



INTERIM RESULTS PRESENTATION

FOR THE SIX MONTHS ENDED 31 MARCH 2018

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County Fair

Signature Range



100% South African

Sealed in freshness

Fresh for longer

BUSINESS OVERVIEW

FRESH CHICKEN

RAW, KEEP REFRIGERATED BELOW 4°C

Astral Operations LTD, 92 Koranna Avenue, Doringkloof, 0157, South Africa
Tel: 0860 102 485, www.astralpoultry.com

PRODUCT OF SOUTH AFRICA



- Results for the six months ended March 2018 are a **significant improvement** on the prior comparable period, which was one of the lowest reported profits in history
- **Feed input costs reduced significantly** due to lower maize prices on the back of a bumper maize crop for 2017
- **Supply and demand balance** gave pricing support, imports during the period remained high but stable, whilst lower brine levels and industry cutbacks resulted in a firmer market
- **Further improvements in on-farm poultry production efficiencies** were recorded
- **No further incidents of bird flu** and related costs were experienced during the period

Key Financial Indicators

▪ Revenue

15%

▪ Profit before interest and tax

393%

▪ Earnings per share @ 1 973 cps

460%

▪ Headline earnings per share

455%

Poultry

- Feeding cost decreased
- Bird performance improvement
- Sales volumes up (3 contributors)
- Average sales realisations up
- No impact from HPAI (bird flu)

Feed

- Maize price significantly down
- General market improvement
- Higher internal feed required
- Sales volumes up
- Rand per ton margin up

Other Africa

- Higher profits – improved performance from all three countries



POULTRY DIVISION

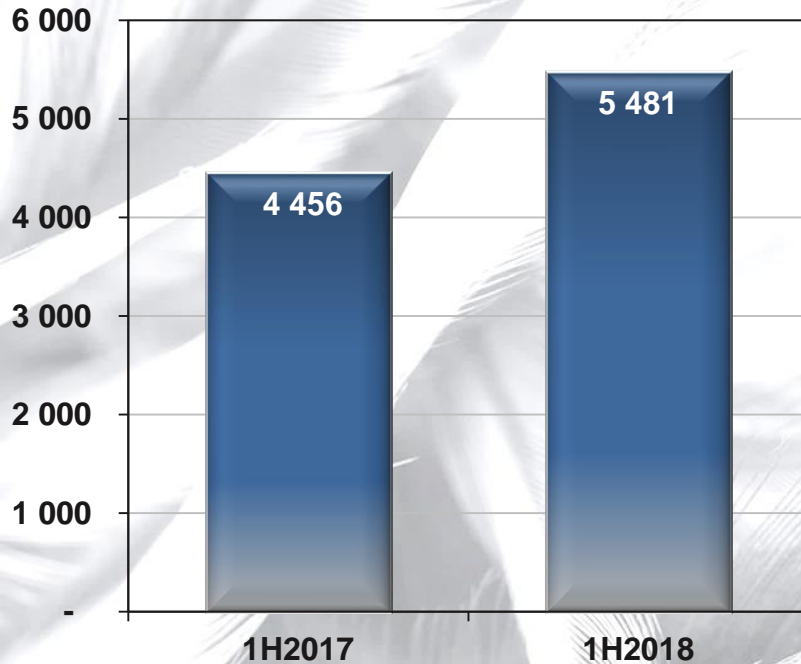


“ Astral is a leading Southern African integrated poultry producer ”

POULTRY DIVISION - OVERVIEW

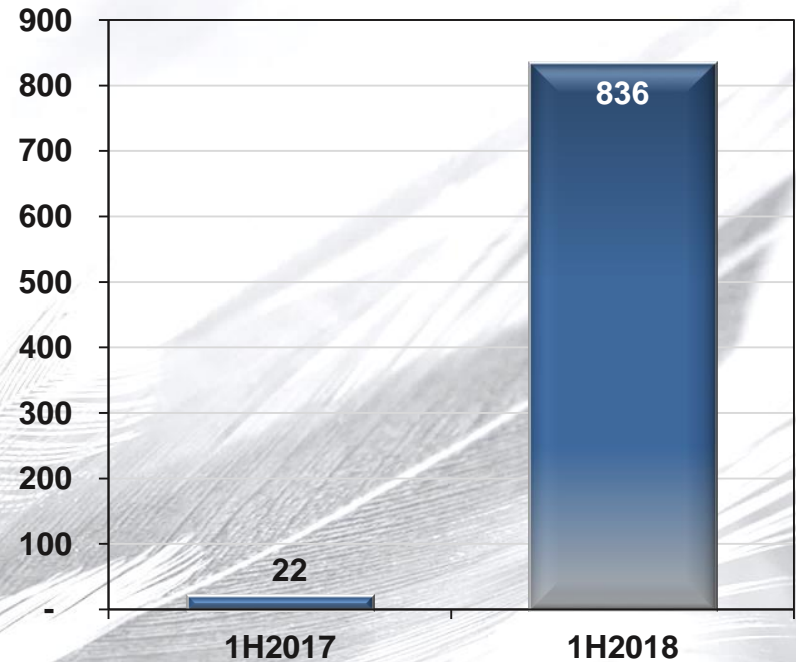


Revenue - R million



- Revenue up 23%
 - Broiler sales volumes up 12.6%
 - Broiler sales realisations up 11.2%

Operating profit - R million



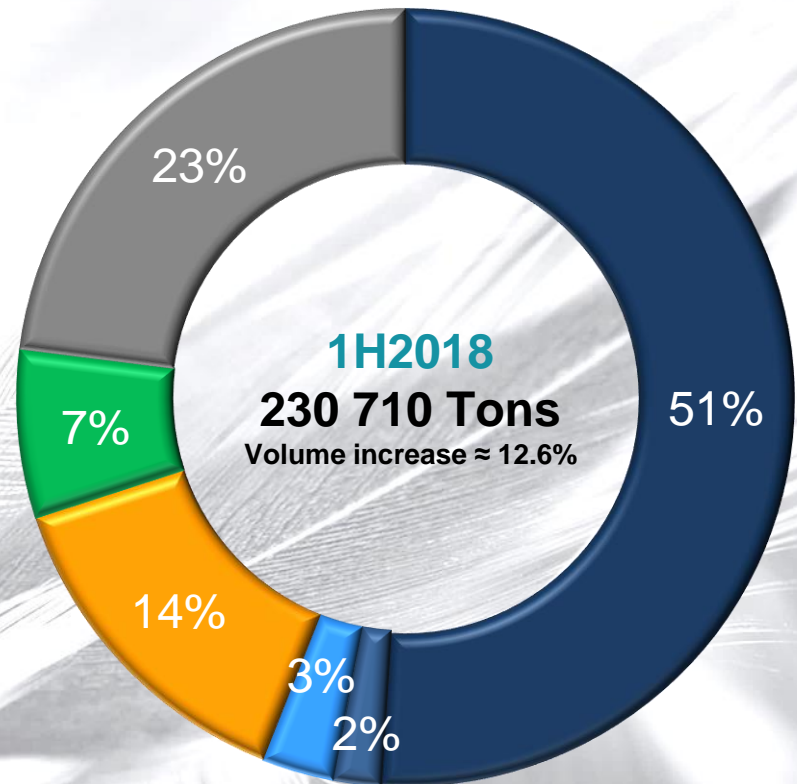
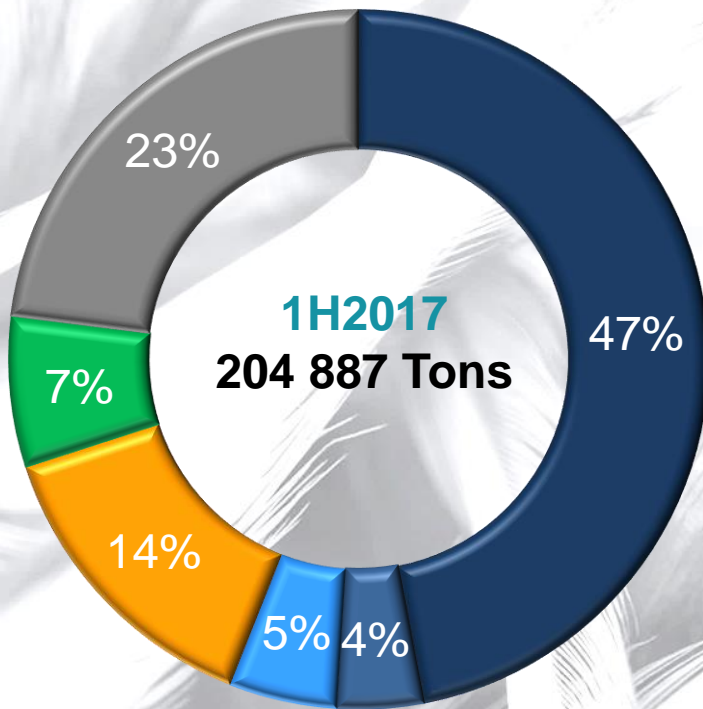
- Operating profit up
 - Feed price down 11.2%
 - Selling price contribution
 - Net margin 15.2% 1H2017: 0.5%

- **Broiler feed prices decreased** by 11.2%, after significantly lower raw material costs offset the implementation of a further enhanced feeding programme
- **Improved broiler production efficiencies** with a better feed conversion achieved on a new feeding programme resulting in a lower cost of feeding
- **Broiler sales volumes increased** by 12.6% (≈ 26 000 tons) due to increased placements, higher bird weights and sales out of stock offsetting lower brine levels
- **Broiler sales realisations increased** impacted by a change in the product offering due to the brine impact and recovery above inflationary costs on strong demand
- **IQF sales realisations were higher** as the lower priced 30% IQF was sold until January 2017 and then replaced with 15% brined IQF at a higher cost
- **Additional Listeria counter-measures** with increased costs of R9.7 million for the period

POULTRY DIVISION - OVERVIEW

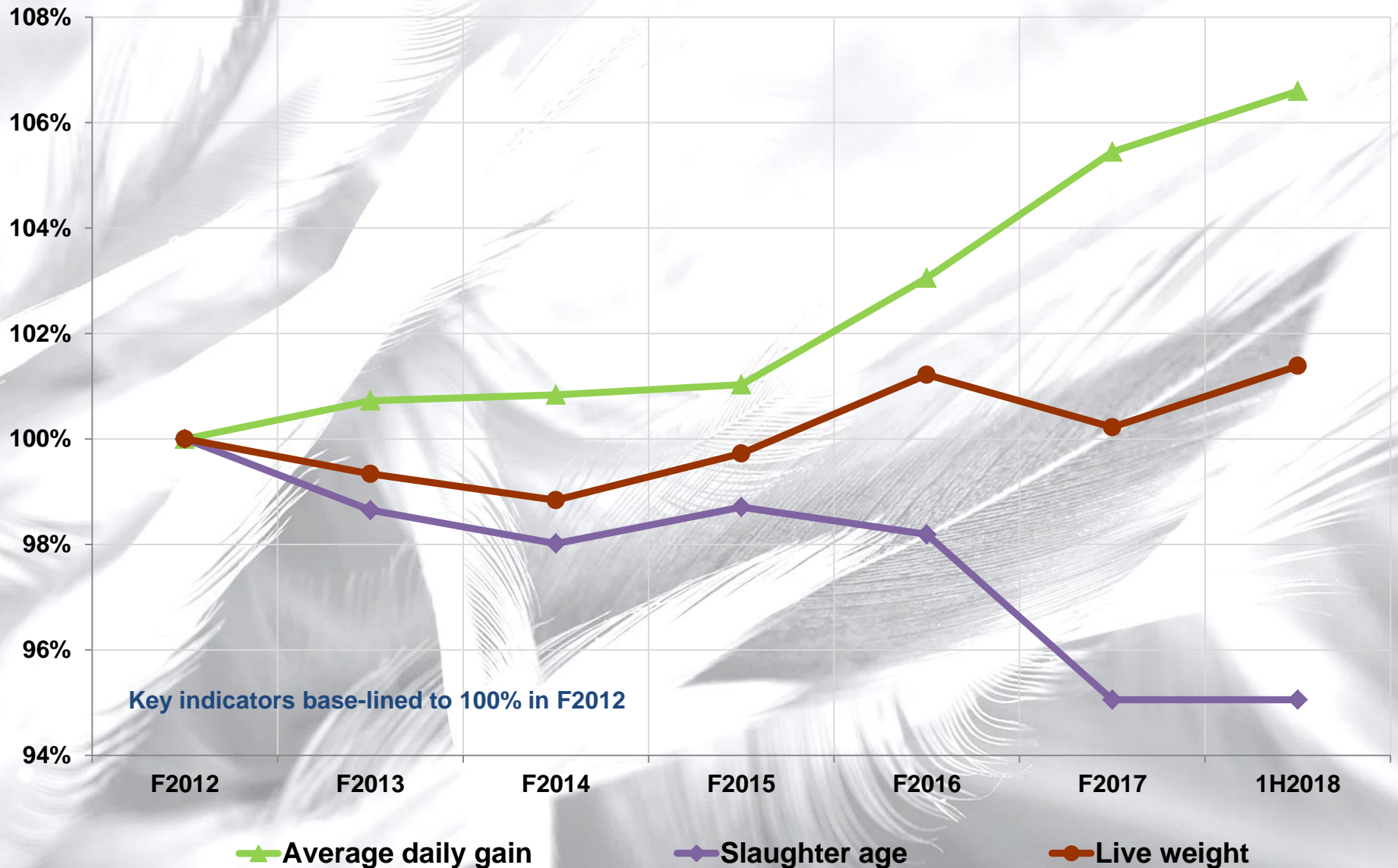


Product Mix

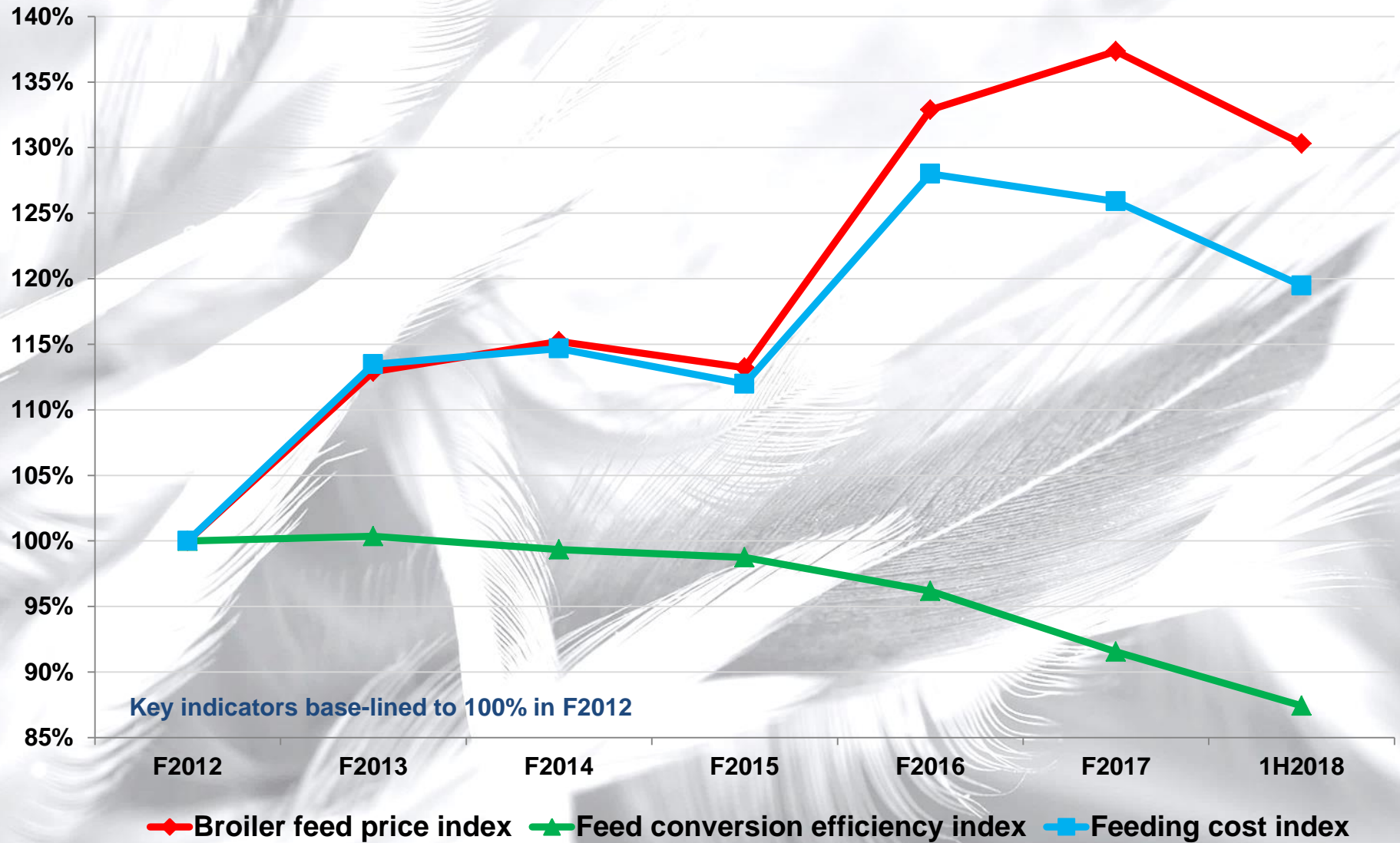


■ IQF Mixed Portions ■ IQF Single Portions ■ Frozen ■ Fresh ■ Value Added ■ Tertiary

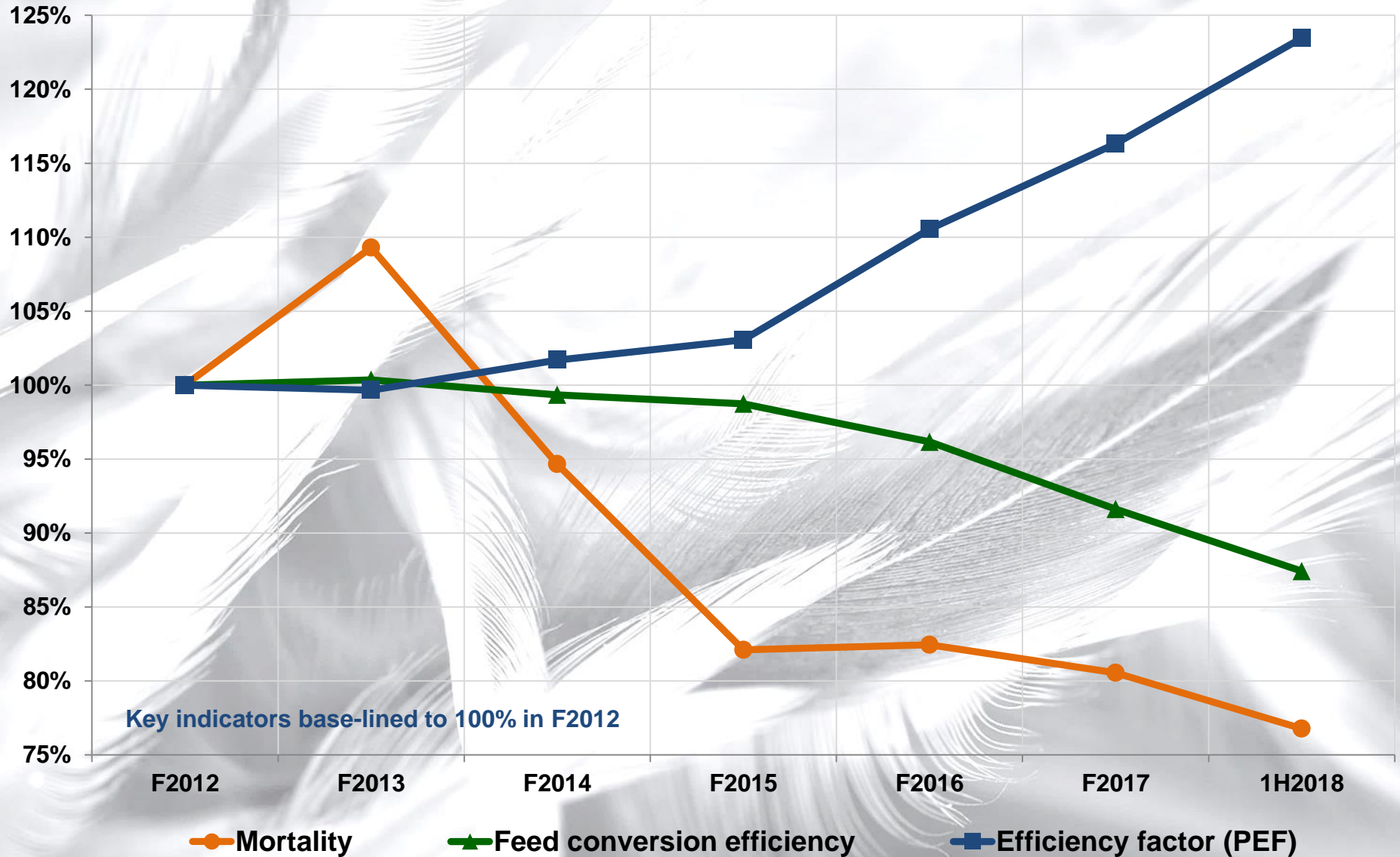
BROILER PRODUCTION PERFORMANCE



BROILER PRODUCTION PERFORMANCE



BROILER PRODUCTION PERFORMANCE





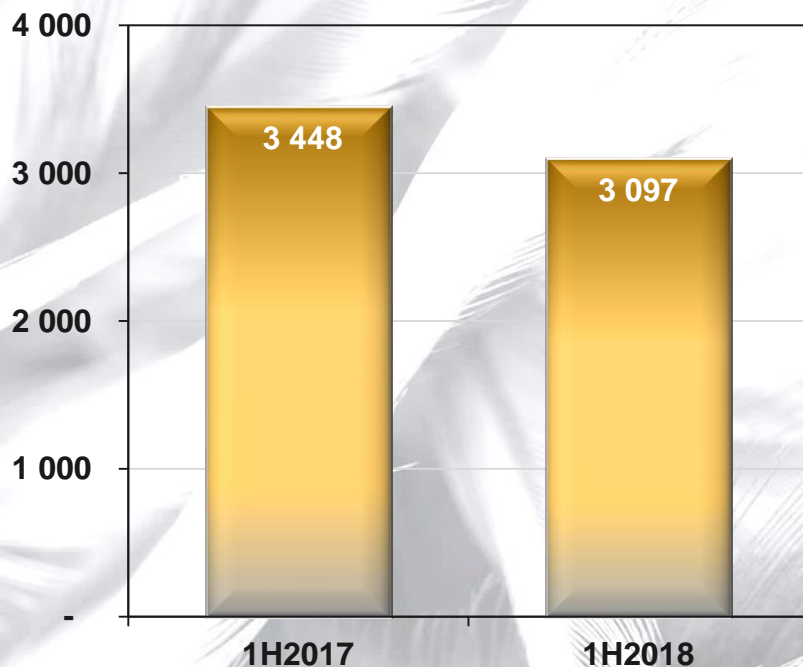
FEED DIVISION



“ Astral is
a leading
Southern
African
integrated
poultry
producer ”

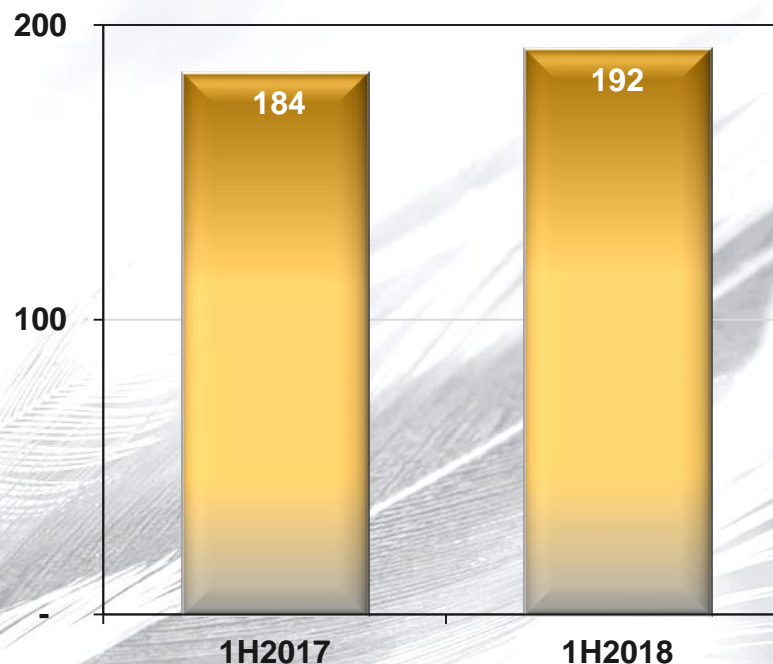
FEED DIVISION - OVERVIEW

Revenue - R million



- Revenue down 10.2%
 - Raw material costs down
 - Average selling prices down 16.3%
 - Sales volumes up 7.3%

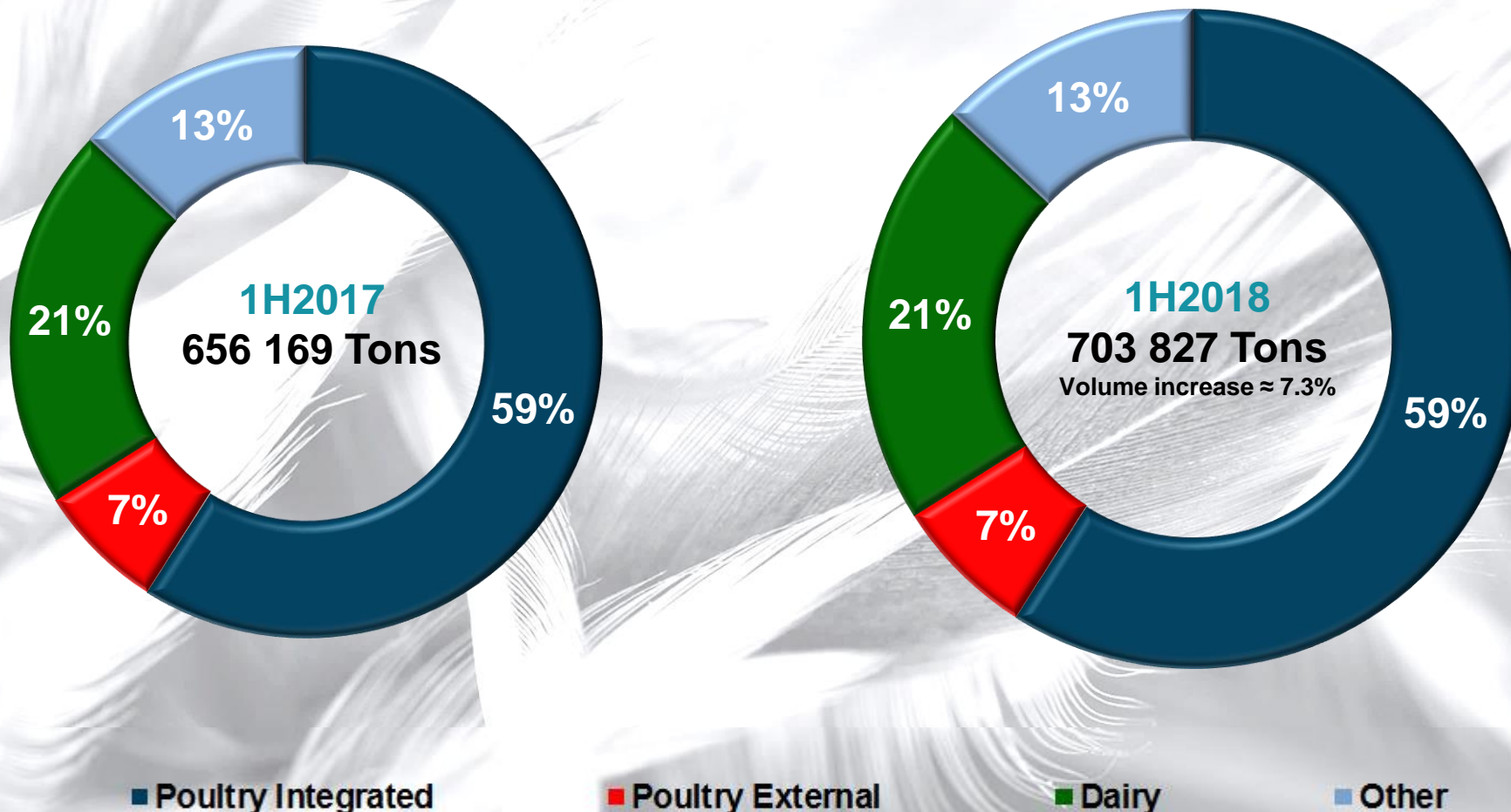
Operating profit - R million



- Operating profit up 3.8%
 - Net margin 6.2% 1H2017: 5.3%
 - Improved trading conditions

- **SAFEX yellow maize prices decreased** significantly for the period under review 1H2018 avg. R1 981 per ton (1H2017: R2 973) down R992 per ton year-on-year
- **Feed volumes increased** due to both higher internal feed requirements and higher external feed sales
- **Internal feed sales increased** by 7.2% due to an increase in broiler production numbers in 1H2018 off cutbacks in the comparable period of the prior year
- **External feed sales increased** by 7.4% as livestock sectors recovered following the high feed costs associated with the 2016 drought
- **Margins improved** in the period under review with an increase in the net rand per ton margin achieved

Meadow Feeds - Sales Mix



OTHER AFRICA DIVISION

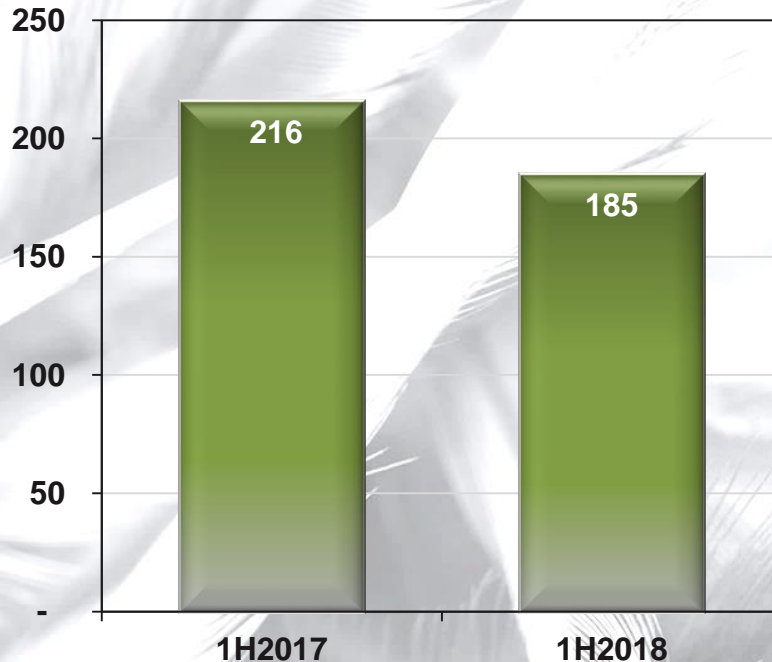


“Astral is
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OTHER AFRICA DIVISION - OVERVIEW

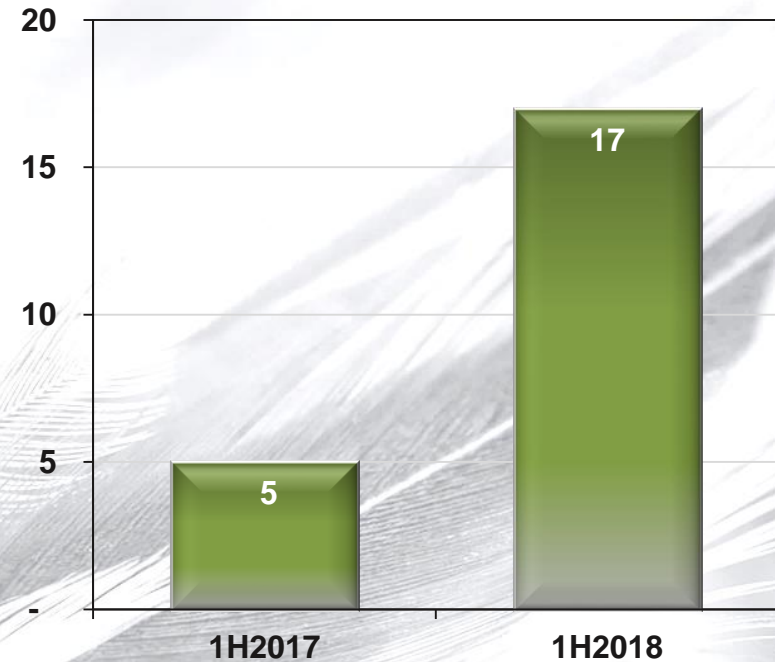


Revenue - R million



- Revenue down 14.4%
 - Raw material costs down
 - Average selling prices down 9.6%
 - Sales volumes down 5.0%

Operating profit - R million



- Operating profit up
 - Net margin 9.1% 1H2017: 2.4%
 - All countries improved performance



County Fair

Signature Range



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Fresh for longer

INDUSTRY TRENDS

FRESH CHICKEN

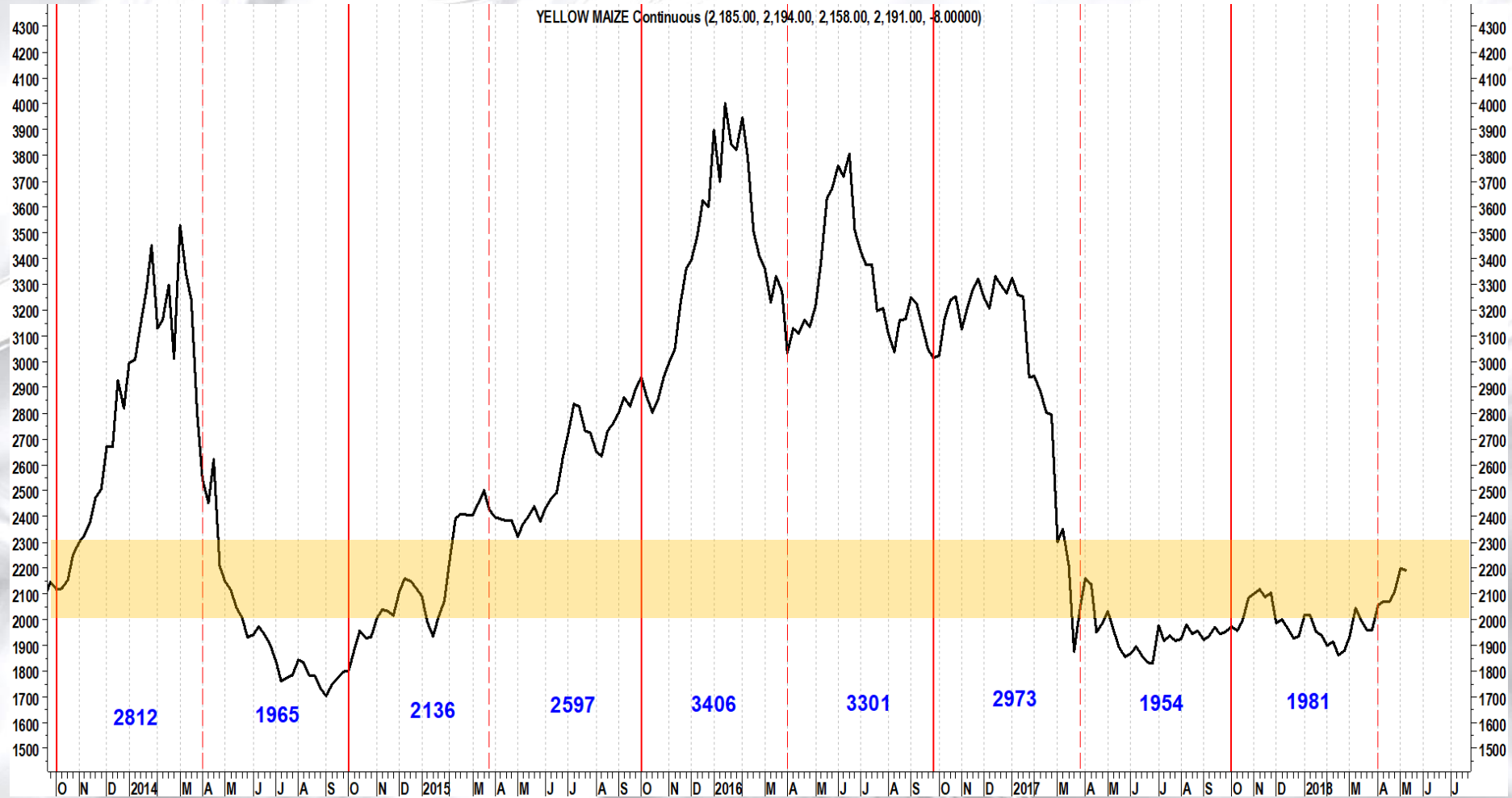
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PRODUCT OF SOUTH AFRICA



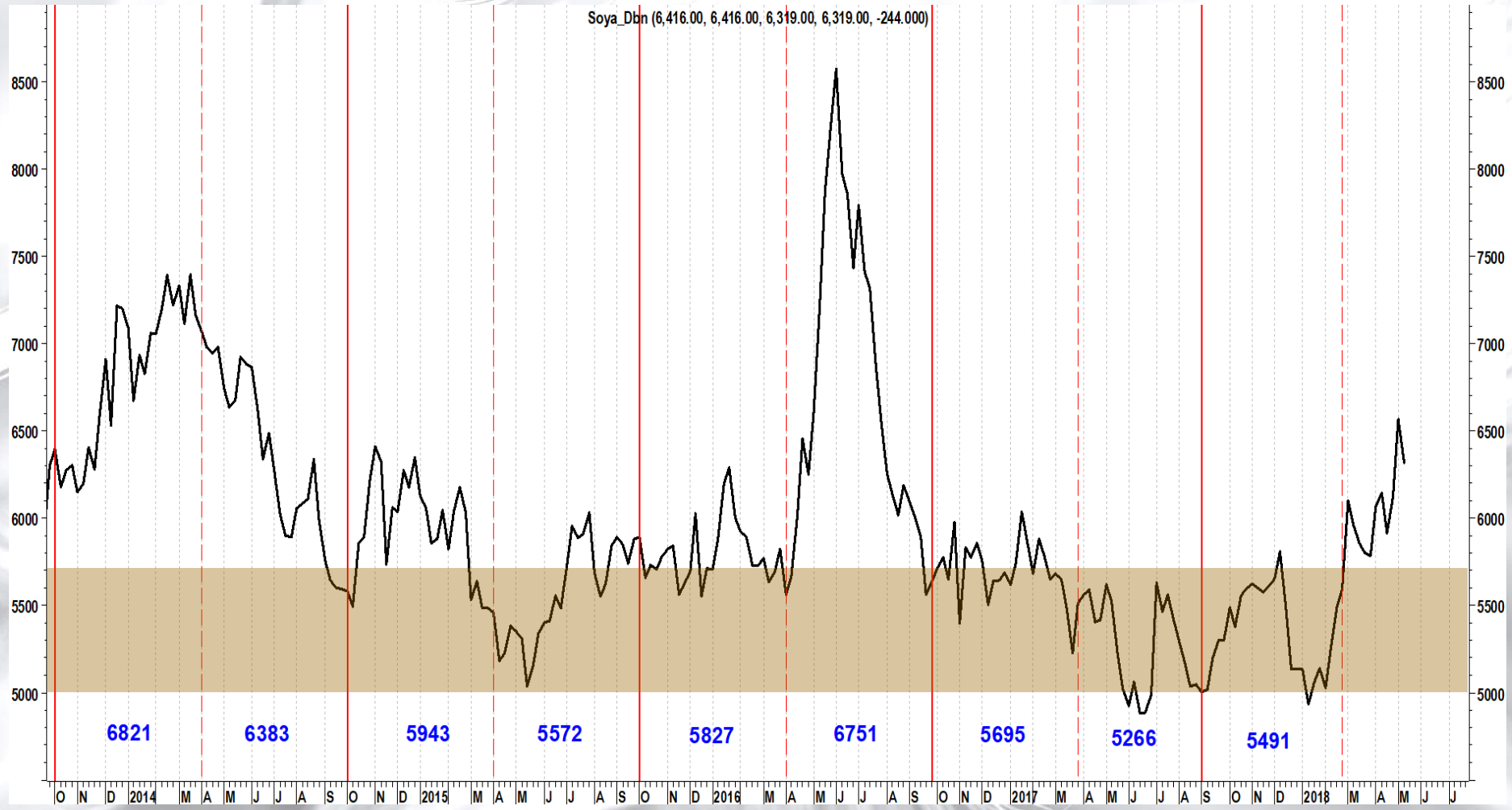
SAFEX YELLOW MAIZE PRICE



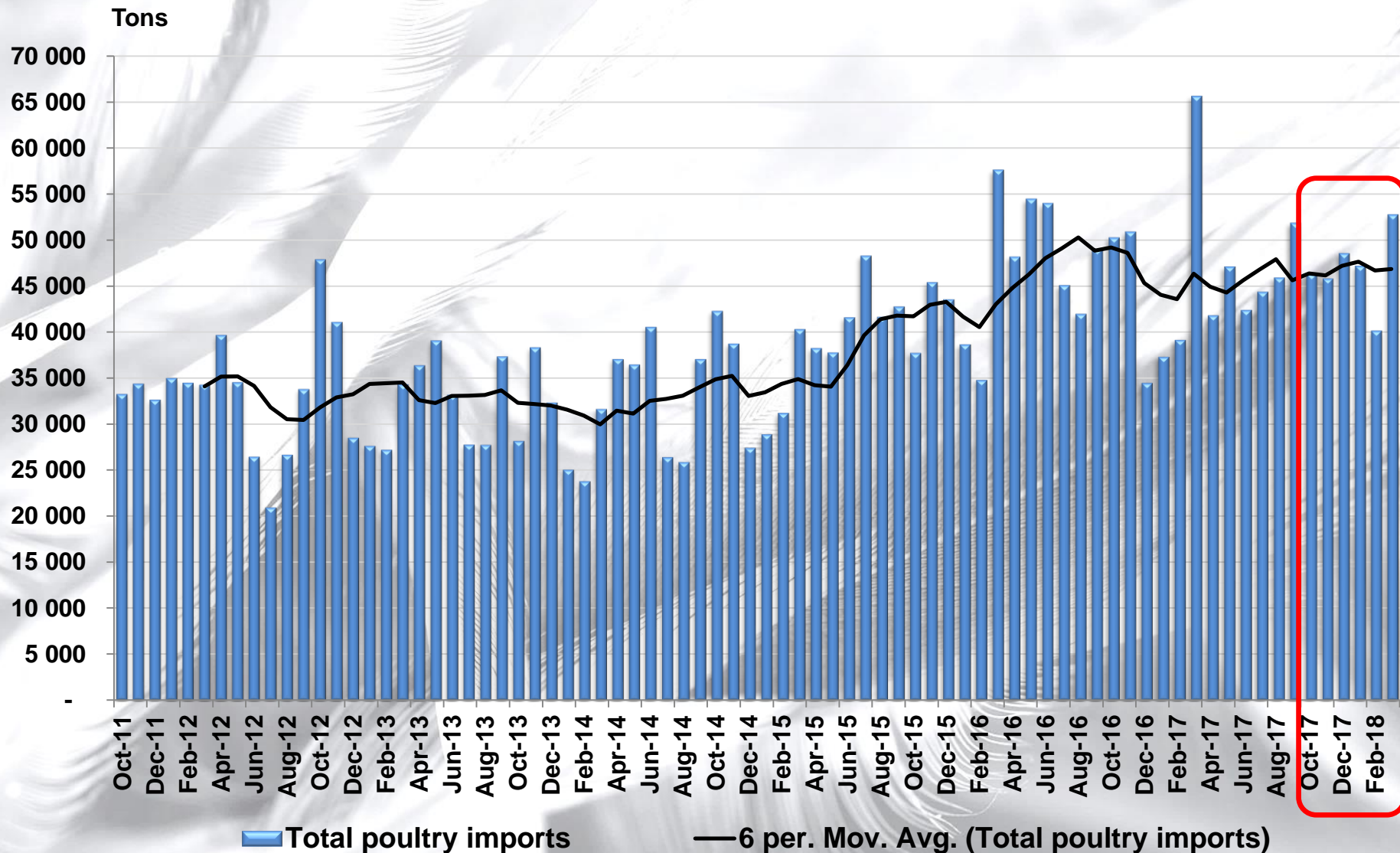
SAFEX YELLOW MAIZE PRICE vs. CBOT IN RAND TERMS



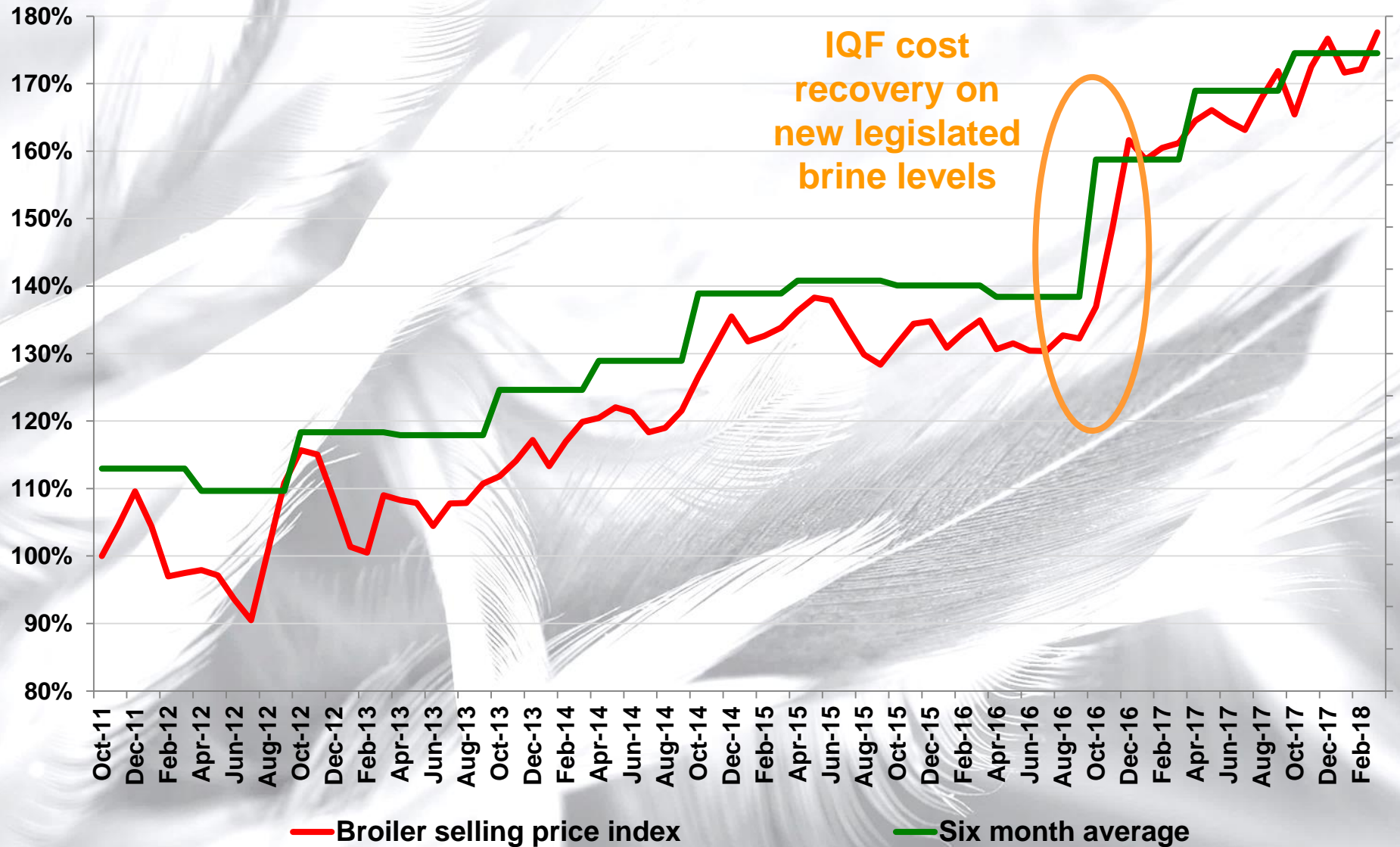
DURBAN SOYA MEAL PRICE



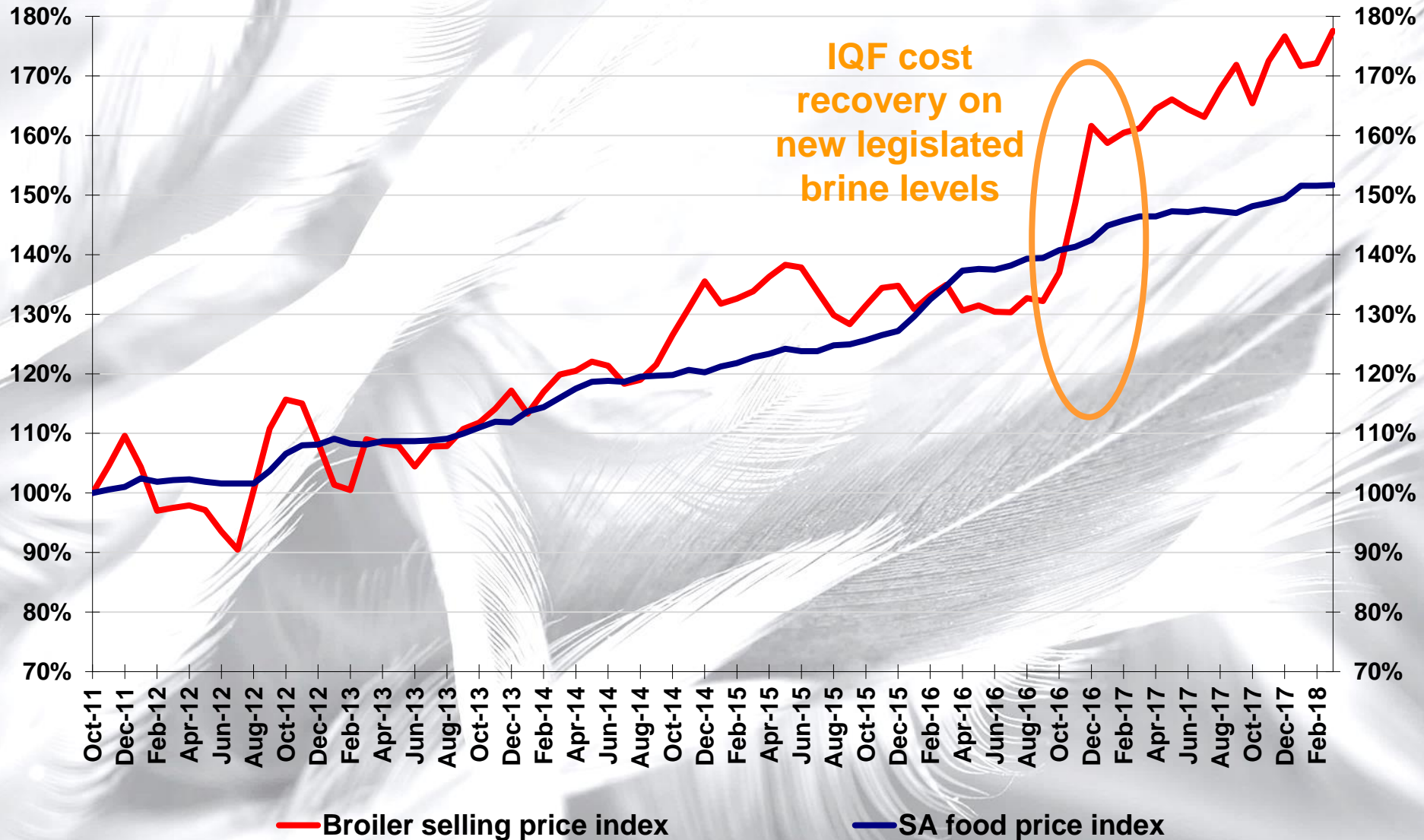
POULTRY IMPORTS PER MONTH



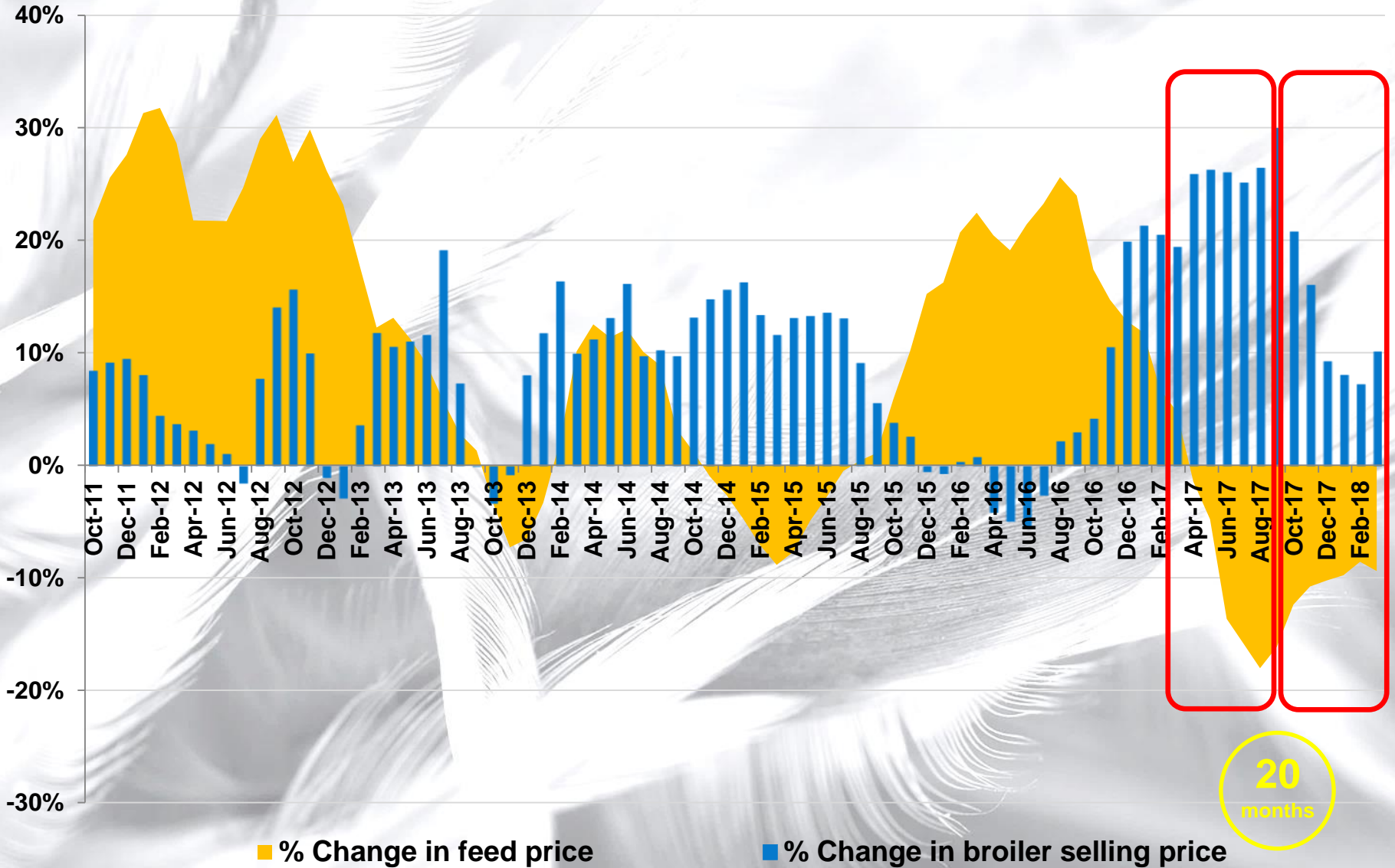
BROILER SELLING PRICES



BROILER PRICE vs. FOOD PRICE INFLATION



CHANGE IN BROILER PRICE vs. FEED PRICE



20 months



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Fresh for 1

THE PERIOD IN PERSPECTIVE

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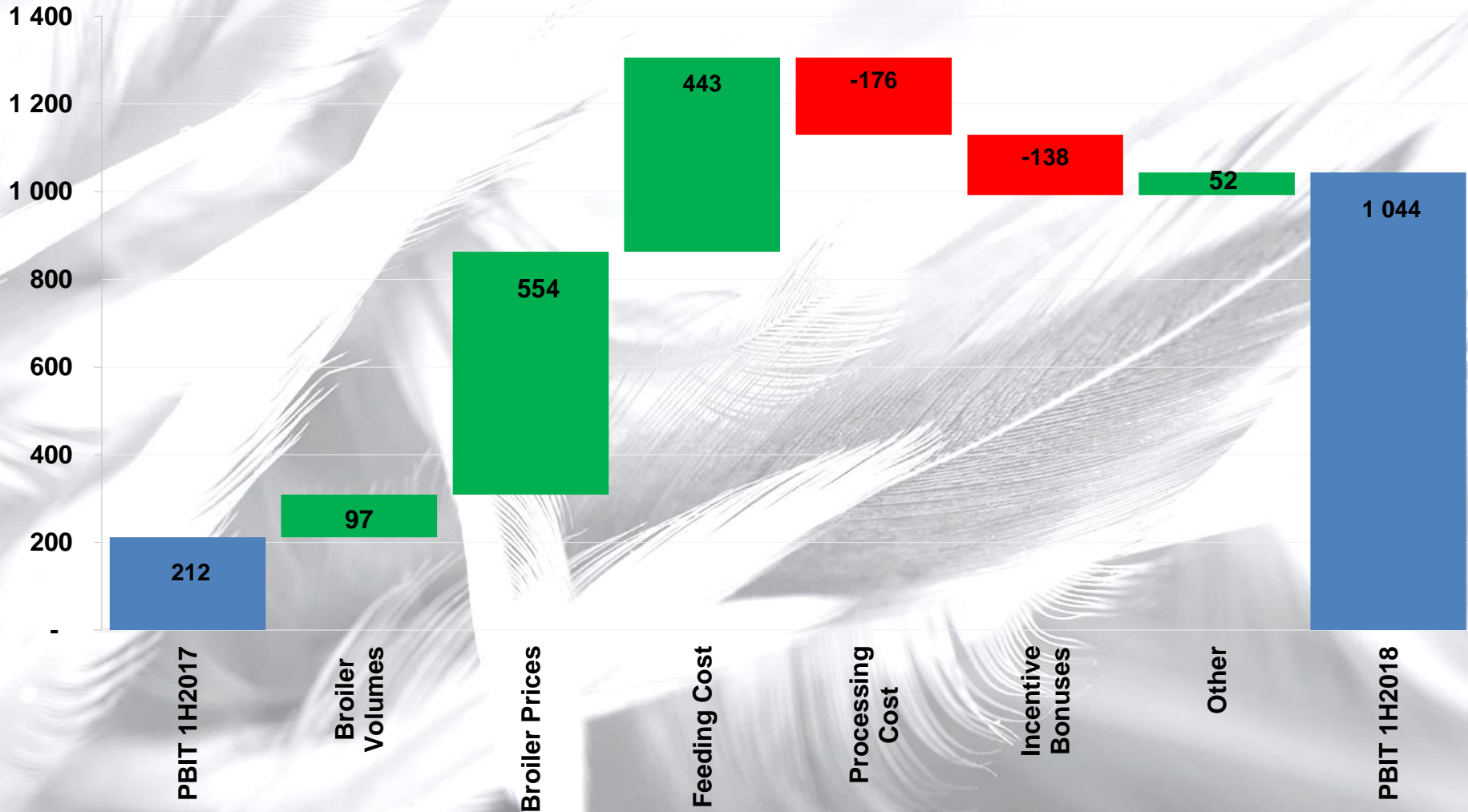
PRODUCT OF SOUTH AFRICA



THE PERIOD IN PERSPECTIVE

Operating profit (PBIT) reconciliation

(R million)





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FINANCIAL OVERVIEW

FRESH CHICKEN

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PRODUCT OF SOUTH AFRICA



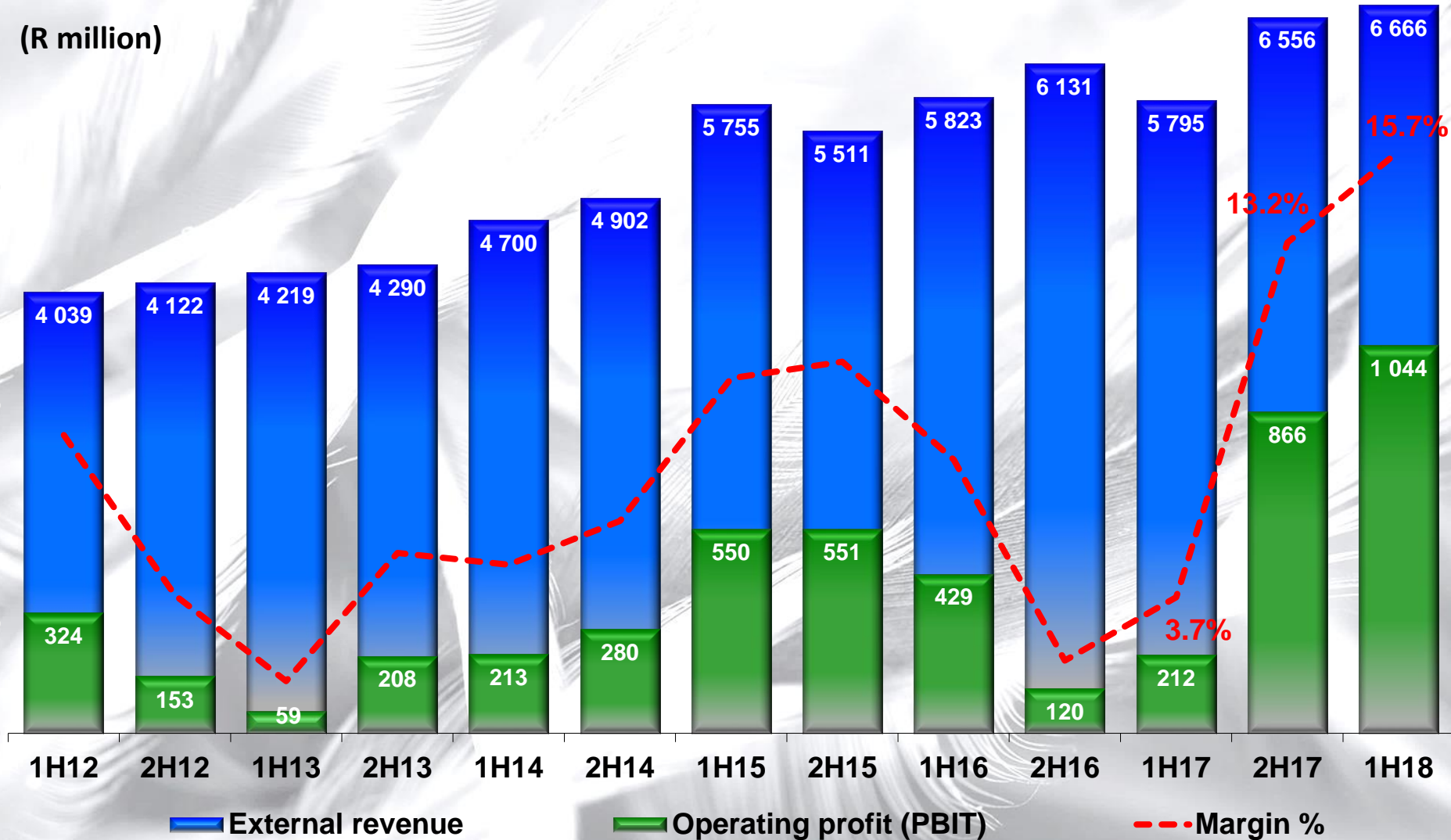
INCOME STATEMENT

| Six months ended 31 March | 2018 R million | 2017 R million | % change |
|--------------------------------|-------------------|-------------------|----------|
| Revenue | 6 666 | 5 795 | 15% |
| Operating profit (PBIT) | 1 044 | 212 | 393% |
| <i>Operating profit margin</i> | <i>15.7%</i> | <i>3.7%</i> | |
| Net finance income / (costs) | 22 | (16) | |
| Profit before tax | 1 066 | 196 | 444% |
| Tax | (300) | (60) | |
| Profit for the period | 766 | 136 | 463% |
| Headline earnings | 765 | 138 | 456% |
| EPS – Cents | 1 973 | 353 | 460% |
| HEPS – Cents | 1 974 | 356 | 455% |

GROUP SIX MONTHLY REVENUE AND PROFITABILITY



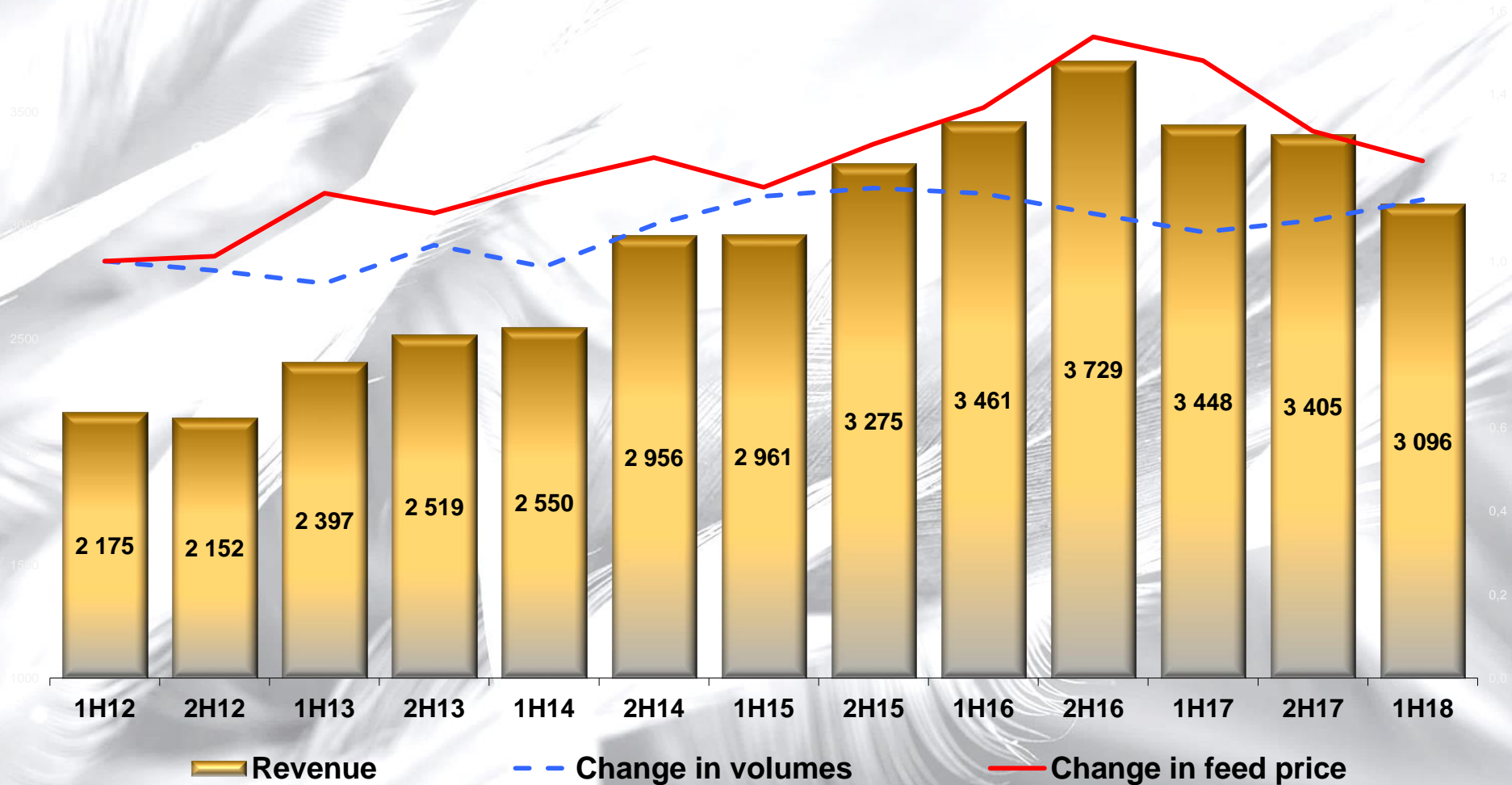
(R million)



FEED SIX MONTHLY REVENUE



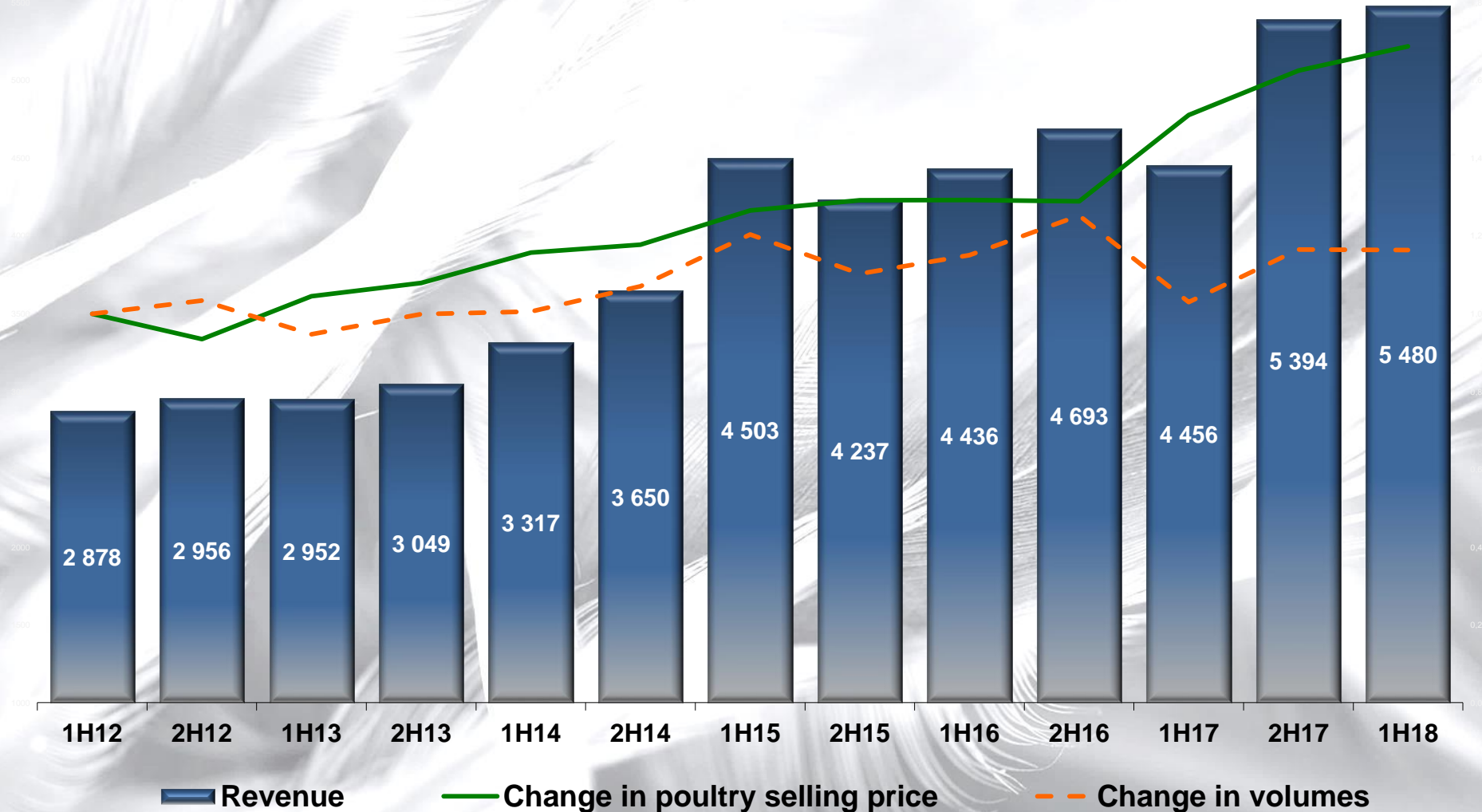
(R million)



POULTRY SIX MONTHLY REVENUE



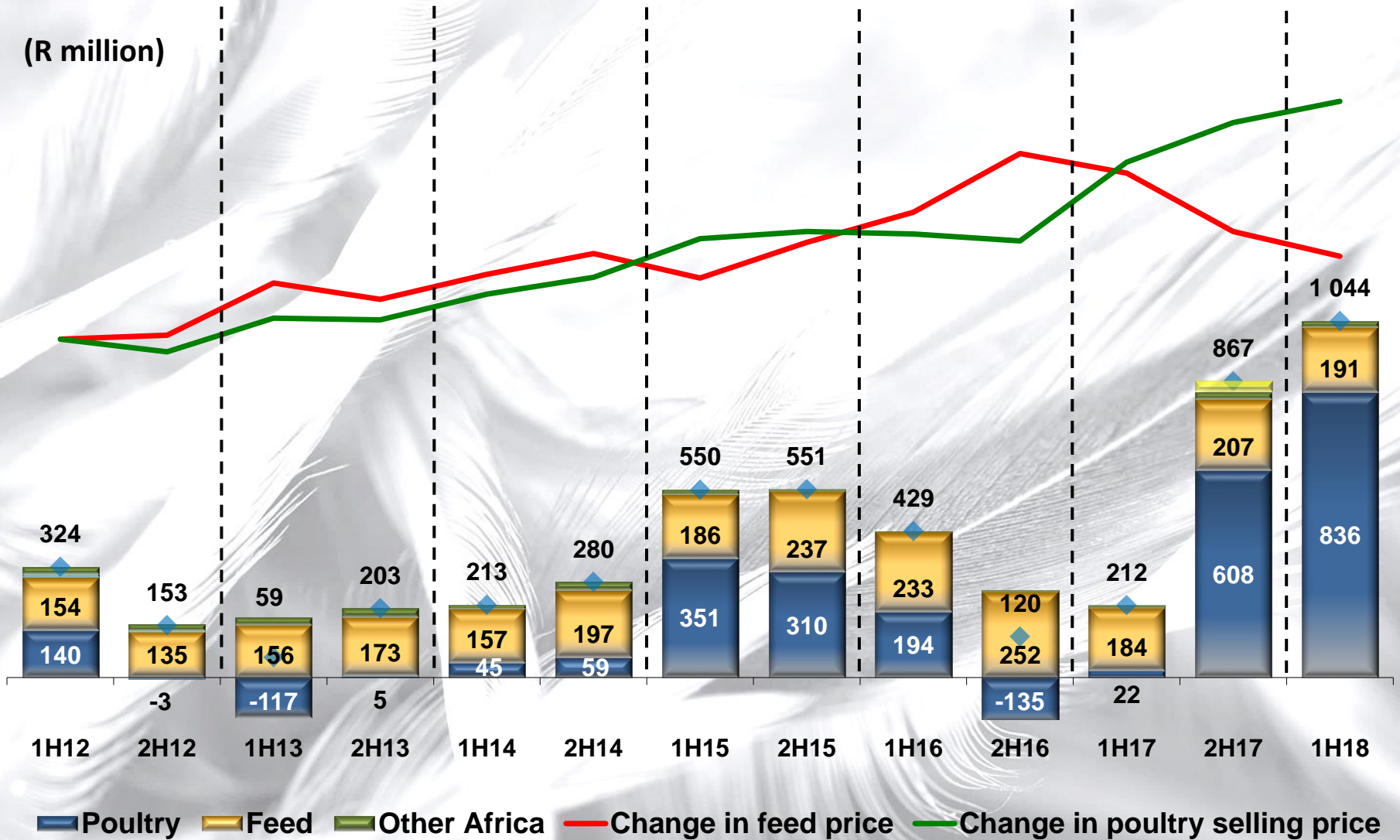
(R million)



GROUP SIX MONTHLY OPERATING PROFIT (PBIT)



(R million)



BALANCE SHEET

| | March 2018 R million | September 2017 R million |
|--|-------------------------|-----------------------------|
| Non-current assets | 2 302 | 2 228 |
| Net working capital | 813 | 862 |
| Current assets (excl. cash) | 2 610 | 2 461 |
| Current liabilities (excl. borrowings) | (1 797) | (1 599) |
| Non-current liabilities (excl. borrowings) | (598) | (610) |
| Net assets | 2 517 | 2 480 |
| Net cash | (934) | (553) |
| Equity | 3 451 | 3 033 |
| Total | 2 517 | 2 480 |

% change

3%

6%

6%

12%

2%

1%

14%

1%

WORKING CAPITAL



| | March 2018 R million | September 2017 R million | Variance R million |
|--------------------------------------|-------------------------|-----------------------------|-----------------------|
| Current assets | 2 610 | 2 461 | 149 |
| Biological assets | 759 | 658 | 101 |
| Inventory | | | |
| - Poultry | 288 | 316 | (28) |
| - Feed | 271 | 185 | 86 |
| - Other Africa | 35 | 50 | (15) |
| Trade receivables | 1076 | 1049 | 27 |
| Receivables – investment sold | 16 | 56 | (40) |
| Other receivables | 165 | 147 | 18 |
| Current liabilities | (1 797) | (1 599) | (198) |
| Net working capital | 813 | 862 | (49) |

STATEMENT OF CASH FLOWS



| For the six months ended 31 March | 2018 R million | 2017 R million |
|--|-------------------|-------------------|
| Cash operating profit | 1 102 | 282 |
| Working capital movement | (50) | (39) |
| | 1 052 | 243 |
| Tax paid | (259) | (50) |
| Net interest received / (paid) | 25 | (14) |
| Capital expenditure | (136) | (69) |
| | 682 | 110 |
| Dividends paid | (339) | (39) |
| Other cash flow items | 2 | 6 |
| Proceeds on investment sold – prior year | 40 | - |
| Loans repaid | - | (23) |
| | 385 | 54 |
| Movement in cash equivalents | (4) | - |
| Opening balance | 553 | (205) |
| Closing balance | 934 | (151) |

CAPITAL EXPENDITURE



| Six months ended 31 March | 2018 R million | 2017 R million |
|--|-------------------|-------------------|
| Depreciation | 78 | 73 |
| Total amount capitalised to PPE | 162 | 65 |
| Net movement in advance / outstanding payments | (26) | 4 |
| Commitments | 144 | 69 |
| Total spend and committed | 280 | |

IN SUMMARY

- Improvement in profits in **1H2018** with a profit margin at **15.7%** (1H2017: 3.7%)
- Cash positive throughout the period
- **Net surplus cash** at end March 2018 (R934 million)
- Astral is well positioned for **investment in future growth**
- **Interim dividend of R10.00 per share** (2x cover) within the Group's liquidity capability



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PRODUCT OF SOUTH AFRICA



- **Poultry imports** – *Page 32 / Slide 62*
- **Highly Pathogenic Avian Influenza (HPAI)** – *Page 33 / Slide 63*
- **Listeriosis**– *Page 34 / Slide 65*



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OUTLOOK

FRESH CHICKEN

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PRODUCT OF SOUTH AFRICA



INVESTMENT IN FUTURE GROWTH



- Capital projects amounting to R1.3 billion over the next three years have been approved by the Astral board that support our stated strategy, as well as organic growth and efficiency improvement opportunities.

| Project Description | Existing Capacity | Added Capacity |
|--|-------------------|----------------|
| New state of the art feed mill for Zambia | 5 000 tpm | 20 000 tpm |
| Silo expansion at the Standerton feed mill | 24 000 tpm | 16 000 tpm |
| Expansion of Festive poultry operation: | 1 450 000 bpw | |
| Expansion phase 1 | | 400 000 bpw |
| Expansion phase 2 | | 400 000 bpw |
| Expansion of Mountain Valley poultry operation | 190 000 bpw | 200 000 bpw |

- **General business confidence improved** as well as the prospect for foreign direct investment following the election of a new President for the country
- A bumper maize crop in 2017 and the **country set to harvest an above average maize crop in 2018** will stand us in good stead over the next period from a feed input cost point of view
- **Further unlocking the inherent genetic potential of the Ross broiler breed** through optimised broiler nutrition therefore cementing Astral's best cost strategy
- **Higher level of competitiveness** as producers have expanded broiler production numbers, and the pork industry has been forced to sell product at lower prices following the listeria outbreak
- **Continued high levels of poultry imports** especially from the United States of America and Brazil, equivalent to over 40% of local poultry production
- **H5N1 remains a threat and major concern** for the poultry industry with the upcoming winter season



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



THANK YOU



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ADDITIONAL INFORMATION

FRESH CHICKEN







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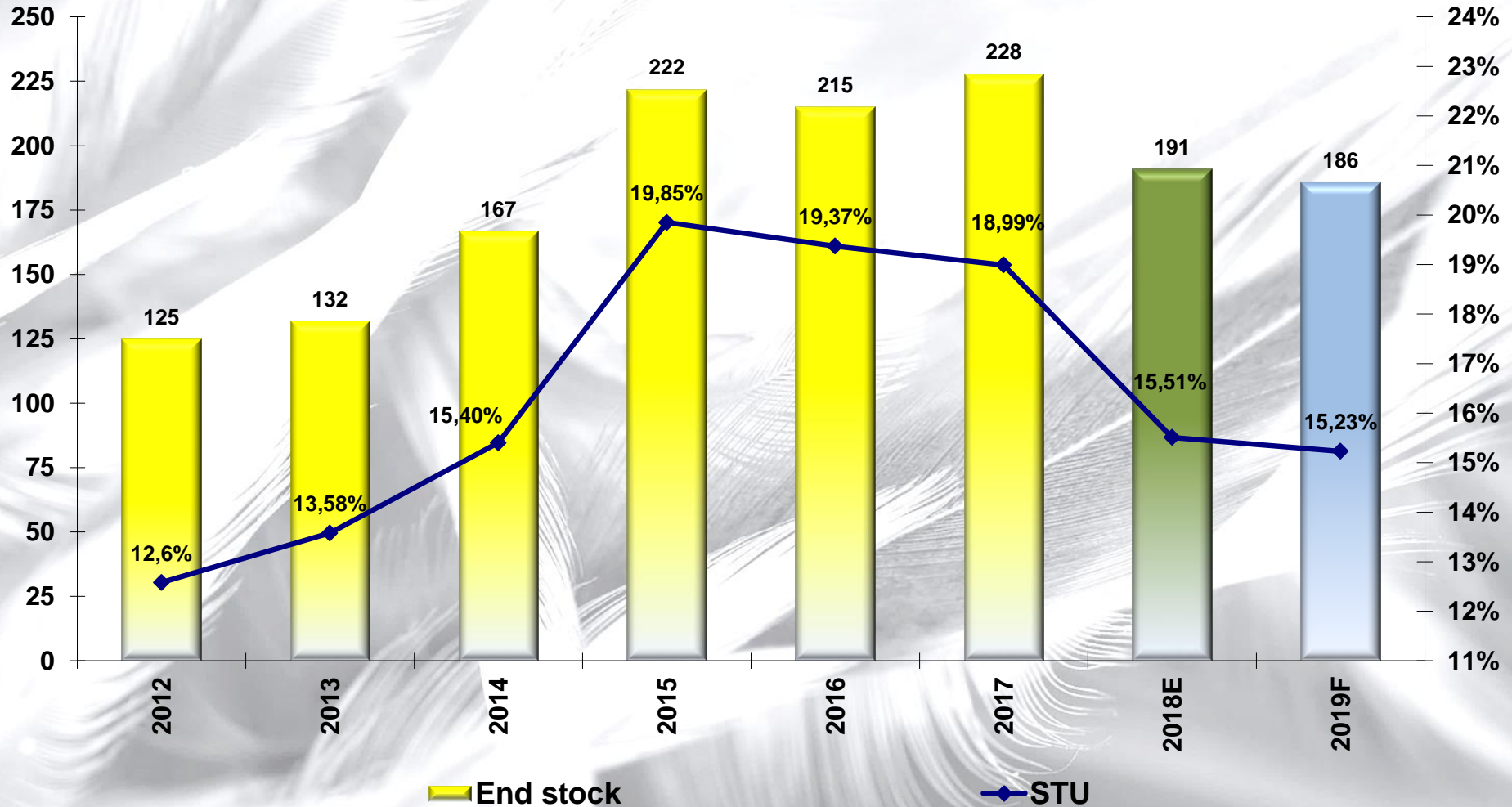
WHAT WE SAID IN NOVEMBER 2017

- The **negative political landscape and policy uncertainty** has contributed to a weak economic environment that could lead to a further downgrade by the credit rating agencies. **Record unemployment levels** and lower levels of disposable income are unlikely to improve due to a poor economic outlook for the foreseeable future. 
- **Continued high level of poultry imports** with weak tariff protection, has allowed foreign produced poultry to become further entrenched in the local market leading to a contraction in production amongst South African producers. 
- On a positive note and key to local protein production, both **global and local coarse grains** (maize and soybeans) **exhibit healthy stock-to-use ratios**. Current consensus points towards the promise of another year where at least average local grain production is predicted. 
- **Numerous supply constraints** influenced by the past drought, production cutbacks and the devastating bird flu could result in **further inflation in the food basket**. 
- **Further unlocking the inherent genetic potential of the Ross broiler breed** through optimised broiler nutrition, and the cementing of Astral's best cost strategy. 
- The **threat of further spread of the highly pathogenic bird flu virus** (H5N8) is a major contributor towards uncertainty around the sustainability of certain sectors of the local poultry industry. The role of vaccination of high value breeding stock as a preventative measure, together with the concept of compensation for losses incurred is paramount to managing this highly virulent avian disease. 

WORLD CORN ENDING STOCKS vs. STU



Million Tons

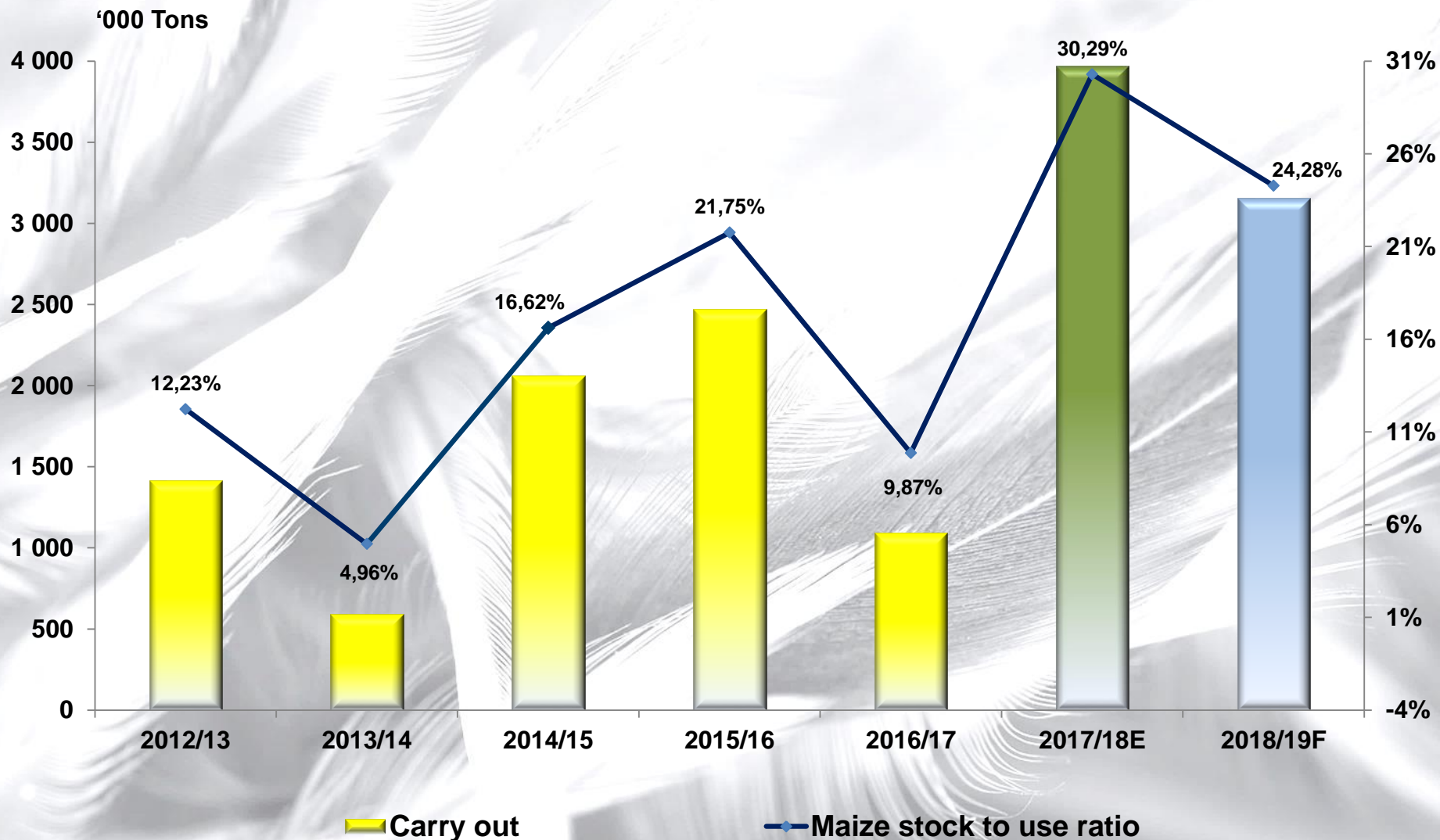


SOUTH AFRICA – TOTAL MAIZE SUPPLY & DEMAND



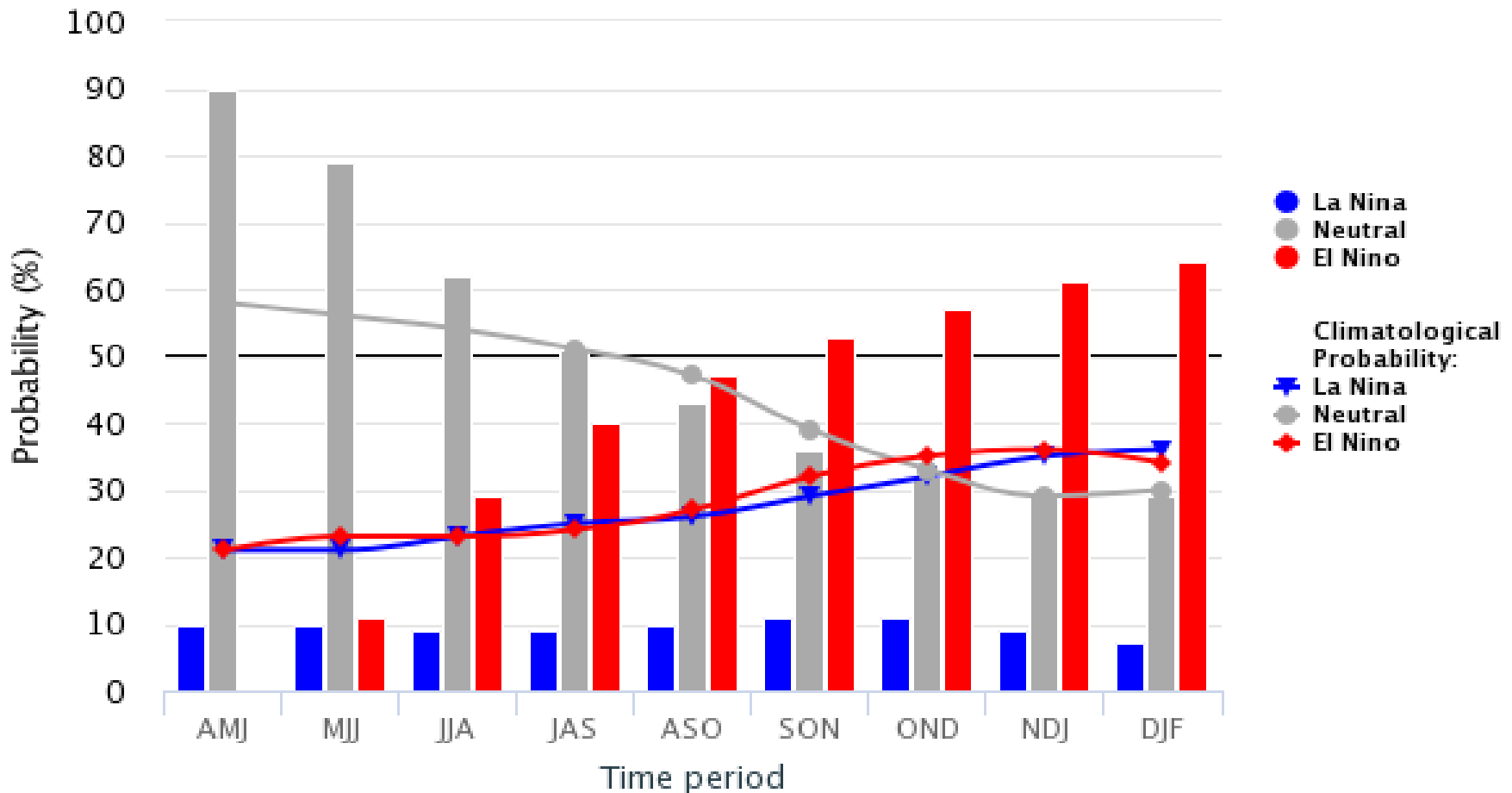
| <i>Marketing year (May to April)</i> <i>'000 tons</i> | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18E | 2018/19F |
|--|---------|---------|---------|---------|---------|----------|----------|
| | Actual | Actual | Actual | Actual | Actual | Estimate | Forecast |
| Carry In (1 May) | 991 | 1,414 | 589 | 2,074 | 2,471 | 1,093 | 3,969 |
| Crop Estimate | 12,121 | 11,811 | 14,250 | 9,955 | 7,779 | 16,820 | 12,827 |
| Retentions | | | 433 | 163 | 309 | 841 | 641 |
| Sagis Delivery | 11,972 | 11,072 | 13,817 | 9,794 | 7,469 | 15,979 | 12,185 |
| <i>Minus early deliveries</i> | 0 | 0 | 0 | 0 | 450 | 0 | 0 |
| Imports | 11 | 80 | 65 | 1,964 | 2,237 | 0 | 0 |
| Total Supply | 12,973 | 12,566 | 14,471 | 13,831 | 11,727 | 17,072 | 16,154 |
| Domestic Usage Food | 4,499 | 4,583 | 4,840 | 4,698 | 4,808 | 4,812 | 4,908 |
| Domestic Usage Feed | 4,378 | 4,715 | 5,041 | 5,520 | 5,004 | 5,499 | 5,410 |
| Gristing, withdrawn & released | 674 | 480 | 376 | 293 | 278 | 358 | 343 |
| Total Domestic Usage | 9,551 | 9,777 | 10,257 | 10,512 | 10,090 | 10,670 | 10,661 |
| Exports & Sundries | 2,008 | 2,122 | 2,153 | 848 | 993 | 2,434 | 2,337 |
| <i>Plus early deliveries</i> | 0 | 0 | 0 | 0 | 450 | 0 | 0 |
| Carry Out (30 Apr) | 1,414 | 590 | 2,062 | 2,471 | 1,093 | 3,969 | 3,156 |
| No of days usage | 54 | 25 | 73 | 86 | 40 | 136 | 108 |
| STU | 12.23% | 4.96% | 16.62% | 21.75% | 9.87% | 30.29% | 24.28% |

RSA MAIZE CARRY OUT & STOCK TO USE RATIO



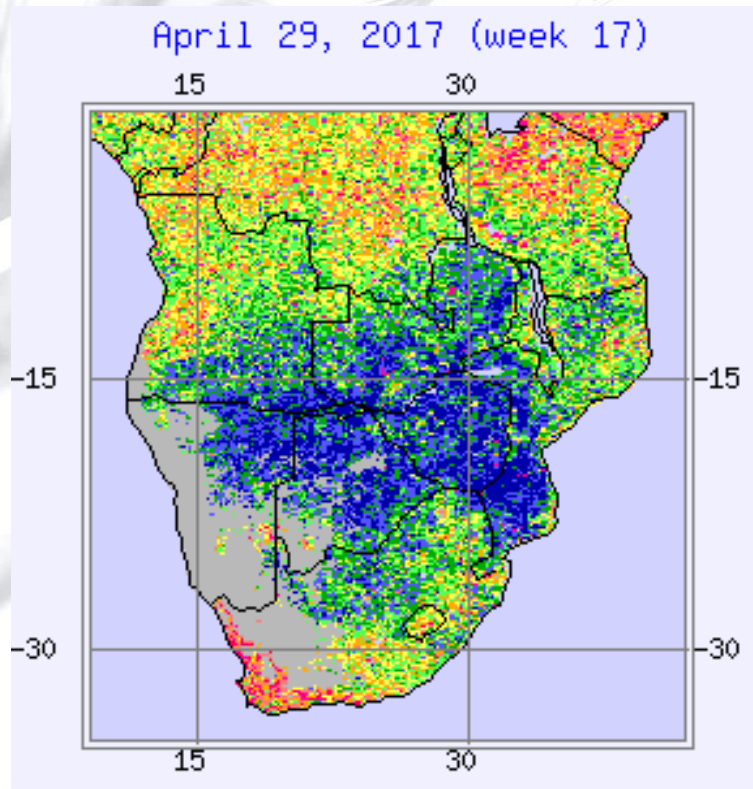
Mid-Apr IRI/CPC Model-Based Probabilistic ENSO Forecasts

ENSO state based on NINO3.4 SST Anomaly
Neutral ENSO: -0.5 °C to 0.5 °C

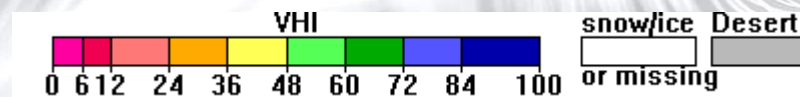
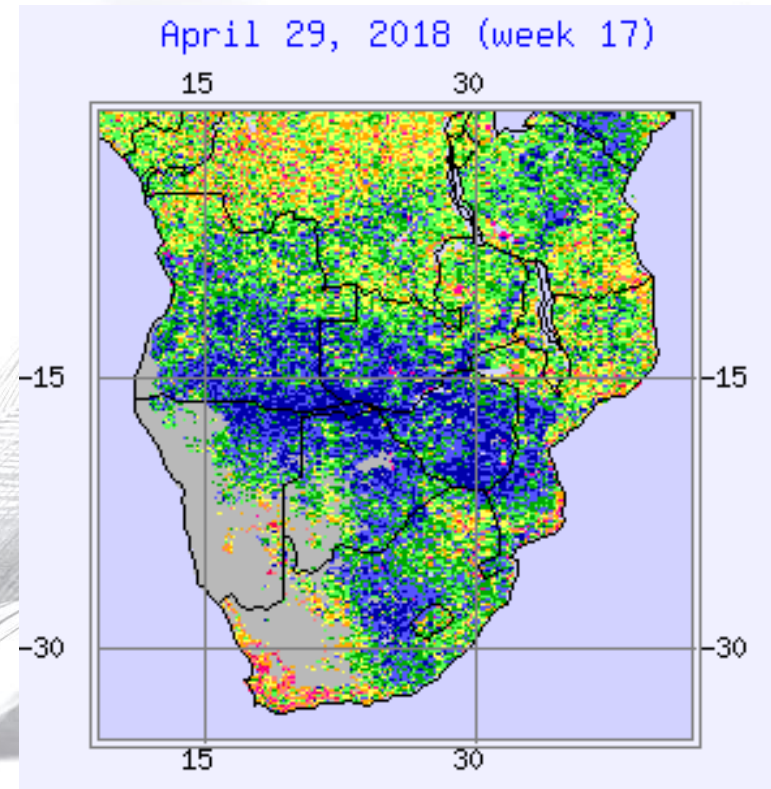


SOUTHERN AFRICA – VEGETATION HEALTH INDEX

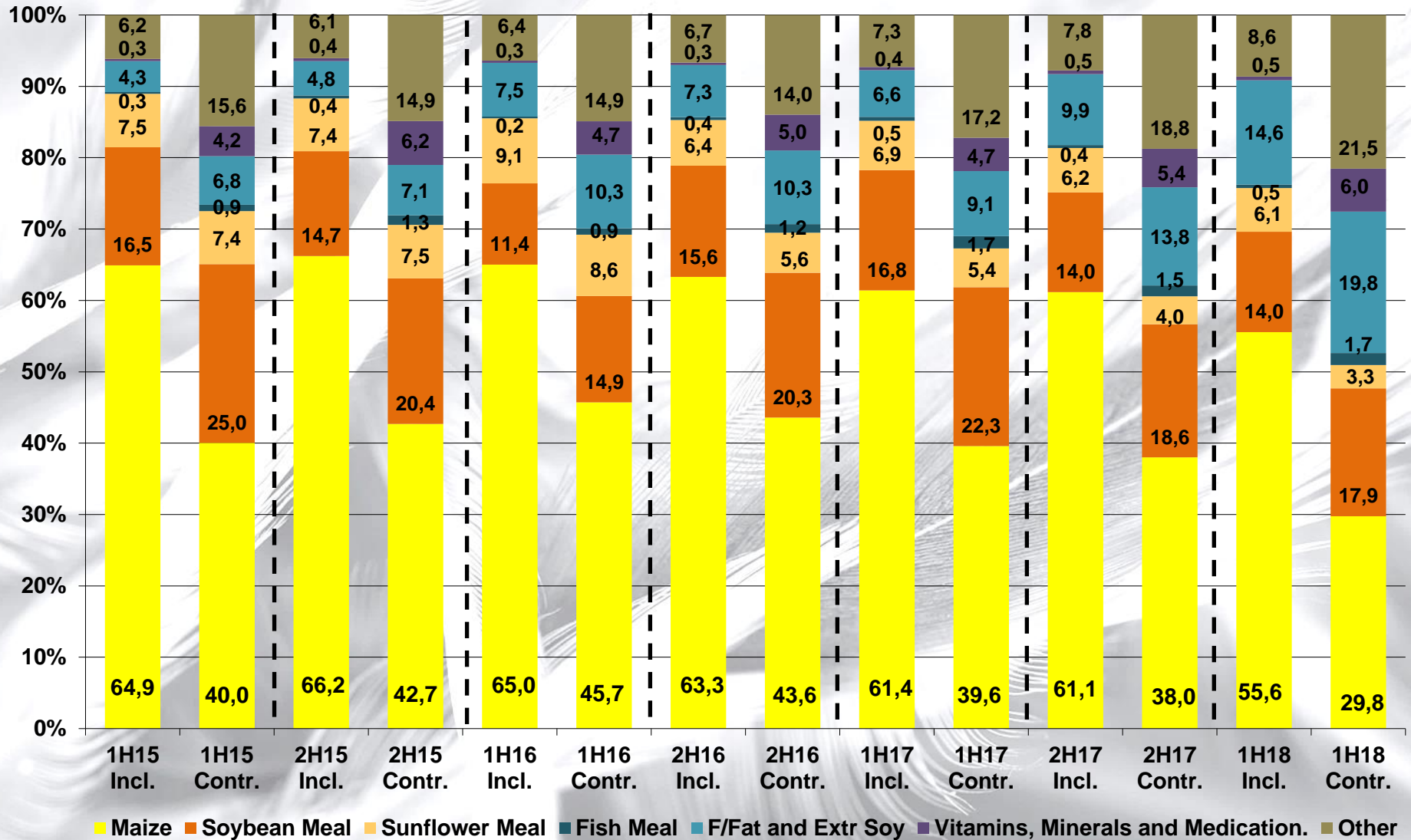
VHI of previous year



VHI of current year



BROILER FEED – INGREDIENT INCLUSION & COST CONTRIBUTION



BRAZIL, EU & USA PRODUCT COST BENCHMARK



Ex BRAZIL – May 2018

FROZEN LEG QUARTERS BULK PACKED

| CIF DBN US\$ per ton | TON | 1 050.00 | 1 050.00 | 1 050.00 | SA COST |
|------------------------------------|-----------|--------------|--------------|--------------|--------------|
| R/\$ exchange rate | R\$ | 12.00 | 12.50 | 13.00 | |
| Rand per ton | TON | 12 600.00 | 13 125.00 | 13 650.00 | 19 209.00 |
| Rand per kg | KG | 12.60 | 13.13 | 13.65 | 19.21 |
| Duty per kg | KG | 37% | 37% | 37% | - |
| Clearance costs | KG | 0.65 | 0.65 | 0.65 | - |
| COST INTO STORAGE | KG | 17.91 | 18.63 | 19.38 | 19.21 |
| Storage | KG | 0.50 | 0.50 | 0.50 | - |
| Distribution | KG | 0.70 | 0.70 | 0.70 | 0.91 |
| Marketing, Administration, Finance | KG | 0.80 | 0.80 | 0.80 | 0.88 |
| TOTAL COST | KG | 19.91 | 20.63 | 21.35 | 21.00 |

EUROPE Ex NETHERLANDS – May 2018

FROZEN LEG QUARTERS BULK PACKED

| CIF DBN € per ton | TON | | | | SA COST |
|------------------------------------|-----------|--|--|--|--------------|
| € exchange rate | R\$ | | | | |
| Rand per ton | TON | | | | 19 209.00 |
| Rand per kg | KG | | | | 19.21 |
| Duty per kg | KG | | | | - |
| Clearance costs | KG | | | | - |
| COST INTO STORAGE | KG | | | | 19.21 |
| Storage | KG | | | | - |
| Distribution | KG | | | | 0.91 |
| Marketing, Administration, Finance | KG | | | | 0.88 |
| TOTAL COST | KG | | | | 21.00 |

Closed due to Avian Influenza

BRAZIL, EU & USA PRODUCT COST BENCHMARK



EUROPE Ex Denmark with Safeguard Duty @ 0% – May 2018 (Safeguard Duty expired on 3 July 2017)

FROZEN LEG QUARTERS BULK PACKED

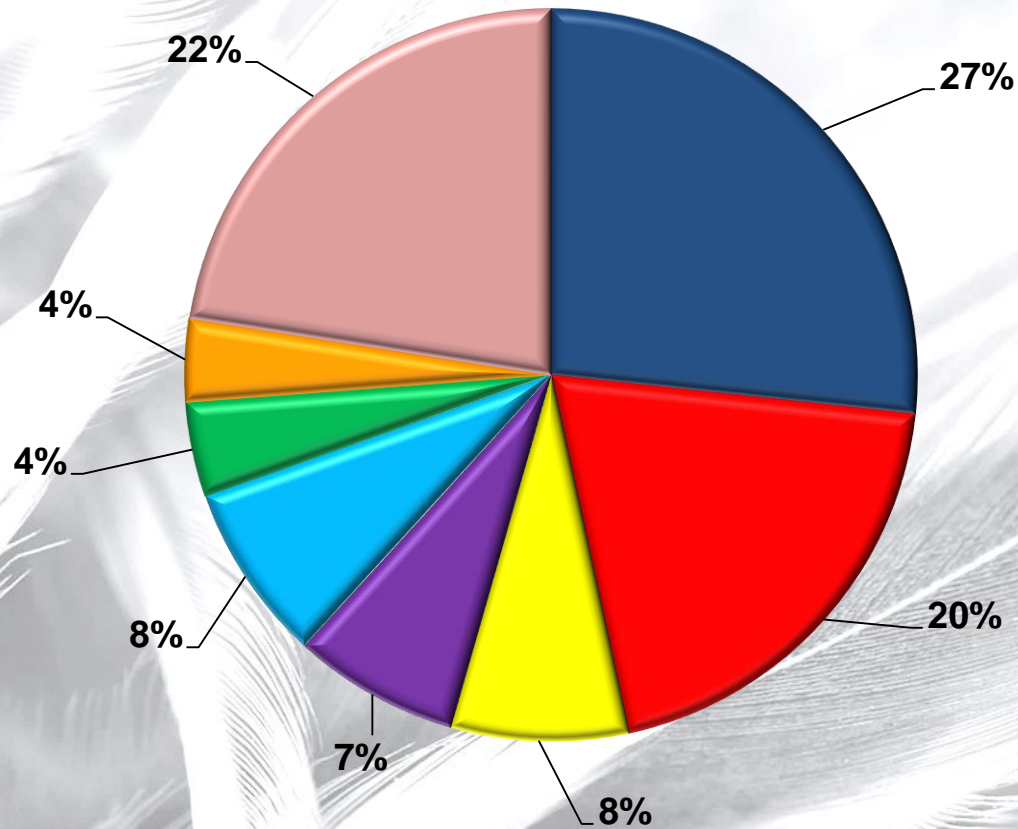
| CIF DBN € per ton | TON | 1 250.00 | 1 250.00 | 1 250.00 | SA COST |
|------------------------------------|-----------|--------------|--------------|--------------|--------------|
| R/€ exchange rate | R\$ | 15.00 | 15.50 | 16.00 | |
| Rand per ton | TON | 18 750.00 | 19 375.00 | 20 000.00 | 19 209.00 |
| Rand per kg | KG | 18.75 | 19.38 | 20.00 | 19.21 |
| Duty per kg | KG | 0% | 0% | 0% | - |
| Clearance costs | KG | 0.65 | 0.65 | 0.65 | - |
| COST INTO STORAGE | KG | 19.40 | 20.03 | 20.65 | 19.21 |
| Storage | KG | 0.50 | 0.50 | 0.50 | - |
| Distribution | KG | 0.70 | 0.70 | 0.70 | 0.91 |
| Marketing, Administration, Finance | KG | 0.80 | 0.80 | 0.80 | 0.88 |
| TOTAL COST | KG | 21.40 | 22.03 | 22.65 | 21.00 |

Ex USA – May 2018

FROZEN LEG QUARTERS BULK PACKED

| CIF DBN US\$ per ton | TON | 900.00 | 900.00 | 900.00 | SA COST |
|------------------------------------|-----------|--------------|--------------|--------------|--------------|
| R/\$ exchange rate | R\$ | 12.00 | 12.50 | 13.00 | |
| Rand per ton | TON | 10 800.00 | 11 250.00 | 11 700.00 | 19 209.00 |
| Rand per kg | KG | 10.80 | 11.25 | 11.70 | 19.21 |
| Duty per kg | KG | 37% | 37% | 37% | - |
| Clearance costs | KG | 0.65 | 0.65 | 0.65 | - |
| COST INTO STORAGE | KG | 15.45 | 16.06 | 16.68 | 19.21 |
| Storage | KG | 0.50 | 0.50 | 0.50 | - |
| Distribution | KG | 0.70 | 0.70 | 0.70 | 0.91 |
| Marketing, Administration, Finance | KG | 0.80 | 0.80 | 0.80 | 0.88 |
| TOTAL COST | KG | 17.45 | 18.06 | 18.68 | 21.00 |

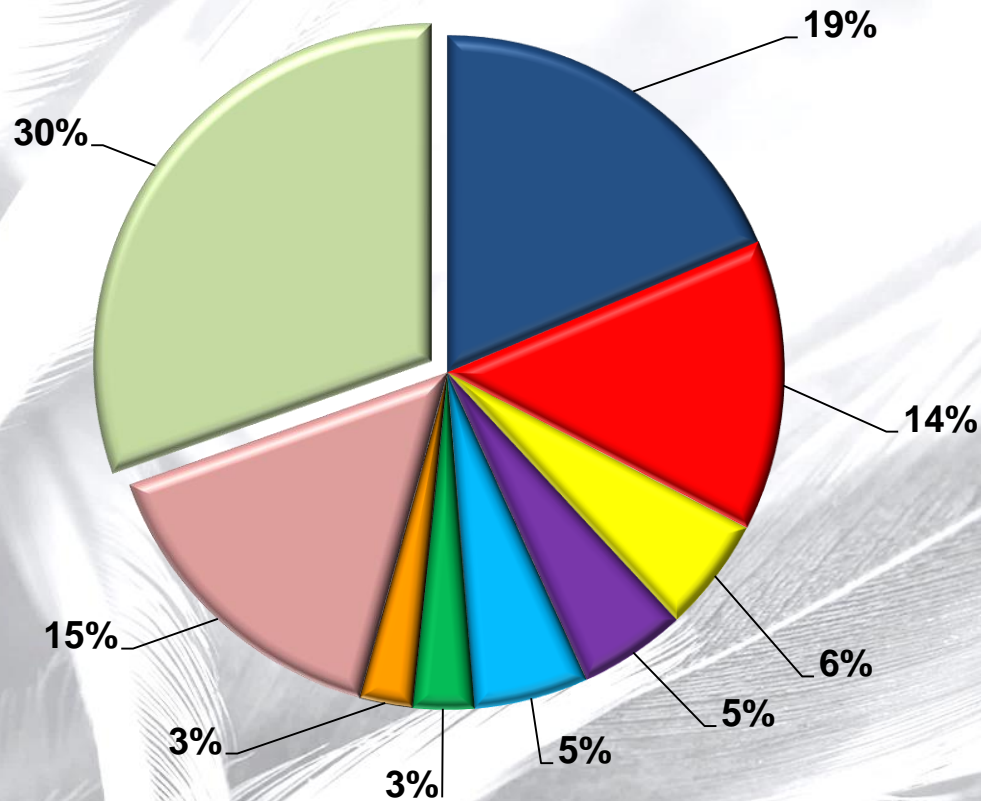
LOCAL BROILER PRODUCTION & MARKET SHARE



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

Local broiler production ≈ 19.0 million birds per week

LOCAL BROILER PRODUCTION & MARKET SHARE



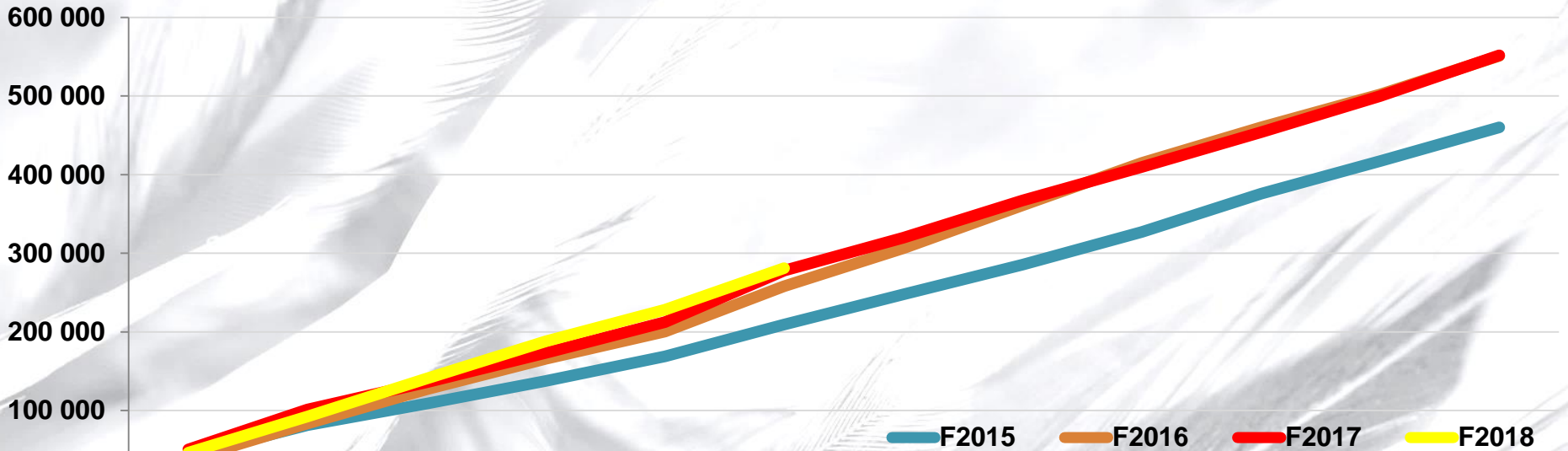
■ Astral ■ RCL ■ Country Bird ■ Daybreak ■ Sovereign ■ Grainfields ■ Chubby Chick ■ Other ■ Imports

Avg. poultry imports ≈ 8.3 million birds per week (6 months ending March 2018)

TOTAL POULTRY IMPORTS (CHICKEN, TURKEY, MDM)



Tons



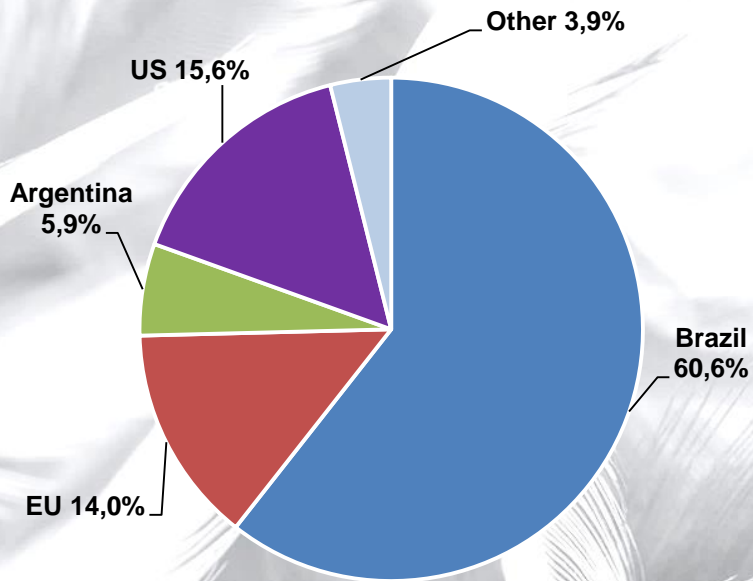
| | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
|-------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| F2015 | 42 363 | 81 170 | 108 674 | 137 660 | 168 965 | 209 337 | 247 672 | 285 532 | 327 180 | 375 717 | 417 427 | 460 255 |
| 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 | | | | | | |

| | | | | | | | | | | | | |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| F2017 | 50,324 | 50,955 | 34,533 | 37,375 | 39,212 | 65,658 | 41,876 | 47,173 | 42,451 | 44,424 | 45,971 | 51,915 |
| F2018 | 46,348 | 45,875 | 48,600 | 47,242 | 40,230 | 52,807 | | | | | | |
| % Var | -7.9 | -10.0 | 40.7 | 26.4 | 2.6 | -19.6 | | | | | | |
| bpw* | 8.2 | 8.1 | 8.6 | 8.4 | 7.1 | 9.4 | | | | | | |

*bpw ≈ million birds per week

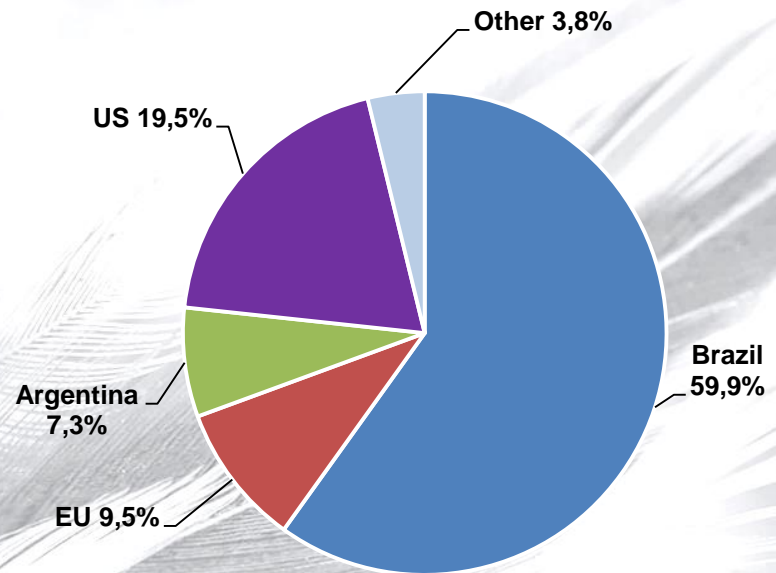
TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN

Country of origin for poultry imports - 2017



556 878 tons

Country of origin for poultry imports - March 2018 YTD



140 279 tons

TOTAL POULTRY IMPORTS – COUNTRY OF ORIGIN



| Country | Imports (tons) | | | |
|----------------|----------------|---------|---------|----------|
| | 2015 | 2016 | 2017 | 2018 YTD |
| Brazil | 241 180 | 233 787 | 337 476 | 84 038 |
| Netherlands | 61 995 | 110 344 | 112 | 105 |
| United Kingdom | 15 985 | 45 647 | 1 366 | 75 |
| Spain | 27 090 | 39 620 | 11 138 | - |
| United States | 331 | 26 573 | 87 059 | 27 343 |
| Belgium | 35 613 | 24 256 | 23 451 | 23 |
| Argentina | 27 718 | 18 713 | 32 816 | 10 230 |
| Ireland | 13 336 | 15 556 | 24 746 | 6 270 |
| Hungary | 10 547 | 13 174 | 0 | - |
| Denmark | 9 508 | 9 779 | 16 884 | 6 820 |
| Canada | 131 | 8 884 | 14 431 | 1 582 |
| Germany | 554 | 6 073 | 134 | 57 |
| Poland | - | 4 773 | 72 | - |
| Thailand | 7 616 | 2 078 | 4 019 | 2 302 |
| Chile | 408 | 360 | 1 770 | 1 099 |
| Australia | 264 | 254 | 984 | - |
| France | 24 895 | 105 | 4 | 2 |
| Uruguay | 182 | 0 | 25 | 332 |

- **Provisional safeguard duties** against the EU of 13.9% that were implemented during December 2016 at 13.9% expired on 3 July 2017
- A **decision on a permanent safeguard duty** against the EU is still awaited following efforts made by an industry, DTI and DAFF work group to secure better trade terms to support local industry jobs and reinvestment
- **Avian Influenza** outbreaks caused temporary trade bans with some EU countries and with this a switch to Brazilian and US imports
- Total poultry imports remain high at average **46 850 tons** (\approx 8.3 million bpw) and equivalent to 44% of local production for the six months ending March 2018

- South Africa reported its first case of **H5N8 infection in domestic poultry** in June 2017 in Mpumalanga
- From that date H5N8 has **caused wide spread damage to the local poultry industry** and in particular significantly affected commercial laying hens and broiler breeders
- Surveys indicated that as much as **5.4 million birds** were culled on commercial poultry production units to date
- A **biological loss of just over R317 million** was reported for the local **South African poultry industry** split between the table egg / commercial laying industry (76%) and the broiler industry (24%)
- The **estimated income foregone** for the local industry is estimated at just over R1.5 billion and spread out over a period of between 18 and 24 months

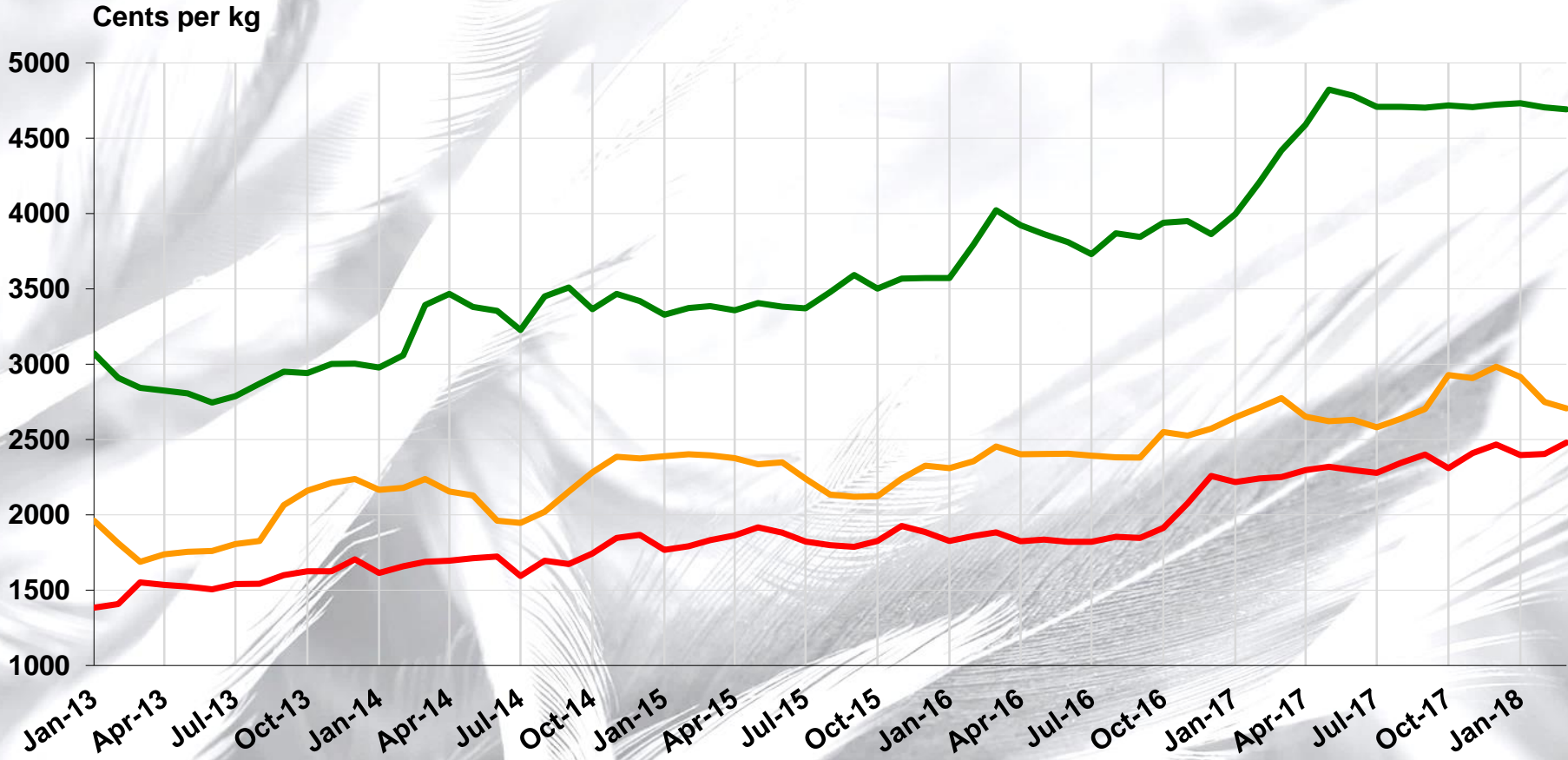
- **Vaccination / Compensation progress:**
 - **Vaccine challenge studies underway** as requested by DAFF
 - Only one out of five vaccines tested so far (100% liveability)
 - Virus shedding data awaited from this one trial
 - Expected to be completed late autumn or early winter 2018
 - **Public participation / comment process** also required by DAFF
 - Could take up to 3 months
 - **Challenges**
 - Vaccinated birds cannot be sold live at depletion
 - Culling of vaccinated flocks infected with H5N8 (affected house)
 - **Industry Task Team** in place engaging with DAFF (Astral active participation)
 - The **compensation guidelines** published by DAFF in December 2017 are, based on legal advice obtained, **fundamentally flawed in terms of the relevant legislation** contained in the Animal Diseases Act, and are being challenged by certain industry participants

- **World's worst outbreak of Listeriosis** with 1 019 cases reported from 1 January 2017 to 17 April 2018 with 199 deaths confirmed, representing 28.5% of incidents with known outcomes.
- **Sovereign Foods** Hartebeespoort operations shut down on 22 December 2017 for 3 days following the detection of *Listeria monocytogenes* on product from this facility and subsequently from the facility itself. This was later confirmed not to be the ST 6 outbreak strain.
- **Enterprise (Tiger Brands)** On 4 March 2018 the Minister of Health announced that the outbreak strain (ST 6) had been detected at the Enterprise facility in Polokwane leading to the large scale recall of polonies and other processed meats from this facility. Independent testing has verified the presence of the ST6 at the facility.
- **RCL** On 4 March 2018 the Minister of Health announced that *Listeria* had been detected at the RCL facility in Wolwehoek, leading to the recall of Rainbow's Chicken Polonies. It was subsequently confirmed that this was not related to the outbreak strain.

- **Primary Impact on the Poultry Market** - chicken products were incorrectly implicated on various occasions prior to the identification of the source. Health officials did little to address this misconception but the sales of chicken products remained largely unaffected prior to the minister's announcement on 4 March 2018 that the source had been found. The sales of raw chicken products were however adversely affected after the announcement, as stores incorrectly started to remove raw chicken and further processed products from the shelf. Astral products were not implicated and the company managed to retain its presence on shelf.
- **Secondary Impact on the Poultry Market** - companies directly implicated by the minister's announcement are reported to have experienced an impact on the sale of all poultry products. By implication the supply chain of live chickens to abattoirs could not be stopped at short notice, which lead to a disproportionately high production of frozen chicken products that could be held in stock. This additional stock pile is now being released to the market, temporarily increasing the relative supply of IQF products and leading to pressure on selling prices resulting in some disruption to the market.

- **Impact on the Pork Industry** the sale of pork products has been more heavily impacted than poultry by the identification of the source of the Listeriosis outbreak, due to the association of pork with processed meats in general and the Enterprise brand in particular. The resultant slow down in the demand for pork across all product ranges, including products and producers that were not implicated in the DOH's findings, has resulted in a backlog throughout the supply chain. Pork prices are reported to have dropped by 50% since December 2017 due to this disruption in demand. This drop in price at consumer level is expected to have a limited impact on poultry demand directly since non-pork eaters will not be enticed to switch to poultry products, but pork eaters may well consume more pork at the expense of chicken. The extremely low price of pork is however disrupting the conventional relative value of chicken, with some impact on price being experienced.

SOUTH AFRICAN PROTEIN PRICE COMPARISON



Chicken

Pork

Beef

Feed Conversion Rate

1.55

2.2

5.5

Per Capita Consumption

38.9 kg

4.6 kg

17.8 kg

Source: FNB, Red Meat Industry Forum, Own Data

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