



Livestock & Meat Advisory Council

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Market Watch Third Quarter 2019

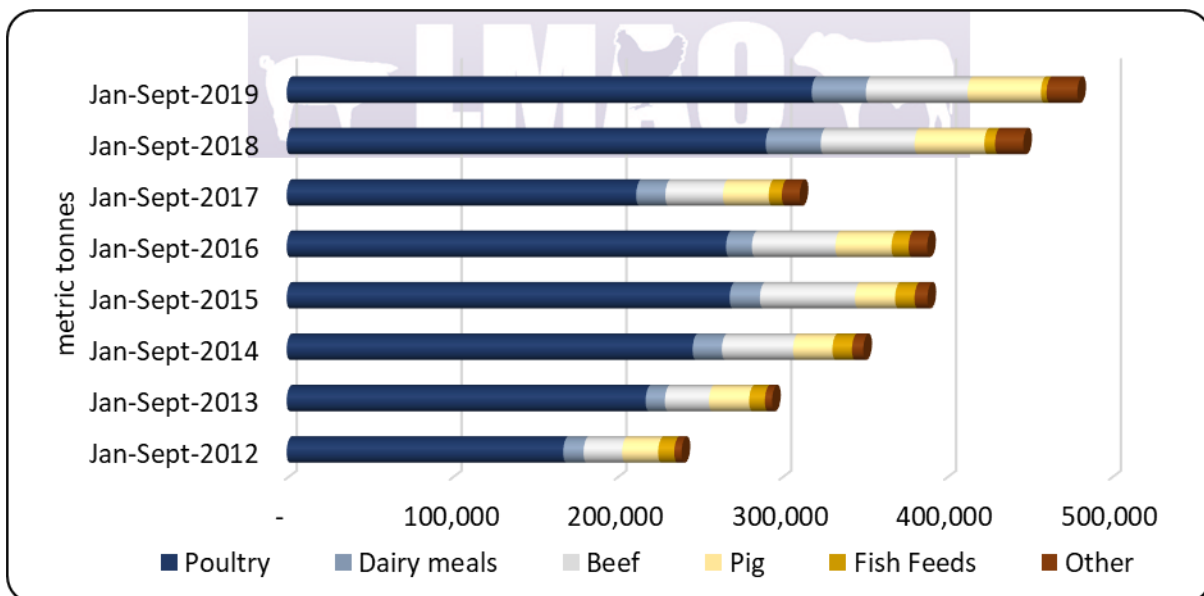
Stockfeed Sector

The production of stockfeeds for the nine months to September 2019 was 479,745mt, representing an increase of 7% over the same period in 2018.

Poultry feeds continue to dominate the stockfeed industry and to September, production was 318,547mt (worth USD 744m), representing an increase of 10% in quantity and 242% in value over the same period in 2018.

The percentage change variance between total value generated and quantity produced reflects price increases in an environment of high inflation.

By comparison, pig and ruminant feeds accounted for 8 and 5% of the total quantity of feeds produced, respectively, in the third quarter. Production of fish feeds declined by 47% from 6,523mt to 3,454mt, but in value terms, revenue grew by 13% on the back of high inflation.

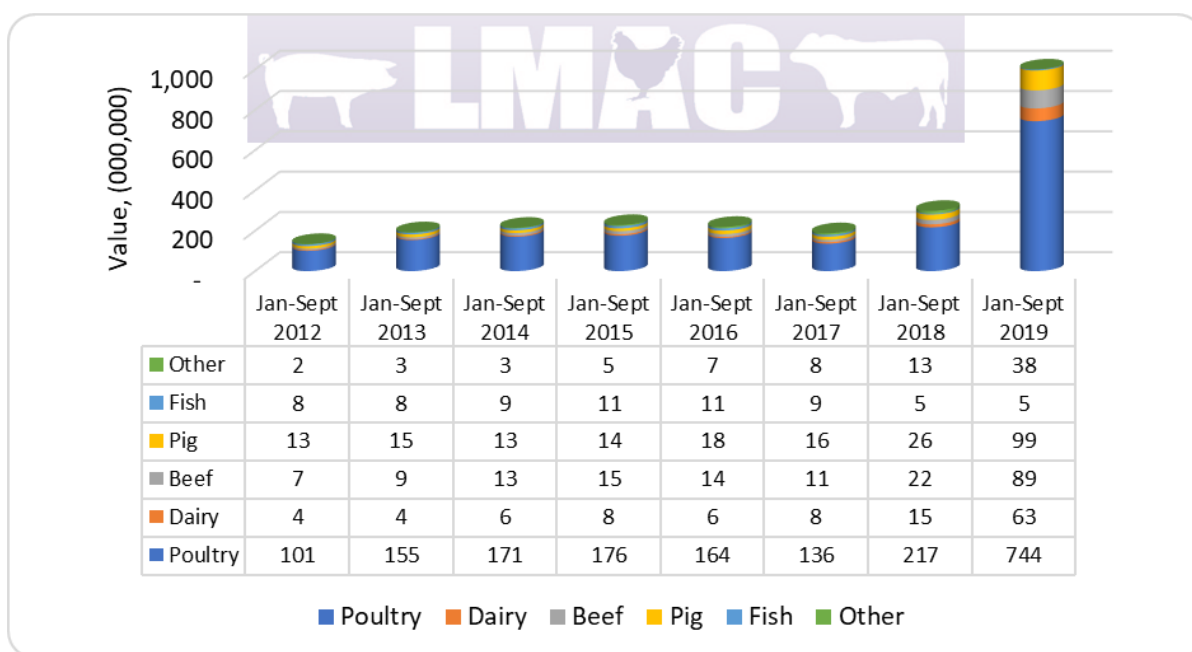


Stockfeed Produced, January – September 2012 – 2019

In the third quarter, the total quantity of raw materials procured and produced were 139,344 and 133,005mt, a decline of 16 and 28% over the same quarter in 2018, respectively.

Third Quarter Tonnages of Raws Procured and Feeds Produced, 2014 to 2019

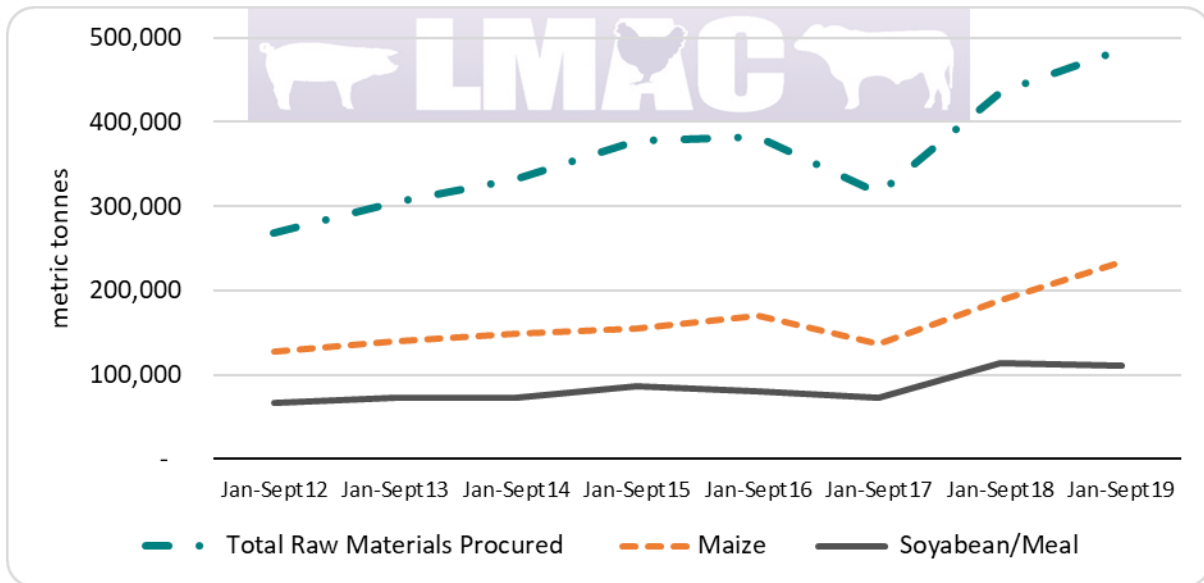
	2014	2015	2016	2017	2018	2019
Raws procured	127,755	139,068	128,034	107,247	166,002	139,344
Maize	58,266	56,238	56,694	40,839	70,383	63,663
Soya (bean equivalent)	36,408	40,206	33,267	31,731	51,636	39,540
Other inputs	33,081	42,624	38,070	34,677	43,983	36,141
Feeds produced	132,192	141,162	130,602	102,747	185,010	133,005
Poultry feeds	92,961	95,463	88,896	65,826	114,399	85,044
Pig feeds	7,932	9,045	10,380	8,922	15,804	13,608
Ruminant feeds	25,062	29,586	25,308	21,636	46,428	29,595
Fish feeds	4,200	4,125	2,937	2,448	2,112	321
Other feeds	2,037	2,943	3,084	3,915	6,264	4,443



Total Value of Stockfeeds Produced for the Third Quarter, January to September 2012 – 2019

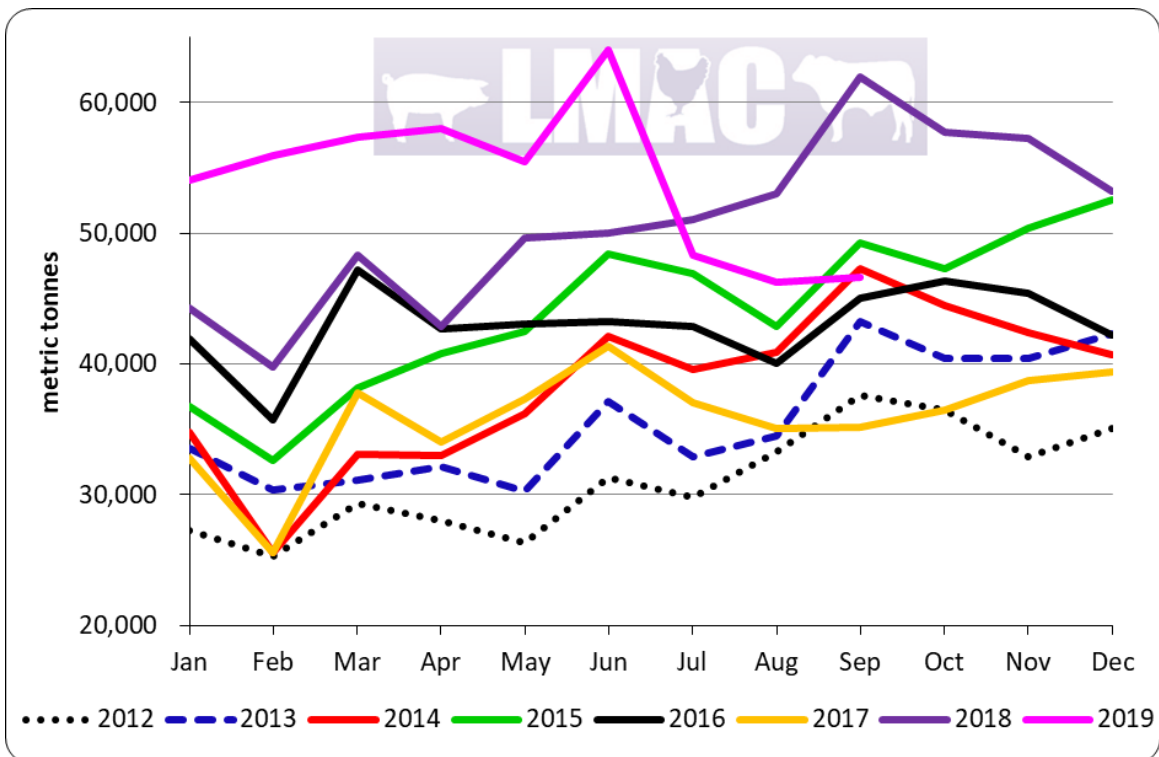
Procurement of raw materials for the nine months to September 2019 was 486,055mt, representing an increase of 12% over the same period in 2018. Maize purchases in the

same period totaled 234,447mt compared with 188,754mt in the same period last year, an increase of 24%. Soyabean and soya derivatives procured amounted to 110,208mt in 2019, a decrease of 2.5% over 2018.



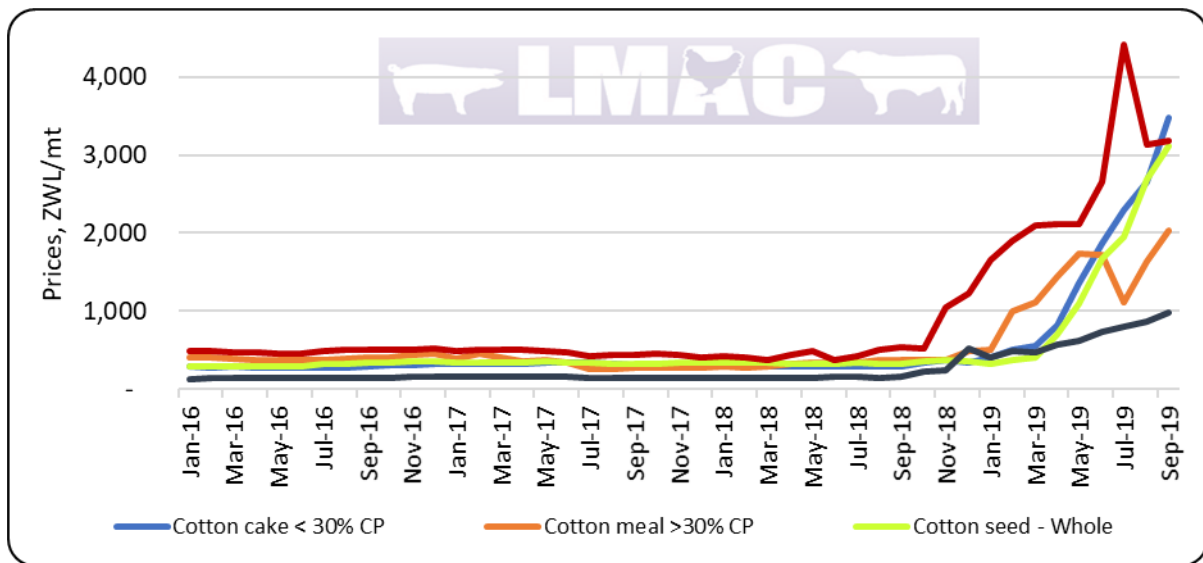
Raw Materials Procured 2012 – 2019

Over the course of 2019, monthly purchases peaked at 64,021mt in June, the highest on record since 2012, before collapsing to 48,332mt per month.



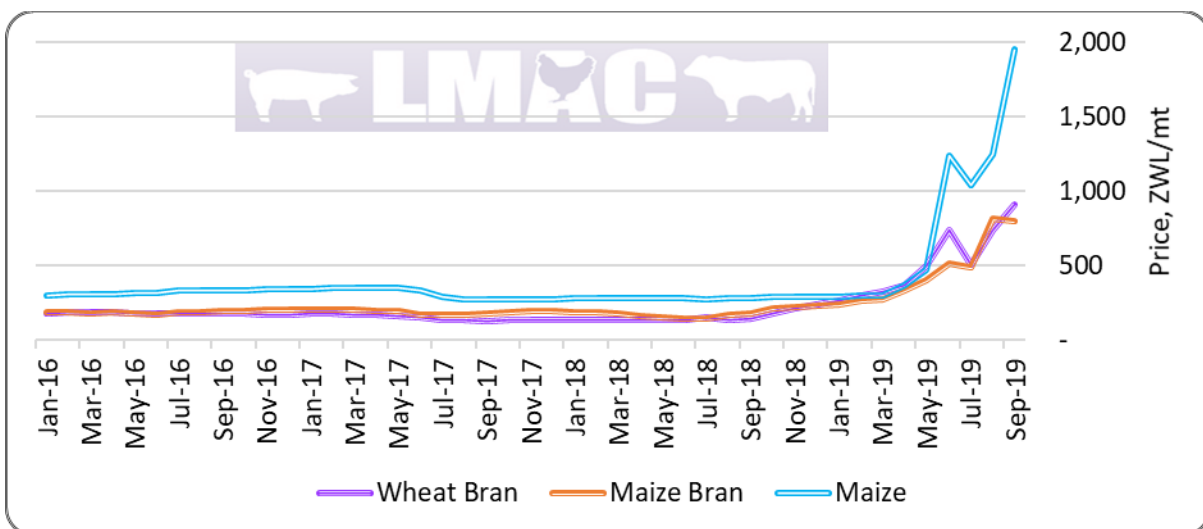
Monthly Tonnages of Raws Procured, 2012 – 2019

The price of raw materials traded within a narrow range from January 2016 to May 2018 before macro-economic factors began to dominate pricing. For the nine months to September 2019, the cost of high protein cotton cake and molasses rose by 925 and 91%, respectively.



Prices, 2016 – September 2019

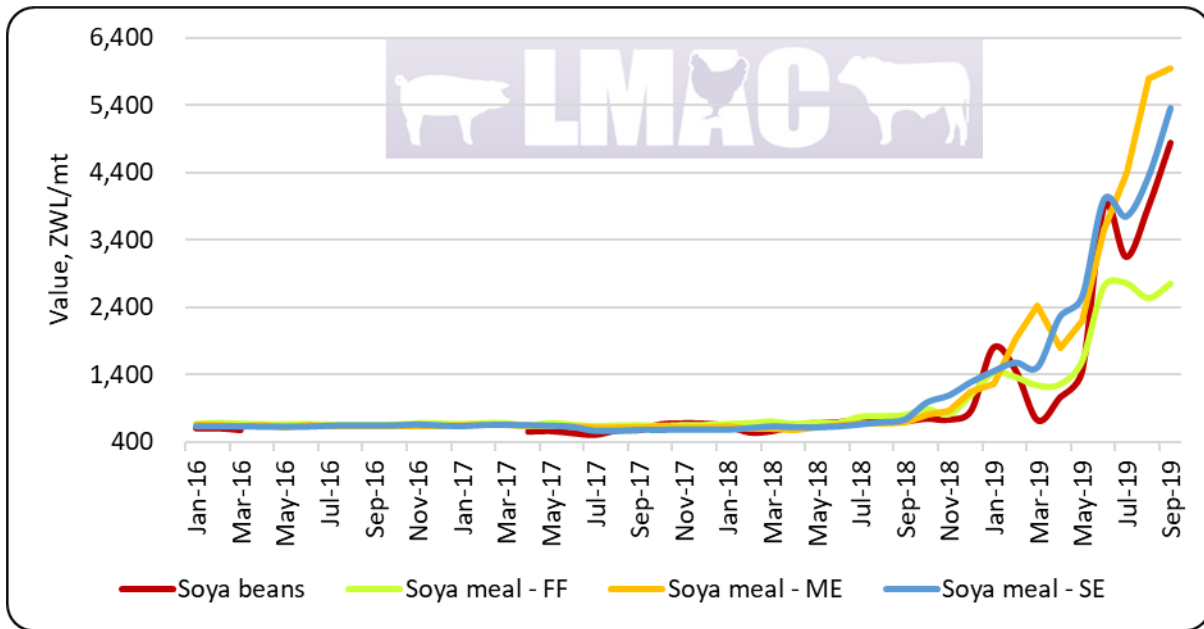
The maize price and its derivatives are largely determined by government pricing policies. During the course of the year, pronouncements on the maize price mirrored import parity, although this tended to occur over varying time lags. The average price is a combination of both local procurement and limited imports.



Prices, 2016 – 2019

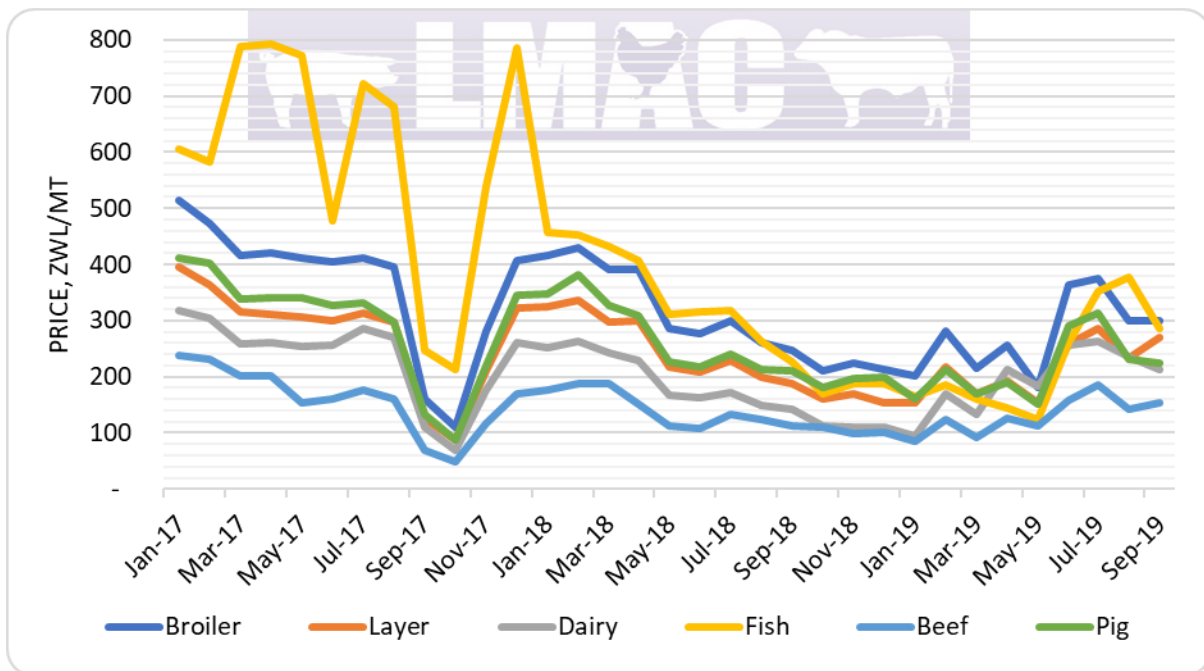
Prices for soyabeans, full fat, mechanically extruded and solvent extracted soyameal, for the nine months to September rose by 460, 149, 414 and 315%, respectively. Industry

requirements are far in excess of domestic production and the exchange rate volatility is the main driver in pricing. To September 2019, the Old Mutual implied exchange rate had moved by 278%.



Prices, 2016 – 2019

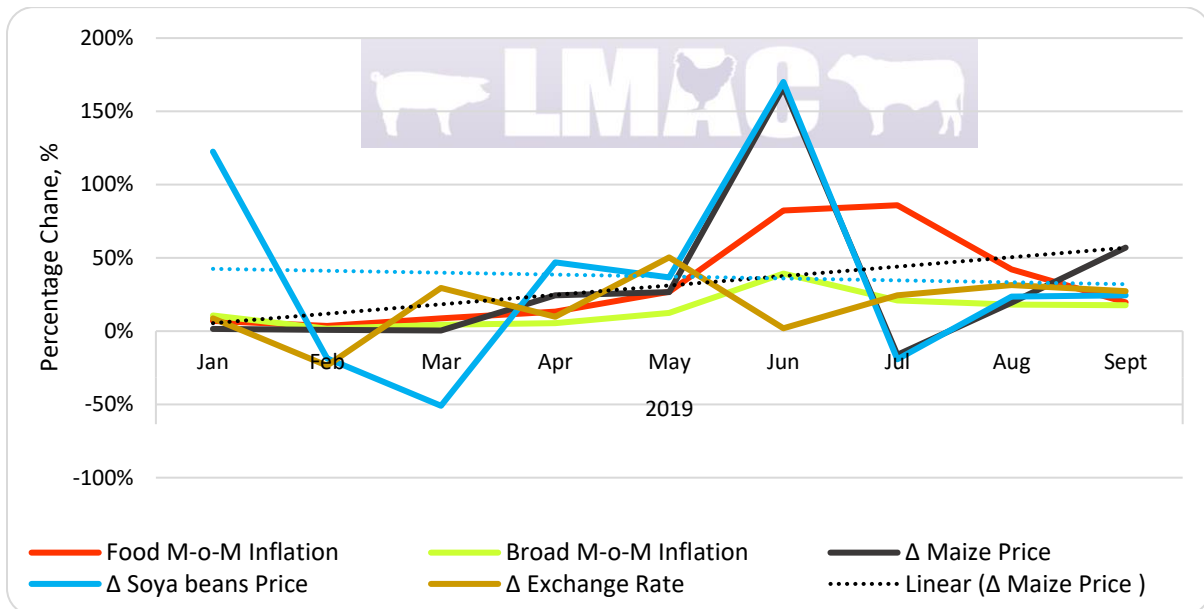
Using the Old Mutual Implied exchange rate, the weighted prices in USD/mt for broiler, layer, dairy, beef and pig feed prices rose by 41, 76, 92, 53, 52, and 12%, respectively.



Weighted Feed Prices (USD), 2017 – 2019

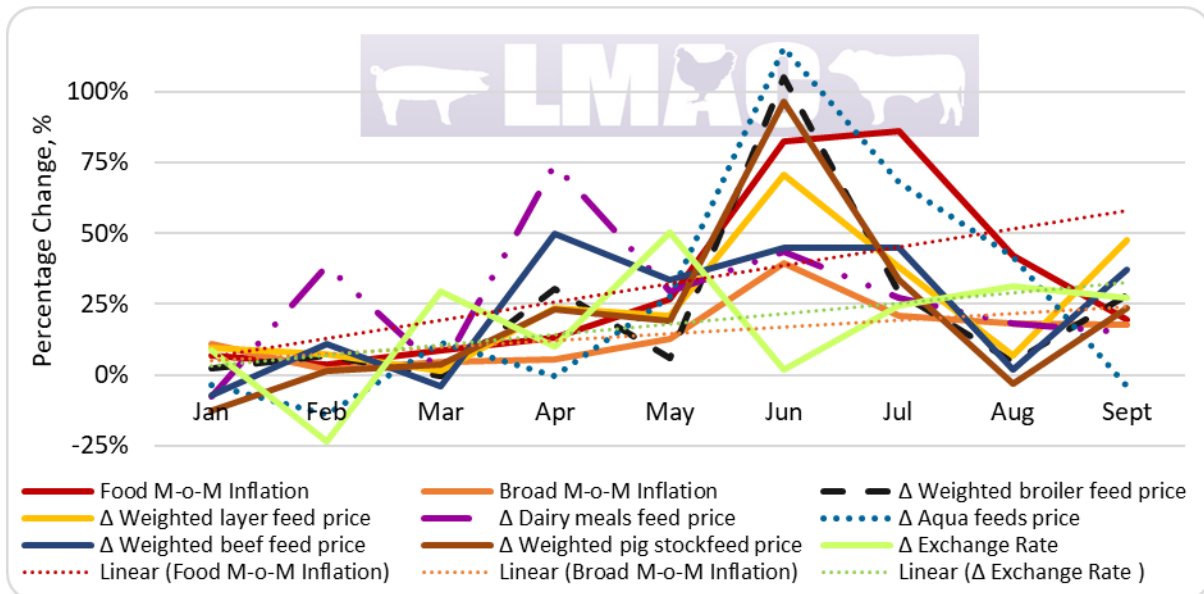
Monthly price volatility reflects the dominance of macro-economic factors and the relative stability in the maize price to May was driven by government policy as the Grain

Marketing Board was the major supplier of maize into the market. Post-May prices reflect pronouncements about an increasingly liberal market pricing regime.



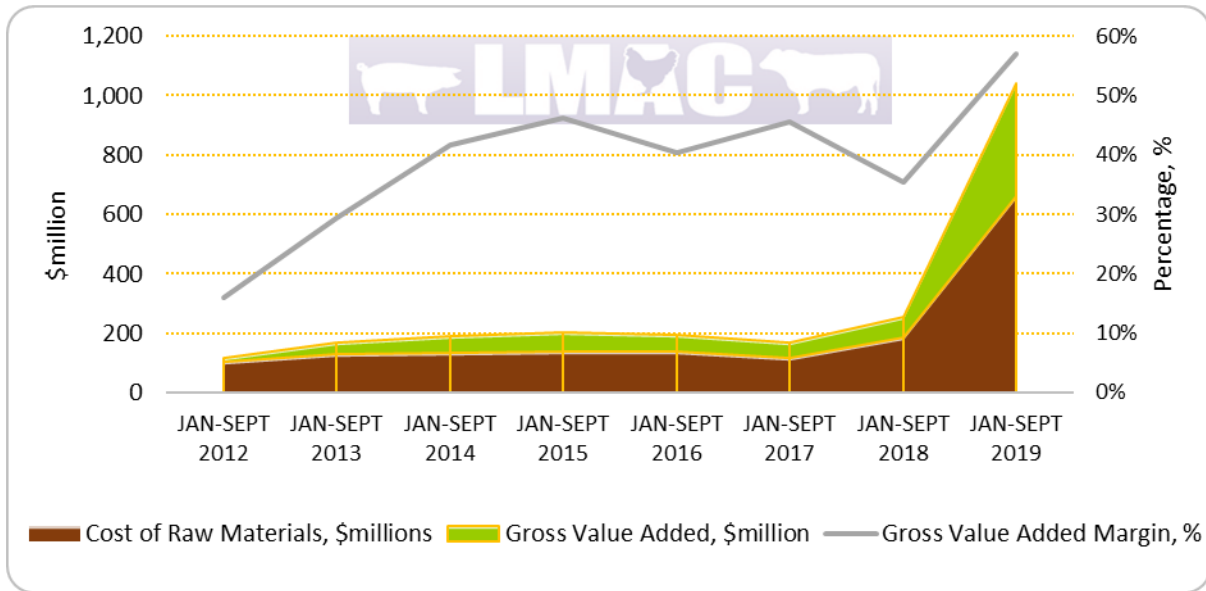
Percentage Price Changes of Raw Materials Relative to Macro-economic Indicators

The graph below shows the price of stockfeeds by species relative to changes in major macro-economic indicators. This trend suggests that the industry is currently experiencing depressed margins and is unable to absorb more cost pressures.



Percentage Change in the Price of Stockfeed Relative to Macro-economic Indicators

Using wholesale prices, for the nine months to September 2019, the stockfeed industry grossed USD 1,038million, of which value addition was USD 378million. The decline of the gross value-added margin in 2018 from 48% to 32% was not passed on to producers and which was reversed in 2019, increasing from 48% to 51%.



Value Addition in the Stockfeed Industry, 2012 – 2019