



FEED INGREDIENT REPORT USING DECEMBER 2020 AS BASE WITH AN OUTLOOK TO MARCH 2021 - 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 rising since late November 20 mainly due to CBOT, higher international demand, lower stocks and drought in Argentina and is currently trading at \$4.95/bu on the March 21 contracts on CBOT.

Local prices have increased significantly from the last report where it had been trading at about R3275/mt for yellow maize in November 20 and is currently trading at R3610/mt for March 2021, mainly due to CBOT going up. The current driver of local maize prices is the S&D, CBOT and the currency. We did see major exports of yellow until October 2020. The current yellow maize prices are near to import parity prices in March 21 – Cape Town.

International soya meal prices have surged in the last six months and are currently trading at \$440/short ton, up from \$295/short ton six months ago. Demand for Soya products are very high and exports to China are at high levels. World stocks have therefore also declined and the lower stocks are putting a lot of pressure on prices. Dry weather in South America also does have a major impact on prices and the 30 day strike in December 20 also had a big impact on prices. Locally we have seen soya meal prices increase to well over R9200/mt for nearby prices, mainly due to premiums in South America having stayed strong and the weakening of the Rand and a big increase in the futures price. The rand is currently the dark horse on soya prices. Locally we only had a 1,3 million tonne soya bean crop, but this will only be enough for inland consumption and we will still see imports into the coastal regions. Currently local Soya beans are trading well over R9750/mt on SAFEX

The rand is currently trading at about R15.57 to the dollar. The forward prospect of the rand is a trading range between R15,50 and R16.50/US\$ for the short term.

Tables 1 to 3 show the estimated feed ingredient prices and feed prices for December 2020, with a forecast to March 2021. Charts 1 and 2 show the historical estimated feed prices from January 2012 to December 2020, with a forecast to March 2021; charts 3 to 6 cover the same period for the feed ingredients.

Table 1: Estimated feed ingredient prices for December 2020

| FEED INGREDIENT | PRICE PER TONNE Randfontein | % CHANGE Y/Y | PRICE PER TONNE Pietermaritzburg | % CHANGE Y/Y |
|-------------------|--------------------------------|--------------|-------------------------------------|--------------|
| YELLOW MAIZE | R3 140 | +19.8 | R3 230 | +19.2 |
| SUNFLOWER OILCAKE | R5 600 | +38.3 | R5 600 | +38.3 |
| SOYA MEAL | R8 910 | +48.5 | R9 030 | +47.5 |
| FISHMEAL | R16 800 | +4.3 | R16 800 | +4.3 |

Table 2: Estimated prices for December 2020

| FEED (Raw material cost only) | PRICE PER TONNE Randfontein | % CHANGE Y/Y | PRICE PER TONNE Pietermaritzburg | % CHANGE Y/Y |
|-------------------------------|--------------------------------|--------------|-------------------------------------|--------------|
| BROILER STARTER | R5 390.83 | +31.0 | R5 473.27 | +30.4 |
| BROILER GROWER | R5 108.44 | +30.5 | R5 188.00 | +29.9 |
| BROILER FINISHER | R5 172.38 | +29.2 | R5 250.57 | +28.7 |
| PULLET GROWER | R4 246.59 | +24.1 | R4 314.45 | +23.6 |
| LAYER | R3 962.79 | +26.1 | R4 035.47 | +25.5 |

Table 3: Estimated feed ingredient prices forecast for March 2021

| FEED INGREDIENT | PRICE PER TONNE Randfontein | % CHANGE Y/Y | PRICE PER TONNE Pietermaritzburg | % CHANGE Y/Y |
|-------------------|--------------------------------|--------------|-------------------------------------|--------------|
| YELLOW MAIZE | R3 592 | +36.4 | R3 682 | +35.2 |
| SUNFLOWER OILCAKE | R6 350 | +63.9 | R6 350 | +63.9 |
| SOYA MEAL | R9 435 | +37.1 | R9 555 | +36.5 |
| FISHMEAL | R16 800 | +1.8 | R16 800 | +1.8 |

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

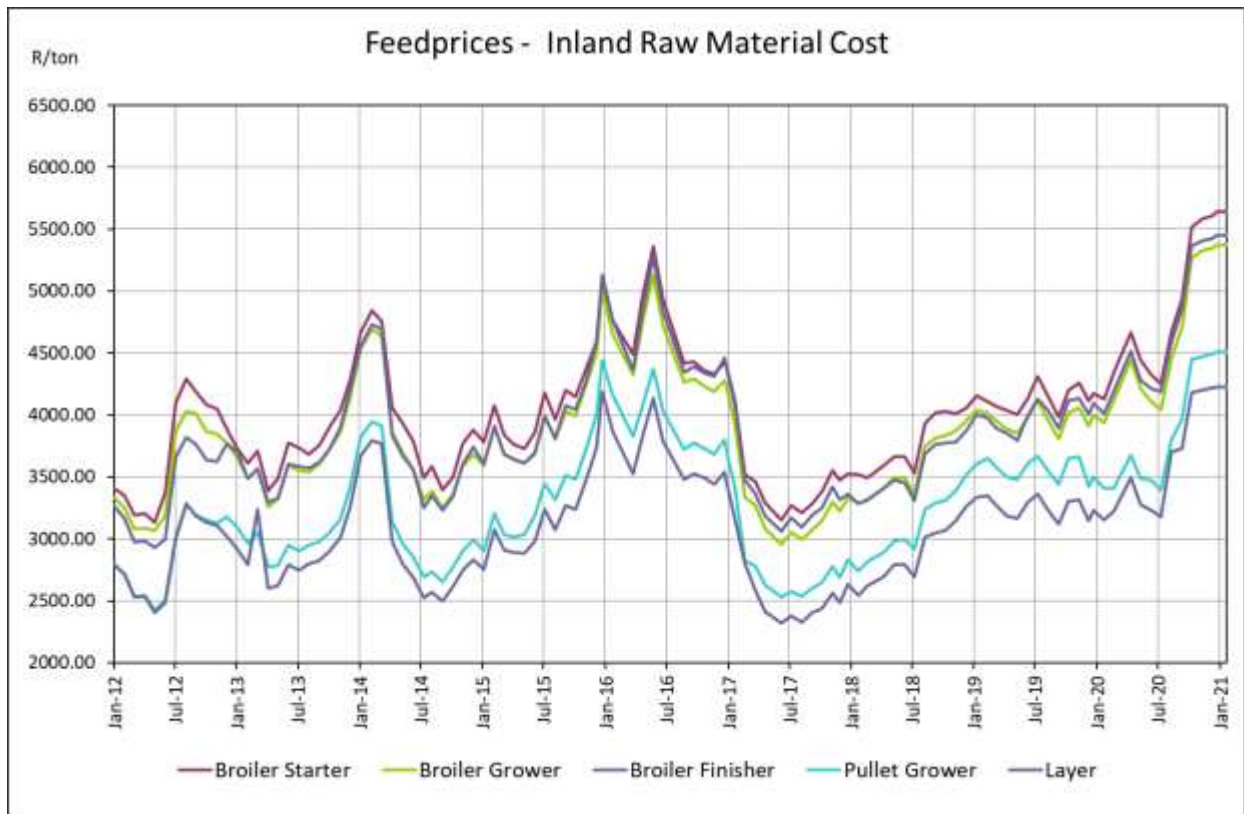


Chart 2: Coastal Feed Prices

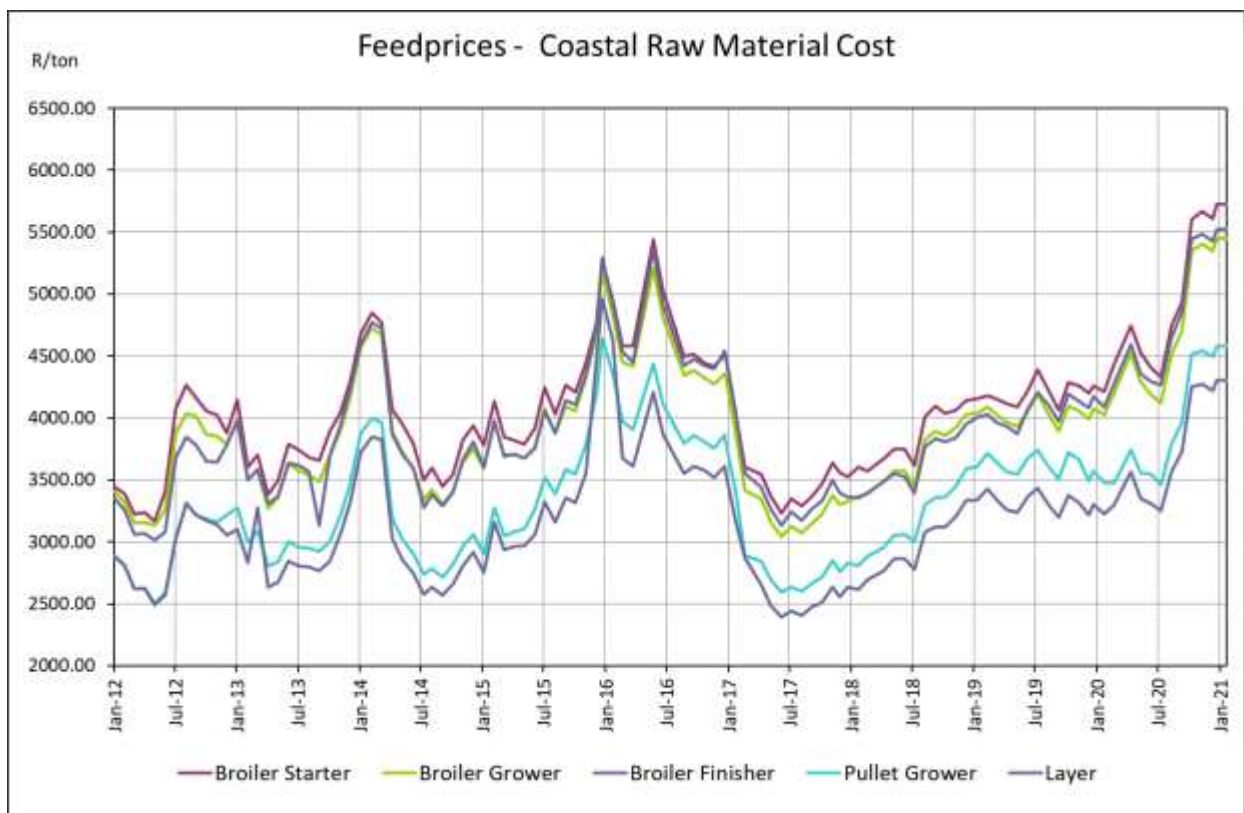


Chart 3: Yellow maize

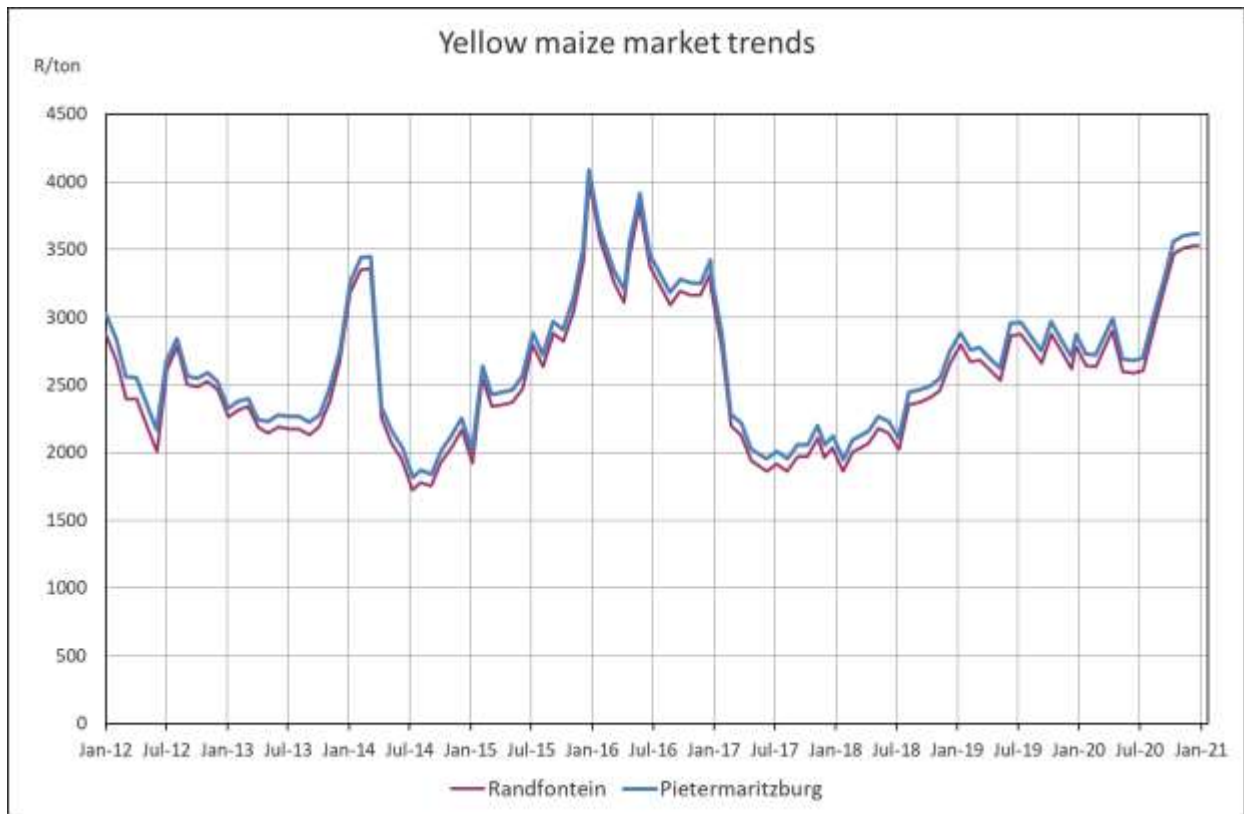


Chart 4: Soya meal



Chart 5: Sunflower oilcake

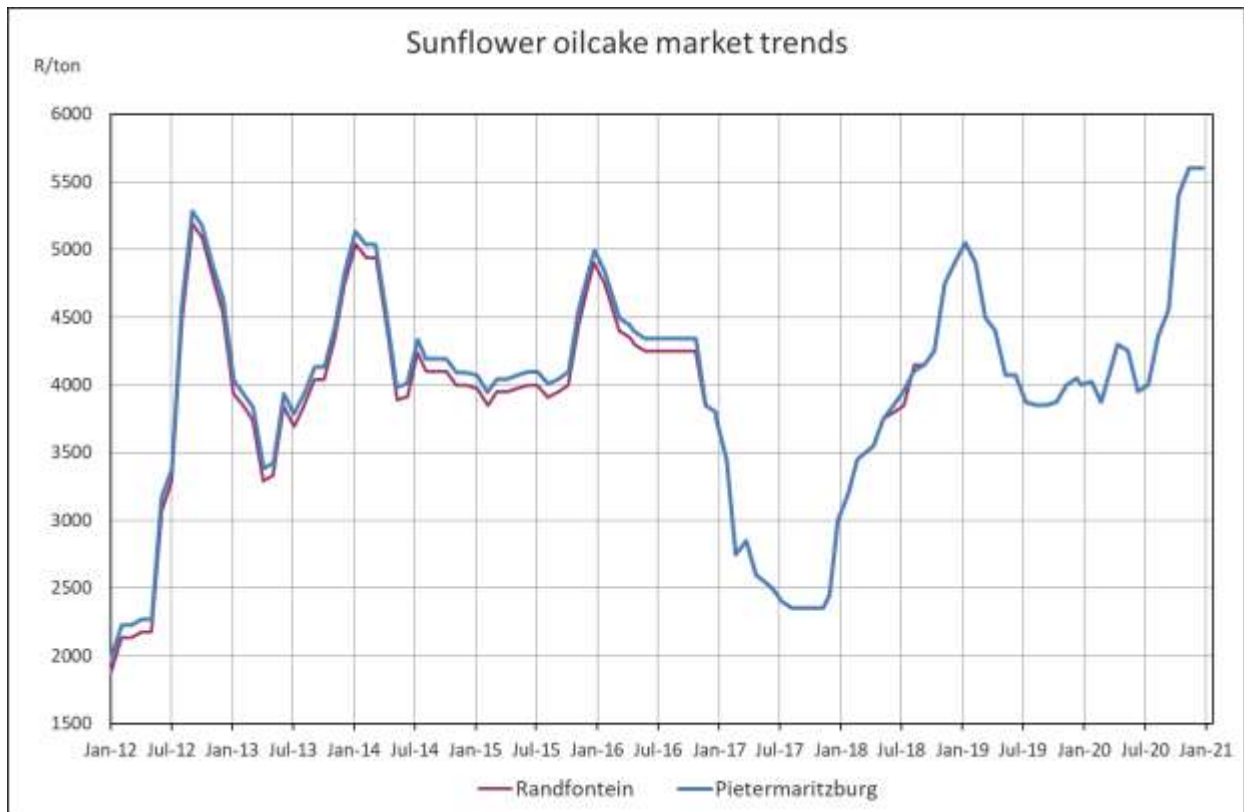
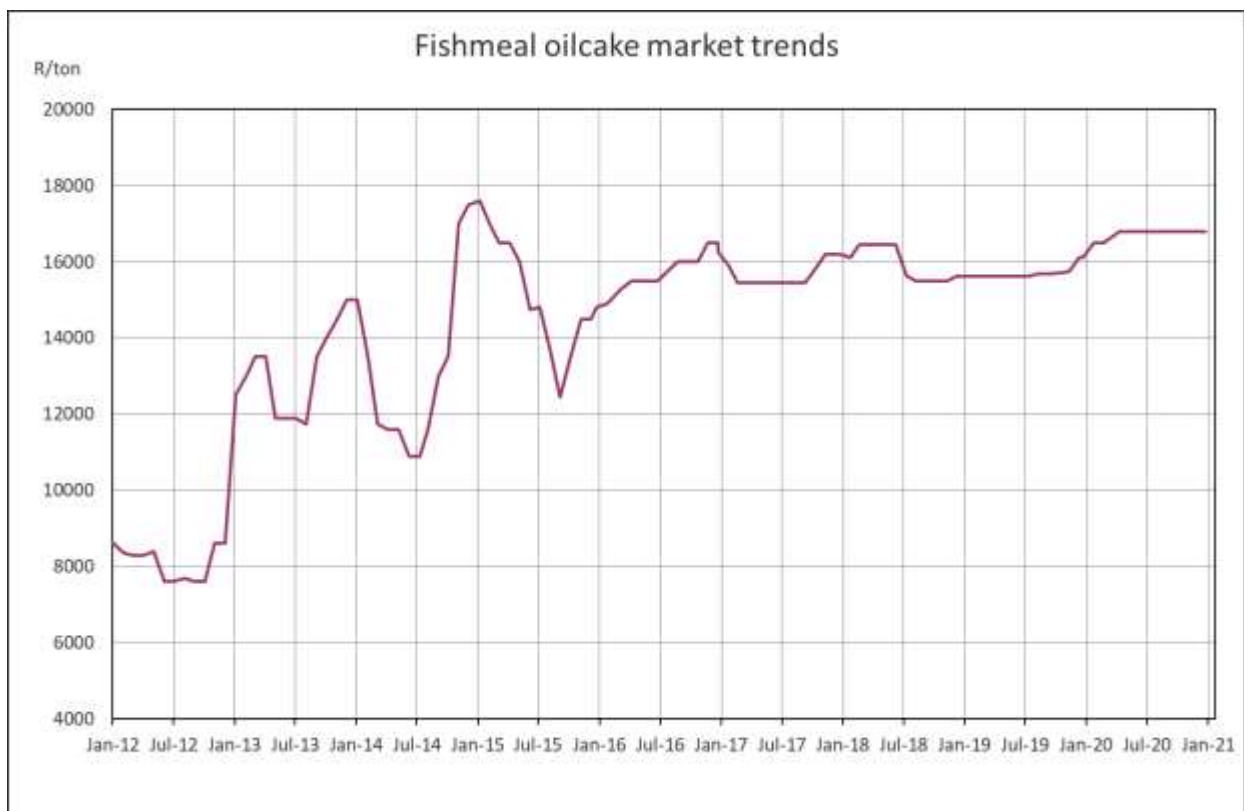


Chart 6: Fishmeal



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 March 2021). 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 R160/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 **short ton** is a unit of mass equal to 2000 pounds (907.18474 kg).

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