



## FEED INGREDIENT REPORT USING DECEMBER 2018 AS BASE WITH AN OUTLOOK TO JULY 2019 - 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 stable for a reasonable period of time and has been trading between \$3.70/bu and \$3.80/bu in the last few months for the March 2019 contract on CBOT. We are now in the USA winter season. Brazil and Argentina have planted more hectares than usual and have had a very good season until now, looking at an above average crop for both soya beans and maize.

Local prices did increase significantly due to the fact that fewer hectares were planted, especially white maize and sunflower seed, because of the late rains. Currently local yellow maize is trading at R2650 for May 2019, which is import parity in the Cape. 200 000 mt of imports for the Cape have been booked so far. The main driver for these increases in the maize price is white maize. We are looking at a shortage of yellow maize this year and need imports to cover forecast shortages of about 600 000 mt. Last year, the animal feeds industry did use significant amounts of white maize, especially in the western parts of the country, due to the large crop. The big surplus on white was the reason why white was trading well below the yellow maize prices, as white maize has very little export opportunities. This has now changed and there is still a very big concern that we could have a shortage of white maize and this will only be certain when the final crop is known. If we do have a large white maize crop, we could still see white maize prices trading below yellow maize and could see maize prices fall down to R2500/mt, although my feeling is R2600/mt on yellow maize. We still do follow international prices. The rand has strengthened to R13,25/US\$ in the last few weeks. Currently the rand is trading at about R13.75 against the US dollar.

International soya meal prices have decreased in the last few months and are currently trading at about \$305/short ton on CBOT for March 2019. World production for soya is at very good levels and stocks are comfortable. Locally, with very few imports, we have seen soya meal prices decrease again in rand terms, mainly due to CBOT prices decreasing and premiums in South America having stayed stable. 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 currently is the dark horse on soya prices.

The rand has been very stable since the beginning of the year but has strengthened significantly from the beginning of February 2019. The forward prospect of the rand is a trading range between R13.20 and R14.20/US\$ for the short term but according to analysts, it could strengthen back to R13.20 and maybe even lower for the next month. We are worried re the rand as Eskom is currently not in good shape with load-shedding taking place every day and an upcoming election. This will have an influence on the rand in the short term.

Tables 1 to 3 show the estimated feed ingredient prices and feed prices for December 2018, with a forecast to July 2019. Charts 1 and 2 show the historical estimated feed prices from January 2009 to December 2018, with a forecast to July 2019; charts 3 to 6 cover the same period for the feed ingredients.

**Table 1: Estimated feed ingredient prices for December 2018**

FEED INGREDIENT	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 658	+35.2	R2 748	+33.7%
SUNFLOWER OILCAKE	R4 900	+100.0%	R4 900	+100.0%
SOYA MEAL	R5 650	-1.6%	R5 730	-1.5%
FISHMEAL	R15 625	-3.5%	R15 625	-3.5%

**Table 2: Estimated prices for December 2018**

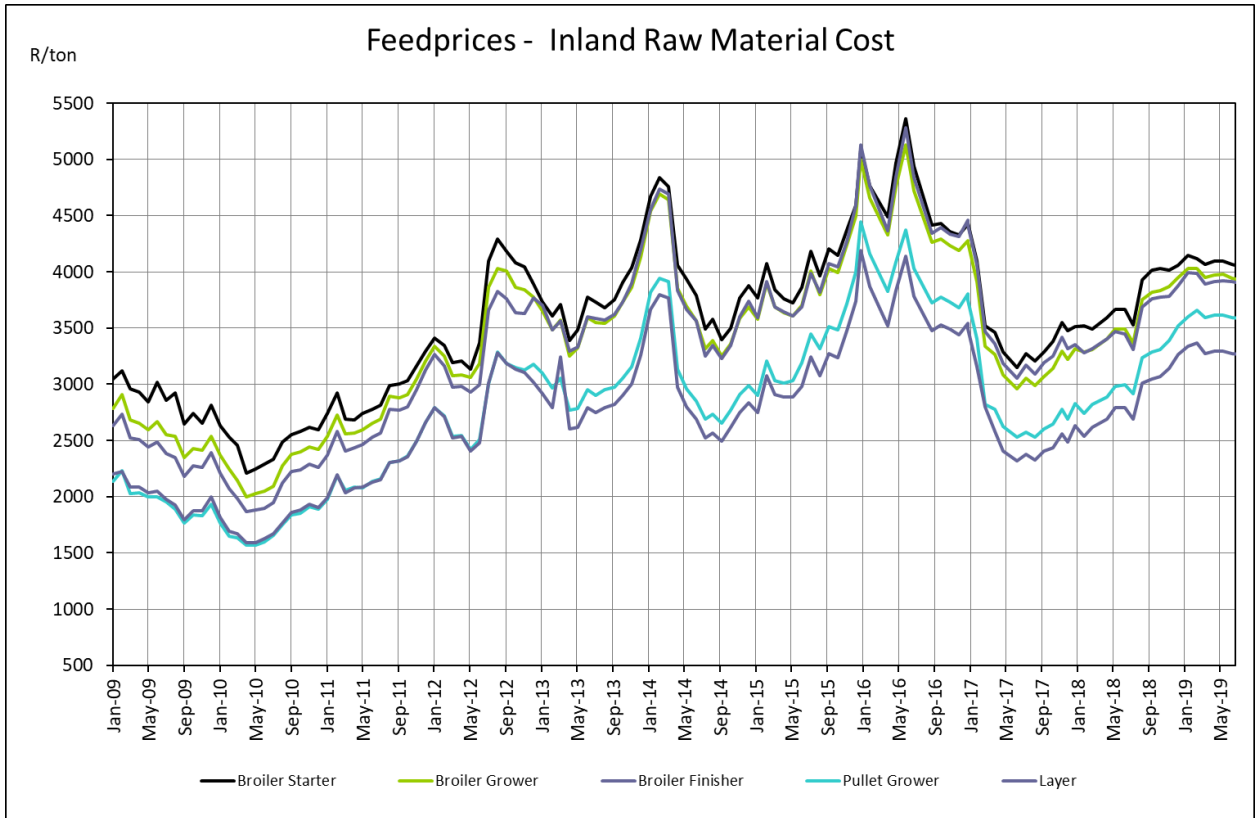
FEED (Raw material cost only)	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
BROILER STARTER	R4 058.07	+16.8%	R4 129.47	+16.4%
BROILER GROWER	R3 949.94	+22.6%	R4 021.09	+22.0%
BROILER FINISHER	R3 874.95	+16.8%	R3 946.40	+16.4%
PULLET GROWER	R3 521.86	+30.9%	R3 585.99	+30.2%
LAYER	R3 266.00	+31.4%	R3 334.83	+30.5%

**Table 3: Estimated feed ingredient prices forecast for July 2019**

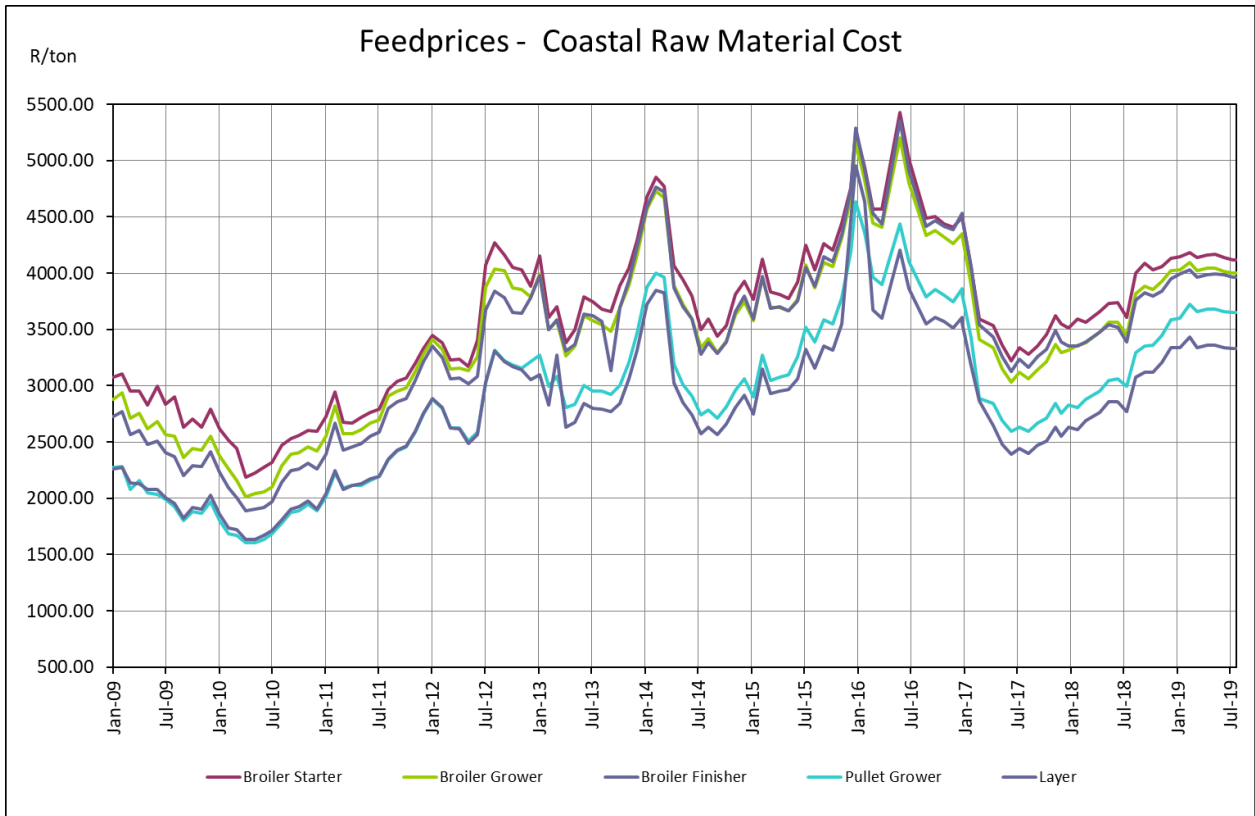
FEED INGREDIENT	PRICE PER TONNE Randfontein	% CHANGE Y/Y	PRICE PER TONNE Pietermaritzburg	% CHANGE Y/Y
YELLOW MAIZE	R2 701	+33.4%	R2 791	+32.0%
SUNFLOWER OILCAKE	R4 795	+24.5%	R4 795	+21.4%
SOYA MEAL	R5 530	+2.2%	R5 610	+2.1%
FISHMEAL	R15 625	-0.2%	R15 625	-0.2%

**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.

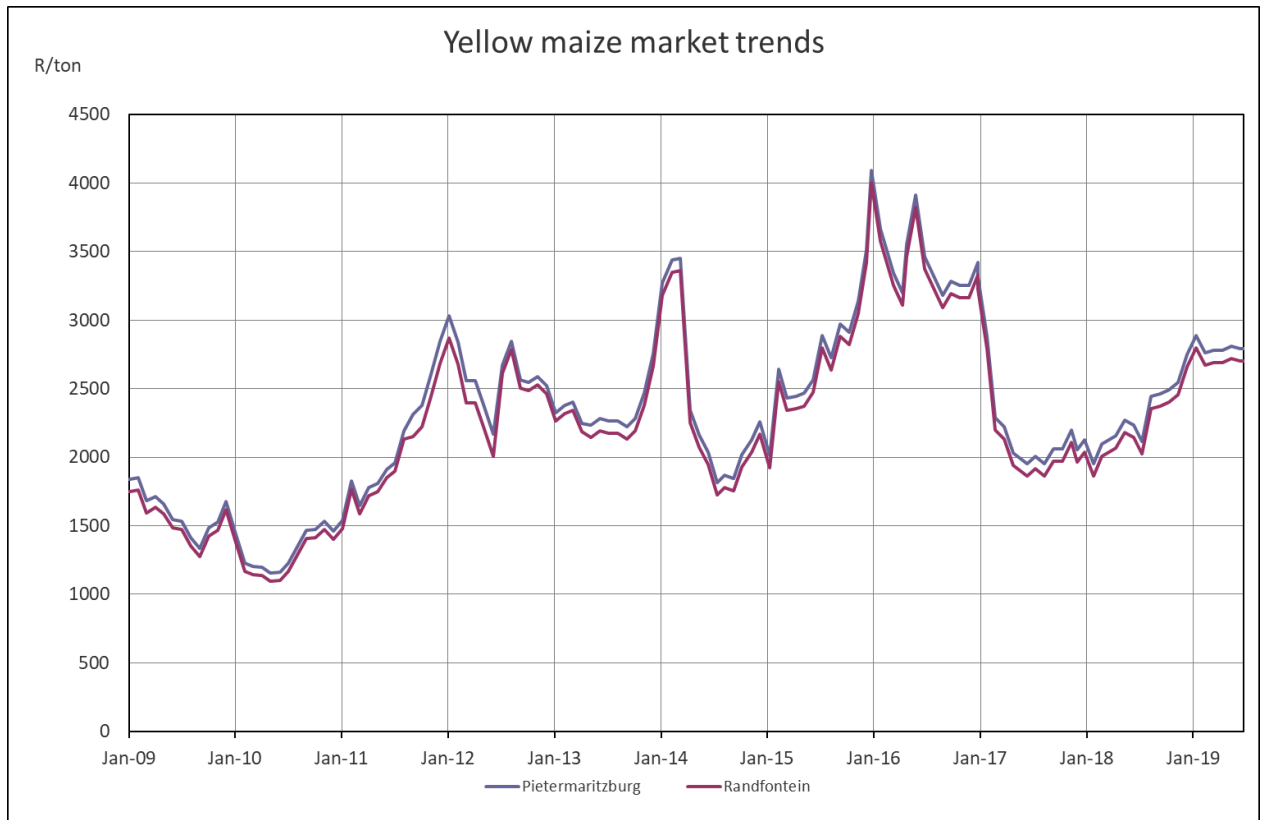
**Chart 1: Inland feed prices**



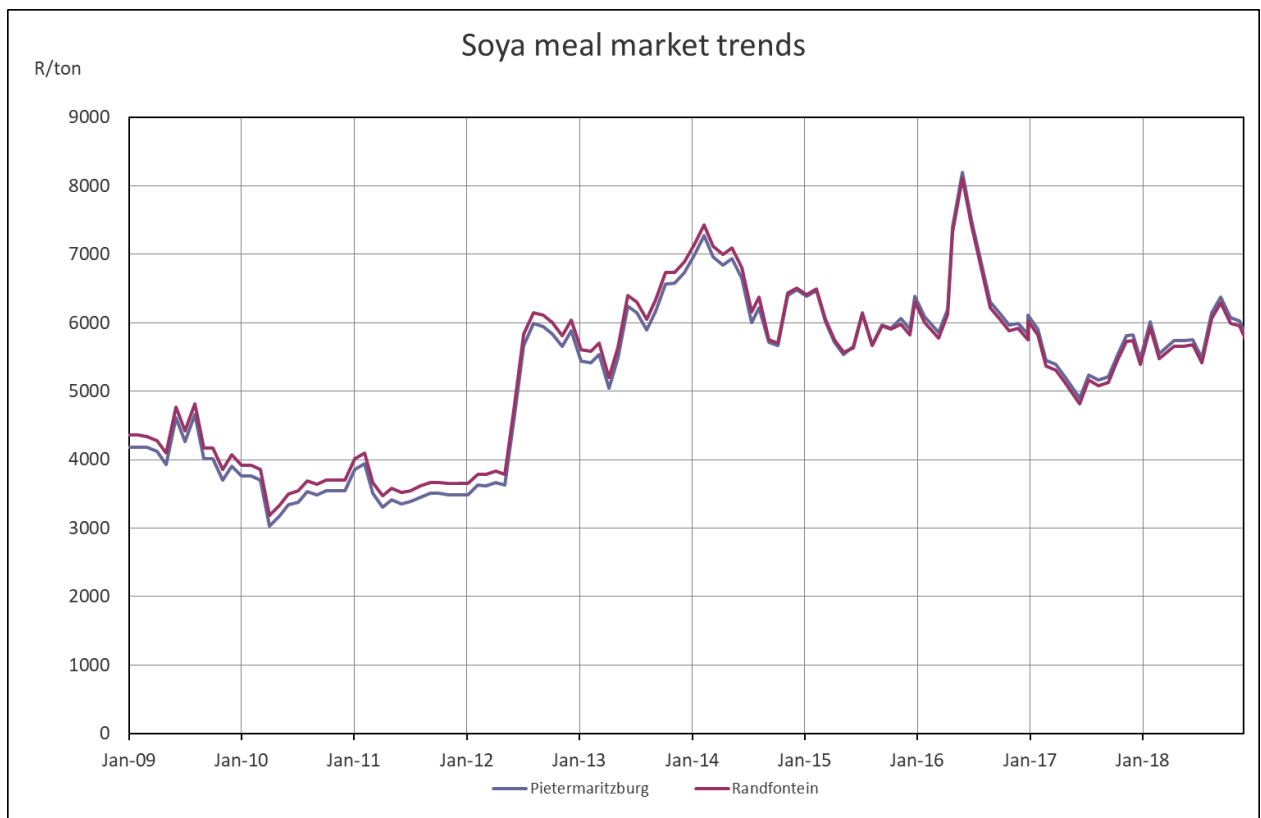
**Chart 2: Coastal Feed Prices**



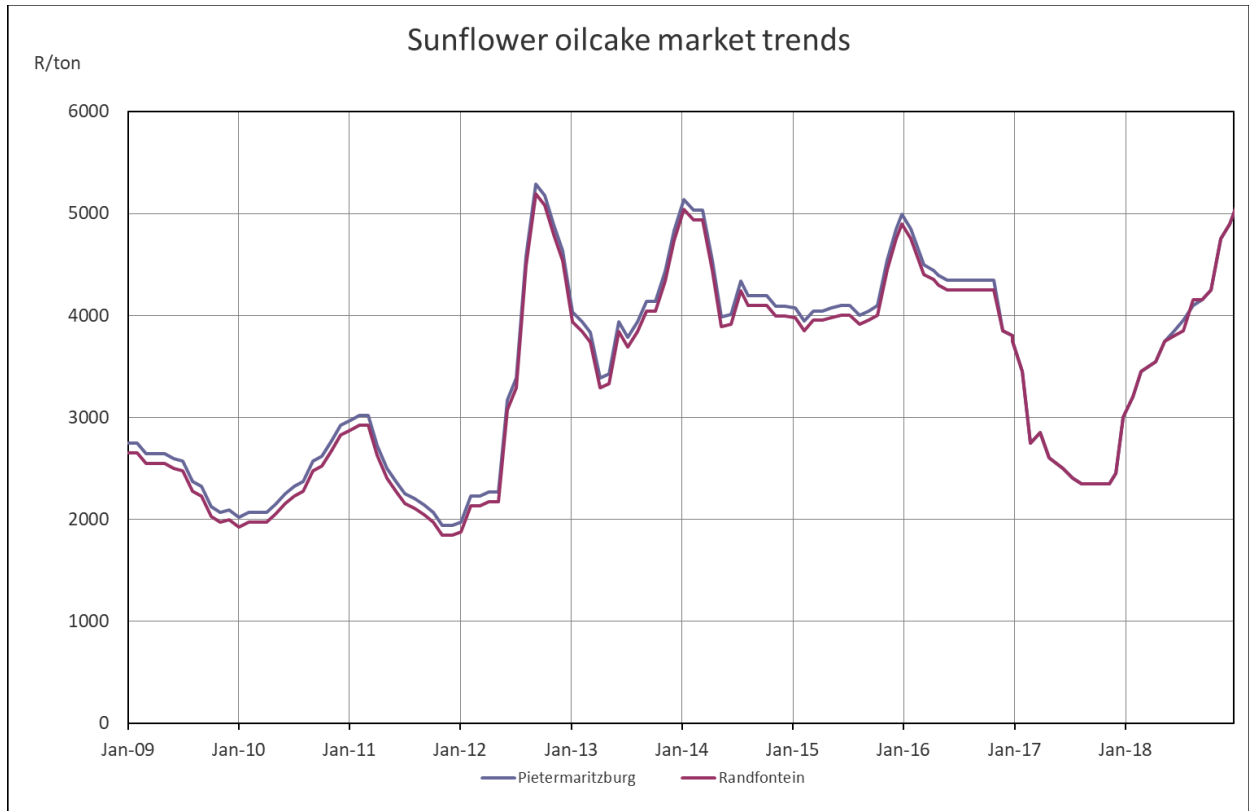
**Chart 3: Yellow maize**



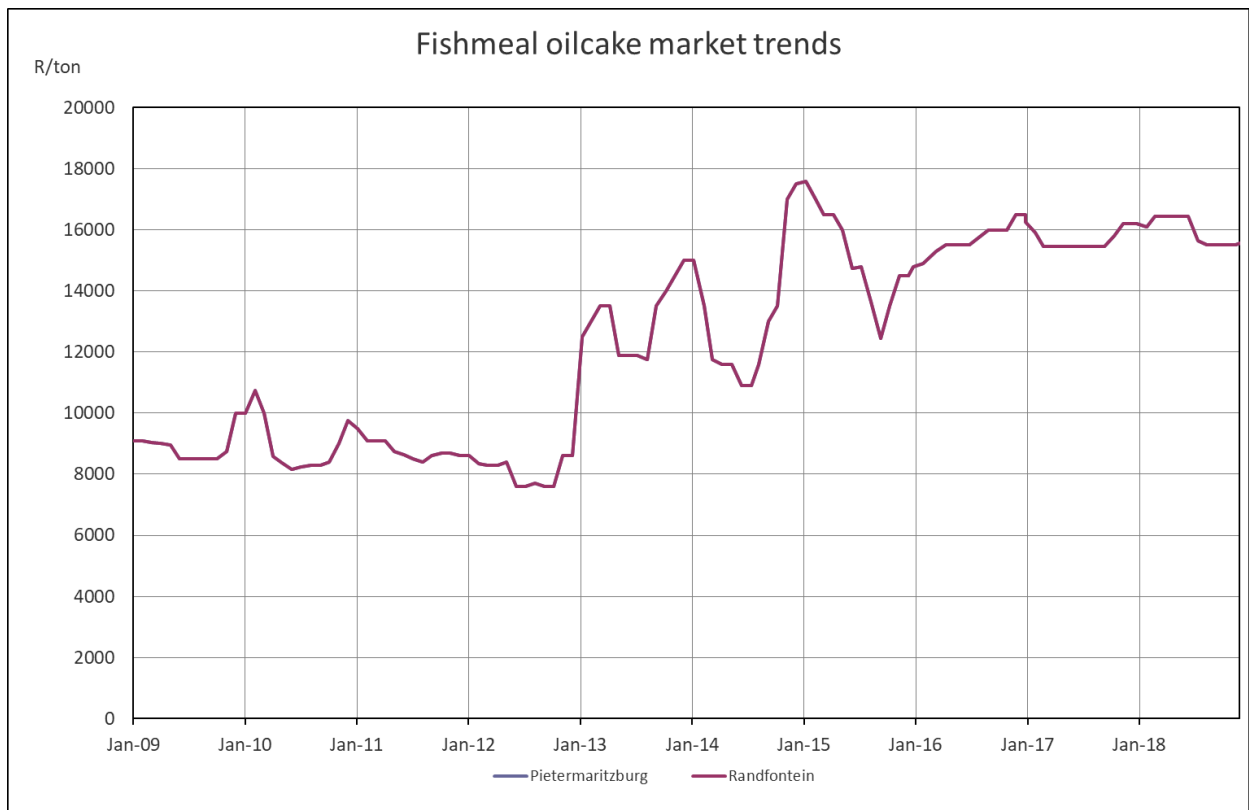
**Chart 4: Soya meal**



**Chart 5: Sunflower oilcake**



**Chart 6: 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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