

Interim Results Presentation

for the 6 months ended 31 March 2019

AGENDA

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- **Operational Overview** *Page 5 / Slide 8*
- **Financial Overview** *Page 12 / Slide 21*
- **Industry Trends** *Page 17 / Slide 32*
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**“ Astral is
a leading
Southern
African
integrated
poultry
producer ”**



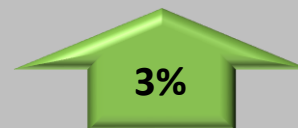
BUSINESS OVERVIEW

SALIENT POINTS

- **Feed input costs increased markedly** on higher maize prices due to unfavourable weather conditions in the planting season, which will negatively impact crop yields for 2019
- **Poultry selling prices** decreased for the period under review leading to an under recovery on higher input costs
- **Poultry production efficiencies** were maintained in line with projections
- **Extraordinary cost increases** in the newly legislated national minimum wage, costs associated with load shedding, and the strike cost in KZN negatively impacted profits
- **Fresh product processing capacity** expansion, with the project underway at the Festive plant located in Olifantsfontein and on track for commissioning in April 2020

KEY FINANCIAL INDICATORS

▪ **Revenue**



▪ **Profit before interest and tax**



▪ **Earnings per share @ 948 cps**



▪ **Headline earnings per share @ 949 cps**



▪ **Interim dividend of 475 cps**



DIVISIONAL SALIENT POINTS

Poultry

- Feeding cost increased
- Bird performance maintained
- Broiler sales volumes down
- Broiler sales realisations down
- Extraordinary cost impacts

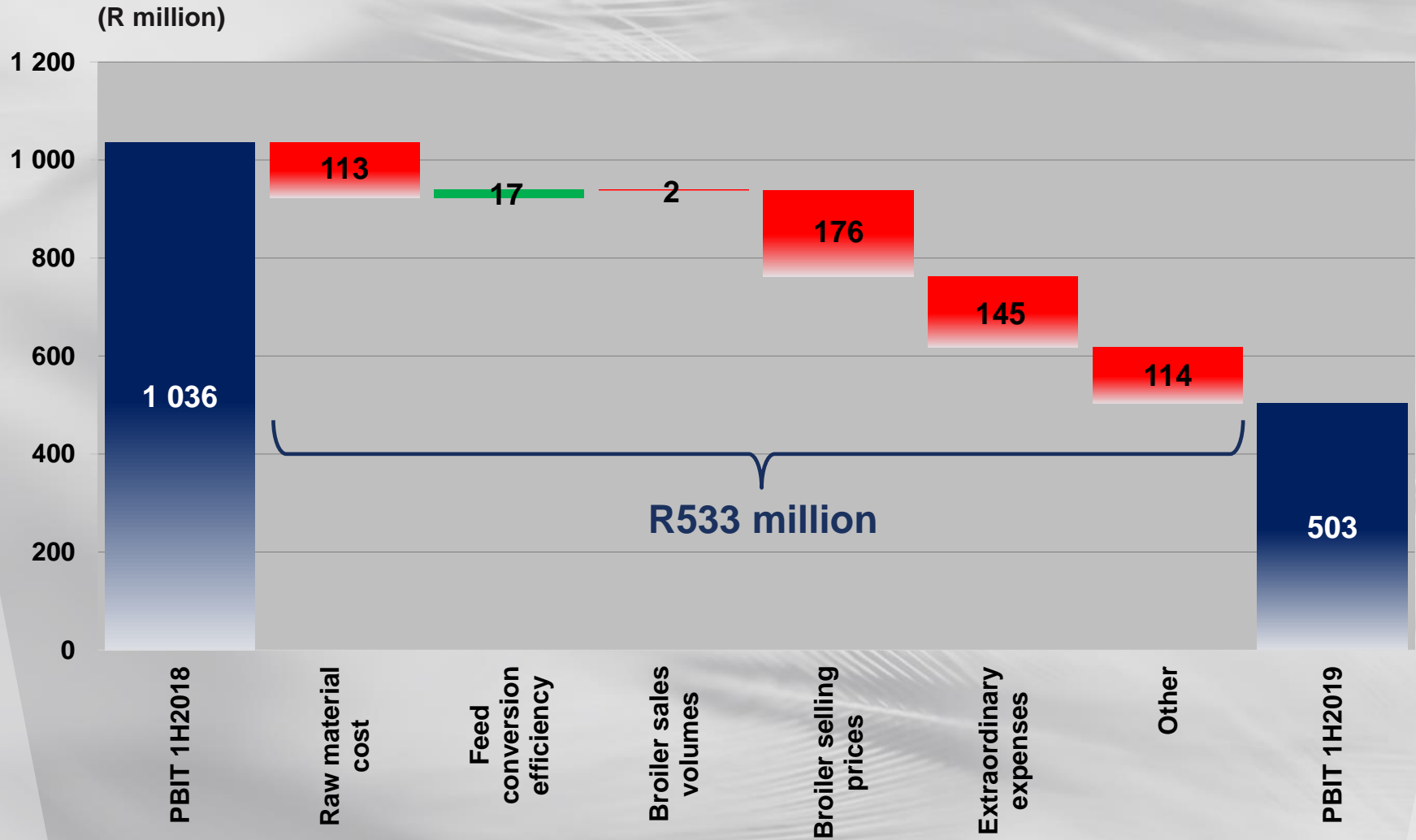
Feed

- Raw material costs up
- Lower internal feed required
- External sales volumes down
- Expenses well controlled
- Improved Rand per ton margin

Other Africa

- Lower profits – depressed performances from Mozambique and Zambia

THE PERIOD IN PERSPECTIVE





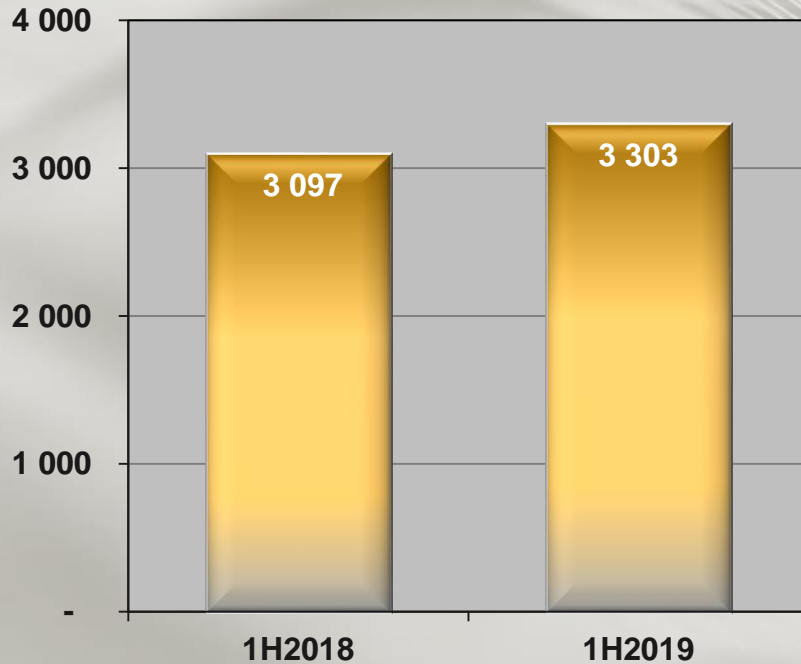
FEED DIVISION



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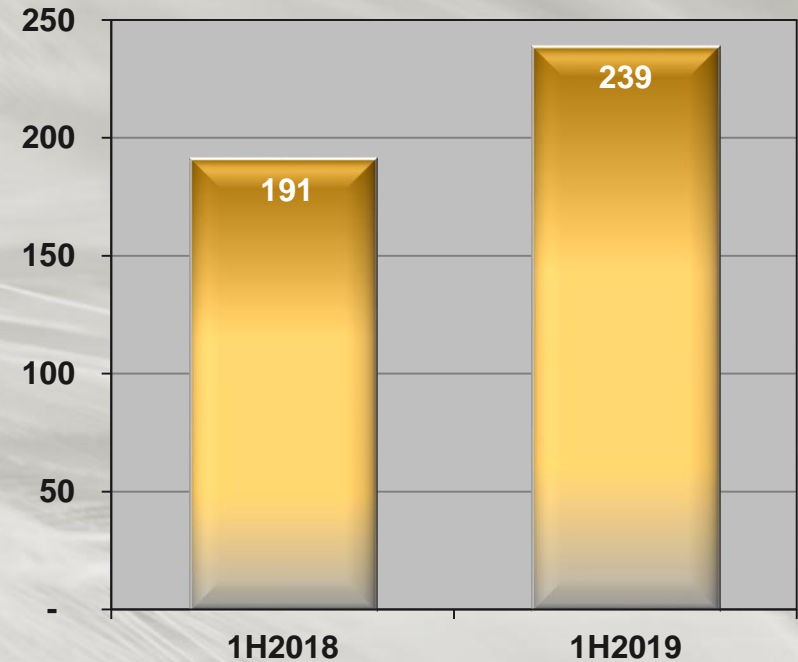
FEED DIVISION

Revenue - R million



- Revenue up 6.7%
 - Raw material costs up
 - Average selling prices up 7.6%
 - Sales volumes down 0.9%

Operating profit - R million

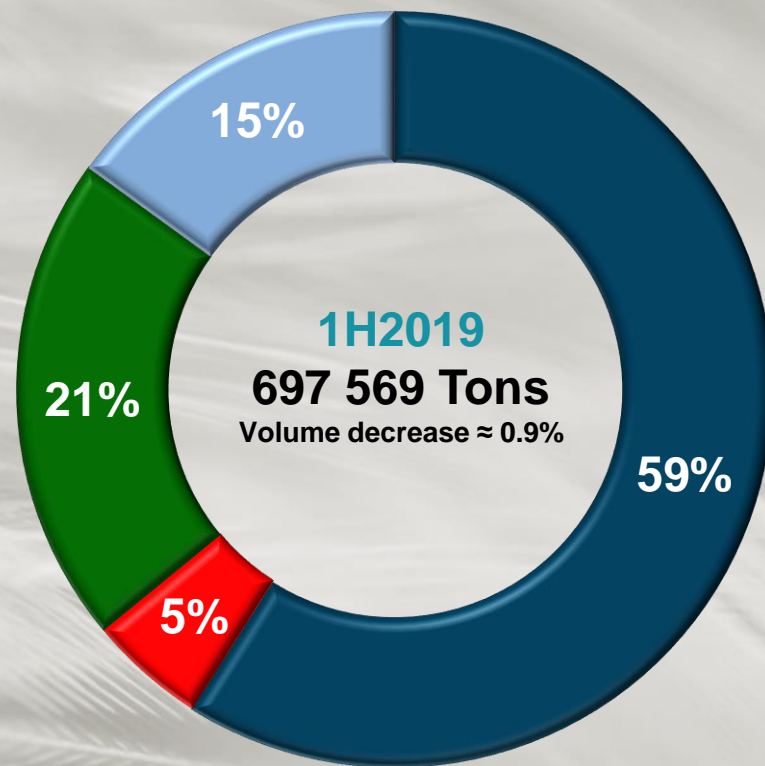
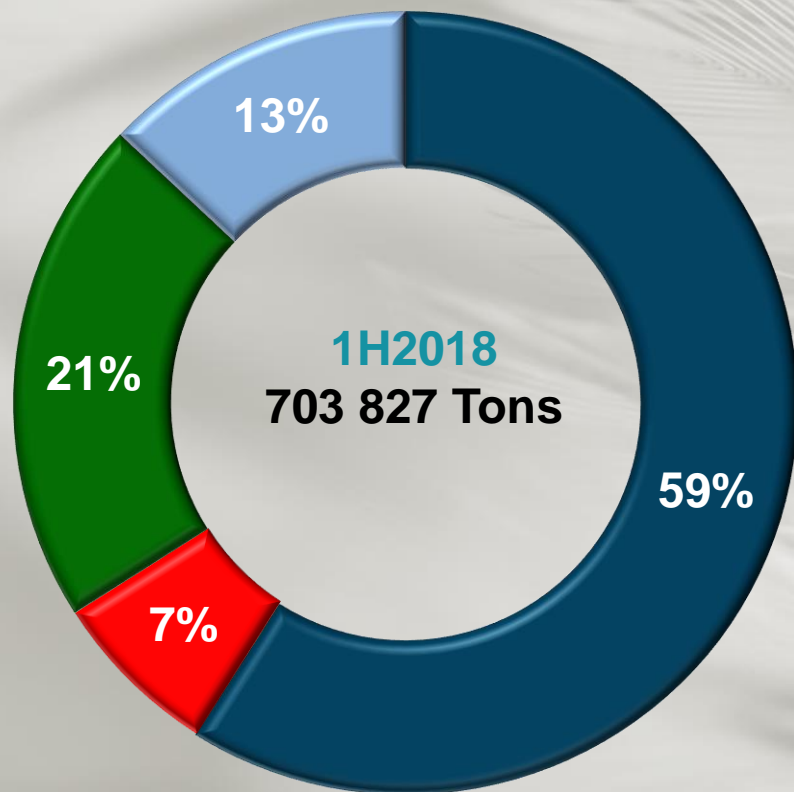


- Operating profit up 24.6%
 - Net margin 7.2% 1H2018: 6.2%
 - Expenses well controlled
 - Rand per ton margins up

FEED DIVISION

- **SAFEX yellow maize prices increased** markedly for the period under review 1H2019 avg. R2 579 per ton (1H2018: R1 981) up R598 per ton y-o-y
- **Internal feed sales decreased** marginally by 0.6% due to improved broiler feed conversion rates
- **External feed sales decreased** by 1.3% as livestock sectors came under pressure from higher feed costs and producers moved for lower feed prices
- **Expense increases well controlled** across the division for the period under review
- **The average net margin increased** (on a Rand per ton basis) for the period under review

FEED DIVISION – SALES MIX



■ Poultry Integrated

■ Poultry External

■ Dairy

■ Other



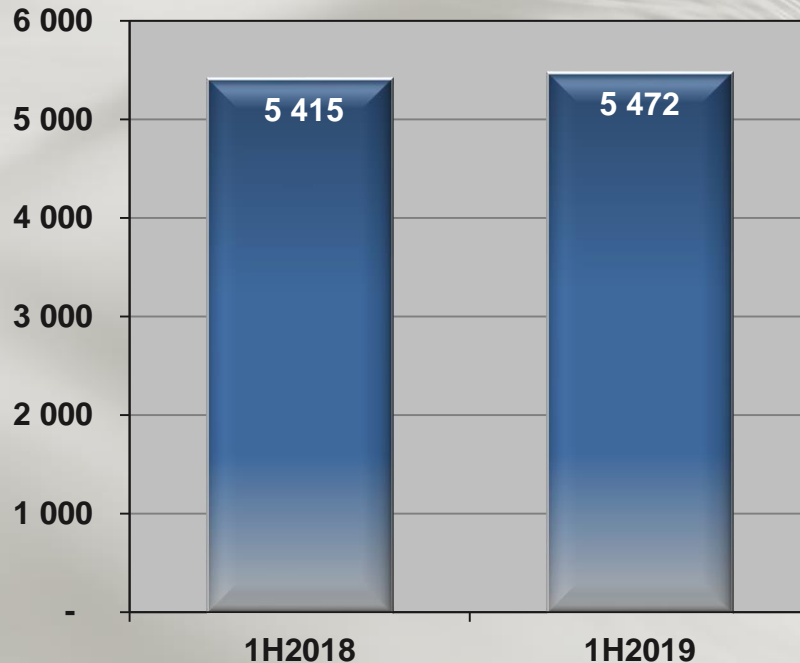
POULTRY DIVISION



“ Astral is a leading Southern African integrated poultry producer ”

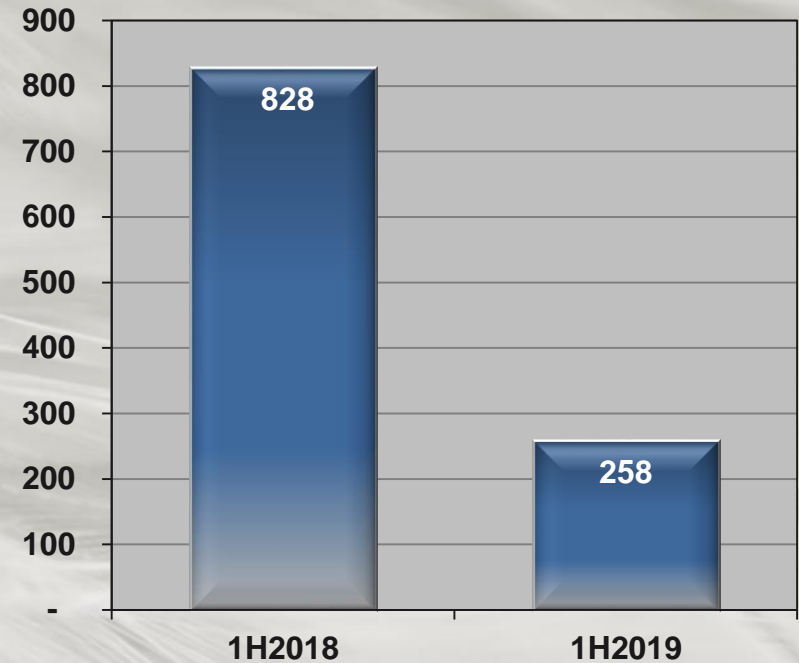
POULTRY DIVISION

Revenue - R million



- Total revenue up 1.0%
 - Broiler sales volumes down 1.1%
 - Broiler sales realisations down 3.4%
 - Breeder revenue up R100 million

Operating profit - R million

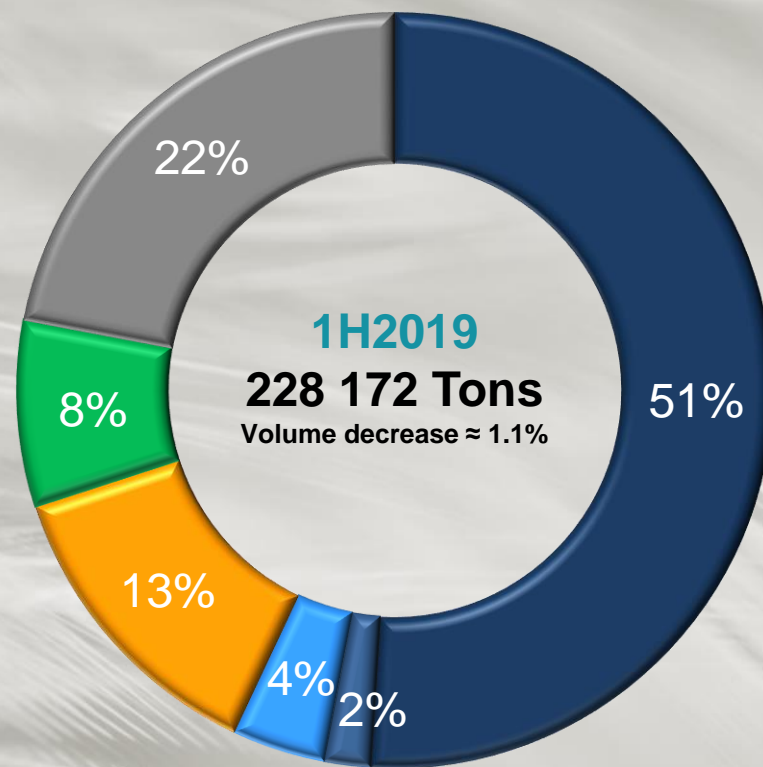
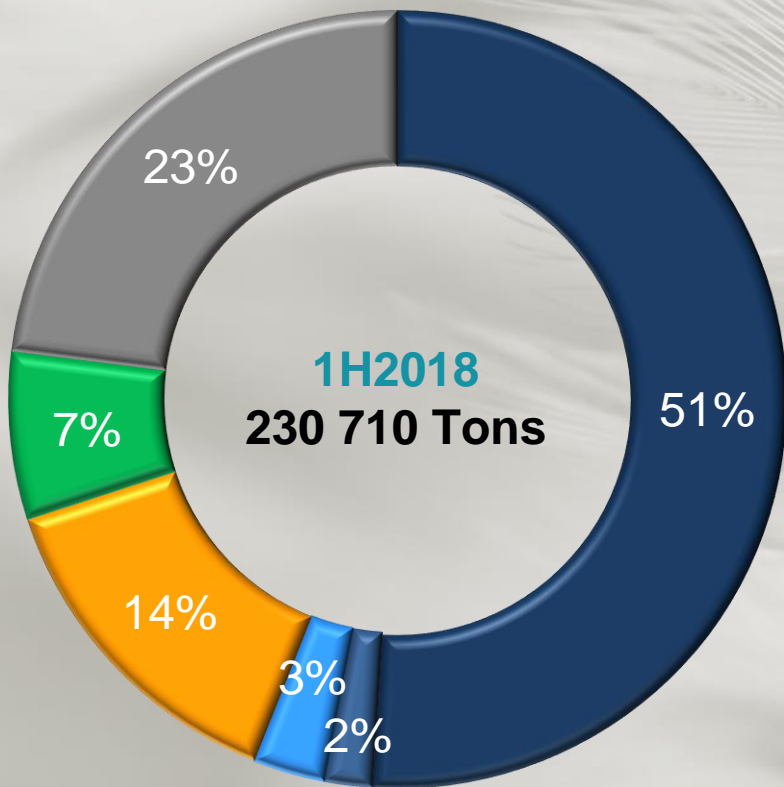


- Operating profit down 68.9%
 - Broiler feed price up 9.2%
 - Net margin 4.7% 1H2018: 15.4%

POULTRY DIVISION - COMMERCIAL

- Profits for the six months ended March 2019 reflect a **significant decline** on the comparable period
- **Broiler live cost** increased due to rising feed costs resulting in a higher base cost of production
- **Broiler selling prices decreased** on subdued consumer demand and deeper promotional activity in the market, leading to an under recovery of higher input costs
- **Broiler sales volumes down** despite sales realisations decreasing on the comparable period
- **Overhead expenses increased** with the newly legislated minimum wage, exacerbated by the impact of load shedding nationally, and water supply interruptions in Standerton
- **Imports during the period were lower** than the comparable period, averaging 41 771 tons per month (1H2018: 46 850 tons)

POULTRY DIVISION – PRODUCT MIX

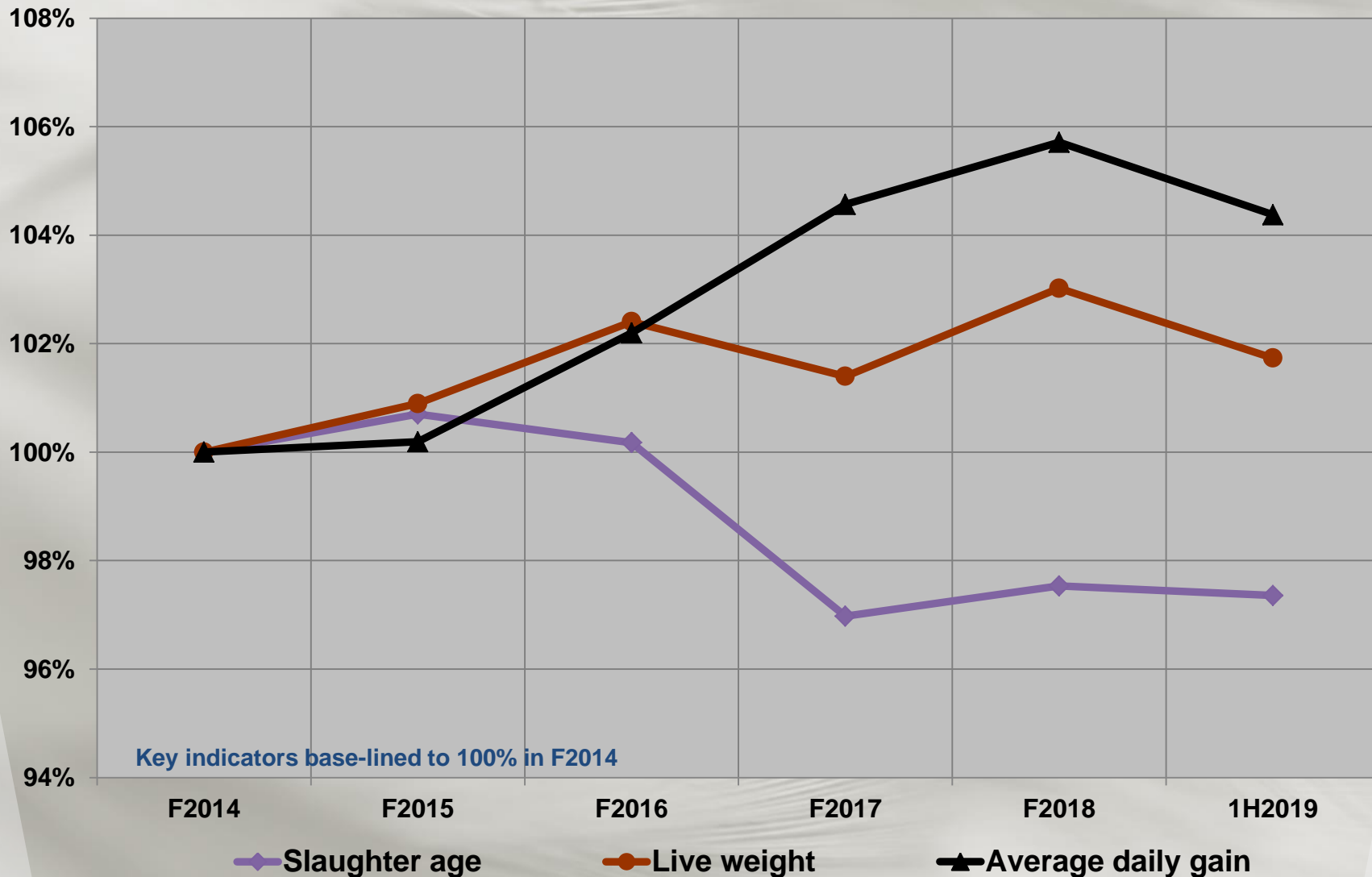


■ IQF Mixed Portions
 ■ IQF Single Portions
 ■ Frozen
 ■ Fresh
 ■ Value Added
 ■ Tertiary

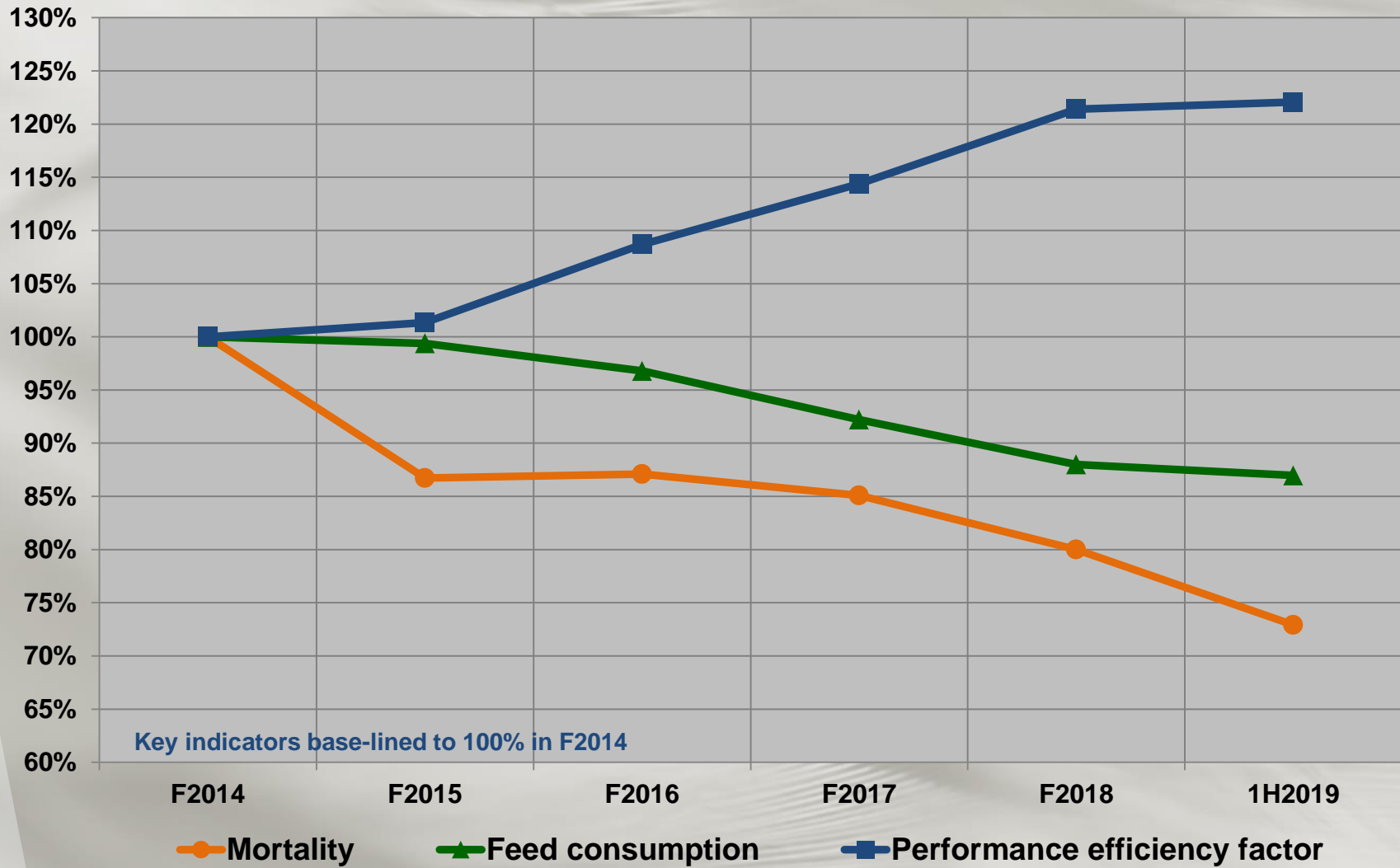
POULTRY DIVISION - AGRICULTURE

- **Breeder revenue increased** on higher demand for parent stock and an increase in broiler day-old chick sales
- **Feed input costs increased** due to higher raw material costs adversely affecting the live bird production cost
- **Strike action in KZN** at National Chicks and Mountain Valley impacted profitability during the period under review
- **Further improvements in on-farm poultry production efficiencies**, benefitting broiler live cost through an improved feed conversion rate
- **Higher broiler hatching egg production** as a result of Astral's bird flu contingency planning
- **In South Africa 203 cases of highly pathogenic bird flu** have officially been reported across 9 provinces, from the 21st of June 2017 to the 28th of February 2019

BROILER PRODUCTION PERFORMANCE



BROILER PRODUCTION PERFORMANCE



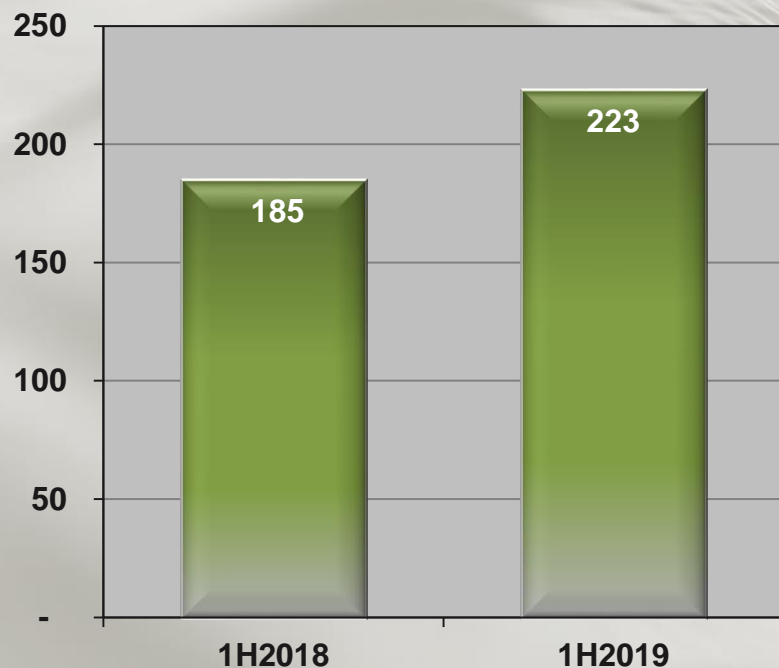
OTHER AFRICA DIVISION



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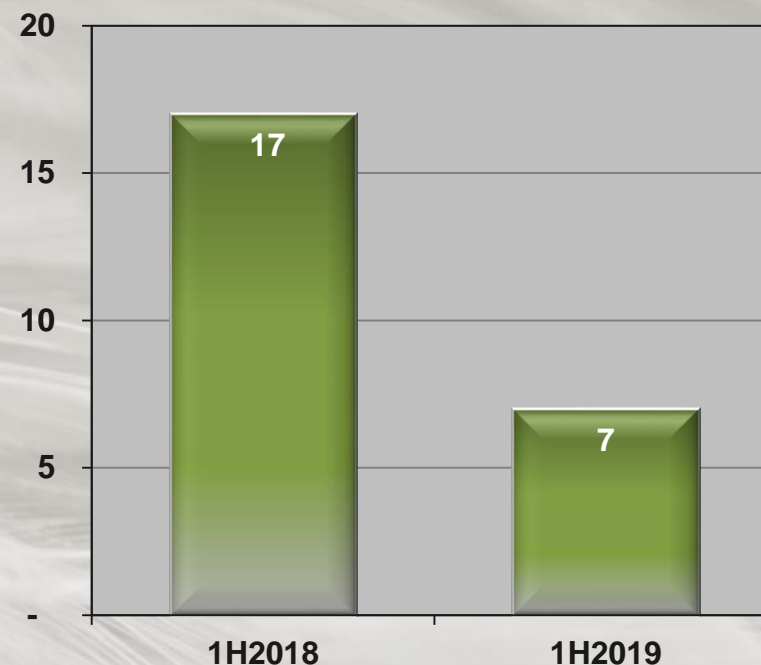
OTHER AFRICA DIVISION (Zambia, Mozambique & Swaziland)

Revenue - R million



- Revenue up 20.9%
- Sales volumes up 11.7%
- Average selling prices up 8.2%

Operating profit - R million










- Operating profit down 59.9%
- Net margin 3.0% 1H2018: 9.1%
- Mozambique provision for non-recovery of import VAT



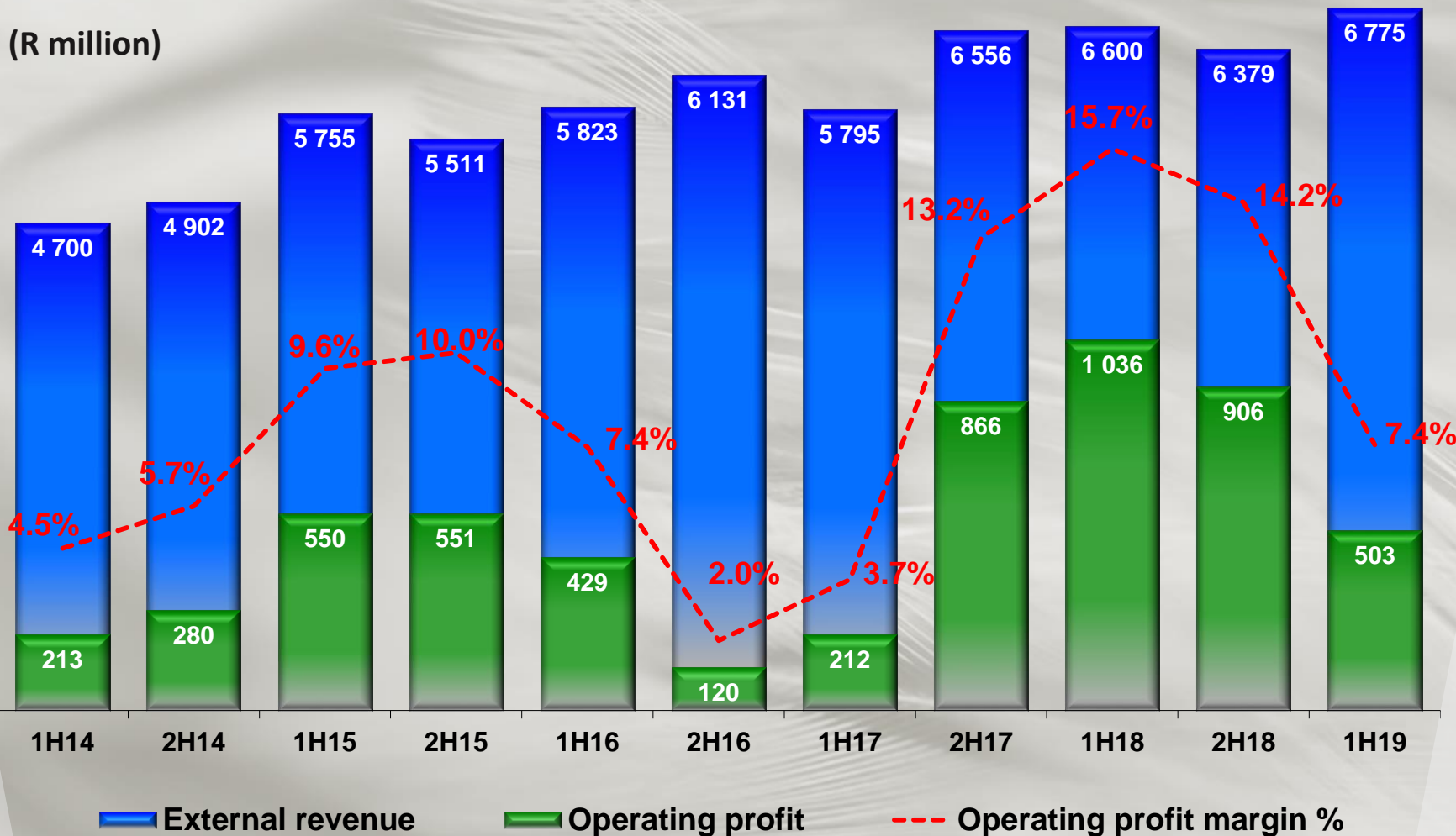
FINANCIAL OVERVIEW

INCOME STATEMENT

| Six months ended 31 March | 2019 R million | 2018 R million <i>Restated</i> | % change |
|--------------------------------|-------------------|--------------------------------------|---|
| Revenue | 6 775 | 6 600 |  3% |
| Operating profit | 503 | 1 036 |  51% |
| <i>Operating profit margin</i> | <i>7.4%</i> | <i>15.7%</i> | |
| Net finance income | 18 | 22 | |
| Profit before tax | 521 | 1 058 |  51% |
| Tax | (151) | (297) | |
| Profit for the period | 370 | 761 |  51% |
| Headline earnings | 368 | 759 |  52% |
| EPS – Cents | 948 | 1 958 |  52% |
| HEPS – Cents | 949 | 1 959 |  52% |

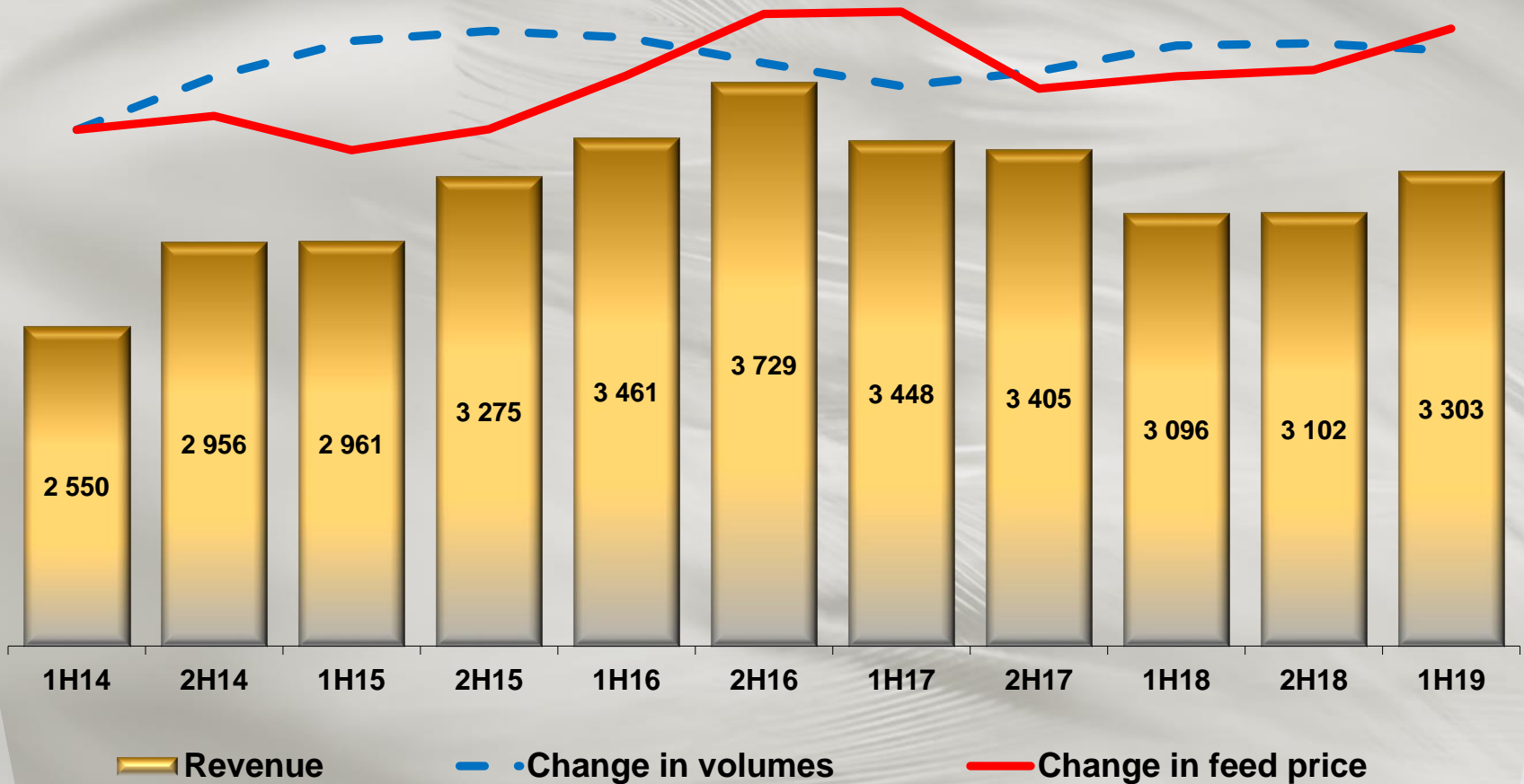
GROUP SIX MONTHLY REVENUE AND PROFITABILITY

(R million)



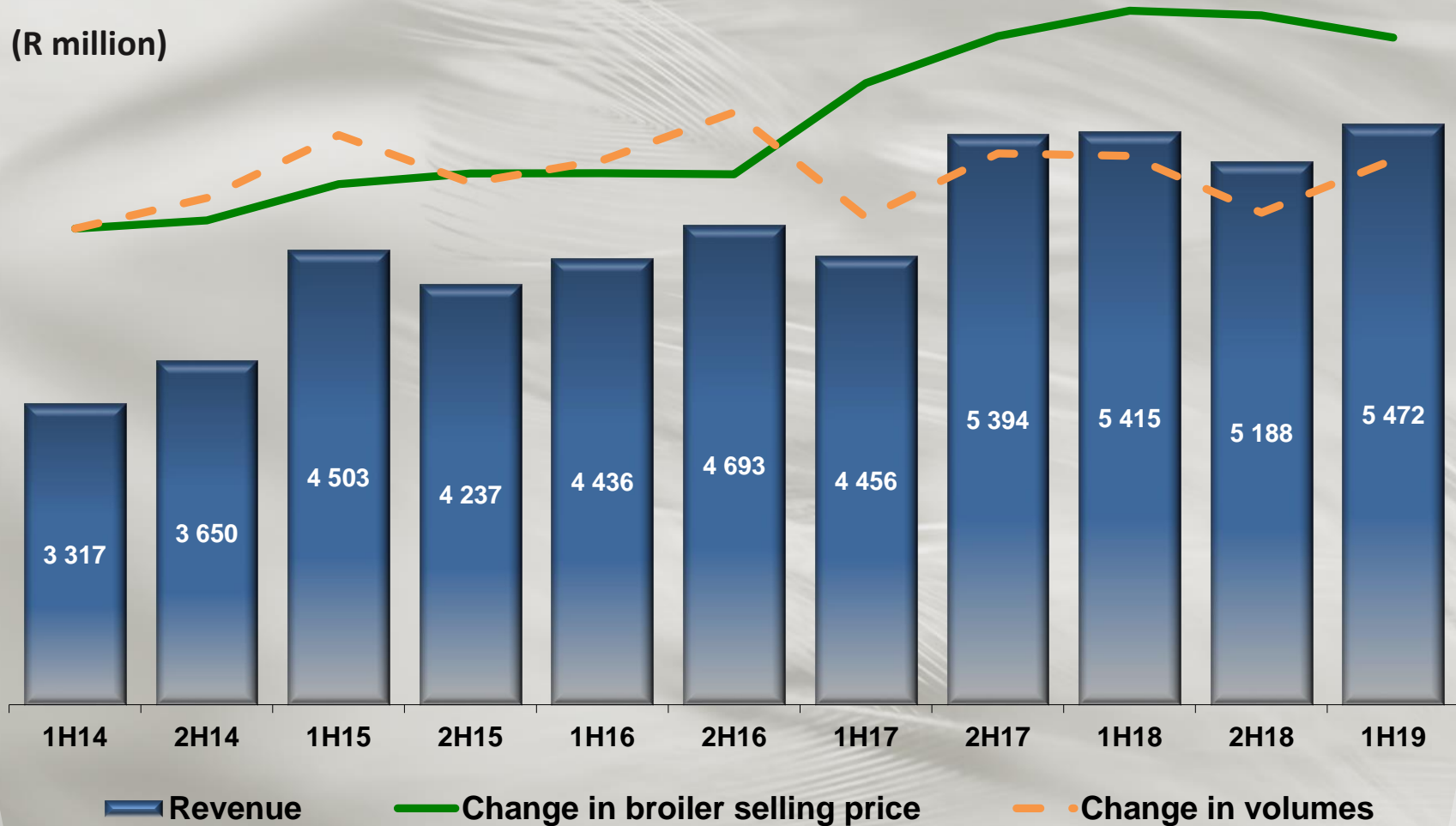
FEED SIX MONTHLY REVENUE

(R million)

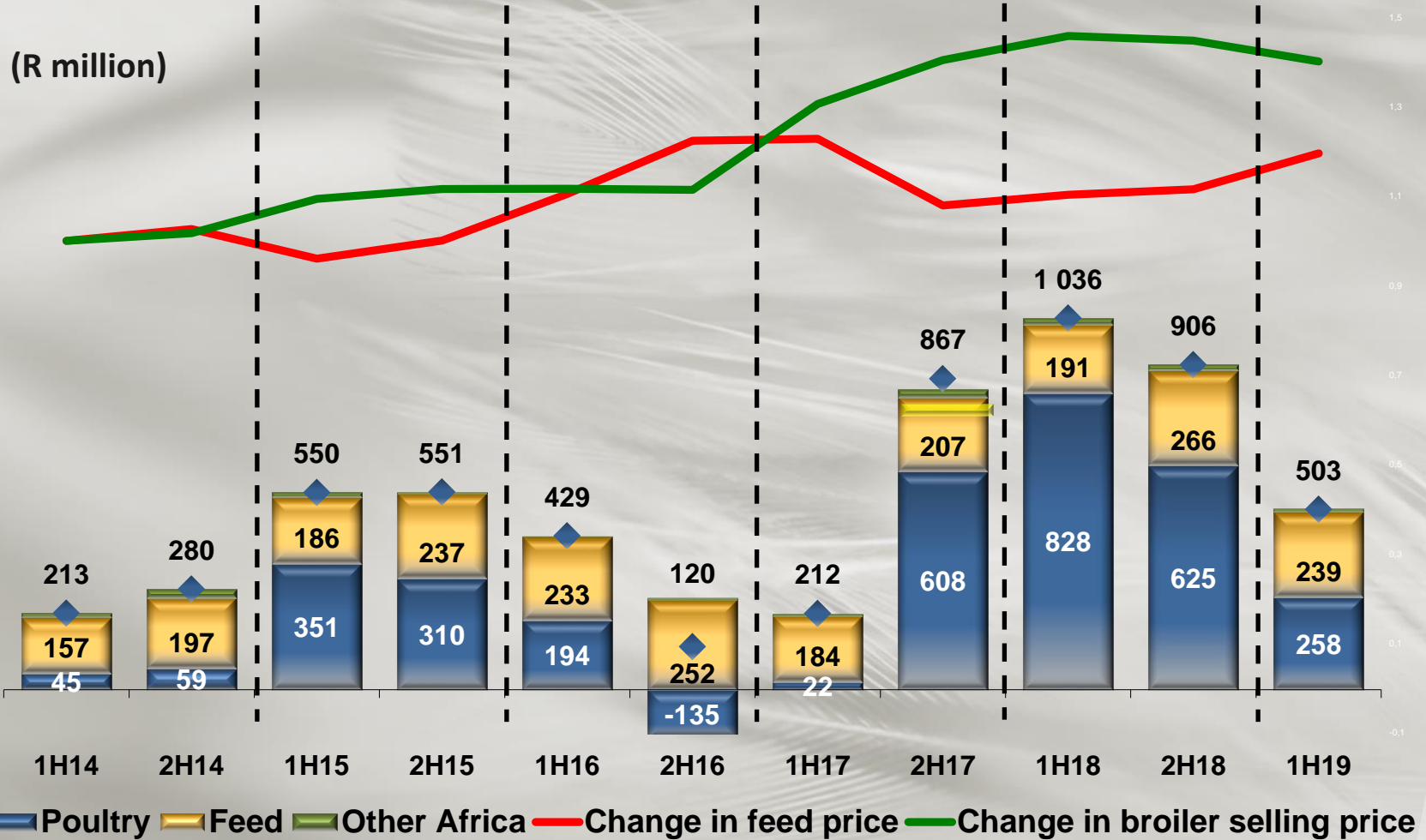


POULTRY SIX MONTHLY REVENUE

(R million)



GROUP SIX MONTHLY OPERATING PROFIT



BALANCE SHEET

| | March 2019 R million | September 2018 R million | % change |
|--|-------------------------|-----------------------------|----------|
| Non-current assets | 2 507 | 2 409 | 4% |
| Net working capital | 1 419 | 1 189 | 19% |
| Current assets (excl. cash) | 3 053 | 2 943 | 4% |
| Current liabilities (excl. borrowings) | (1 634) | (1 754) | 7% |
| Non-current liabilities (excl. borrowings) | (656) | (650) | 1% |
| Net assets | 3 270 | 2 948 | 11% |
| Net (surplus cash) | (431) | (789) | 45% |
| Equity | 3 701 | 3 737 | 1% |
| Total | 3 270 | 2 948 | 11% |

CAPITAL EXPENDITURE

| Six months ended 31 March | 2019 R million | 2018 R million |
|---------------------------|-------------------|-------------------|
| Depreciation | 88 | 78 |
| Total capex spend | 345 | 136 |
| Festive expansion | 223 | |
| Standerton silo complex | 30 | |
| Other capex | 92 | |
| Outstanding commitments | 753 | 144 |
| Festive expansion | 651 | |
| Standerton silo complex | 22 | |
| Other capex | 80 | |
| Total spend and committed | 1 098 | 280 |
| Board approved (on hold) | 344 | |
| Mountain Valley expansion | 203 | |
| Zambian feed mill | 141 | |

WORKING CAPITAL

| | March 2019 R million | September 2018 R million | Variance R million |
|--------------------------------------|-------------------------|-----------------------------|-----------------------|
| Current assets | 2 863 | 2 912 | (49) |
| Biological assets | 779 | 770 | 9 |
| Inventory - Poultry | 415 | 532 | (117) |
| - Feed | 285 | 255 | 30 |
| - Other Africa | 36 | 50 | (14) |
| Trade receivables | 1 214 | 1 204 | 10 |
| Other receivables | 134 | 101 | 33 |
| Current liabilities | (1 634) | (1 754) | 120 |
| | 1 229 | 1 158 | 71 |
| Capital expenditure advance payments | 190 | 31 | 159 |
| Net working capital | 1 419 | 1 189 | 230 |

STATEMENT OF CASH FLOWS

| For the six months ended 31 March | 2019 R million | 2018 R million |
|--|-------------------|-------------------|
| Cash operating profit | 407 | 1 094* |
| Working capital movement | 100 | (42)* |
| | 507 | 1 052 |
| Tax paid | (131) | (259) |
| Net interest received | 21 | 25 |
| Capital expenditure | (345) | (136) |
| | 52 | 682 |
| Dividends paid | (409) | (339) |
| Other cash flow items | (1) | 2 |
| Proceeds on investment sold – prior year | - | (4) |
| | (358) | 385 |
| Movement in cash equivalents | (358) | 385 |
| Effect of exchange rate changes | - | (4) |
| Opening balance | 789 | 553 |
| Closing balance | 431 | 934 |

*Restated

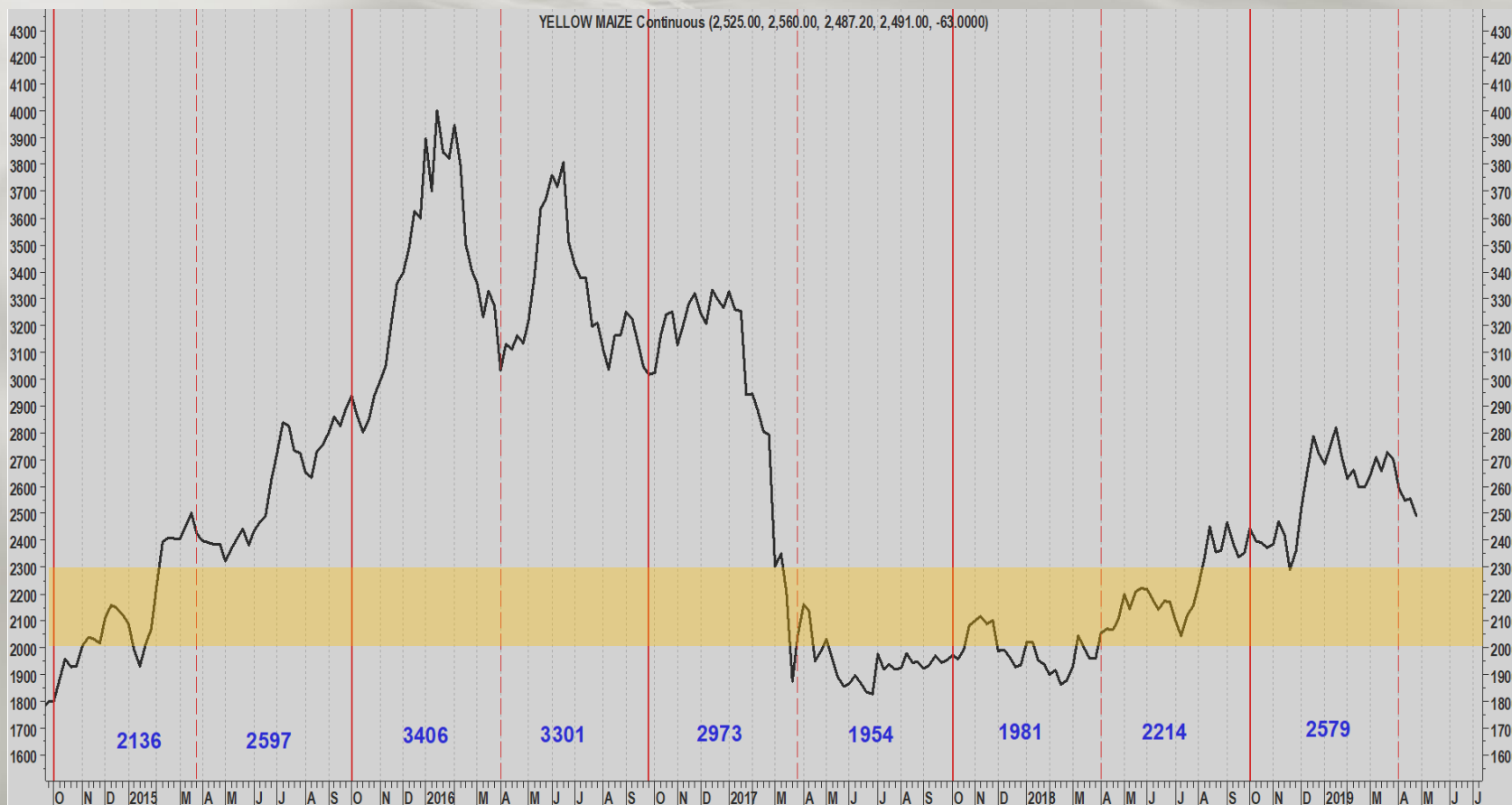
IN SUMMARY

- Decline in **poultry profitability** - profit margin at 4.7% (1H2018: 15.4%)
- **Feed profitability** in line with expectations
- **Capital expenditure on expansion projects** – R253 million paid
- **Net surplus cash** at 31 March 2019 of R431 million
- **Interim dividend of 475 cps** at 2 times cover



INDUSTRY TRENDS

SAFEX YELLOW MAIZE PRICE



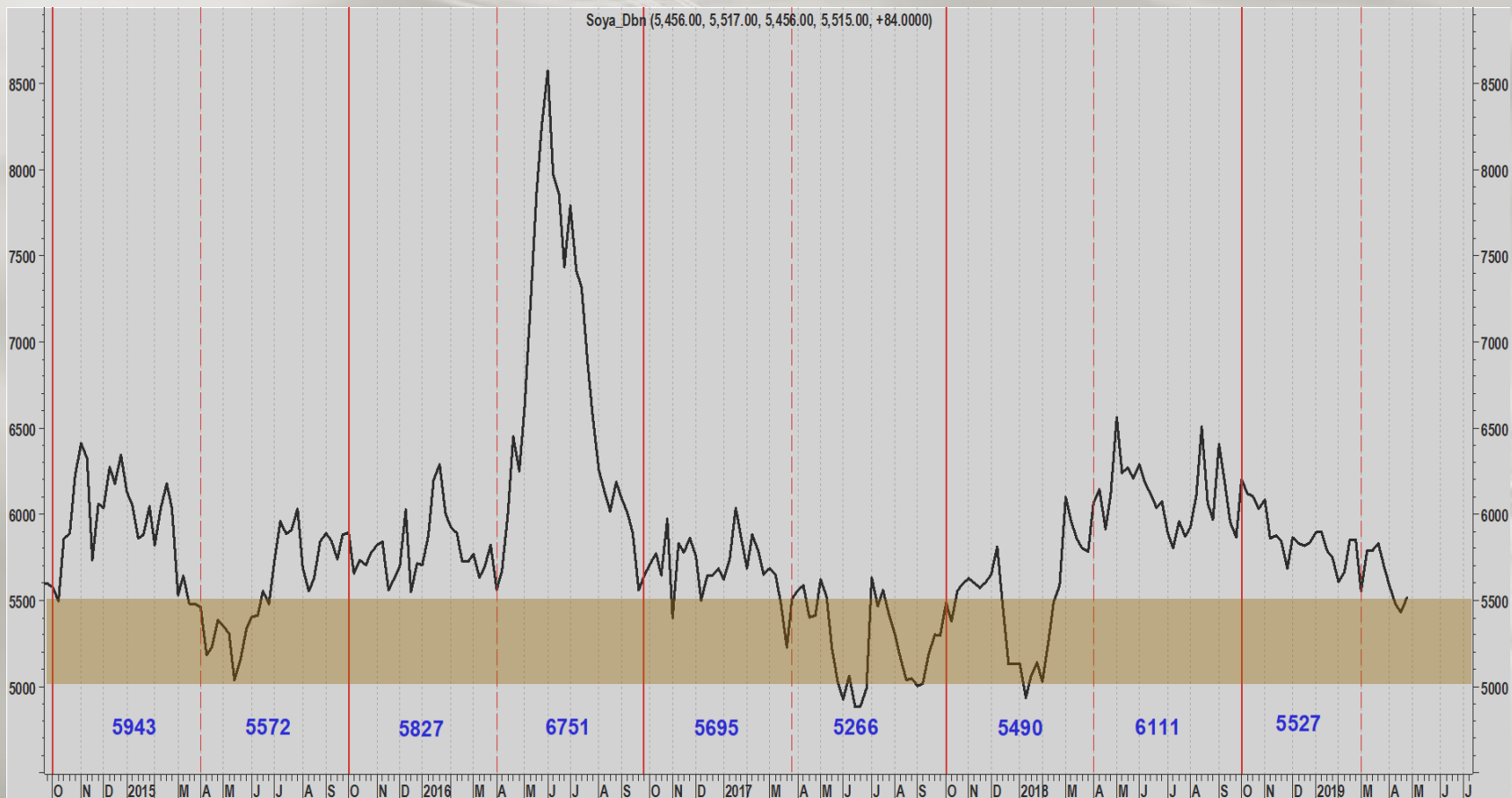
Source: CIA Strategic Risk Brokers

SAFEX YELLOW MAIZE PRICE vs. CBOT IN RAND TERMS



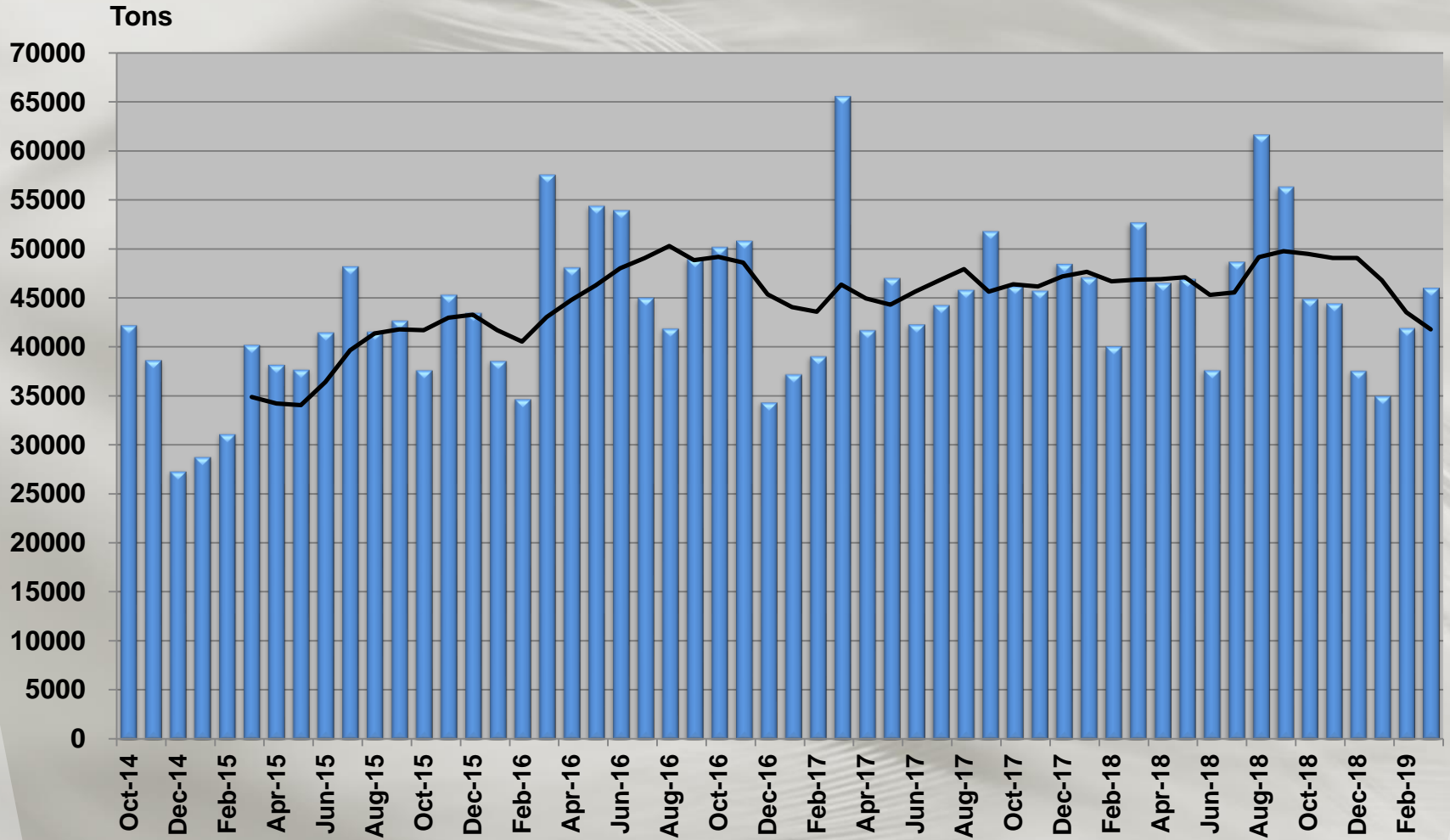
Source: CIA Strategic Risk Brokers

DURBAN SOYA MEAL PRICE



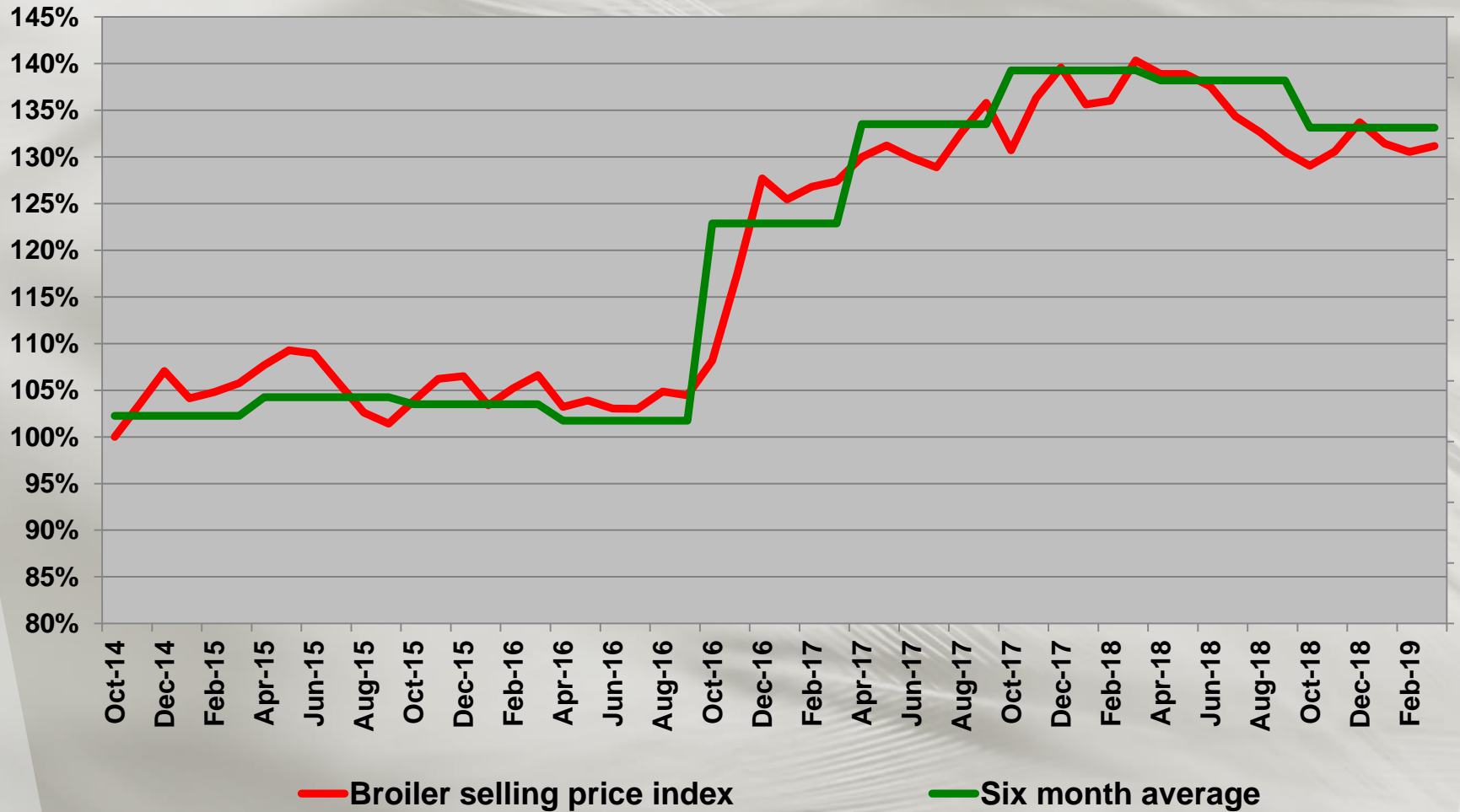
Source: CIA Strategic Risk Brokers

POULTRY IMPORTS PER MONTH



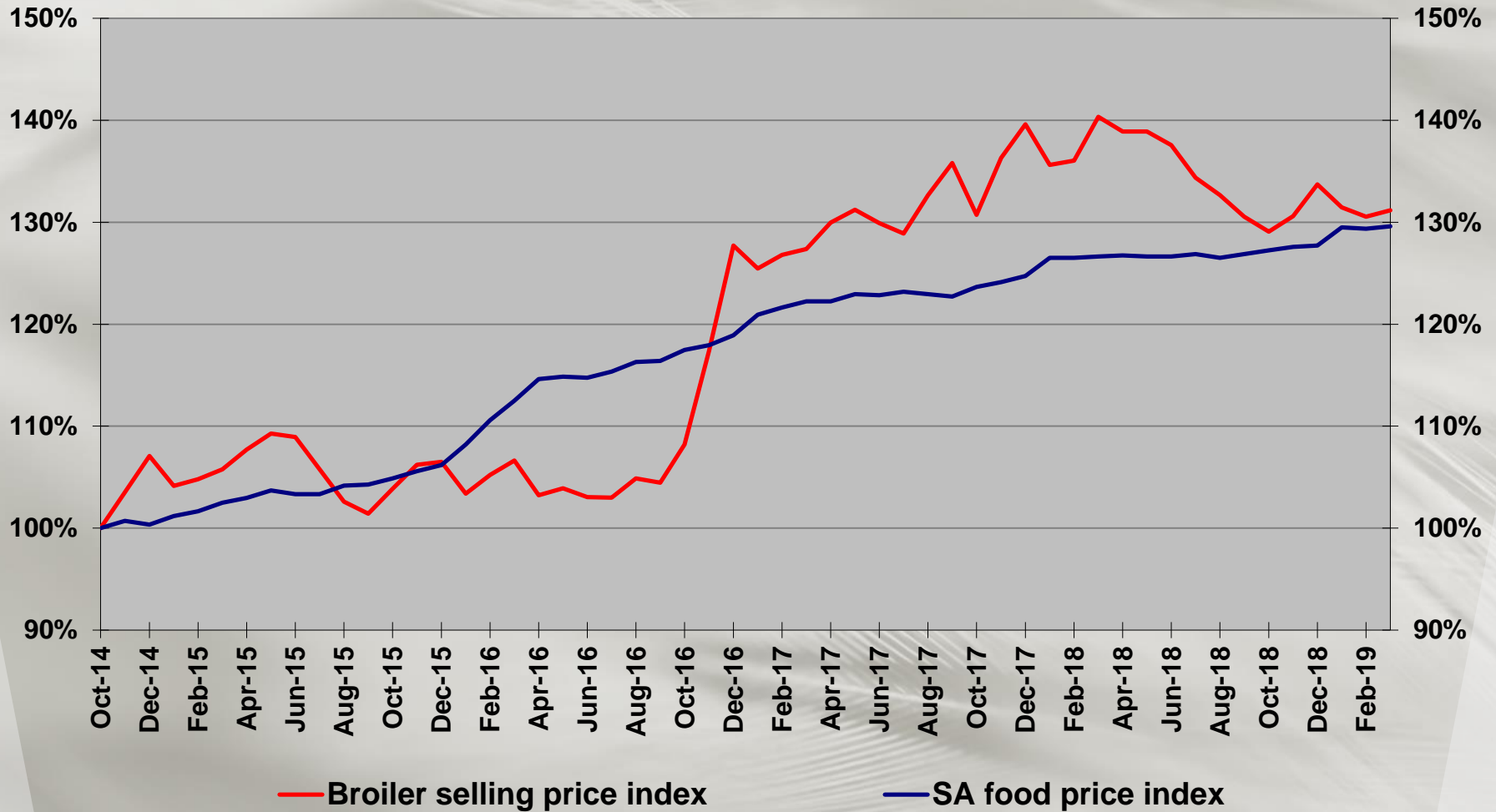
Source: SAPA

BROILER SELLING PRICE



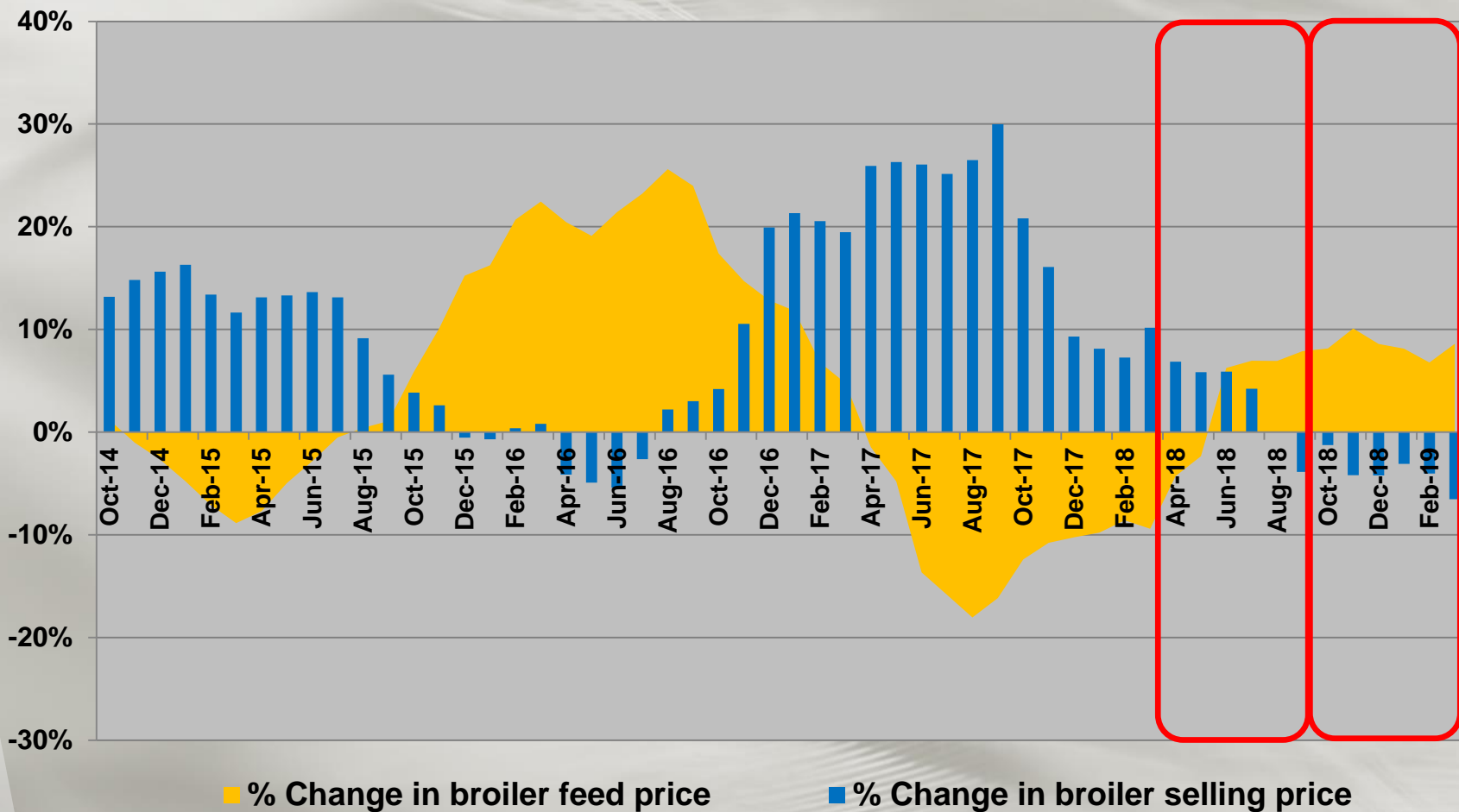
Source: Own Data

BROILER PRICE vs. FOOD PRICE INFLATION



Source: Own Data

CHANGE IN BROILER SELLING PRICE vs. FEED PRICE



Source: Own Data



OUTLOOK

POTENTIAL NEGATIVE INFLUENCES

- **Raw material price increases** will negatively impact Astral's largest input cost, namely feed which makes up 66% of broiler live cost
- **Traditionally slower trading conditions** for the second half of Astral's financial year, exacerbated by continued high levels of unemployment
- **The negative impact of high fuel prices** on consumer disposable income, leading to continued pressure on poultry selling prices
- **Higher local poultry production levels together with imports** from Brazil and the USA, will negatively impact the supply and demand balance in the short term
- **The newly legislated minimum wage** will continue to impact poultry production costs
- **Municipal infrastructure deterioration in Standerton**, leading to water supply interruptions at a cost to the business

POTENTIAL POSITIVE INFLUENCES

- **Sufficient international coarse grain stocks** with good prevailing planting conditions in the US and South America
- **Maize imports into the Western Cape** at a discount to local Safex prices, will contribute positively to feed input costs in that region
- **Local maize stocks together with maize imports** will meet demand, despite early season SA maize crop concerns
- **Recent late rainfall received** in the maize growing areas of the country, will benefit soil moisture conditions for the new planting season
- **Supply and distribution of the Ross poultry genetics** in South Africa, has been secured for a further ten year period with the conclusion of a renewed supply agreement with Aviagen



“Astral’s strategy is to be the **best cost integrated poultry producer** in selected African countries ”

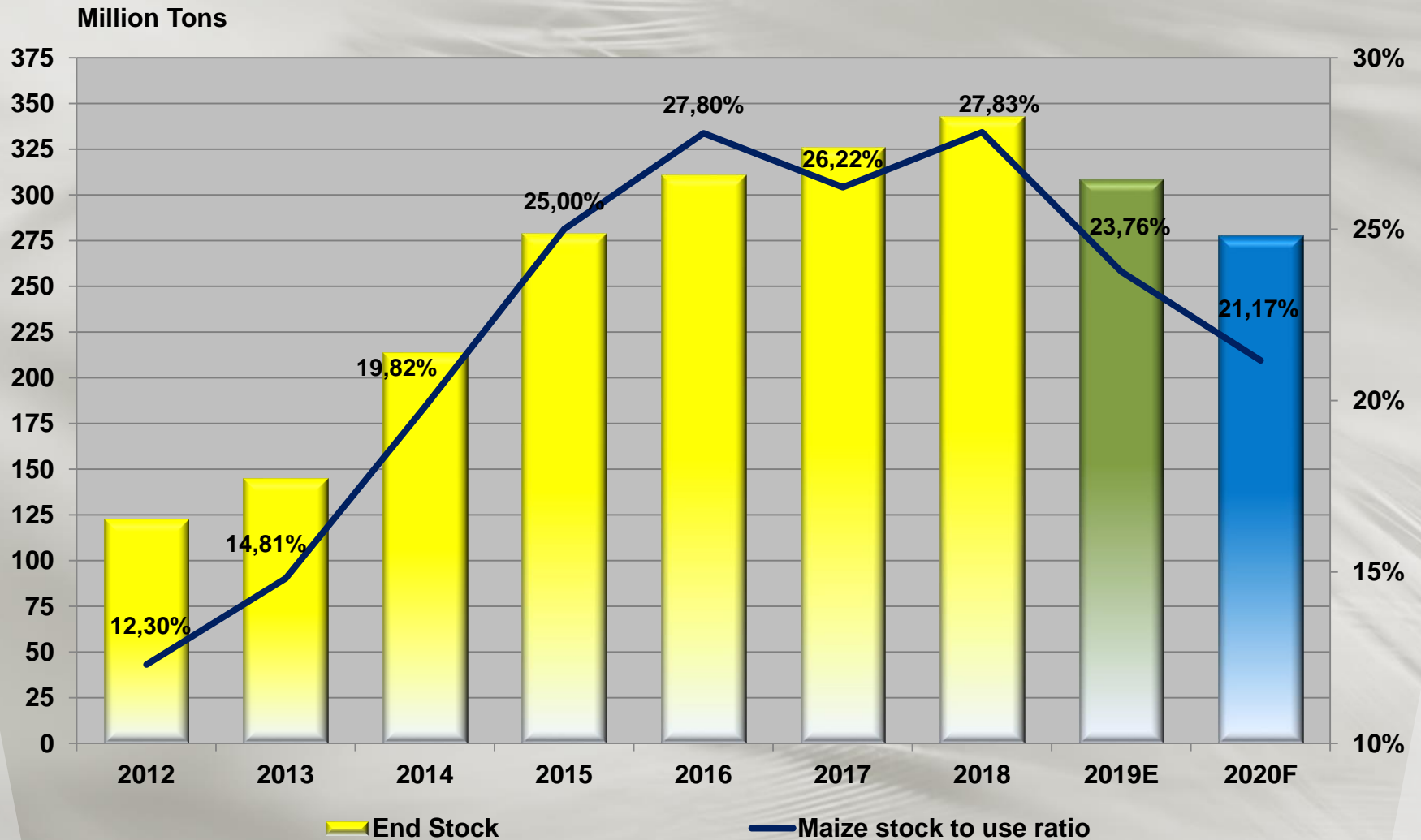


THANK YOU



ADDITIONAL INFORMATION

WORLD CORN ENDING STOCKS



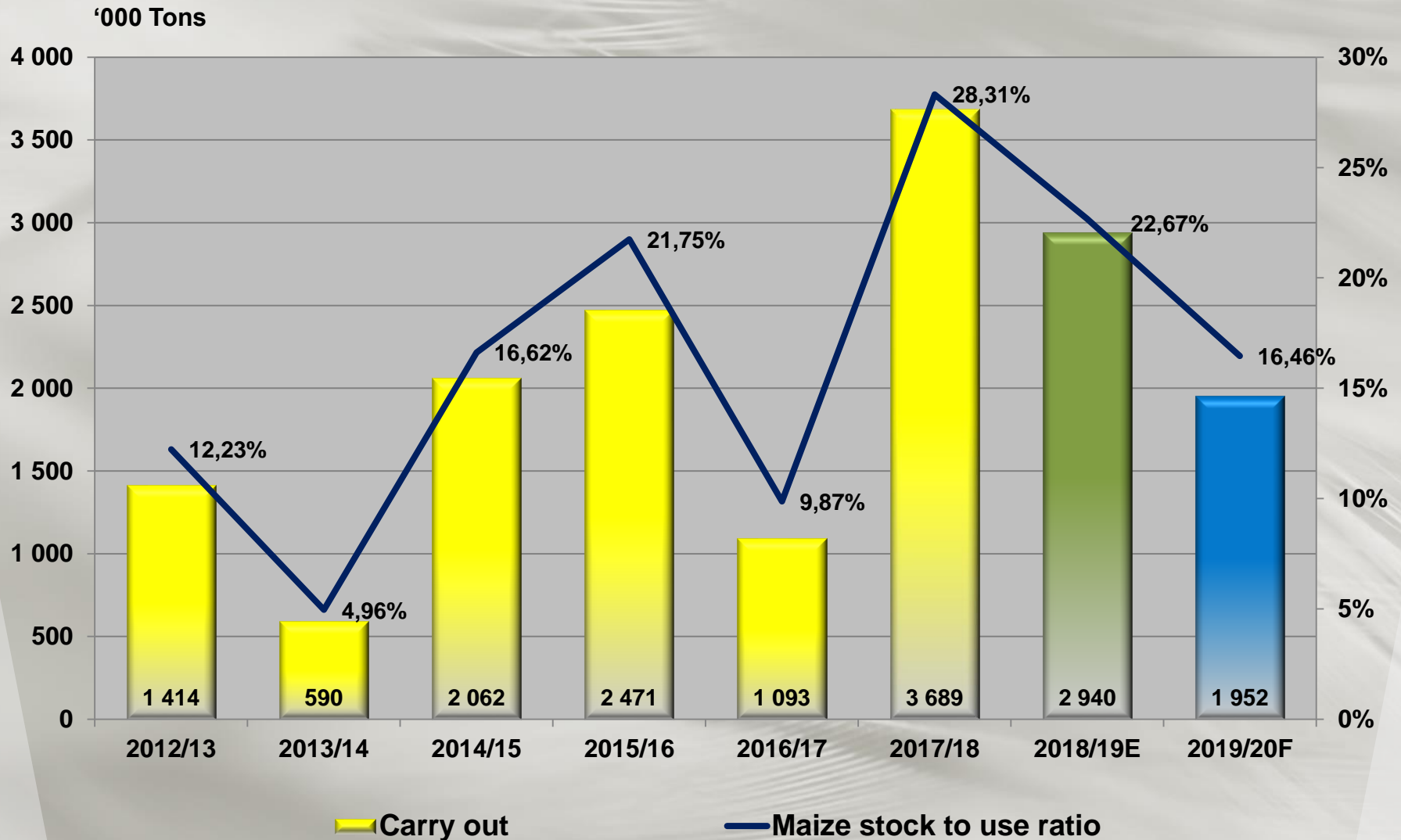
Source: CIA Strategic Risk Brokers

SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND

| <i>Marketing year (May to April)</i> <i>'000 tons</i> | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19E | 2019/20F |
|--|---------|---------|---------|---------|----------|----------|----------|
| | Actual | Actual | Actual | Actual | Estimate | Estimate | Forecast |
| Carry In (1 May) | 1 414 | 589 | 2 074 | 2 471 | 1 093 | 3 689 | 2 940 |
| Crop Estimate | 11 811 | 14 250 | 9 955 | 7 779 | 16 820 | 12 510 | 10 655 |
| Retentions | | 433 | 163 | 309 | 1 191 | 495 | 481 |
| Sagis Delivery | 11 072 | 13 817 | 9 794 | 7 469 | 15 629 | 12 015 | 10 174 |
| <i>Minus early deliveries</i> | 0 | 0 | 0 | 450 | 0 | 0 | 0 |
| Imports | 80 | 65 | 1 964 | 2 237 | 0 | 206 | 700 |
| Total Supply | 12 566 | 14 471 | 13 831 | 11 727 | 16 722 | 15 911 | 13 814 |
| Domestic Usage Food | 4 583 | 4 840 | 4 698 | 4 808 | 4 993 | 5 146 | 5 220 |
| Domestic Usage Feed | 4 715 | 5 041 | 5 520 | 5 004 | 5 276 | 5 355 | 5 100 |
| Gristing, withdrawn & released | 480 | 376 | 293 | 278 | 313 | 249 | 540 |
| Total Domestic Usage | 9 777 | 10 257 | 10 512 | 10 090 | 10 583 | 10 750 | 10 860 |
| Exports & Sundries | 2 122 | 2 153 | 848 | 993 | 2 451 | 2 221 | 1 002 |
| <i>Plus early deliveries</i> | 0 | 0 | 0 | 450 | 0 | 0 | 0 |
| Carry Out (30 Apr) | 590 | 2 062 | 2 471 | 1 093 | 3 689 | 2 940 | 1 952 |
| No of days usage | 25 | 73 | 86 | 40 | 127 | 100 | 66 |
| STU | 4,96% | 16,62% | 21,75% | 9,87% | 28.31% | 22.67% | 16.46% |

Source: CIA Strategic Risk Brokers

SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND



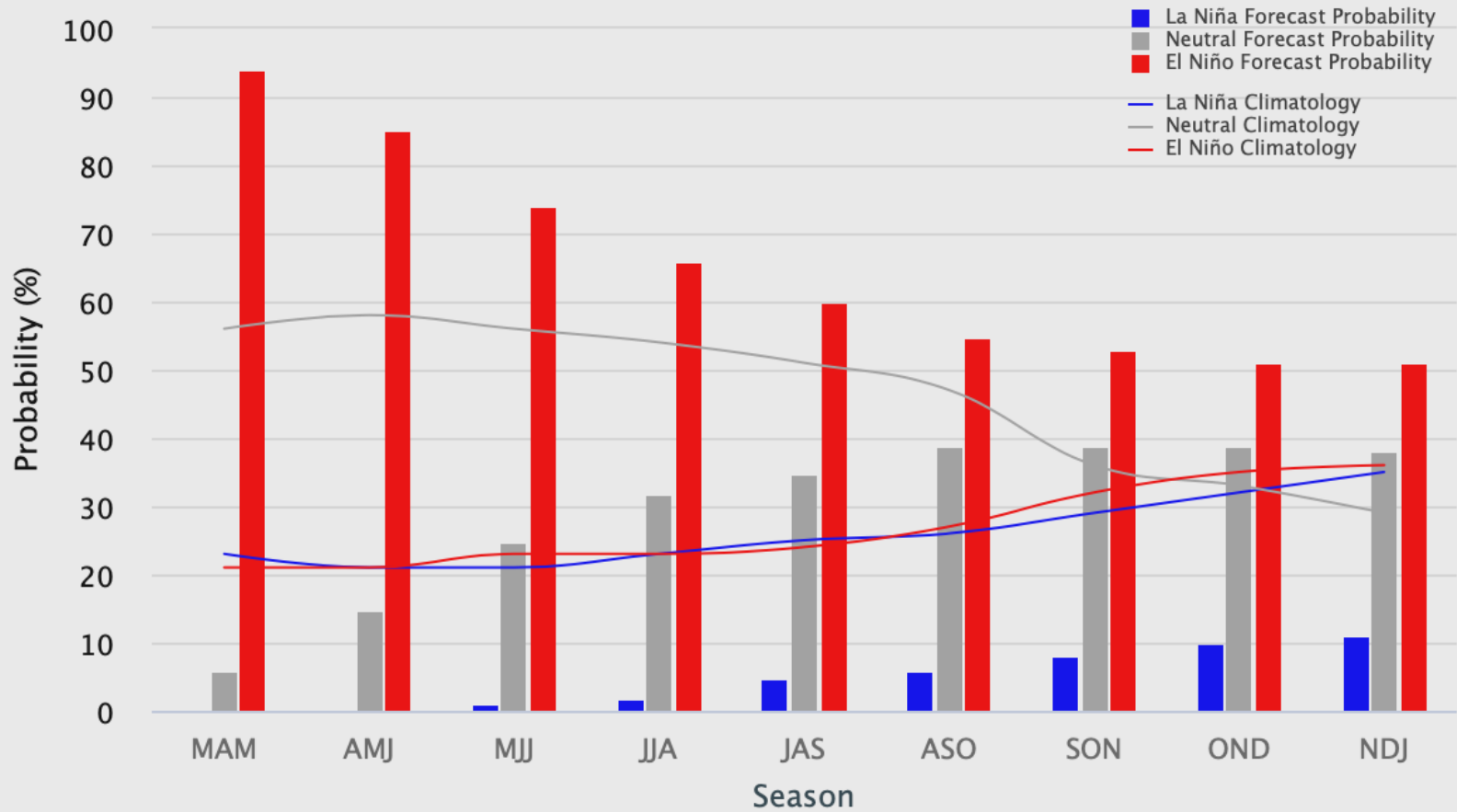
Source: CIA Strategic Risk Brokers

EL NIÑO SOUTHERN OSCILLATION - FORECAST

Early-April 2019 CPC/IRI Official Probabilistic ENSO Forecasts

ENSO state based on NINO3.4 SST Anomaly

Neutral ENSO: $-0.5\text{ }^{\circ}\text{C}$ to $0.5\text{ }^{\circ}\text{C}$



Source: International Research Institute for Climate and Society (IRI) – Columbia University

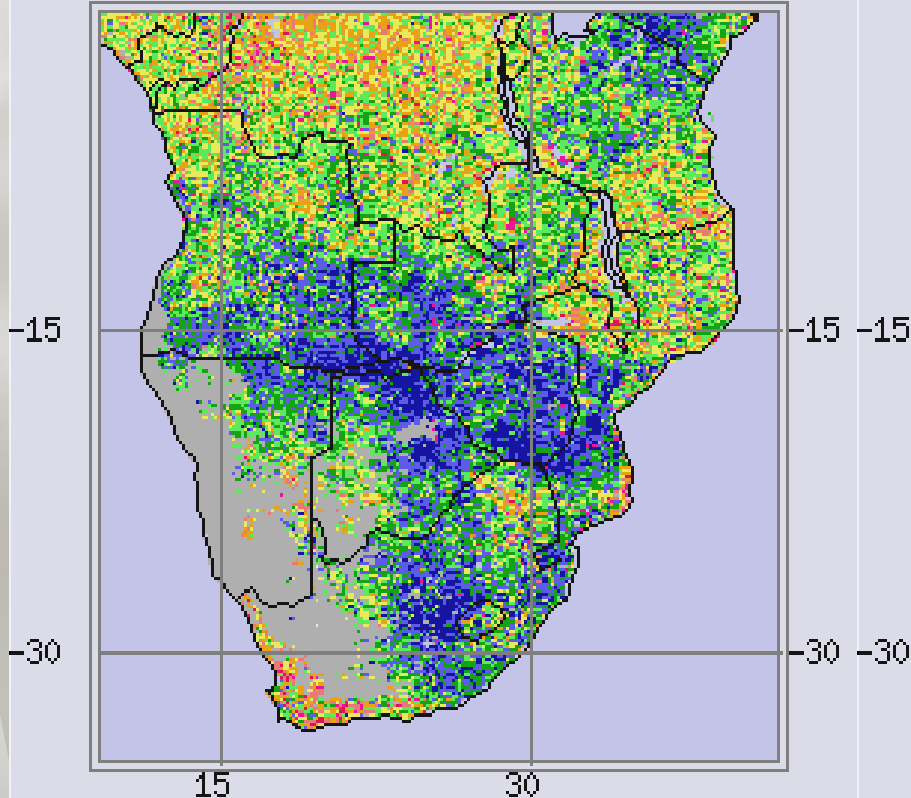
SOUTHERN AFRICA - VEGETATIVE HEALTH INDEX

VHI of previous year

May 6, 2018 (week 18)

15

30

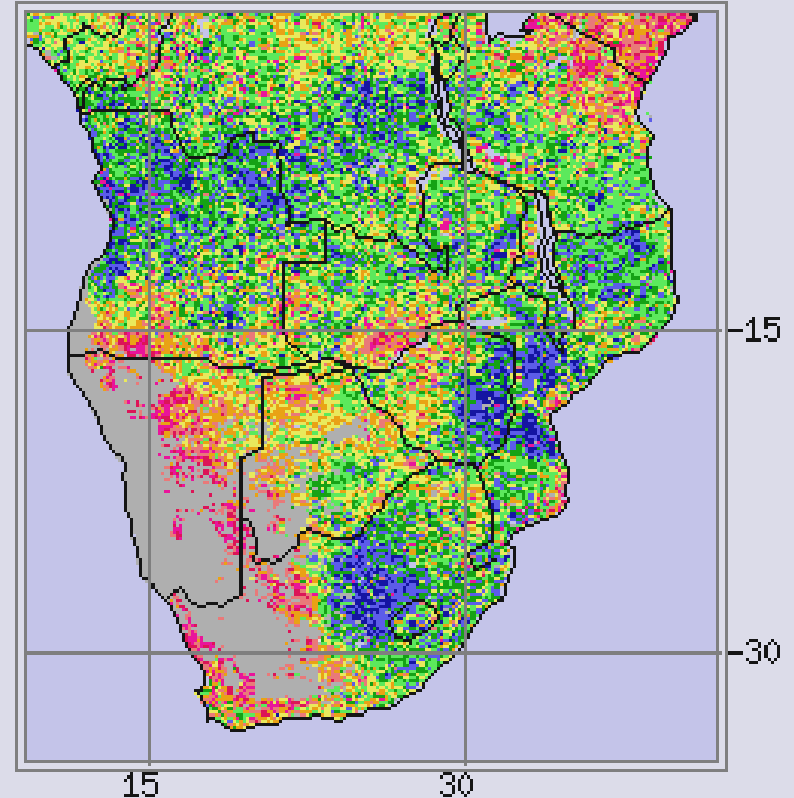


VHI of current year

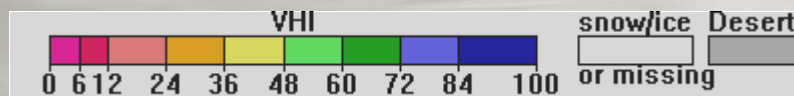
May 6, 2019 (week 18)

15

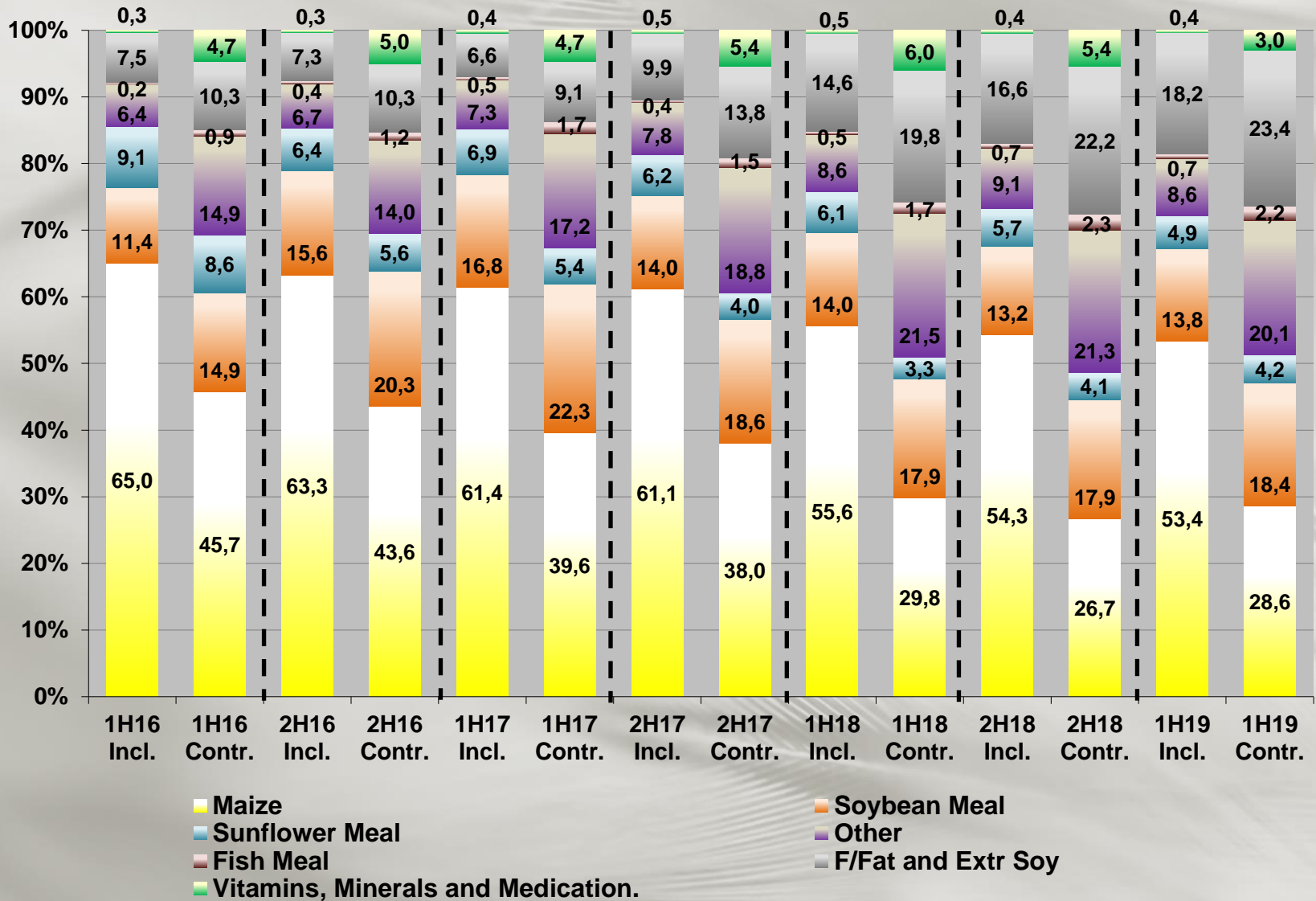
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Source: NOAA - National Environmental Satellite, Data, and Information Service (VHI)



BROILER FEED – INGREDIENT INCLUSION & COST CONTRIBUTION



Source: Own Data

BRAZIL, EU & USA PRODUCT COST BENCHMARK

| Ex BRAZIL – May 2019 | | | | | |
|--|------------|-----------------|-----------------|-----------------|------------------|
| FROZEN LEG QUARTERS BULK PACKED | | | | | |
| CIF DBN US\$ per ton | TON | 1 200.00 | 1 200.00 | 1 200.00 | SA COST |
| R/\$ exchange rate | R\$ | 14.30 | 14.60 | 14.90 | |
| Rand per ton | TON | 17 160.00 | 17 520.00 | 17 880.00 | 23 480.00 |
| Rand per kg | KG | 17.16 | 17.52 | 17.88 | 23.48 |
| Duty per kg | KG | 37% | 37% | 37% | - |
| Clearance costs | KG | 0.65 | 0.65 | 0.65 | - |
| COST INTO STORAGE | KG | 24.16 | 24.65 | 25.15 | 23.48 |
| Storage | KG | 0.50 | 0.50 | 0.50 | - |
| Distribution | KG | 0.80 | 0.80 | 0.80 | 0.92 |
| Marketing, Administration, Finance | KG | 0.80 | 0.80 | 0.80 | 0.96 |
| TOTAL COST | KG | 26.26 | 26.75 | 27.25 | 25.36 |
| EUROPE – May 2019 | | | | | |
| FROZEN LEG QUARTERS BULK PACKED | | | | | |
| CIF DBN € per ton | TON | | | | SA COST |
| € exchange rate | R\$ | | | | |
| Rand per ton | TON | | | | 23 480.00 |
| Rand per kg | KG | | | | 23.48 |
| Duty per kg | KG | | | | - |
| Clearance costs | KG | | | | - |
| COST INTO STORAGE | KG | | | | 23.48 |
| Storage | KG | | | | - |
| Distribution | KG | | | | 0.92 |
| Marketing, Administration, Finance | KG | | | | 0.96 |
| TOTAL COST | KG | | | | 25.36 |

Source: Own Estimates

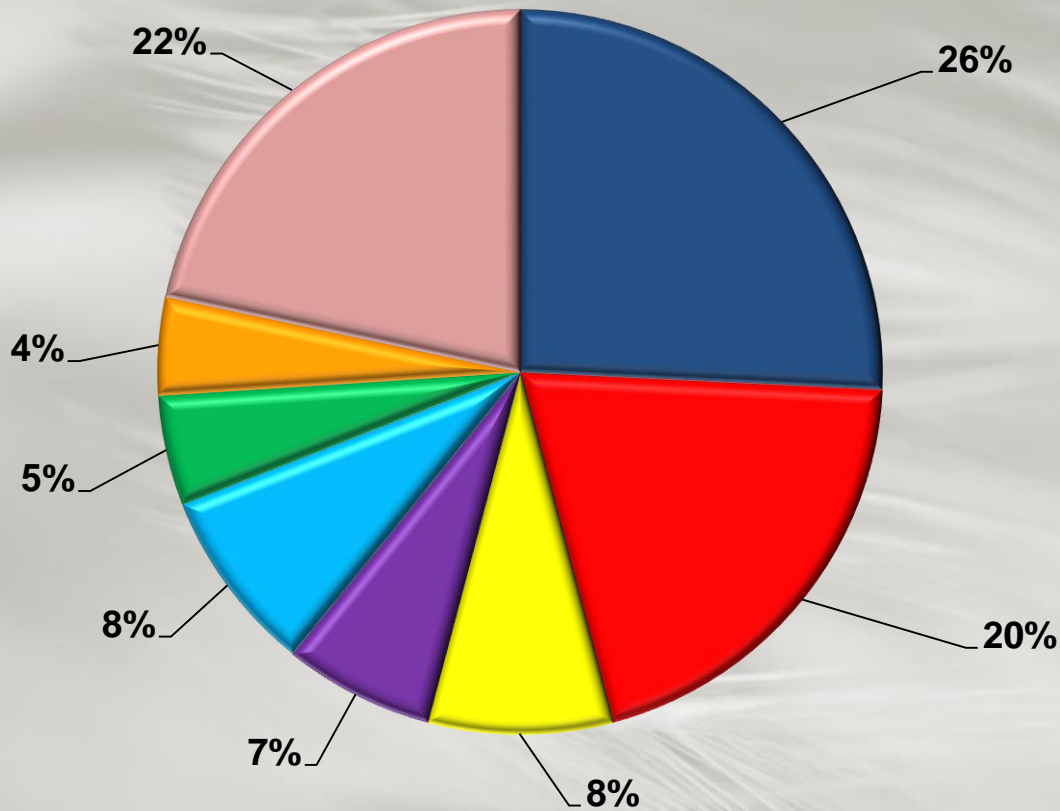
BRAZIL, EU & USA PRODUCT COST BENCHMARK

EUROPE Ex Ireland, Spain, Poland and Denmark with Safeguard Duty @ 30 % – May 2019

| FROZEN LEG QUARTERS BULK PACKED | | | | | |
|------------------------------------|-----------|--------------|--------------|--------------|------------------|
| CIF DBN € per ton | TON | 1 100.00 | 1 100.00 | 1 100.00 | SA COST |
| R/€ exchange rate | R\$ | 16.00 | 16.20 | 16.50 | |
| Rand per ton | TON | 17 600.00 | 17 820.00 | 18 150.00 | 23 480.00 |
| Rand per kg | KG | 17.60 | 17.82 | 18.15 | 23.48 |
| Duty per kg | KG | 30% | 30% | 30% | - |
| Clearance costs | KG | 0.65 | 0.65 | 0.65 | - |
| COST INTO STORAGE | KG | 23.53 | 23.82 | 24.25 | 23.48 |
| Storage | KG | 0.50 | 0.50 | 0.50 | - |
| Distribution | KG | 0.80 | 0.80 | 0.80 | 0.92 |
| Marketing, Administration, Finance | KG | 0.80 | 0.80 | 0.80 | 0.96 |
| TOTAL COST | KG | 25.63 | 25.92 | 26.35 | 25.36 |
| Ex USA – May 2019 | | | | | |
| FROZEN LEG QUARTERS BULK PACKED | | | | | |
| CIF DBN US\$ per ton | TON | 1000.00 | 1000.00 | 1000.00 | SA COST |
| R/\$ exchange rate | R\$ | 14.30 | 14.60 | 14.90 | |
| Rand per ton | TON | 14 300.00 | 14 600.00 | 14 900.00 | 23 480.00 |
| Rand per kg | KG | 14.30 | 14.60 | 14.90 | 23.48 |
| Duty per kg | KG | 37.00% | 37.00% | 37.00% | - |
| Clearance costs | KG | 0.65 | 0.65 | 0.65 | - |
| COST INTO STORAGE | KG | 20.24 | 20.65 | 21.06 | 23.48 |
| Storage | KG | 0.50 | 0.50 | 0.50 | - |
| Distribution | KG | 0.80 | 0.80 | 0.80 | 0.92 |
| Marketing, Administration, Finance | KG | 0.80 | 0.80 | 0.80 | 0.96 |
| TOTAL COST | KG | 22.34 | 22.75 | 23.16 | 25.36 |

Source: Own Estimates

LOCAL BROILER PRODUCTION & MARKET SHARE

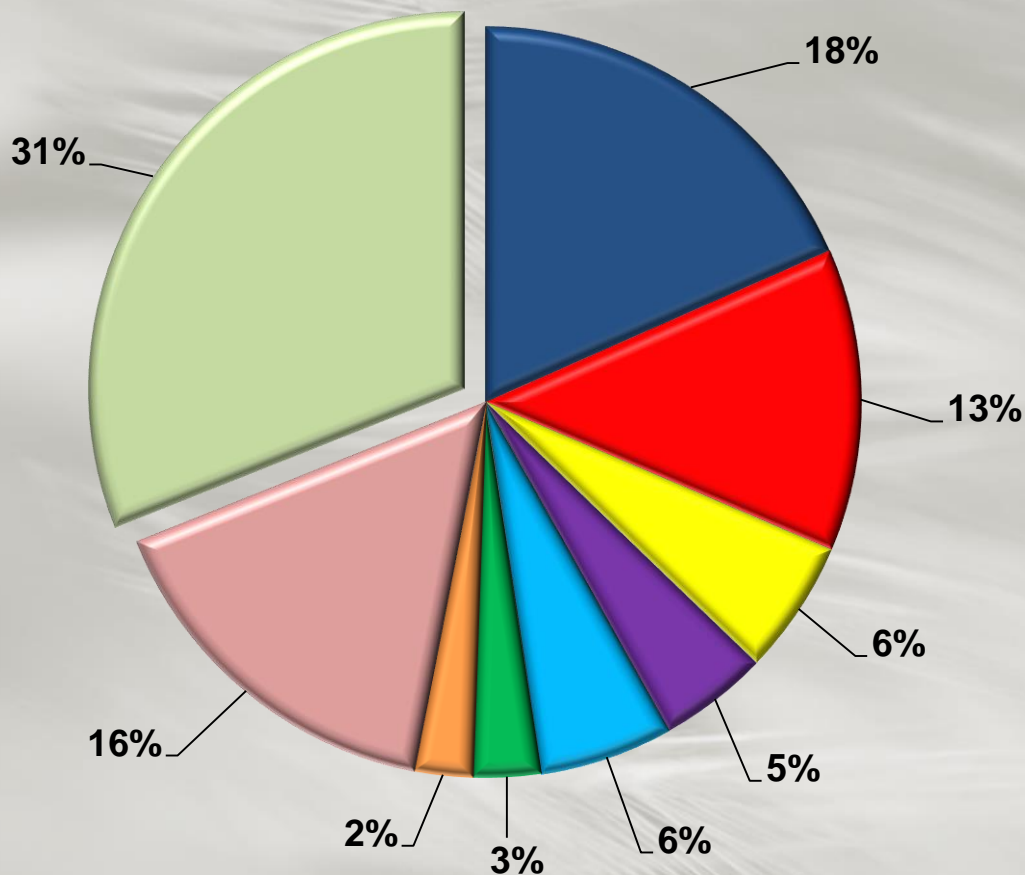


■ Astral ■ RCL ■ Country Bird ■ Daybreak ■ Sovereign ■ Grainfields ■ Chubby Chick ■ Other

Local broiler production ≈ 19.4 million birds per week

Source: Own Estimates

LOCAL BROILER PRODUCTION & MARKET SHARE



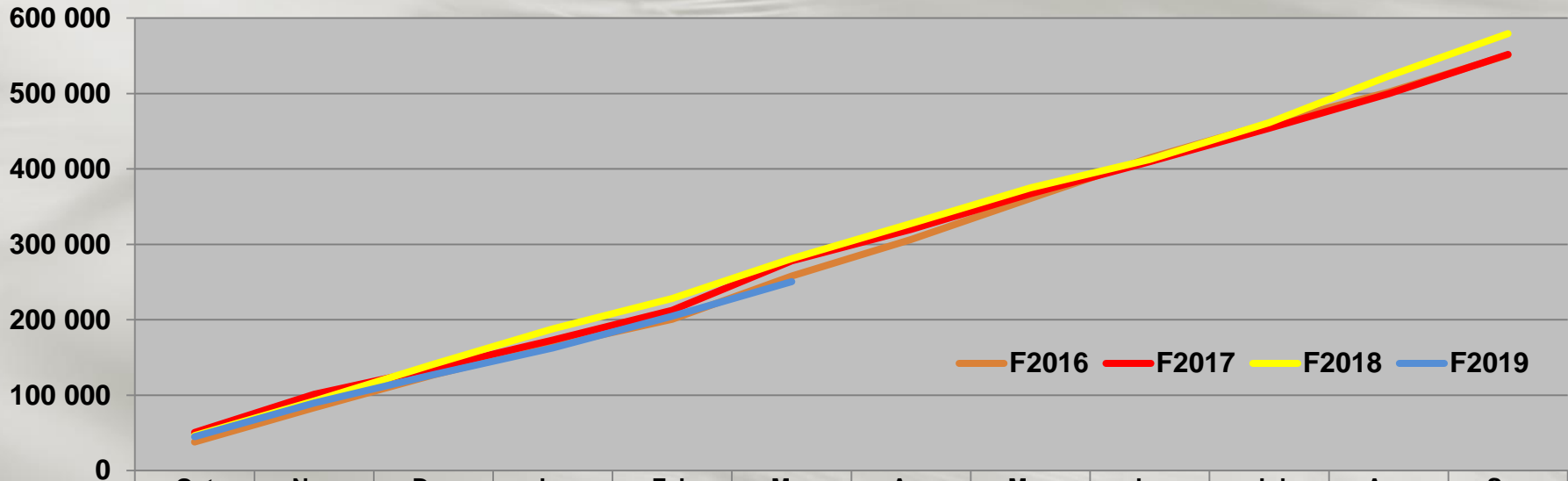
■ Astral ■ RCL ■ Country Bird ■ Daybreak ■ Sovereign ■ Grainfields ■ Chubby Chick ■ Other ■ Imports

**Avg. poultry imports ≈ 7.4 million birds per week
(6 months ending March 2019)**

Source: SAPA & Own Estimates

TOTAL POULTRY IMPORTS (CHICKEN, MDM, TURKEY)

Tons



| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
|-------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| F2016 | 37 789 | 83 258 | 126 866 | 165 602 | 200 461 | 258 134 | 306 385 | 360 899 | 414 947 | 460 098 | 502 138 | 551 209 |
| F2017 | 50 324 | 101 279 | 135 812 | 173 187 | 212 399 | 278 057 | 319 933 | 367 106 | 409 557 | 453 981 | 499 952 | 551 867 |
| F2018 | 46 348 | 92 223 | 140 823 | 188 065 | 228 295 | 281 102 | 327 753 | 374 838 | 412 638 | 461 454 | 523 205 | 579 661 |
| F2019 | 45 061 | 89 632 | 127 371 | 162 545 | 204 639 | 250 626 | | | | | | |

| | | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| F2018 | 46 348 | 45 875 | 48 600 | 47 242 | 40 230 | 52 807 | 46 651 | 47 085 | 37 800 | 48 816 | 61 751 | 56 456 |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|

| | | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--|--|--|--|--|--|
| F2019 | 45 061 | 44 571 | 37 739 | 35 174 | 42 094 | 45 987 | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--|--|--|--|--|--|

| | | | | | | | | | | | | |
|-------|------|------|-------|-------|-----|-------|--|--|--|--|--|--|
| % Var | -2,8 | -2,8 | -22,3 | -25,6 | 4,6 | -12,9 | | | | | | |
|-------|------|------|-------|-------|-----|-------|--|--|--|--|--|--|

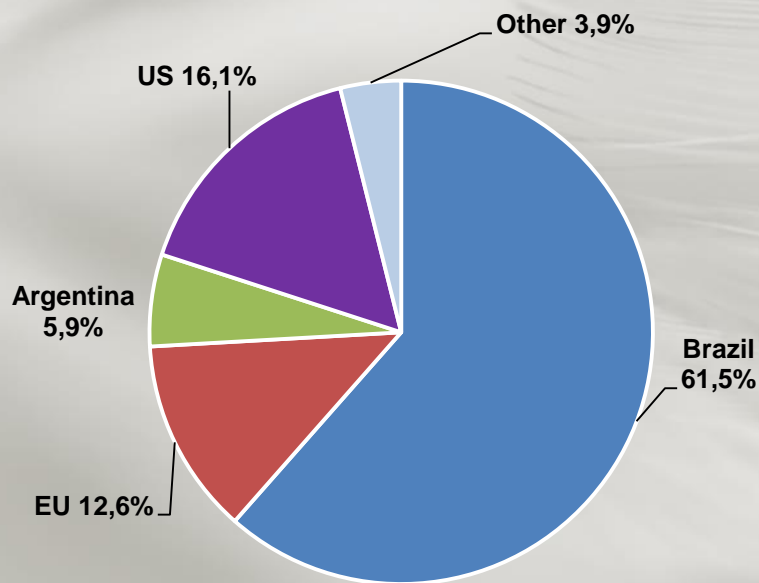
| | | | | | | | | | | | | |
|------|-----|-----|-----|-----|-----|-----|--|--|--|--|--|--|
| bpw* | 8,0 | 7,9 | 6,7 | 6,2 | 7,5 | 8,2 | | | | | | |
|------|-----|-----|-----|-----|-----|-----|--|--|--|--|--|--|

*bpw ≈ million birds per week

Source: SAPA

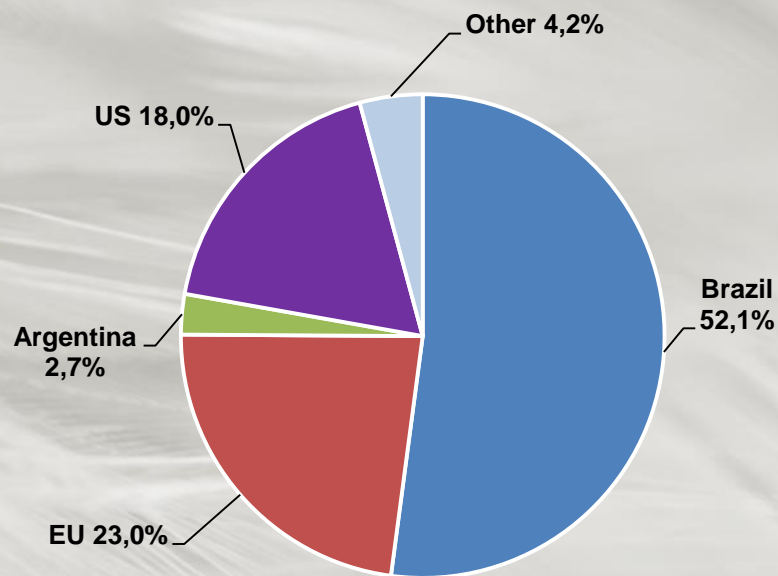
TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

Country of origin for poultry imports - 2018



566 210 tons

Country of origin for poultry imports - March 2019 YTD



123 275 tons

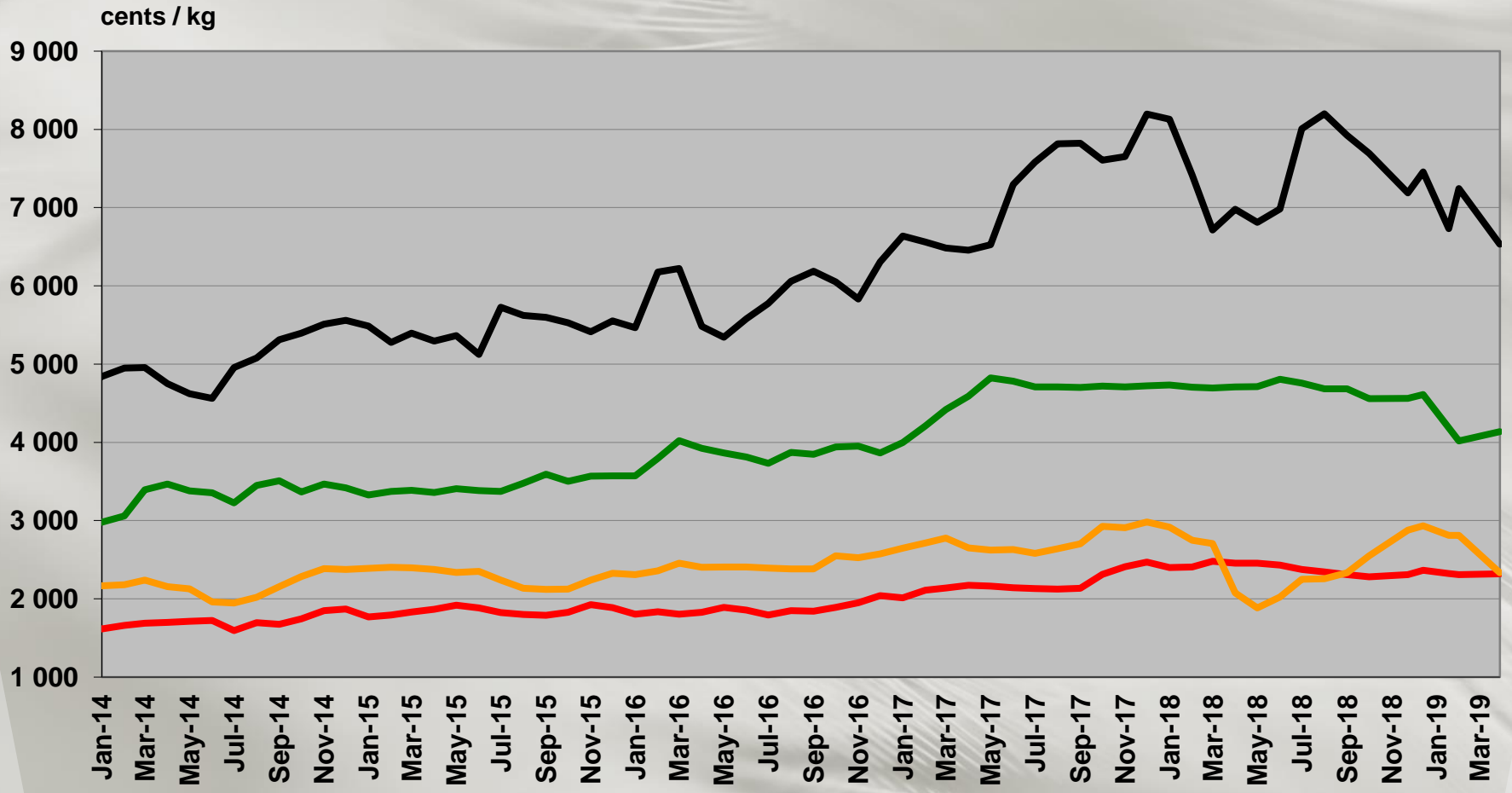
Source: SAPA

TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

| Country | Imports (tons) | | |
|--------------------|----------------|----------------|----------------|
| | 2017 | 2018 | 2019 YTD |
| Brazil | 337 476 | 348 155 | 64 212 |
| United States | 87 059 | 91 374 | 22 153 |
| Argentina | 32 816 | 33 278 | 3 363 |
| Ireland | 24 746 | 26 328 | 7 052 |
| Denmark | 16 884 | 25 672 | 5 794 |
| Poland | 72 | 13 463 | 11 993 |
| Thailand | 4 019 | 9 011 | 2 867 |
| Canada | 14 431 | 7 305 | 1 576 |
| Spain | 11 138 | 4 932 | 3 298 |
| Chile | 1 770 | 4 362 | 614 |
| Australia | 984 | 553 | 114 |
| Swaziland | 24 | 482 | 23 |
| Uruguay | 50 | 359 | - |
| Netherlands | 112 | 323 | 48 |
| United Kingdom | 1 366 | 231 | 76 |
| Germany | 134 | 222 | 37 |
| Belgium | 23 451 | 23 | 27 |
| Other | 344 | 137 | 28 |
| Grand Total | 556 877 | 566 210 | 123 275 |

Source: SAPA

SOUTH AFRICAN PROTEIN PRICE COMPARISON



Chicken

Pork

Beef

Mutton

Feed Conversion Rate

1.5

2.2

5.5

5.0

Per Capita Consumption

39,5 kg

5,1 kg

17,0 kg

3,0 kg

Source: SAPA, FNB, Red Meat Industry Forum



INDUSTRY MATTERS

POULTRY IMPORTS

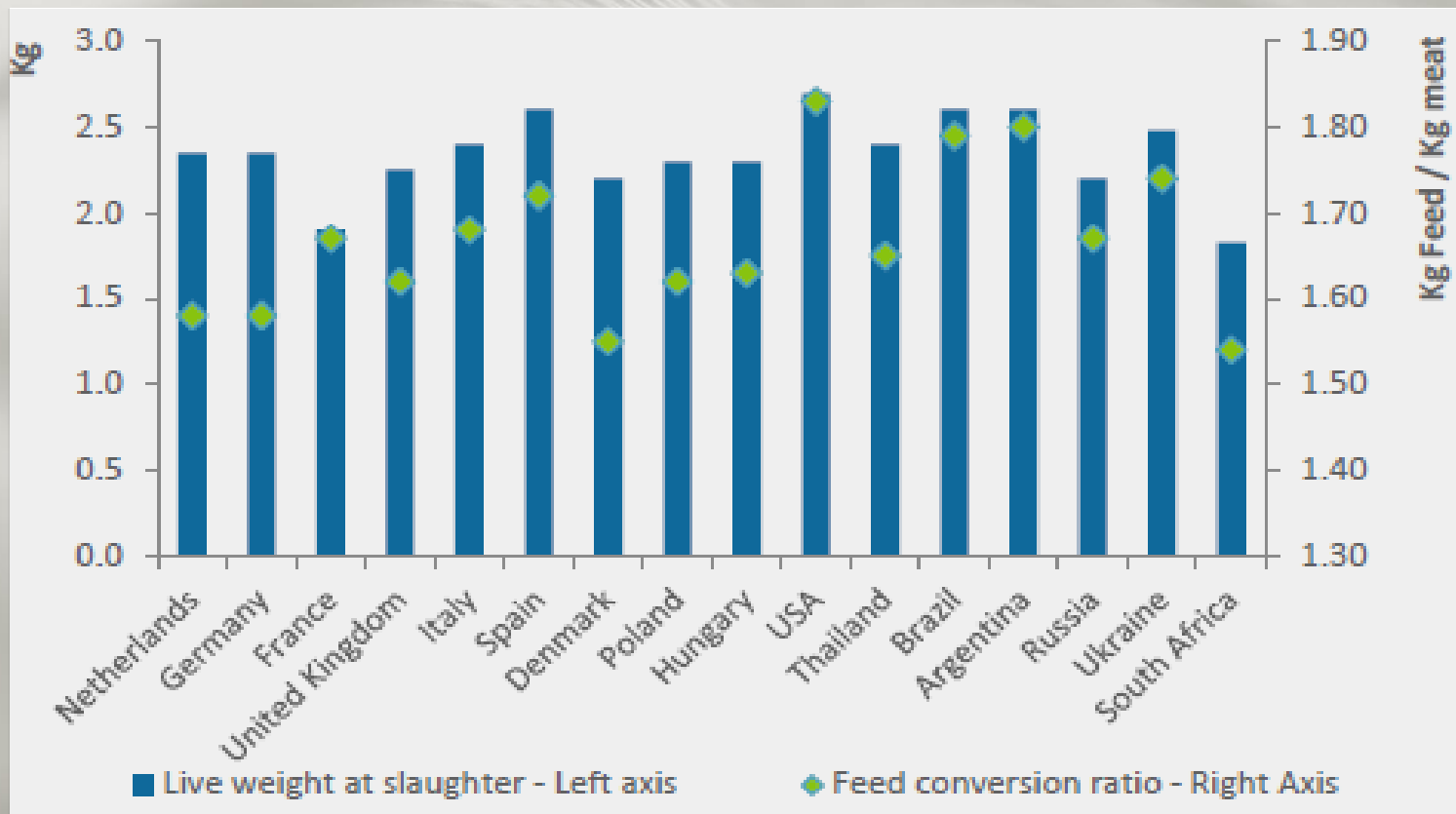
- The EPA (SADC-EU Economic Partnership Agreement) **safeguard for poultry bone-in imports from the EU is in force**
- Under the provision the safeguard duty on EU frozen bone-in portions will be as follows (to which the EU have declared a dispute):
 - 35.3% from 28 September 2018 up to and including 11 March 2019
 - **30% from 12 March 2019 up to and including 11 March 2020**
 - 25% from 12 March 2020 up to and including 11 March 2021
 - 15% from 12 March 2021 up to and including 11 March 2022
- **This duty levels the playing field** somewhat, with imports from **Brazil and the US** subject to a 37% import duty (current) for these exporting countries (plus an anti-dumping duty on the US - for which the AGOA 65 000 ton annual quota is exempt)
- **Imports from the EU over the past couple of years have been substantially lower** than historical levels, from a time where record EU imports were received in November 2016. This is due to the prevalence of highly pathogenic bird flu in a number of EU countries affecting EU trade with South Africa
- Import volumes previously supplied by the EU have **switched to Brazil, which is currently the largest exporter of poultry products to South Africa**

POULTRY IMPORTS

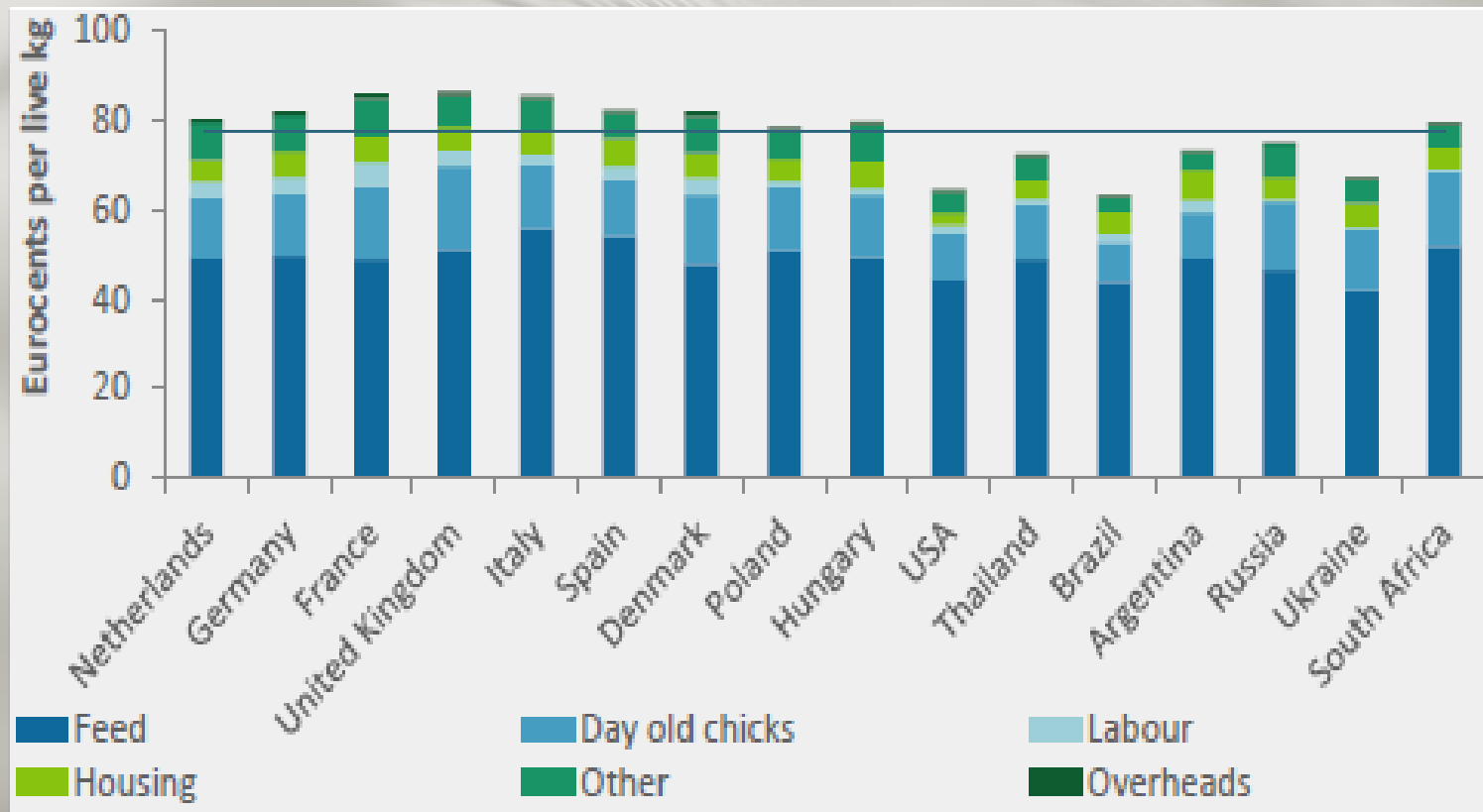
- **Tariff Investigation (Frozen Chicken)**
 - SAPA has made application made for an increase in the rate of custom duties for bone-in portions and boneless cuts **from 37% and 12% respectively to the maximum bound rate of 82%**
 - **ITAC has already found unfair trade** within WTO rules and only the percentages are up for review
 - **The ITAC investigation was expected to be completed by the end of March 2019** with the Minister of Trade and Industry making his decision 2 to 4 weeks thereafter
 - **However, this has been delayed by an urgent application from AMIE and Merlog Foods** where they are claiming:
 - Access to certain confidential information from SAPA and the Participating Producers ("Confidentiality Claim"); and
 - A right to receive a preliminary decision from ITAC for comment prior to making a recommendation to the Minister of Trade and Industry ("Constitutional Claim")
- **Anti-Dumping Application against Brazil**
 - Webber Wentzel provided an opinion that there is **sufficient evidence to prove dumping of bone-in portions into South Africa**
 - It is necessary to update the 2017 injury information provided for the frozen chicken tariff investigation / application to include 2018
 - It has been recommended that ITAC be engaged informally to obtain its view on whether there is sufficient information to initiate an application

- **South Africa remains an efficient chicken producer in the global context**, and has consistently produced chicken cheaper than European Union countries
- This is according to the latest research from the **Bureau for Food and Agricultural Policy**
- **Data for major chicken producing countries is analysed every two years by Wageningen University and Research in the Netherlands**, which has been ranked as one of the world's top agricultural universities
- Additional research to include the comparable South African data has been undertaken by the **Bureau for Food and Agricultural Policy (BFAP)**, an independent research institute in Pretoria
- **The report, based on data from 2017** was released during April 2019 by the BFAP
- **South African producers remain competitive** and were shown to produce a kilogram of chicken meat at a lower cost relative to the European producers included in the sample, but at a higher cost than the leading exporters such as the US and Brazil (with the difference mainly being attributable to feed costs)

TECHNICAL EFFICIENCY



ECONOMIC EFFICIENCY: TOTAL PRODUCTION COSTS



Chris Schutte
Chief Executive Officer

Tel : +27 (0) 12 667 5468
Fax : +27 (0) 86 504 2002
email: Chris.Schutte@astralfoods.com



www.astralfoods.com

Daan Ferreira
Chief Financial Officer

Tel : +27 (0) 12 667 5468
Fax : +27 (0) 86 504 1602
email: Daan.Ferreira@astralfoods.com

