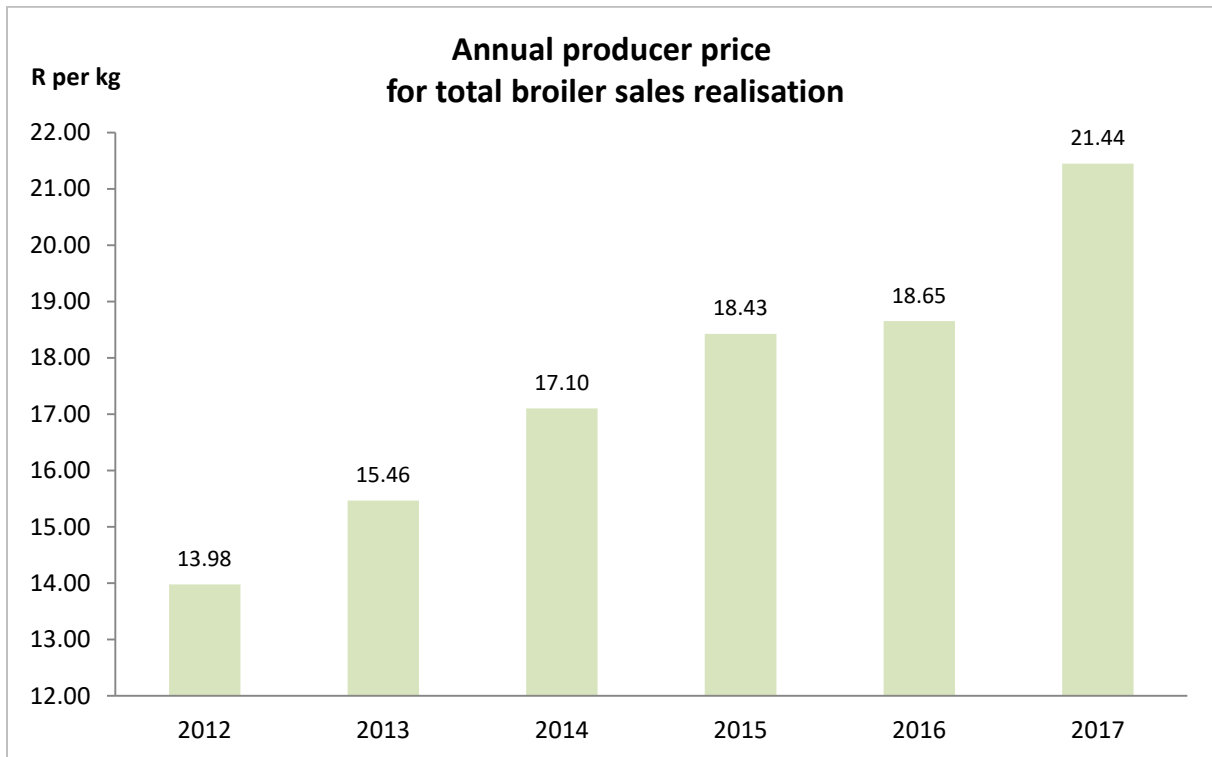
| Month     | 2014<br>R/kg | 2015<br>R/kg | 2016<br>R/kg | 2017<br>R/kg |
|-----------|--------------|--------------|--------------|--------------|
| January   | 16.15        | 17.69        | 18.02        | 20.13        |
| February  | 16.60        | 17.93        | 18.33        | 21.09        |
| March     | 16.88        | 18.32        | 18.05        | 21.37        |
| April     | 16.97        | 18.65        | 18.27        | 21.72        |
| May       | 17.13        | 19.18        | 18.90        | 21.61        |
| June      | 17.23        | 18.82        | 18.57        | 21.41        |
| July      | 15.94        | 18.23        | 17.93        | 21.30        |
| August    | 16.96        | 18.00        | 18.49        | 21.23        |
| September | 16.74        | 17.88        | 18.43        | 21.36        |
| October   | 17.44        | 18.28        | 18.91        | 21.53        |
| November  | 18.48        | 19.26        | 19.51        | 22.05        |
| December  | 18.68        | 18.87        | 20.42        | 22.52        |

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



The average total realisation price for the fourth *quarter* (4Q 2017) was R22.04 per kg, an increase of 3.5 % in comparison with the 3Q 2017 and an increase of 12.4 % in comparison with the same quarter in 2016. The average producer price for broilers for the year 2017 was R21.44; an increase of R2.79 in comparison with 2016 (R18.65, + 15 %).

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



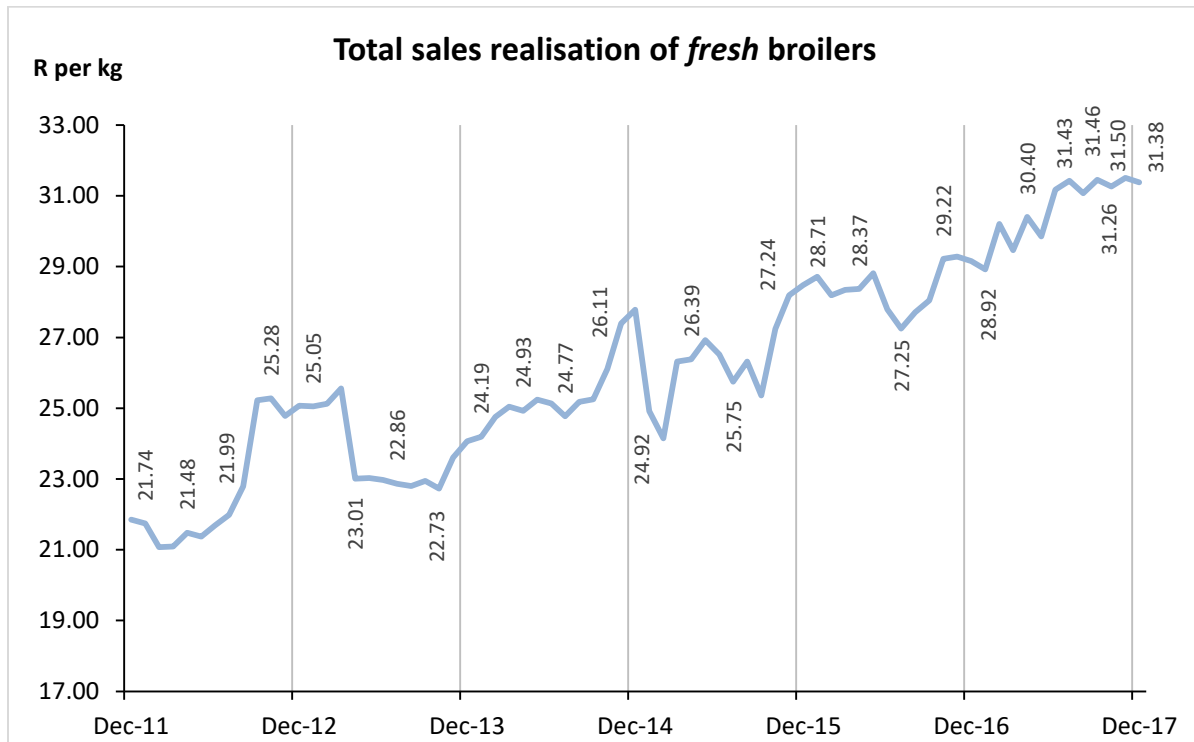
The average *yearly* price (per kg) for net sales realisation for the past four years:

|      |         |   |      |             |
|------|---------|---|------|-------------|
| 2017 | R 21.44 | + | 15.0 | % over 2016 |
| 2016 | R 18.65 | + | 1.2  | % over 2015 |
| 2015 | R 18.43 | + | 7.8  | % over 2014 |
| 2014 | R 17.10 |   |      |             |

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 December 2017, the *monthly* producer price for fresh broilers decreased by 0.4 % to R31.38 per kg in comparison with the previous month (- R0.13), but increased by 7.6 % (+ R2.22) on a yearly basis.



The average realisation price for *fresh* product in the fourth *quarter* (4Q 2017) was R31.38 per kg; an increase of 0.2 % in comparison with the 3Q 2017 and an increase of 7.4 % in comparison with the same quarter in 2016.

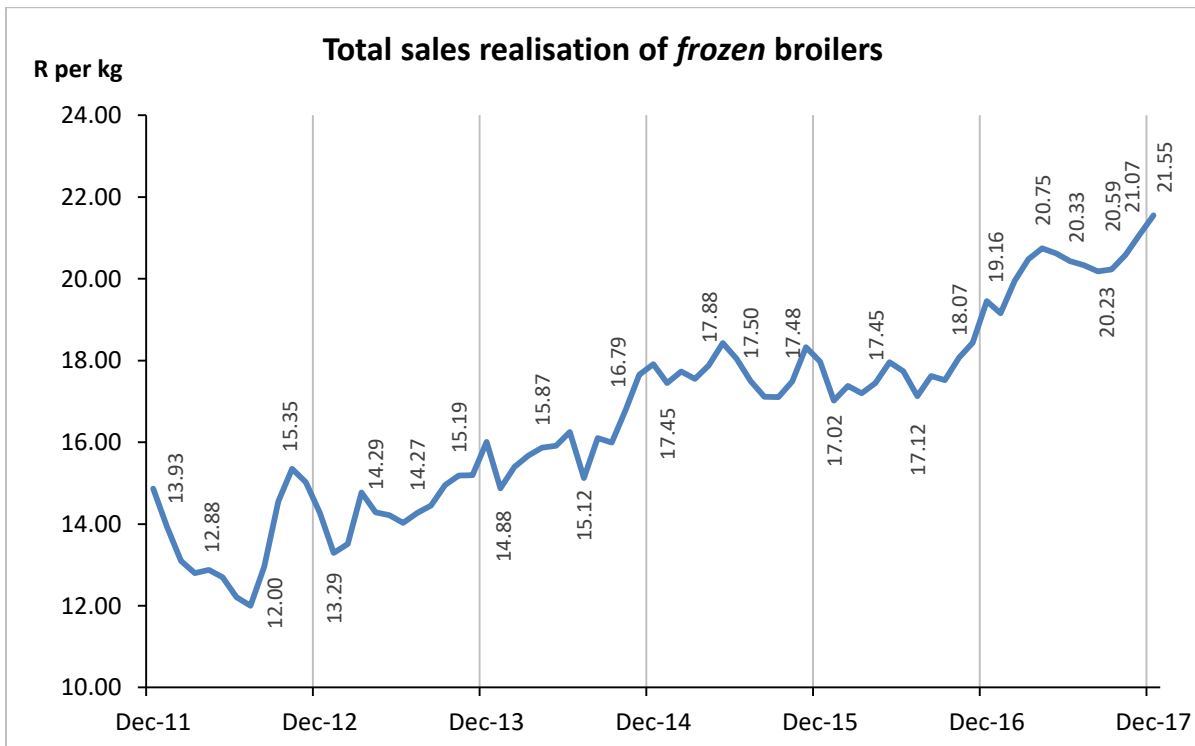
The average *yearly* price (per kg) for net sales realisation for the past four years:

|      |         |         |           |
|------|---------|---------|-----------|
| 2017 | R 30.68 | + 8.0 % | 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 December 2017, the producer price for *frozen* broilers increased to R21.55 per kg. This is an increase of 2.3 % when compared to the previous month and, in comparison with the same month in the previous year, represents an increase in revenue of 10.8 %.

The average realisation price for *frozen* product in the fourth *quarter* (4Q 2017) was R21.07 per kg, an increase of 4.1 % in comparison with the 3Q 2017 and an increase of 13.0 % in comparison with the same quarter in 2016.



The average *yearly* price (per kg) for net sales realisation, including offal, for *frozen* product for the last 4 years:

|      |         |   |      |             |
|------|---------|---|------|-------------|
| 2017 | R 20.44 | + | 15.2 | % over 2016 |
| 2016 | R 17.75 | + | 0.2  | % over 2015 |
| 2015 | R 17.72 | + | 9.8  | % over 2014 |
| 2014 | R 16.13 |   |      |             |

The year-on-year increase in prices in 2017 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

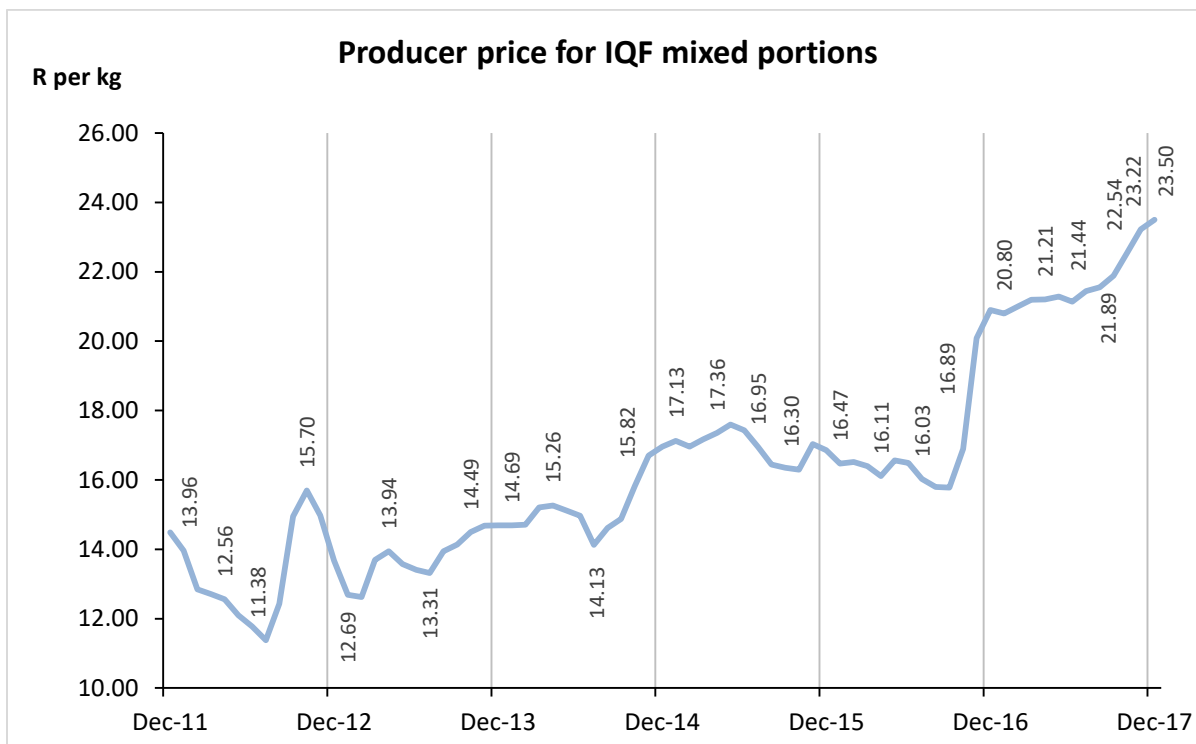
According to the participants in the monthly pricing survey, frozen meat contributed 90.1 % of total sales during December 2017 and fresh meat contributed the remaining 9.9 %.

During 2017 as a whole, frozen meat contributed 90.2 % to total sales and fresh meat contributed the remaining 9.8 %. During 2016, frozen meat contributed 91.5 % to total sales and fresh meat contributed the remaining 8.5 %.

## WEIGHTED AVERAGE PRODUCER PRICE OF IQF MIXED PORTIONS

Producer price for December 2017: R23.50 per kg

- if compared to previous month: + 1.2 %
- if compared to same month in previous year: + 12.5 %



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

|      |         |          |           |
|------|---------|----------|-----------|
| 2017 | R 21.73 | + 27.8 % | 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 December 2017: R20.47 per kg

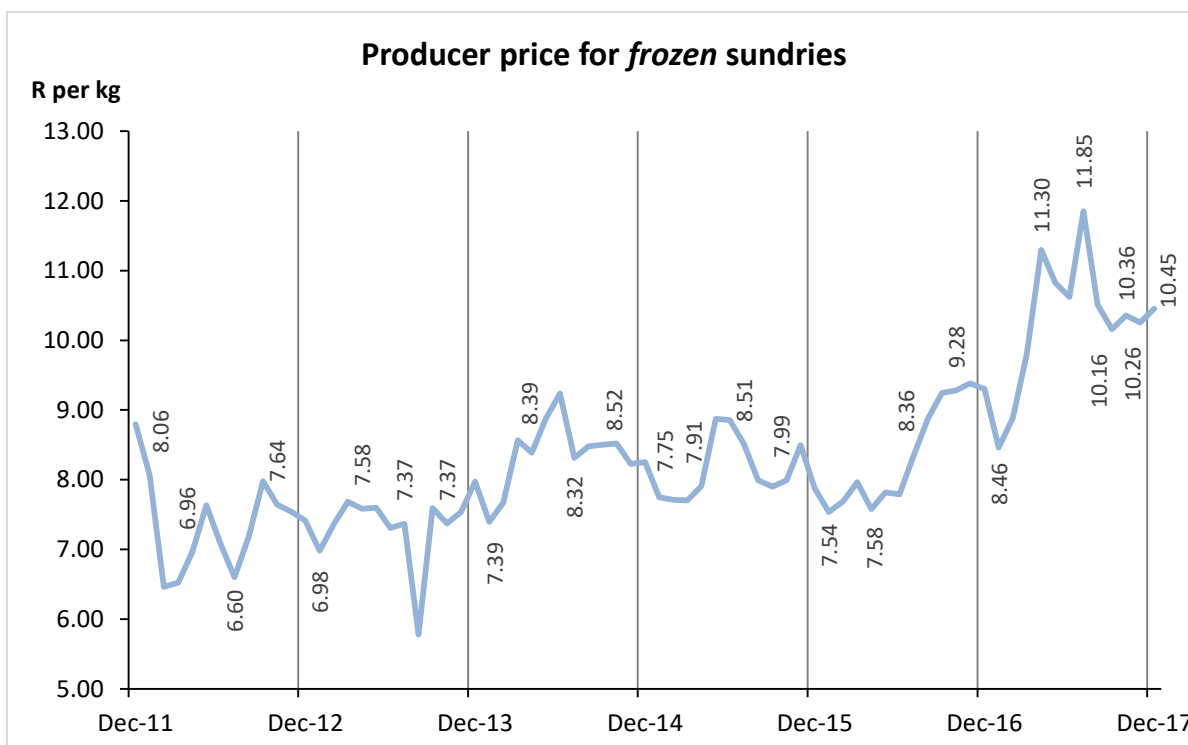
- if compared to previous month : - 3.8 %
- if compared to same month in previous year: + 2.9 %

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

|      |         |   |      |             |
|------|---------|---|------|-------------|
| 2017 | R 21.78 | + | 12.1 | % 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 December 2017: R10.45 per kg

- if compared to previous month : + 1.9 %
- if compared to same month in previous year: + 12.4 %

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

|      |         |   |      |             |
|------|---------|---|------|-------------|
| 2017 | R 10.29 | + | 22.5 | % 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:**

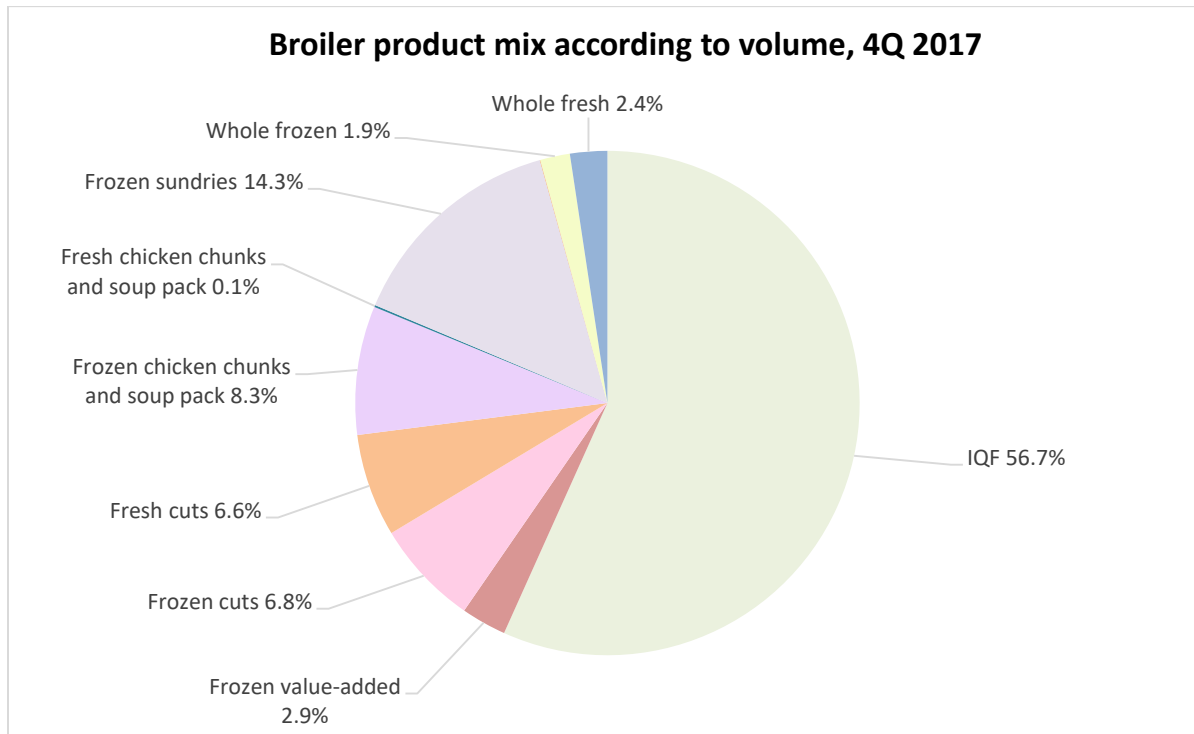
| R/tonne incl. distribution, excl. VAT | Oct 17 | Nov 17 | Dec 17 |
|---------------------------------------|--------|--------|--------|
| Broiler feed price                    | 4 773  | 4 710  | 4 852  |
| Broiler breeder feed price            | 4 494  | 4 584  | 4 520  |

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).

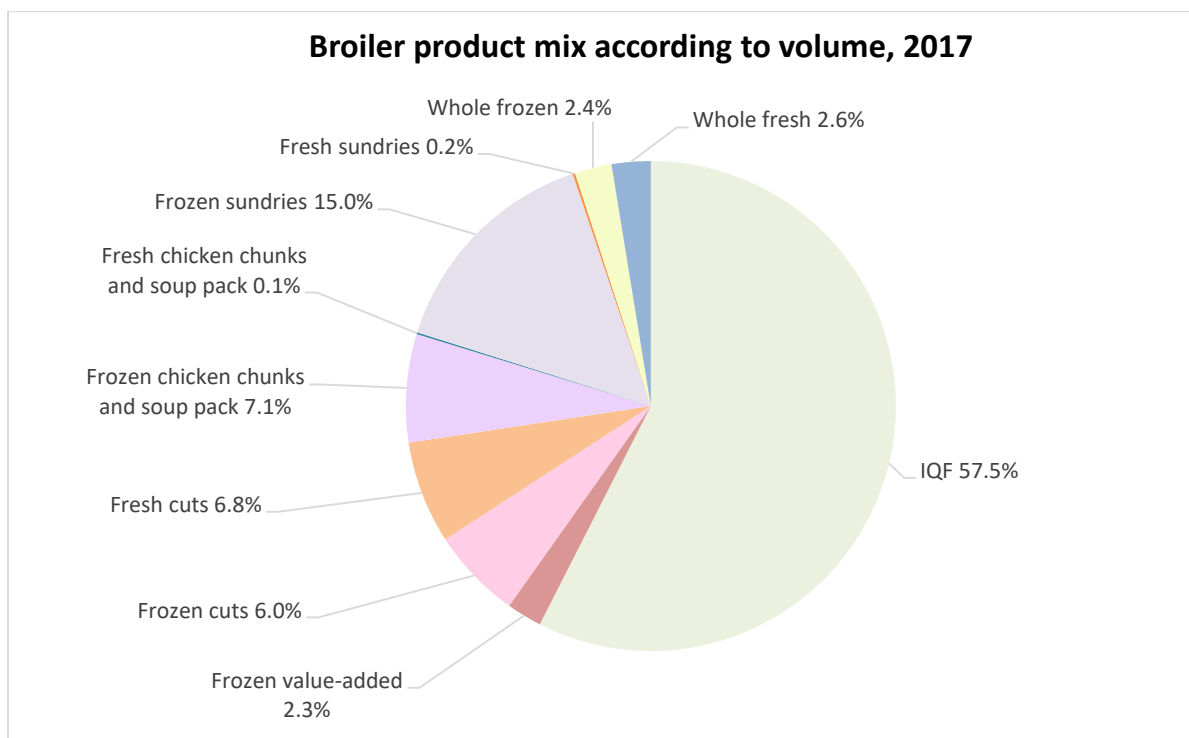
**MARKET SHARE IN TERMS OF PRODUCT:**

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**:



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**ALL PRICES:** The respondents contributing to the “All Prices” stats represent approximately 47.8 % of the monthly SA broiler production, in volume terms (dressing %: 91.3 %).

| # - Too little data to report on     | Price (NSV R/kg) |               |               |              |              |              |
|--------------------------------------|------------------|---------------|---------------|--------------|--------------|--------------|
|                                      | Oct/17           | Nov/17        | Dec/17        | Oct/17       | Nov/17       | Dec/17       |
| <i>Product</i>                       | <i>Frozen</i>    | <i>Frozen</i> | <i>Frozen</i> | <i>Fresh</i> | <i>Fresh</i> | <i>Fresh</i> |
| Whole chicken (with giblets)         | 20.36            | 21.28         | 20.47         | #            |              |              |
| Braaipack                            | 22.16            | 24.00         | 23.31         | 31.47        | 30.87        | 31.86        |
| Breast                               | 23.13            | 23.08         | 23.32         | 26.08        | 26.09        | 26.06        |
| Thighs                               | 26.33            | 26.14         | 26.18         | 33.14        | 31.30        | 33.35        |
| Drums                                | #                | #             | #             | 31.57        | 33.61        | 32.05        |
| Wings                                | 27.55            | 29.00         | 28.05         | 32.37        | 32.10        | 32.77        |
| Drums/thighs                         | 23.75            | 24.04         | 24.91         | 34.19        | 36.01        | 35.60        |
| Breast fillets                       | 31.29            | 31.18         | 29.90         | 38.77        | 39.96        | 39.10        |
| Chicken Chunks                       | 14.33            | 14.25         | 14.33         | #            |              |              |
| Soup Pack                            | 11.43            | 11.52         | 12.43         | #            |              |              |
| <b>IQF</b>                           |                  |               |               |              |              |              |
| Mixed Portions                       | 22.54            | 23.22         | 23.50         |              |              |              |
| Thighs                               | 21.86            | 23.13         | 23.22         |              |              |              |
| Breast                               | 21.80            | 22.30         | 21.84         |              |              |              |
| Drumsticks                           | 26.35            | 30.01         | 30.86         |              |              |              |
| Wings                                | 28.92            | 32.05         | 32.34         |              |              |              |
| Filletted breast                     | 32.72            | 33.19         | 33.28         |              |              |              |
| Other                                | 22.06            | 22.50         | 22.96         |              |              |              |
|                                      |                  |               |               |              |              |              |
| <b>Sundry products</b>               | 10.36            | 10.26         | 10.45         | #            |              |              |
| <b>Value added:</b> crumbed products | #                |               |               | #            |              |              |
| Total Realisation: value added       | 40.71            | 40.44         | 40.92         | 31.05        | 32.26        | 32.70        |
| Total Realisation excl. sundries     | 22.53            | 23.15         | 23.45         | 31.32        | 31.54        | 31.43        |
| <b>Total Realisation (NSV)</b>       | 20.59            | 21.07         | 21.55         | 31.26        | 31.50        | 31.38        |

**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