



**Wagyu Day**

**7 March 2019**

**Custom Feed Proposal**



# OVERVIEW



PROPOSAL



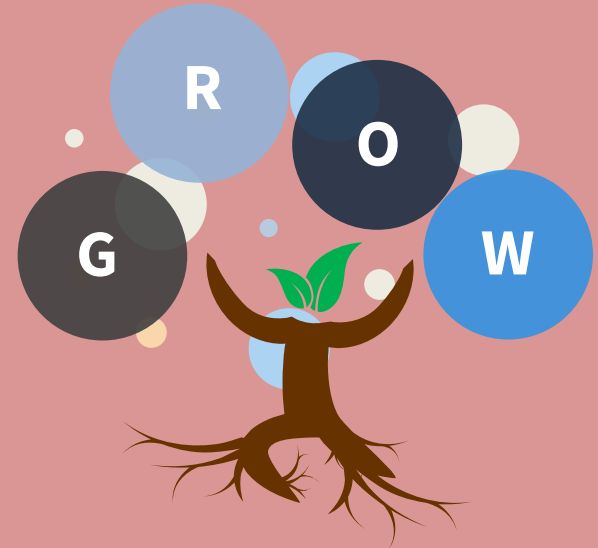
PROCESS



ADVANTAGES



WAY FORWARD



# Proposal



- Three Options available to farmers:
  - Option 1: Morgan Beef Custom feed certified Wagyu calves for custom feed Clients
    - Daily standing fees, feed costs, processing and treatment costs are for clients account.
    - Carcass is marketed through Morgan Beef's local and international client network and the Client receives the wholesale market price for each carcass.
    - All risks and benefits remain with client.
  - Option 2: Morgan Beef Custom feed certified Wagyu calves for custom feed Clients on a 50% gain/profit share with the Clients
    - Client receives 50% of weaner calve value, based on weight class and current weaner calve market price
    - 50% of the daily standing fees, feed costs, processing and treatment costs are for Clients account.
    - Carcass is marketed through Morgan Beef's local and international client network and the Client receives 50% of the wholesale market price for each carcass.

# Proposal



- Three Options available to farmers:
  - Option 2 (Continued):
    - All risks and benefits therefore are therefore shared between Morgan Beef and the client on a 50% basis.
  - Option 3 : Morgan Beef purchase weaner calves at a premium from the Client.
    - Only DNA verified (50% or above, Wagyu verified) will be eligible for the premium. Clients wishing to sell Wagyu weaner calves to Morgan Beef, must therefore be members of Wagyu South Africa.
    - Clients must conform to the Certified Wagyu Protocol and therefore must have subscribed to the Certified Wagyu Beef program to be eligible for the premium.
    - Base calve prices will be determined based on the prevailing weakly weaner calve price of a 240kg weaner calve.
    - Premiums ranging from 10% to 20% will be paid, based on proven genetics, DNA and breed.

# Process



Depending on the option:

- Morgan Beef manage all feedlot aspects
  - Fee of R2.25 per animal per day compared to normal overhead costs of R9 per animal per day.
  - Feed costs currently amount to R2100/ton
- Morgan Beef will slaughter the cattle at abattoir and grade the carcass
  - Warm to cold carcass % applied is 2%, 60% slaughter % assumed
- Morgan Beef will purchase the carcass from the Client at the prevailing market price, based on the marbling score.
- Transportation of calves to be considered to make movement of cattle economical.
- Minimum quantity of cattle in a pen to be approximately 100

# Advantages



- Traceability of product from farm to the consumer.
- **Consistency in quality of supply into the retail market.**
- Through the joint programme between Morgan Beef and the Clients, we envisage to have 2000 head of Wagyu weaner calves in the feedlot at any given time.
- This will in time equate to 45 Wagyu carcass that will be slaughtered weekly.
- 13 000kg's of Wagyu beef products that we will be able to market a week.
- Currently this equates to 2.0% of Morgan Beef's weekly market.

# The Numbers



Detailed assumptions:

- Standing fee per head per day of R2.25
- Current feed cost of R2100 per tonne (63% DM basis)
- R100 per head processing cost
- F1 calves fed for 300 days
- Full-blooded/Pure bred calves fed for 380 days
- ADG of 1.3kg to 1.5kg live mass a day averaged over full period
- Calve incoming weight at 240kg (7 months old)
- Mortality rate of 1%
- Average marbling score of 5
- Average price per kg carcass R84/kg

# The Numbers



<b>Marbling Score</b>	<b>Estimated Price/Kg</b>
2	50.00
3	60.50
4	81.00
5	84.00
6	88.50
7	93.00
8	116.00
9	126.00



# The Numbers



## Profit per head estimate:

	<b>F1</b>	<b>Purebred</b>
	<b>M4 Score</b>	<b>M6 Score</b>
	<b>Rand</b>	<b>Rand</b>
Calve incoming value	7 200	7 200
Processing cost	100	100
Feeding cost (300 days)	7 756	11 251
Treatment cost	100	100
Standing cost	675	855
Mortality cost	98	110
<b>Total cost</b>	<b>15 929</b>	<b>19 615</b>
<b>Carcass income</b>	<b>33 534</b>	<b>38 975</b>
<b>Profit per Head</b>	<b>17 605</b>	<b>19 360</b>

**Closing |**

