

# FULLBLOODS OR F-CROSS BREEDING

ANDRIES SCHUTTE

WAGYU AGM

2018



SIMPLY BETTER THAN BEEF

# WHERE ARE WE NOW?

- WE ARE COMMENCING A NEW COMMODITY CYCLE IN A VIRGIN MARKET IN SA
- A FAVOURABLE GLOBAL SUPPLY AND DEMAND IMBALANCE EXISTS
- ADDING VALUE TO MARGINAL FARMING PRACTISES – FIXED COSTS
- ADDING VALUE TO \$/LSU RETURNS
- I GET THE QUESTION MULTIPLE TIMES: *WHERE AND HOW DO I START?*



# WHAT OPTIONS DO I HAVE TO DIVERSIFY?

- SEEDSTOCK AND OR CROSS BREEDING FOR MEAT SUPPLY?
- NORMAL COMMODITY CYCLES WILL INDICATE A TREND IN HIGHER COMMODITY PRICES FOR SEEDSTOCK FOR AT LEAST 10-13 YEARS AS PER PREVIOUS BREED TREND ANALYSIS.
- THEN, AS A NORMAL SATURATION POINT IS REACHED, THE “NUMBERS BEAT PRICE” PERIOD TAKES OVER.
- LET’S HAVE A LOOK AT HOW BEST TO INVEST FOR A SUSTAINABLE PROFIT THAT CAN NAVIGATE MARKET FLUCTUATIONS.



SIMPLY BETTER THAN BEEF



# TWO OPTIONS – MAYBE THREE....

- LET'S HAVE A REAL QUICK COMPARISON
- INVESTMENT: **R1.8M**
- PERIOD: 5 YEAR, 9 YEAR
- **OPTION 1:** PREGNANT RECIPTS AND 1 BULL (R1.8M)
- **OPTION 2:** 100 COWS AND 3 BULLS (R1.8M)
- **OPTION 3:** 8 FULLBLOODS



SIMPLY BETTER THAN BEEF

# FULLBLOODS — VIA RECEIPTS — R1.8M INVESTMENT

WAGYU - Fullblood From Receipts

YEAR	COWS	1 Y	2 Y	OFFTAKE	Total Females	BULLS	1 Y	2 Y	OFFTAKE	Total Males	Sales income Females	Sales income Males	Expenditure Breeding bull	Total investment Total income	Ops Cost	Profit (Sales - CoS) (excl. investment)	Stock value	Initial investment	R 1 800 000	
2018	20	0	0	0	20	1	0	0	0	1			R 0	R 1 800 000		R -		Acc. Profit	Profit + Stock	
2019	20	8	0	20	8	1	8	0	0	9	R 306 000	R 0		R 306 000	R 186 150	R 119 850	R 2 840 000	R 119 850	R 2 959 850	
2020	0	0	8	0	8	1	0	8	0	9	R 0	R 0		R 0	R 186 150	-R 186 150	R 1 700 000	-R 66 300	R 1 633 700	
2021	8	3	0	0	11	9	3	0	3	9	R 0	R 318 362		R 318 362	R 223 380	R 94 982	R 1 996 000	R 28 682	R 2 024 682	
2022	8	3	3	0	14	9	3	0	3	9	R 0	R 259 784		R 259 784	R 260 610	-R 826	R 2 396 000	R 27 856	R 2 423 856	
2023	11	4	3	3	16	9	4	0	4	10	R 397 469	R 441 632	R 0	R 839 101	R 282 072	R 557 029	R 2 854 400	R 584 886	R 3 439 286	
2024	11	5	4	3	17	9	5	0	5	9	R 405 418	R 563 081		R 968 500	R 294 336	R 674 164	R 3 077 800	R 1 259 049	R 4 336 849	
2025	13	5	5	3	20	10	5	0	5	10	R 413 527	R 574 343	R 0	R 987 870	R 319 565	R 668 305	R 3 264 560	R 1 927 354	R 5 191 914	
2026	14	6	5	3	22	9	6	0	6	9	R 421 797	R 702 996	R 0	R 1 124 793	R 347 509	R 777 284	R 3 552 680	R 2 704 638	R 6 257 318	
2027	17	7	6	3	26	10	7	0	7	9	R 430 233	R 836 565		R 1 266 798	R 383 355	R 883 443	R 3 907 504	R 3 588 081	R 7 495 585	
2028	19	8	7	4	30	9	8	0	8	9	R 585 117	R 975 196	R 0	R 1 560 313	R 421 619	R 1 138 694	R 4 357 576	R 4 726 775	R 9 084 351	
2029	22	9	8	5	34	9	9	0	9	9	R 746 025	R 1 119 037		R 1 865 061	R 461 081	R 1 403 981	R 4 824 578	R 6 130 756	R 10 955 333	
2030	25	10	9	5	38	9	10	0	10	8	R 760 945	R 1 268 242	R 0	R 2 029 187	R 513 658	R 1 515 529	R 5 306 608	R 7 646 284	R 12 952 892	
12																				



# F-CROSS — R1.8M INVESTMENT

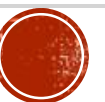
WAGYU - F - cross																			
YEAR	COWS	1 Y	2 Y	OFFTAKE	Total Females	BULLS	1 Y	2 Y	OFFTAKE	Total Males	Sales income	Sales income	Expenditure	Total investment	Ops Cost	Profit (Sales - CoS)	Stock value	Initial investment	R 1 800 000
	15 000	18 000	25 000	20 000		100 000	10 000	13 000	18 000		Females	Males	Breeding bull	Total income		(excl. investment)			
														R 0	R 1 800 000	R		Acc. Profit	Profit + Stock
2018	100	0	0	0	100	3	0	0	0	3				R 0	R 1 800 000	R			
2019	100	40	0	0	140	3	40	0	40	3	R 0	R 408 000		R 408 000	R 1 043 900	-R 635 900	R 2 920 000	-R 635 900	R 2 284 100
2020	100	40	40	100	80	3	40	0	40	3	R 2 080 800	R 416 160		R 2 496 960	R 605 900	R 1 891 060	R 3 920 000	R 1 255 160	R 5 175 160
2021	40	16	40	0	96	3	16	0	16	3	R 0	R 220 731		R 220 731	R 722 700	-R 501 969	R 2 348 000	R 753 191	R 3 101 191
2022	80	32	16	0	128	3	32	0	32	3	R 0	R 450 292		R 450 292	R 956 300	-R 506 008	R 2 796 000	R 247 183	R 3 043 183
2023	96	38	32	80	86	3	38	0	38	3	R 1 766 529	R 755 191	R 0	R 2 521 721	R 655 540	R 1 866 181	R 3 615 200	R 2 113 364	R 5 728 564
2024	48	19	38	0	106	3	19	0	19	4	R 0	R 385 148		R 385 148	R 797 160	-R 412 012	R 2 522 800	R 1 701 351	R 4 224 151
2025	86	35	19	0	140	3	35	0	35	3	R 0	R 723 672	R 0	R 723 672	R 1 046 236	-R 322 564	R 3 086 280	R 1 378 787	R 4 465 067
2026	106	42	35	80	102	4	42	0	42	3	R 1 874 655	R 885 774	R 0	R 2 760 430	R 772 340	R 1 988 090	R 3 985 000	R 3 366 877	R 7 351 877
2027	60	24	42	0	126	3	24	0	24	3	R 0	R 516 280		R 516 280	R 948 474	-R 432 194	R 2 951 312	R 2 934 682	R 5 885 994
2028	102	41	24	0	167	3	41	0	41	3	R 0	R 899 618	R 0	R 899 618	R 1 247 190	-R 347 573	R 3 625 312	R 2 587 110	R 6 212 422
2029	126	51	41	0	218	3	51	0	51	3	R 0	R 1 141 418		R 1 141 418	R 1 613 440	-R 472 023	R 4 683 237	R 2 115 087	R 6 798 324
2030	167	67	51	0	285	3	67	0	67	3	R 0	R 1 529 500	R 0	R 1 529 500	R 2 102 096	-R 572 597	R 5 988 162	R 1 542 490	R 7 530 652
12																			



# A 3<sup>RD</sup> OPTION: 8 FULLBLOODS R1.8M INVESTMENT

WAGYU - Fullblood 8 Fullbloods

YEAR	COWS	1 Y	2 Y	OFFTAKE	Total Females	BULLS	1 Y	2 Y	OFFTAKE	Total Males	Sales income Females	Sales income Males	Expenditure Breeding bull	Total investment Total income	Ops Cost	Profit (Sales - CoS) (excl. investment)	Stock value	Initial investment	R 1 800 000	
2018	7	0	0	0	7	1	0	0	0	1	R 0	R 0	R 0	R 1 800 000	R	R -		Acc. Profit	Profit + Stock	
2019	7	3	0	0	10	1	3	0	0	4	R 0	R 0		R 0	R 148 920	-R 148 920	R 2 248 000	-R 148 920	R 2 099 080	
2020	7	3	3	0	13	1	3	3	0	7	R 0	R 0		R 0	R 210 240	-R 210 240	R 2 836 000	-R 359 160	R 2 476 840	
2021	10	4	3	2	15	4	4	3	3	8	R 254 690	R 286 526		R 541 216	R 241 338	R 299 878	R 4 455 200	-R 59 282	R 4 395 918	
2022	11	4	4	2	17	7	4	1	5	7	R 259 784	R 487 094		R 746 878	R 257 544	R 489 334	R 5 483 029	R 430 052	R 5 913 081	
2023	13	5	4	3	19	8	5	-1	5	7	R 397 469	R 496 836	R 0	R 894 305	R 279 619	R 614 686	R 6 180 537	R 1 044 739	R 7 225 276	
2024	14	6	5	4	20	7	6	0	5	7	R 540 558	R 506 773		R 1 047 331	R 301 607	R 745 724	R 6 458 891	R 1 790 463	R 8 249 354	
2025	15	6	6	4	22	7	6	1	5	8	R 551 369	R 516 909	R 0	R 1 068 278	R 332 424	R 735 853	R 6 845 963	R 2 526 316	R 9 372 279	
2026	16	7	6	4	25	7	7	1	6	9	R 562 397	R 632 696	R 0	R 1 195 093	R 365 467	R 829 625	R 7 500 377	R 3 355 941	R 10 856 318	
2027	18	7	7	4	28	8	7	1	7	9	R 573 644	R 752 908		R 1 326 553	R 404 267	R 922 286	R 8 339 620	R 4 278 227	R 12 617 847	
2028	21	8	7	4	32	9	8	0	8	9	R 585 117	R 877 676	R 0	R 1 462 793	R 454 094	R 1 008 699	R 9 260 628	R 5 286 927	R 14 547 554	
2029	24	10	8	4	38	9	10	0	9	10	R 596 820	R 1 007 133		R 1 603 953	R 521 631	R 1 082 322	R 10 373 333	R 6 369 249	R 16 742 581	
2030	28	11	10	4	45	9	11	1	10	11	R 608 756	R 1 141 418	R 0	R 1 750 174	R 615 668	R 1 134 505	R 11 830 441	R 7 503 754	R 19 334 195	
12																				



# COMPARISON

3 Scenarios comparison			
Project	Investment	Profit and stock 5 years	Profit and stock 9 years
20 x Pregnant Recipts with FB and 1 bull	R1.8m	R3.4m	R7.5m
100 x Base cows and 3 bulls	R1.8m	R5.7m	R5.8m
8 x Fullbloods and 1 bull	R1.8m	R7.22m	R12.61m



SIMPLY BETTER THAN BEEF



# FIND YOUR BALANCE AND APPETITE

- TRUE GLOBAL MARKET RELIABILITY REMAINS
- TRUE END USER DEMAND REMAINS
- UNIQUE LOCAL NICHE AT THE START OF COMMODITY/BRAND EXISTS
- MAYBE A COMBINATION APPROACH IS BEST?
- IT WILL ADD A BUFFER THAT WILL BE ACCOMODATING ITO CYCLIC PRICE FLUCTUATIONS RESULTING IN A POSITIVE CASHFLOW.



SIMPLY BETTER THAN BEEF

# PARTING WORDS

- PAPER IS PATIENT – FARMING A REALITY
- *E-XCEL* DOES NOT GET *E-COLI*
- IF A BONSMARA BULL SELLS FOR R1.8M AND LAMB SELLS FOR R100/KG, THEN WAGYU - THAT DESERVES A PREMIUM - CAN STAND WITH CONFIDENCE.
- ALL EMPIRES, PALACES AND CASTLES WERE CREATED BY SOMEBODY LAYING THE FIRST BRICK.....*EVEN THE CHINESE WALL HOPEFULLY SOON TO BE TRAVERSED.*



SIMPLY BETTER THAN BEEF