

Afrifocus Food Producers' Monthly Food Industry Statistics for September

www.afrifocus.co.za

Monday, 03 October 2022

Report Contents

- Executive Summary for September 2022 2
- JSE Food Producers' Company Highlights 3
- Key Industry Developments 4-5
- SA Economic Snapshot 6
- SA Inflation Snapshot 7-9
- Grains & Crop Snapshot 10-14
- Soft Commodities Snapshot 15
- Currencies Snapshot 16
- Climate Snapshot 17-19
- SA Food Producers' Technical Analysis 20
- SA Food Producers' Relative Valuations 21-22
- Research Disclosure 23

Fig 1: JSE Food Producers' Index Movers during September

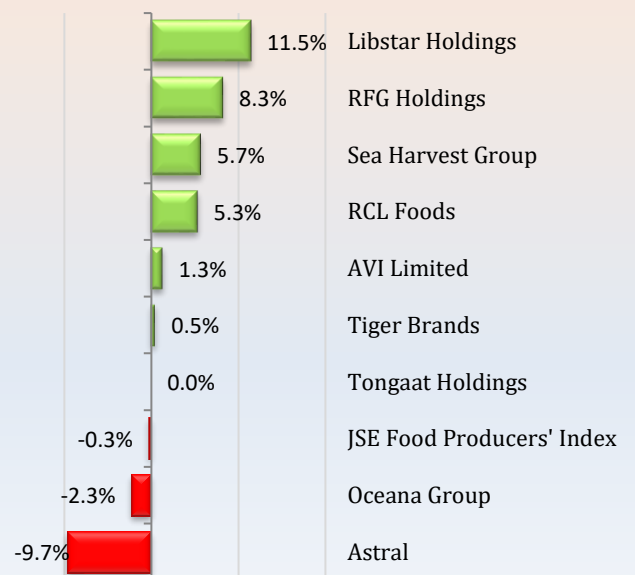
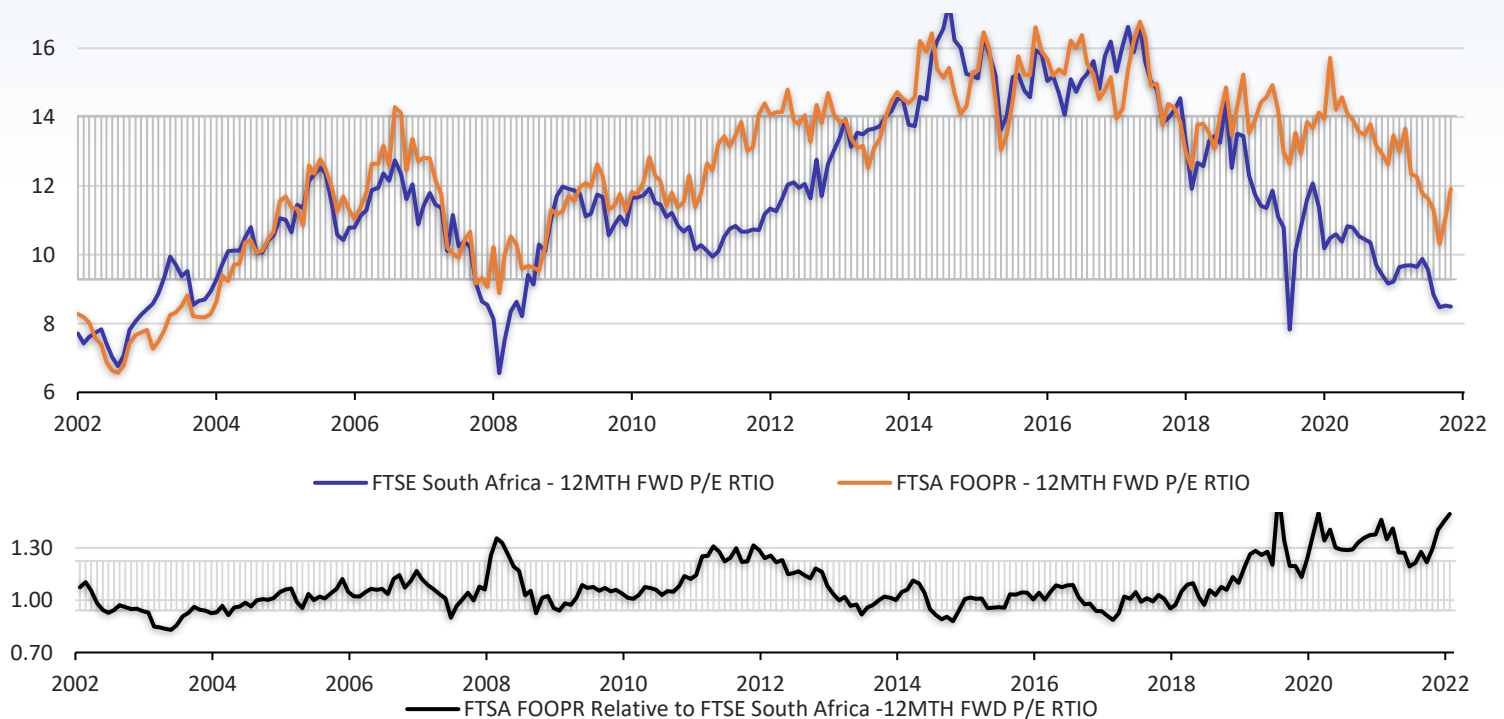


Fig 2: JSE Food Producers' 12 Mth. Fwd P/E Relative to FTSE South Africa (ALSI Equivalent)



Source: Refinitiv Eikon

Executive Summary for September 2022

Dollar Strength Driven Inflation, Food Security and Systemic Challenges

The Rand has weakened significantly against the Dollar recently coming in at 5.3% during September and 18.7% in the last 6 months peaking over R18 in September. This is mostly driven by the Dollar strengthening across the globe as investors can now securely earn 3.25% with the Feds raising the policy rate, and expected to be over 4% before year end. The Dollar seems to be the 'cleanest shirt in a pile of dirty laundry'. The consequent impact of the Rand weakening against the Dollar is not good for local food producers. SA Food producers sourcing their supply from local farmers will have tough competition since local farmers can opt to sell their crops at attractive conversion rates to the European and global market. Since commodities are Dollar denoted, U.S.A.'s attempt to decrease their local inflation will effectively see other global countries such as SA buying/selling commodities at higher rates when converted from Dollars into the native currency. Thus, stable U.S. inflation drives unstable global inflation, particularly in those countries that are heavily dependent on imports. Local South African Food Producers will now need to buy corn, wheat, rice and Soybeans at prices competing with what farmers could export at. We can already see this happening in SAFEX markets with commodities trading closely with the Chicago Board of Trade prices converted into ZAR. Local Maize is already trading at the highs in May 2022 – Fig 18. Food inflation for South Africa will likely not slow down in the coming months as food producers push rising input costs over to the consumer in order to remain sustainably profitable. Given the constrained consumer pockets, Food Producers' stock and inventory levels are also expected to increase as a result.

On the energy front, Tiger Brands mentioned in their 11-month trading statement in September 2022 that running generators is 4 times more expensive than buying electricity from Eskom. Food preservation and production is likely put under huge challenges and at risk of spoiling. Refrigerated foods such as dairy, meat and vegetables can go off quickly when not kept at the recommended cold temperatures. As we head into summer it will become increasingly more challenging for households, retailers, food producers and cold storage facilities to keep perishable foods stuffs at cool to frozen temperatures during the extensive 4–6-hour load shedding periods. What is more concerning currently as opposed to the loadshedding seen back in June/July, is that the winter temperatures are 10 degrees lower than summer months which will further exaggerate the impacts. The constant thawing and refreezing that occurs to perishable food nationwide increases health risks. If certain foods are not kept cold/frozen around the clock it could decrease the quality and impact shelf life. As stated by the U.S Department of Agriculture, once food is slowly thawed in a refrigerator, it is still safe to refreeze it without cooking, however, there might be a loss in quality due to the moisture lost. Perishable foods that contain fresh ingredients are likely to go off or expire prior to the normal expiry date which destroys the premium grade of the products and could force retailers to run promotions that move volumes before expiry dates. This ultimately leads to food waste and possible impairments of inventory. In times of record levels of food inflation, it is unfortunate to see nutritional food spoil and go to waste because the systemic hurdle of not having a reliable flow of electricity and cold storage not being able to run during rolling blackouts. The rolling blackouts that were seen throughout September must have put cold storage under stress with cost increases for those running generators for up to 6 hours at a time.

Food producing companies need to be shifting their dependency away from the Eskom grid and find alternatives. We have seen the likes of Tiger Brands and RCL Foods openly mention that they will be installing solar power to ease their load, however, this is likely not enough to keep large production plants running round the clock as the energy requirements are far too great. We expect that food producers who deal in perishable foods to be feeling more of the brunt as opposed to food producers with long shelf-life products. From a consumer perspective, shoppers are likely changing their behaviour and factoring in load shedding into whether or not they purchase bulk quantities of frozen/cold goods, and we have also seen an uptick in the quick service restaurants. Higher stock expectations and increasing costs of preserving those inventories may put pressure on food manufacturing capacity as there is a risk of oversupply.

AgriSA put its concerns forward to Eskom during the rolling blackouts said that load shedding heavily impacts the farming sector, planting schedules and increases the costs of production, - further adding to food inflation. AgriSA also stated that the greatest threat of all is that if irrigation is not kept consistent, crops can fail which puts the entire food chain at risk. The pumps that are used to keep irrigation running at high scale are largely dependent on the grid. Fertilizer costs have increased triple digits (Fig 26) since last year and it is imperative that it not go to waste because of not being able to water the land. What might be positive moving forward is that Eskom has laid out its plans to allow the private sector to produce 1000MW (previously 100MW) which will open massive opportunities for private players to not only compete with Eskom, but possibly become a partner and supply power to the grid as a compliment.

In the long run, energy dependency and food preservation will be a recurring theme. Thus, the key drivers to ensure sustainably for food producers amidst continuous loadshedding cycles will be a shift into products that are less energy dependent and have longer shelf lives. Companies that do not adjust to this environment will likely be the hardest hit. Without electricity, you simply cannot run plants at full capacity, and without power you cannot preserve perishable goods as required.

Listed JSE Food Producers | Company Highlights for September 2022

- (JSE:AVI)**
1.33%
AVI released their results for the year ended June 2022. The group reported that Revenue was up 4.3% while cost of sales were up 5%. Major themes driving the results were a constrained consumer environment and global supply chain disruptions. HEPS was up 6.1% to 530.6 cents per share from 499.9 cents in 2021. | AVI Limited gained 1.33 % in its share price for the month of September from 71.85 to 72.8
- (JSE:LBR)**
11.46%
Libstar put out a SENS announcement in August stating that they will be acquiring Cape Foods which will expand the company further into spices. Results are expected September | Libstar Holdings gained 11.46 % for the month of September from 5.5 to 6.13
- (JSE:OCE)**
-2.30%
Ocean group put out some positive news in their 11 month trading statement in September. Strong supply and demand dynamics drove a 16.2% increase in canned fish volumes. African fishmeal and fish oil production volumes were up 24% compared to the first half. Favourable US fishing conditions resulted in a 63% increase in landings to 650 million fish (2021: 399 million). Commercial cold storage was negatively impacted by an 5% decline in occupancy levels. | Oceana Group "declined -2.3 % in its share price for September from 54.51 to 53.26
- (JSE:RCL)**
5.34%
RCL Foods released their June 2022 FY results on 5 September showing an improvement for the period, most notably Rainbow (their poultry business) strongly returning back to profitability and separately holding Rainbow and Vector Logistics as subsidiaries giving them both individual focus. | RCL Foods share price increased by 5.34 % in September from 10.5 to 11.06
- (JSE:TON)**
suspended
Tongaat has not been able to release their FY results for the year ended 31 March 2022 and has been suspended by the JSE due to the noncompliance of the Listing Requirements. It still remains unclear on when the group will release their 2022 FY results. The company stated on 26 August to take precaution in dealing with the shares with their intention of implementing a recapitalisation and structure of the group. The company has been heavily impacted in the recent months with flooding, looting and damages which lead to a 9% reduction in production capacity and unseen challenges in the past. | Tongaat Holdings had a 0 % decrease in share price for September from 4.04 to 4.04
- (JSE:RFG)**
8.26%
in EPS from the comparable 2021 interim results. The companies focus remains on organic growth and recovery from the previous years. A trading update for the 11 Months ended August 2022 was released on 13 September 2022. Revenue increased by 21.2% driven by strong demand internationally for canned and puree fruit products as well as a resilient performance of the regional segments (revenue up 11.5% as a result of 5.2% volume growth and 6.3% price inflation). RFG reported positive results with the share price up 5% for the day of the trading statement. Full year results are expected to be released on 23/11/2022. | RFG Holdings had a 8.26 % increase in share price in September from 10.17 to 11.01
- (JSE:SHG)**
5.73%
Sea Harvest Group released their Interim results on 29 August 2022 Revenue was up 29%, Cost of Sales were up 42% as a result of high input inflation and the results were and EPS of 65 cents (down 14% from 78 cents in 2021). The company said despite the results being disappointing, their performance relative to the sector sets a good foundation for the next 15 years. | Sea Harvest Group had a 5.73 % increase in share price during September from 11.35 to 12
- (JSE:TBS)**
0.49%
Tiger Brands announced on 7 September that they will be recalling Baby Power Products as there were traces of asbestos found in the raw materials used in the products. The share price fell 6.9% shortly after this announcement. TBS also released their 11 month trading statement expecting earnings per share to be up 35%-45%. Cost push inflation pressures are expected to persist even after the company raise prices by 15% for the 5 months ended 31 Aug 2022. The FY 2022 results are expected on 2 December 2022. | Tiger Brands saw a increase in share price of 0.49 % since the start of September from 168.63 to 169.44

Fig 3: SA FTSE/JSE Food Producers Price Index

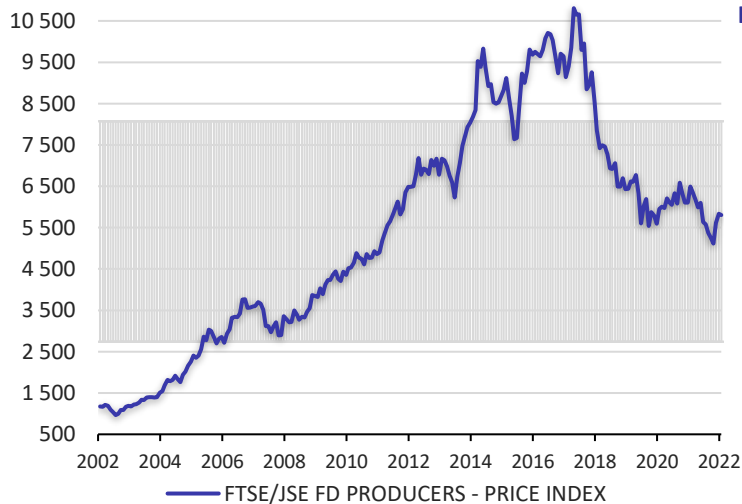
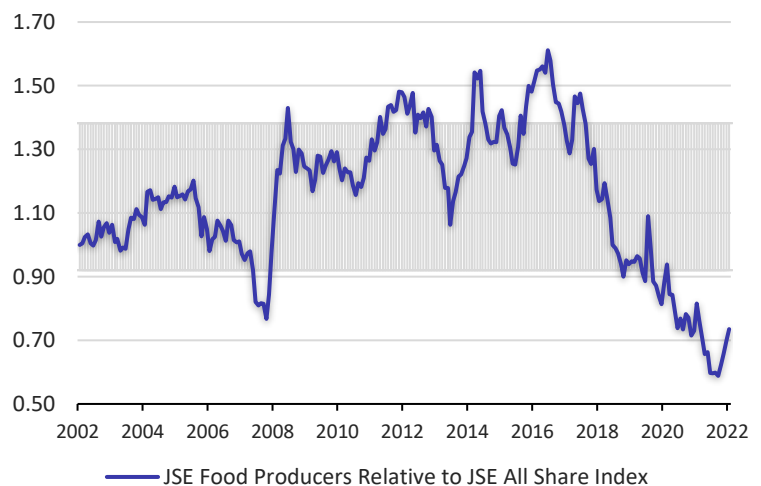


Fig 4: FTSE/JSE Food Producer Index Relative to the JSE All Share Index



Key Industry Developments



SA Citrus Industry
South Africa stops exports on Valencia oranges

South Africa has voluntarily halted its shipment of Valencia oranges to the European union during September after 10 incidents of fungal disease was detected. The decision is meant to show SA's commitment to the long-term access to the EU which accounts for more than 40% of orange shipments and 27% of soft citrus according to SA's National Agricultural Marketing Council. South Africa is in its last month of its orange export season and will likely have an impact on revenues. The citrus sector in South Africa creates jobs for 130 000 people and generated R30 billion rand in annual exports. The new regulations require the citrus fruit to be kept at very cold temperatures while being shipped which will be a challenge in the current energy-stricken environment globally.



SA Transport
Possibility of tariffs which could drive tyre prices up 38%

SATMC (SA Tyre Manufacturers Conference) representing Bridgestone, Continental, Goodyear and Sumitomo has put its application in to the International Trade Administration Commission of South Africa (ITaC) for increases on the anti-dumping duties of Chinese tyre imports. It is said that the taxi industry will be the hardest hit with tyre increases of up to 38%-41%, and trucks could see tyres increase by 17%-18%, and SUV vehicles could be up 30%. From the food producers perspective, the whole logistics network could see a net impact of an 8% increase in transportation and with road transport being the major form of delivery (80% of transport) since there are no rail or waterway alternatives, it will have nationwide inflationary impacts on all products. The tariff increases are being justified to boost local tyre production, however, as a result we could see less rands in the consumers pockets in the end, which makes a difference on food sales in the end.



SA Petrol Price
Drops in petrol price add much needed relief to the country

South Africa had a R2.04 decrease in petrol during the month of September with an additional cut on the cards for October 2022. The October price cut is expected to be between 90 cents and 102 cents per liter of petrol. This drop has been largely being driven by the Brent Crude price dropping from the \$100 per barrel level to below \$90 per barrel in September. Food prices tend to be sticky in that once there are on shelf increases, they do not tend to come down by much, thus the fuel decrease might not bring down food prices, however, it will provide some relief to transportation costs for commuters and in current economic conditions every bit of relief helps. Unfortunately, the positive news cannot be said for those depending on diesel. The is a growing spread between the diesel price and petrol price with diesel increasing significantly as global demand is increasing due to the European conflict. There has also been a significant uptick in diesel consumption in SA as Eskom and those running generators have been forced to keep the lights on during loadshedding. The supply demand dynamics are expected to drive up diesel for longer in the near future.



SA Beef Industry
South African Government lifts bans of cattle

The country wide ban on cattle as a result of foot-and-mouth disease was lifted during September. The Red Meat Producers' Organization (RPO) expressed their gratitude to the Minister of Agriculture, Land Reform and Rural Development as the economic impact of the ban was huge. On the other hand, the regional chairperson for TLU SA in Kwazulu-Natal said that the lifting of the ban is welcoming, the stringency at which it was implemented was not enough, and it needs to be done more consistently, - for example, cattle were still being transported during the ban while police officers we not even aware of the ban yet. Gert Blignaut, the COO at a beef producers' supplier to international markets has been using the demand in Singapore to allow SA beef to access more or the international markets. He stated that in order for the SA beef industry to gain in international markets, we need to get a handle on livestock health, trackability and keeping up with global biosecurity standards. With better collaboration with the beef industry players, and the Agriculture, Land Reform and Rural Development, South Africa could see an increase in opportunity for their beef globally, however, biosecurity remains as the first bridge to cross.

Key Industry Developments (continued..)



SA Interest Rates
SARB Raises rates by 75 basis points

South African Reserve Bank rose interest rates by 75 basis points during September shortly after the U.S. Federal reserve did the same in an attempt to slow down the rampant inflationary forces experienced throughout the year. The report rate is now sitting at 6.25% (previously 5.5%) and the prime lending rate will be at 9.75% (previously 9%). This impact will have a tightening impact on indebted South African's which will now pay more on their mortgages and credit facilities. There is usually a lag effect and with less rands in the consumer pockets at the end of each month could induce pressures on discretionary/luxury items as consumers priorities their non-discretionary needs first. It is estimated that the interest rate hike will increase the mortgage on a R1 million rand bond by R488.



SA Sugar Prices With Added Tax
Sugar tax to reduce diabetes has bigger economic impacts that possibly outweigh health

The government plans to increase sugar tax next year which could cost an approximate R15 984 job losses as a result. We saw that in 2019, the sugar tax cost 16 000 jobs and approximately R2.05 billion. The 2.31 cents per gram tax on sugar might seem small. but when extrapolated this takes a ton of sugar at R11 500 and pushes it to R23 100, effectively amounting to a 200% markup of the cost of sugar. The sugar tax levy has been heavily argued against as other carbs such as bread, rice, potatoes and maize also have the same adverse health impacts as sugar, while sugar is getting taxed the most. The stated goal if the levy is to reduce diabetes and obesity, however, the is likely to be a substitution effect of switching from expensive sugar products to other carb rich products what do not have the sugar tax priced into it. The sugar tax levy has also impacted the milling industry as most beverages have been switching to beverages that contain less sugar causing a significant decline in milling revenues. Sugar cane growers also have less incentive to increase production and thus leading to further job losses. At the present, most growers are in a position whereby 20-32% of their crop is at risk of not even being crushed as there is a huge drop of in demand for sugar.



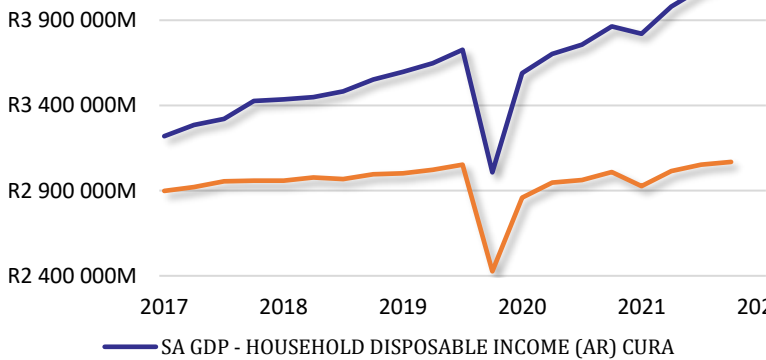
SA Airline Industry
South Africa's biggest airline crisis ever

South Africa's domestic airline industry is not cruising as well as it once did. Those looking to catch a flight from Johannesburg to Cape Town with return are looking at R8000-R9000 per ticket, and that is if you can even get a ticket. Cape Town International add stresses such as jet fuel rationing which will continue into the near future. FlySafair chief marketing officer Kirby Gordon states that before covid, South Africa had approximately 1.5 million seats a month. During COVID this had dropped to basically zero and then recovered to 1.2 million a month. The liquidation of Comair lead to the number of seats fall to 0.9 million per month. Since then, British Airways in South Africa and Kulula have entered business rescue and subsequently liquidated. These liquidations have to flight capacity almost halving with 40% being taken offline according to Gordon. Only 4 out of the 8 domestic airlines remain, these being FlySafair, Lift, CemAir and Airlink. SA Express, Kulula, British Airways and Mango have all been grounded or liquidated. Jet fuel has more than doubled in the last year which greatly impacts overheads. On top of this, there have been shortages at Cape Town International and the airport has forced company to ration the supply that they do have. Even if there is a demand for flights at the high prices, we could still expect disruptions according to the Airports Company South Africa (ACSA) driven by fuel shortages.

SA Economic Snapshot

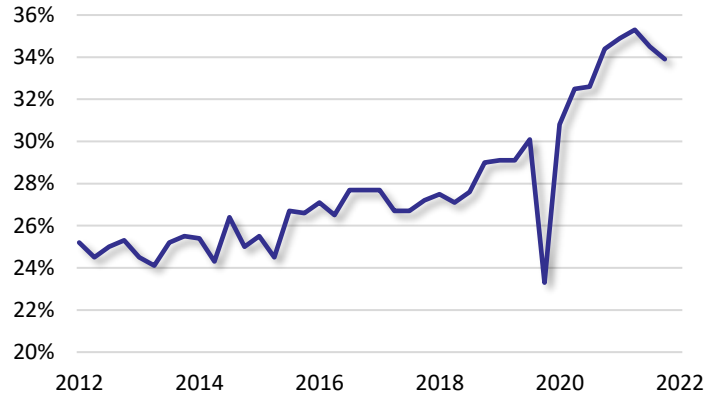
Fig 5: SA Disposable Income & Final Consumption Trends

South Africa has been reporting a steady increase in disposable income and consumption since COVID, however, likely inflationary driven increases (see Inflation snapshot on next page). During 2022 there has also been a slight improvement in the employment rate, however, the country is still sitting at dangerously high levels. Unemployment is currently one of the major contributors to the tight consumer environment nationally. An improvement in employment will likely drive earnings for food producers which is something to keep an eye on.



Source: Stats SA

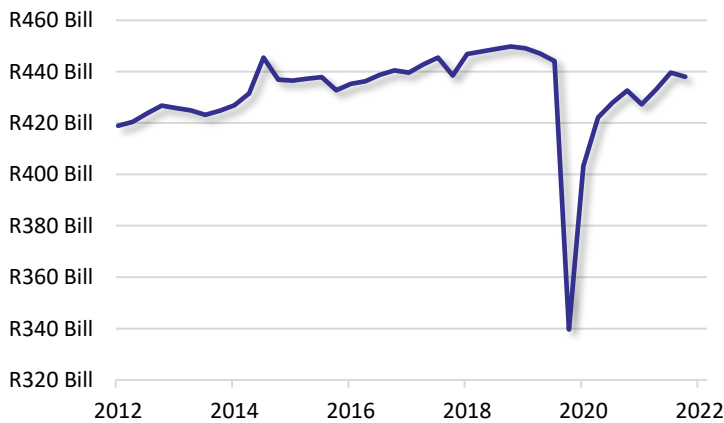
Fig 6: SA Official Unemployment Rate



Source: Stats SA

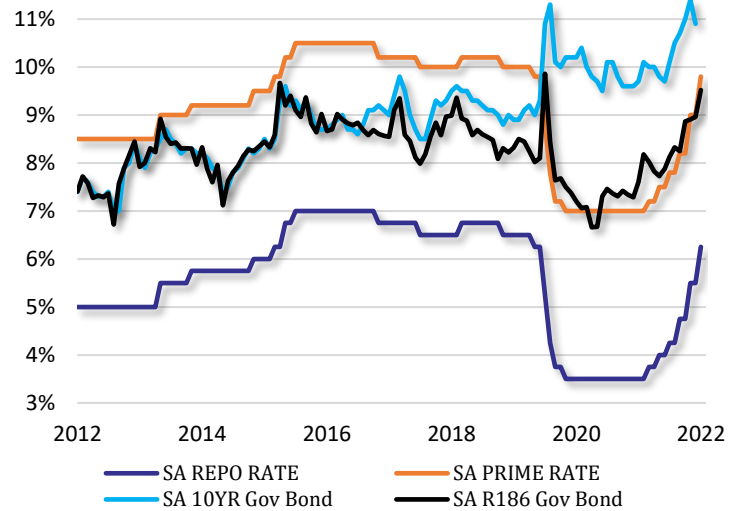
Fig 7: SA GDP: Government Taxes less Subsidiaries

Tax revenue from a government perspective has not seen much recovery back to pre COVID levels.



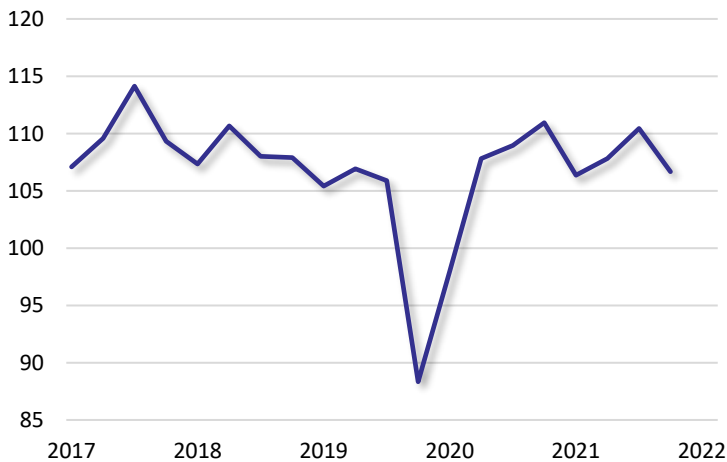
Source: Stats SA

Fig 8: SA Fixed Income Interest Rate Trends



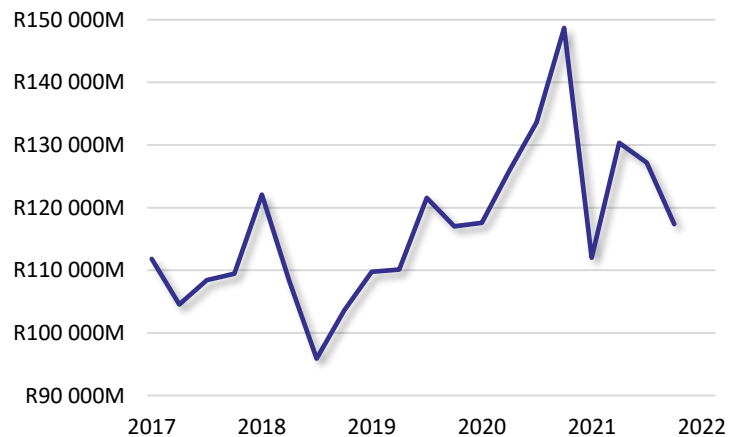
Source: South African Reserve Bank

Fig 9: Business Confidence Index 2020=100



Source: SACCI

Fig 10: Agriculture, Forestry and Fishing GDP (const. 2015 prices)



Source: Stats SA

SA Inflation Snapshot

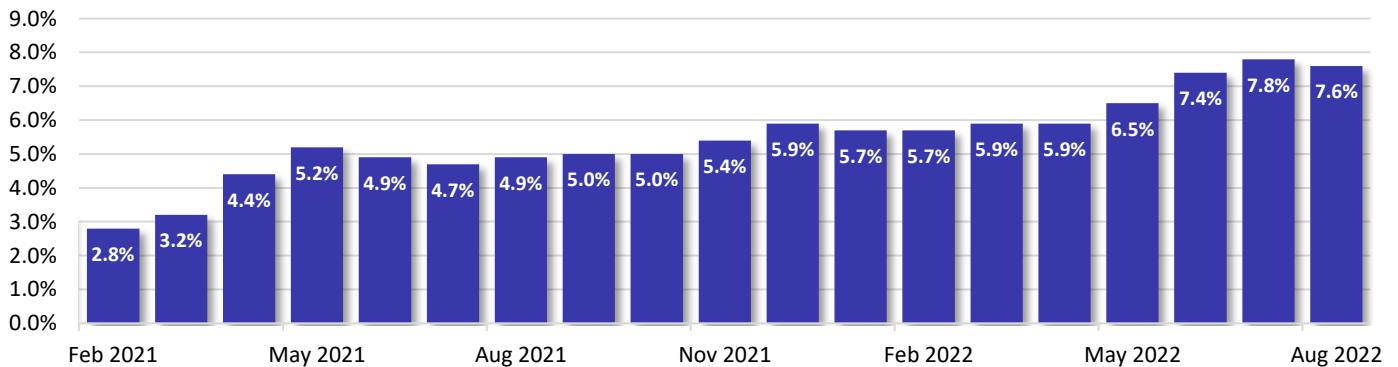


SA - Food Inflation
South Africa's food inflation hits 6-year high

Food and non-alcoholic beverage inflation advanced sits at 10% for the year up until August according to Stats SA. The recent surge in prices have been a result of the Russian invasion of Ukraine which caused prices for oilseeds and grains to surge thereby affecting local bread and cereal prices. Global food prices are also being driven upwards as a result of drought, higher energy prices and sanctions against Russia. It is expected by World Bank that the food price inflation that was seen in 2022 will be likely to remain at the current levels effectively setting a new normal price level in the market, while forecasts into 2023 and 2024 are to not be as high as experienced in 2022. It has been witnessed that, although global prices for these commodities have eased over the past weeks, a weaker rand exchange rate and persistently high logistics costs are keeping local commodity prices elevated from a South African perspective. The sector contributed 1.7 percentage points to the CPI headline inflation figure of 7.6% for August (July 7.8%).

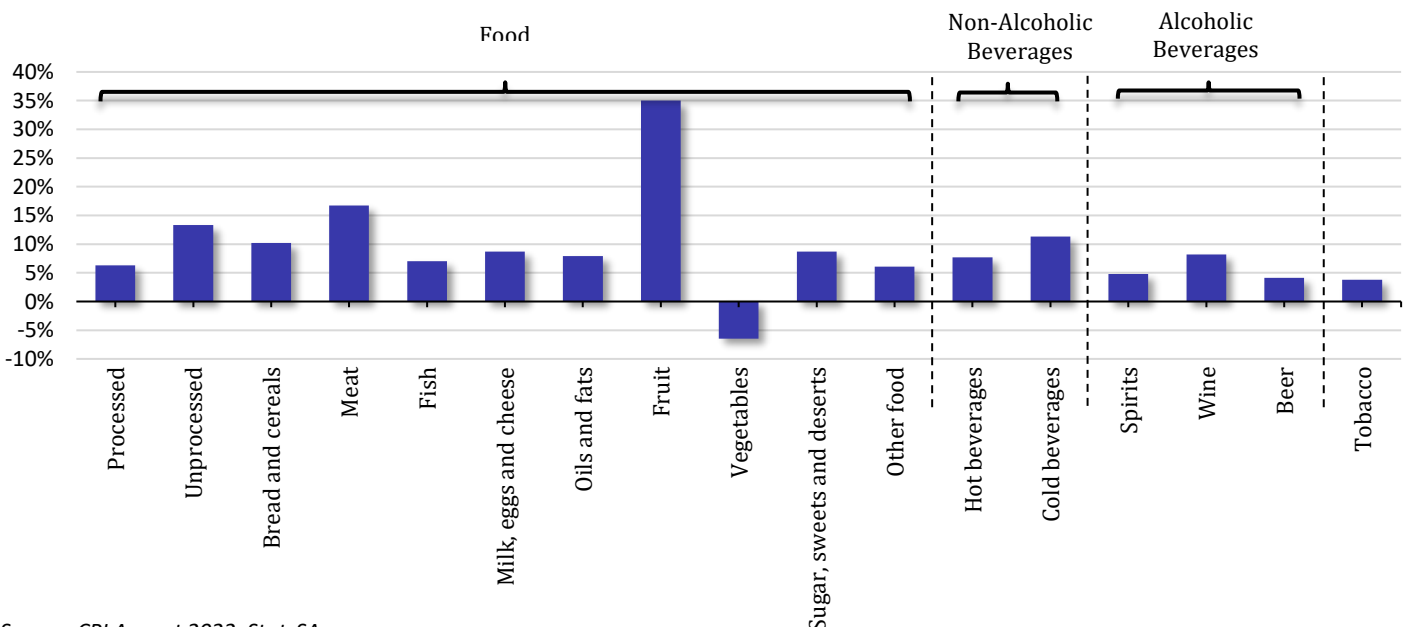
Fig 11: South Africa YoY Annual CPI

Annual consumer price inflation as reported by Stats SA was 7.6% in August 2022, down from 7.8% in July 2022. The consumer price index increased by 0.2% month-on-month in August 2022. The largest movers contributing to the 2022 annual inflation rate were Fuel (28.5%); Private transport operation (24.1%); Public transport (15.9%); Transport (14.5%); Food (All) (10.2%); Food and non alcoholic beverages (10%); Electricity and other fuels (8.2%).



Source: CPI August 2022, StatsSA

Fig 12: SA CPI - Total Country - July 2021 vs July 2022 (Y-o-Y % change)

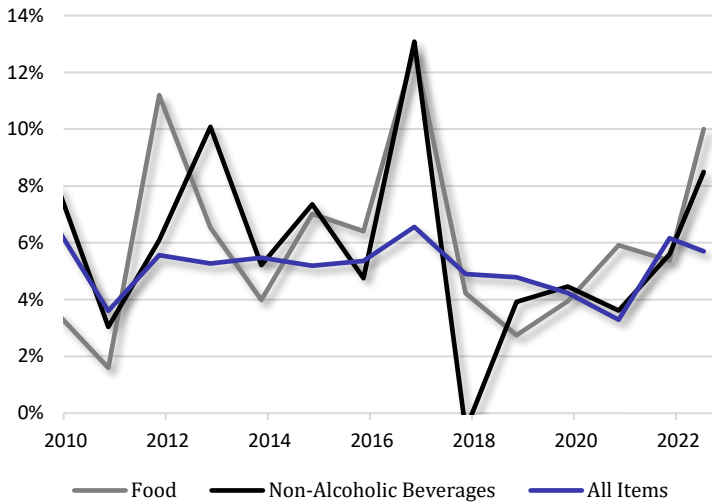


Source: CPI August 2022, StatsSA

Inflation Snapshot (continued...)

Fig 13: SA Food & Non-Alcoholic vs Headline CPI Trends (Dec 2021=100)

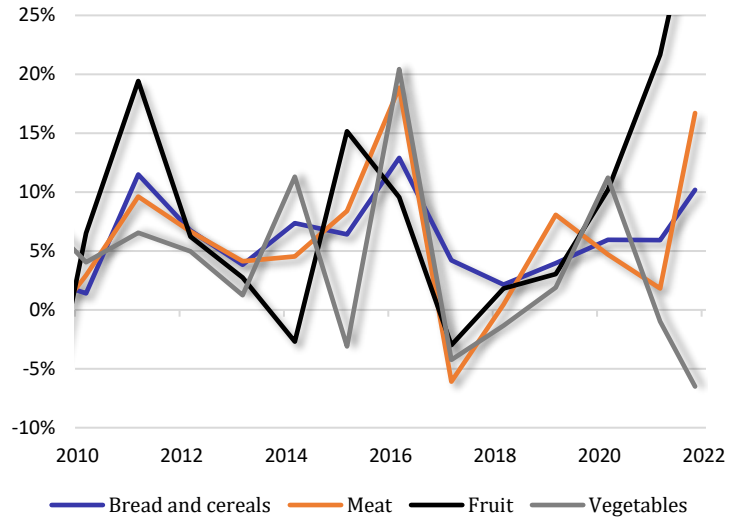
Annual consumer price inflation was 7.6% in August 2022, down from 7.8% in July 2022. The consumer price index increased by 1.5% month-on-month in July 2022. Food and non-alcoholic beverages increased by 9.7% year-on-year, and contributed 1.7% points to the total CPI annual rate of 7.8%.



Source: CPI August 2022, StatsSA

Fig 14: SA CPI Bread & Cereals, Fruits, Vegetables & Meat Trends (Dec2021=100)

Prices of fruits declined by 1.4% and vegetables advanced by 8.1%, respectively, in July 2022. Last month, prices of fruits and vegetables had risen by 0.0% and 5.3%, respectively. Meat prices increased by 9.4% annually during July 2022, compared to the 9.7% increase recorded in the previous month.



As can be seen in Figure 15, South Africa has had some of the highest Consumer price inflation rates on Food mcompared to other big countries, however, Figure 12 shows that in more recent times South Africa has been more in line with the rest of the major countries with USA and Germany having the highest food inflation. Since September 2021 the average Food inflation for the year in the group

Fig 15: World CPI Trends (Food & Non-Alc. Nov 2012=1)

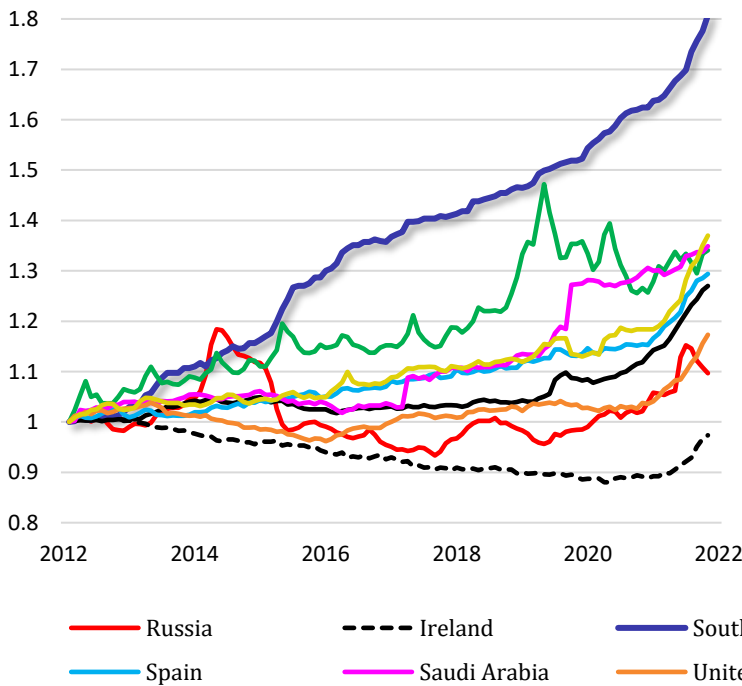
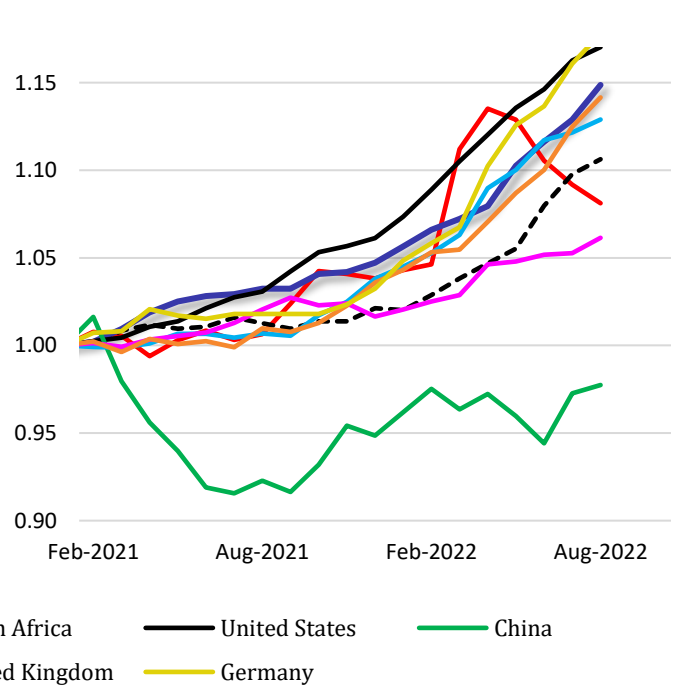


Fig 16: World CPI Trends (Food & Non-Alc. Jan 2021=1)



Source: Refinitiv Eikon

RS CPI: FOOD & NON - ALCOHOLIC BEVERAGES (CPPI=100) NADI;IR CPI: FOOD & NONALC BEV - FOOD NADI;SA CPI: FOOD & NON ALCOHOLIC BEVERAGES NADI;US CPI - FOOD & NON-ALCOHOLIC BEVERAGES NADI;CH CPI - FOOD & NON-ALCOHOLIC BEVERAGES NADI;ES CPI: FOOD AND NON-ALCOHOLIC BEVERAGES - CATALUJA NADI;SI CPI - FOOD & NON-ALCOHOLIC BEVERAGES NADI;UK CPI INDEX 01 : FOOD AND NON-ALCOHOLIC BEVERAGES NADI;BD CPI - FOOD & NON ALCOHOLIC BEVERAGES NADI D

Inflation Snapshot (continued...)

Table 1: Food Basket Cost

The Table below is compiled using a grocery basket with basic goods that can sustain a healthy diet for one person for a month. For the month of August 2022 the basket cost a person 1.61% more than in July 2022 and 7.57% more than a year ago in August 2021.

Food Item	Aug-2021	Jun-2022	Jul-2022	Aug-2022	YoY % chg	Basket QTY
750ml Sunflower oil	28.20	43.97	45.33	44.51	57.8%	1
1kg Tomatoes	19.26	23.72	24.15	25.81	34.0%	1
Onions	12.62	15.63	16.27	16.55	31.1%	1
Tin of baked beans	11.09	12.87	13.58	13.89	25.2%	2
Loaf of white bread	15.30	17.41	17.84	18.38	20.1%	4
200g Gouda cheese	29.47	32.9	33.99	35.06	19.0%	1
2.5kg Maize Meal	27.84	33.61	32.31	33.05	18.7%	2
500g Pasta	21.88	24.31	24.58	25.45	16.3%	2
1L FC Longlife Milk	15.53	16.74	16.99	17.28	11.3%	4
500g cereals	42.41	45.51	46.22	47.11	11.1%	2
2.5kg White Sugar	45.05	48.88	48.16	48.71	8.1%	1
1kg beef mince	95.90	101.9	102.5	103.17	7.6%	1
1kg Stewing beef	95.74	105.41	101.8	101.69	6.2%	2
Cabbage	17.27	18.25	18.8	18.34	6.2%	1
170g tinned Tuna	22.07	22.52	22.67	22.79	3.3%	1
6 eggs	20.32	21.36	21.61	20.81	2.4%	2
1kg Potatoes	14.02	13.58	13.81	14.04	0.1%	2
2kg IQF Chicken Portions	84.47	87.69	88.63	84.28	-0.2%	2
Whole Chicken	59.02	55.51	55.68	58.32	-1.2%	2
1kg Carrots	13.26	13.11	13.06	12.88	-2.9%	1
1kg pork chops	104.41	96.88	85.17	98.36	-5.8%	1
1kg Rice	31.09	26.28	25.56	27.36	-12.0%	1
Basket cost	1295.5	1380.34	1371.42	1393.46	7.6%	37

Fig 17: Food Basket Cost Change (Urban Food CPI)



Source: CPI All Urban August 2021, Stats SA and Afrifocus calculations using food own basket

Grains & Crop Snapshot

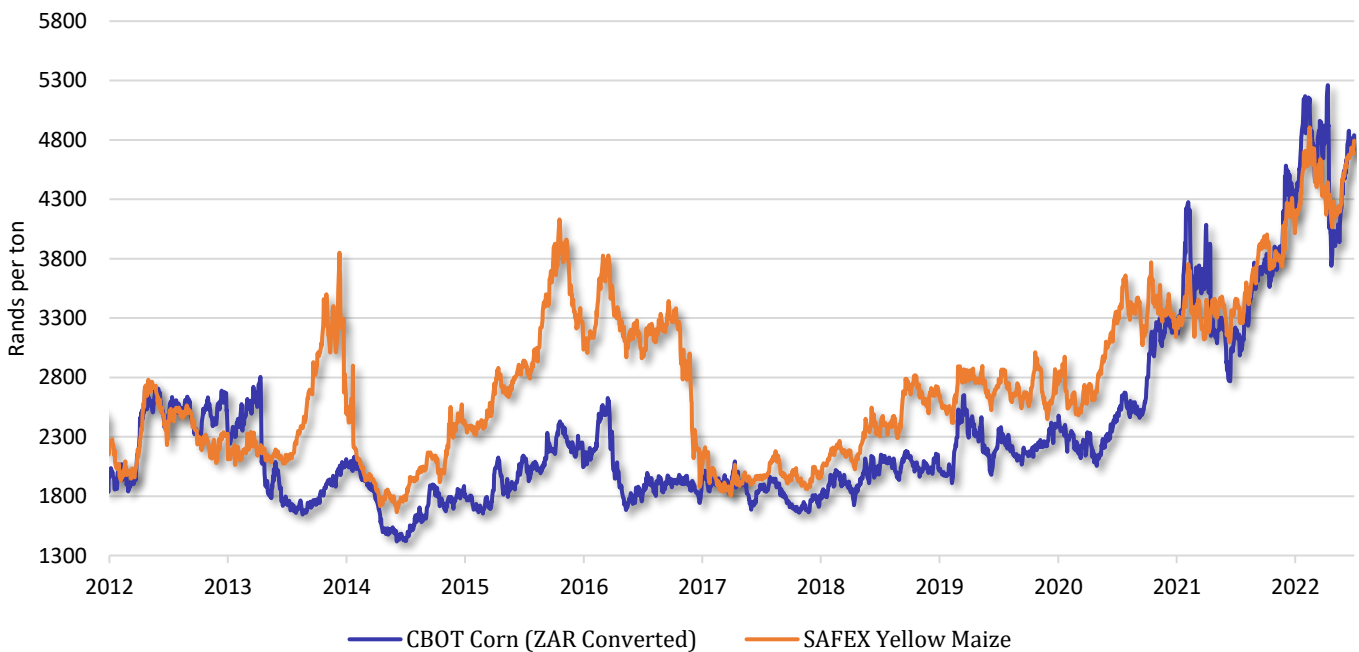


SA Grains Industry

South Africa has been exporting above average levels of yellow maize since 2021

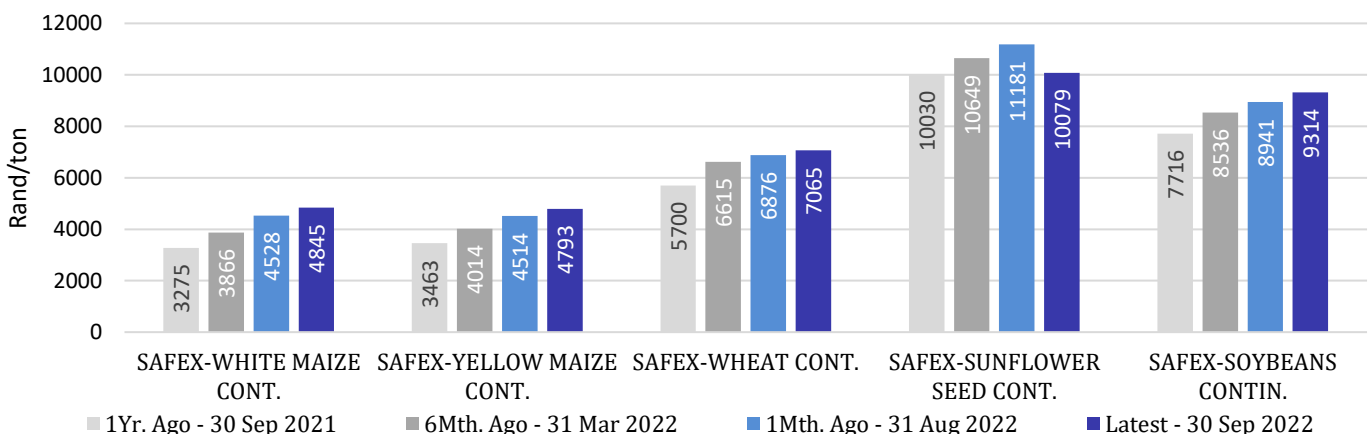
In the recent years South Africa has had good rain contributing to above average maize harvests. Despite high harvest levels, local producers that buy maize for use have still been struggling with the commodities price inflation. This is because USA has been experiencing exceptional droughts since 2021 with more than 48% of the country in a state of abnormally high drought (see USA Drought Watch of this report) as well as Europe in record drought levels. As a result of these dynamics, South Africa has been exporting more of its maize at the increasing global prices of CBOT Corn into Europe. This scenario has been contributing to the local SAFEX maize price increases due to import/export parity and a weakening Rand. It is simply becoming tougher for local producers that use maize to acquire locally grown maize at reasonable prices. Local producers end up having to buy maize at the global Dollar denoted CBOT rates. Figure 18 below clearly shows that SAFEX Yellow maize has been strongly trading at the same price as the CBOT Corn converted to Rands since the beginning of 2021. All SA would need is a significant decline in maize for prices to exceed the CBOT Corn prices as they did in 2016. October - January will be the critical months for rainfall in anticipation for the May 2023 harvest.

Fig 18: CBOT Corn (in ZAR) vs SAFEX Yellow Maize



Source: Refinitiv Eikon and Afrifocus calculations

Fig 19: Major Grain SAFEX Commodity Settlement Prices (continuous)

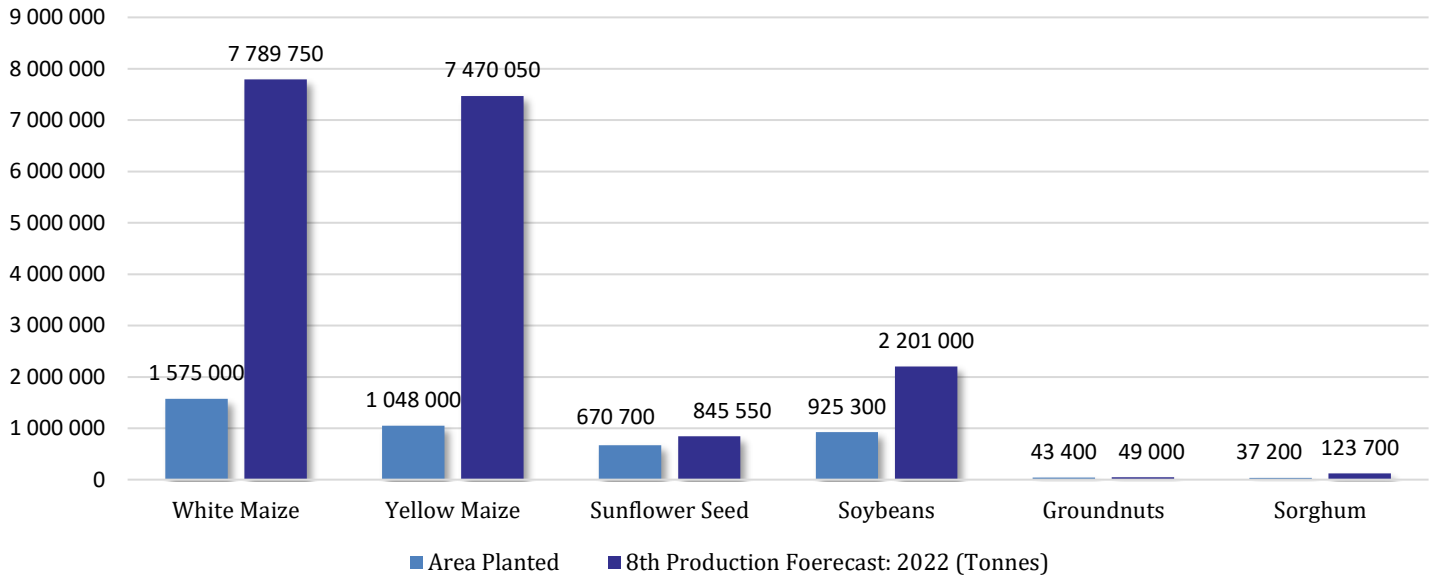


Source: Refinitiv Eikon

Grains & Crop Snapshot(continued...)

Fig 20: South Africa Summer Crops: Final Area Planted (Ha) & 7th Production Forecast 2022 (Tonnes)

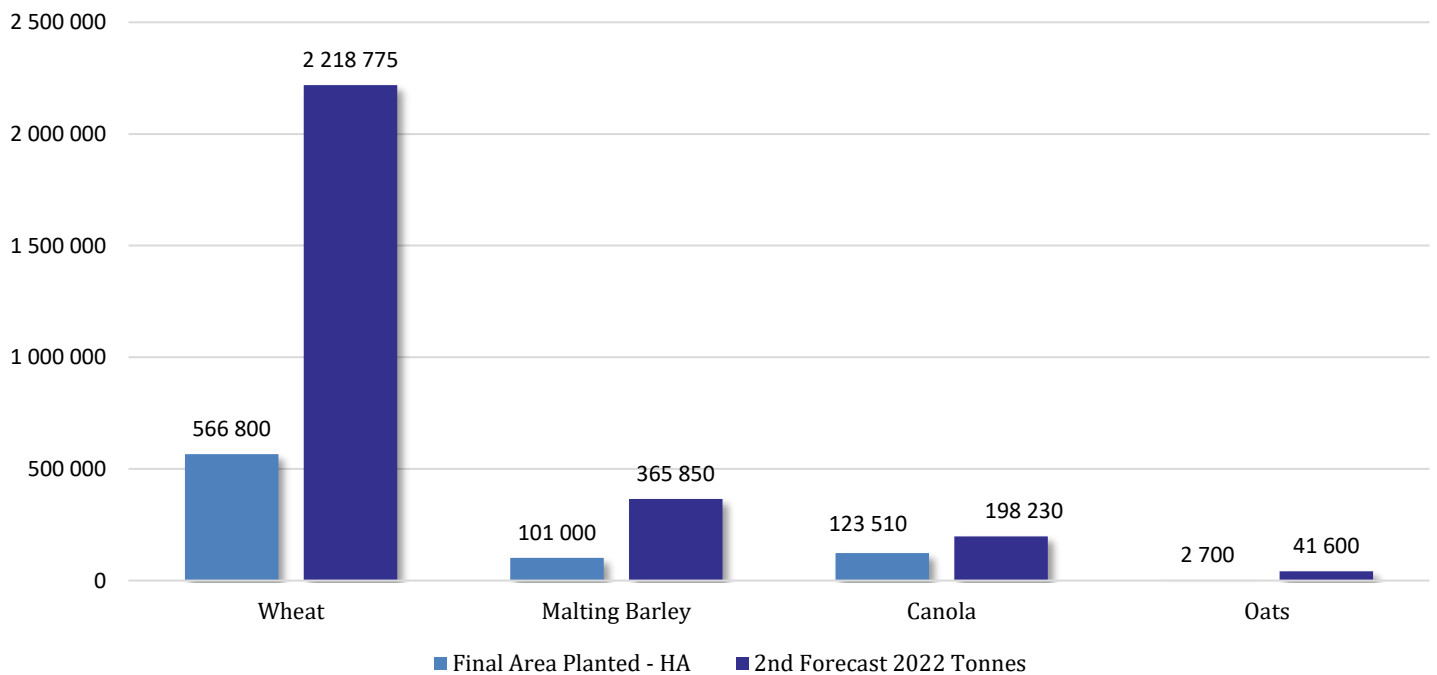
The production forecast for white maize has been set at 7,637 million tonnes, which is 2.23% or 166,650 tonnes more than the previous forecast of 7,470 million tonnes. The yield for white maize is 4.85/ha. In the case of yellow maize the production forecast is 7,367 million tonnes, which is 1.71% or 123,650 tonnes more than the previous forecast of 7,243 million tonnes. The yield for yellow maize is 7.03 t/ha.



Source: Department of Agriculture, Land Reform & Rural Development

Fig 21: Winter Cereals: Final area planted for the 2022 production season (Ha)

The expected production of wheat is 2,179 million tonnes, which is 4.64% or 106,065 tonnes less than the previous seasons' crop of 2,285 million tonnes. The area estimate for wheat was revised to 560,100 ha. The production forecast for barley is 370,350 tonnes, which is 10.88% or 36,350 tonnes more than the previous seasons' crop of 334,000 tonnes. The area planted is estimated at 101,000 ha. The expected canola crop is 197,880 tonnes, which is 0.11% or 220 tonnes less than the previous seasons' crop of 198,100 tonnes. The expected crop for oats for the 2022 season is 43,880 tonnes and the revised area planted is 28,150 ha.

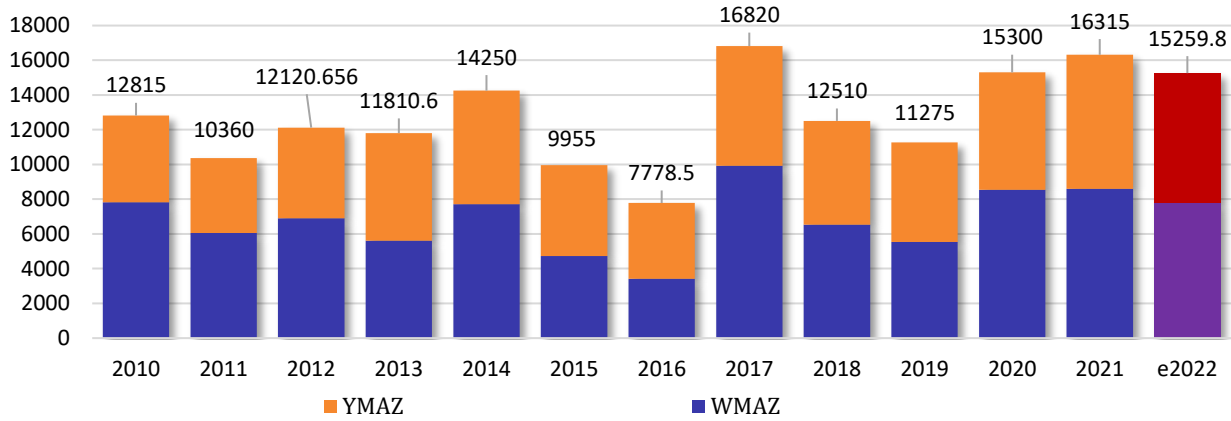


Source: Department of Agriculture, Land Reform & Rural Development

Grains & Crop Snapshot (continued...)

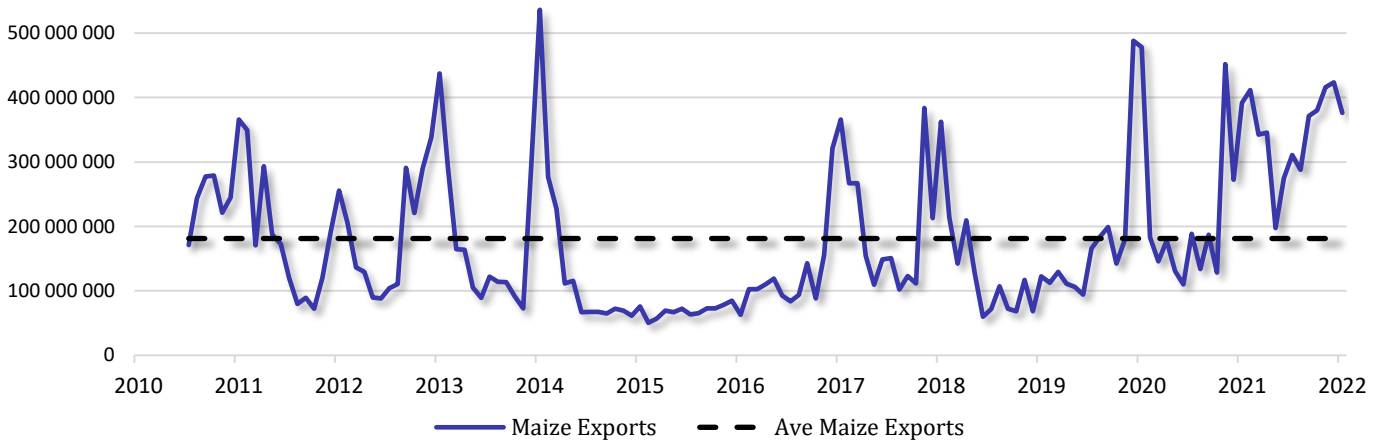
Fig 22: SA Maize/Corn Production (in 1000 Tons)

Due to good harvests recently, South Africa has been able to sustain a surplus of maize (yellow and white) over recent years. However, this is expected to decline by 8% in 2023 from 16 315 million tons to 15 259,8 million tons according to CEC 8th Production forecast. The recent surplus has help local producers secure their supply of maize required, and also allows for the country to export some of the surplus as shown in Fig 23. South Africa has been exporting above average levels of maize since the start of 2022. This is largely being driven by the demand in Europe as they experience above normal levels of drought impacting their local production.



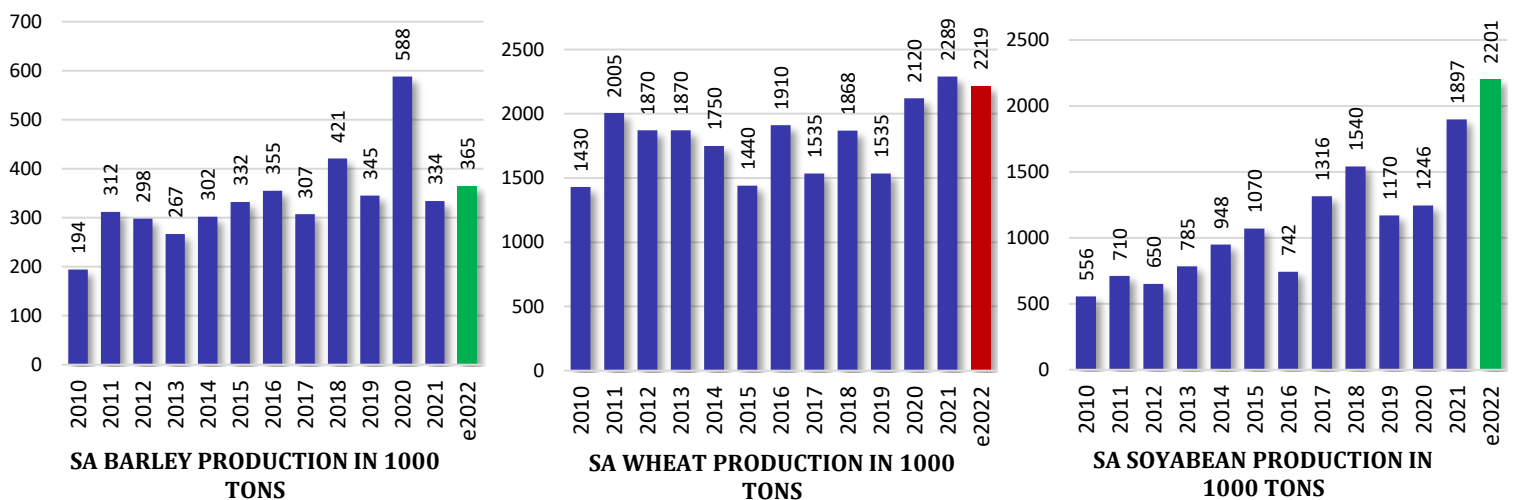
Source: Department of Agriculture, Land Reform & Rural Development

Fig 23: Maize Exports (SARS Tariff HS Code 1005)



Source: SARS, 2022

Fig 24: SA Wheat, Soyabean and Barley Production

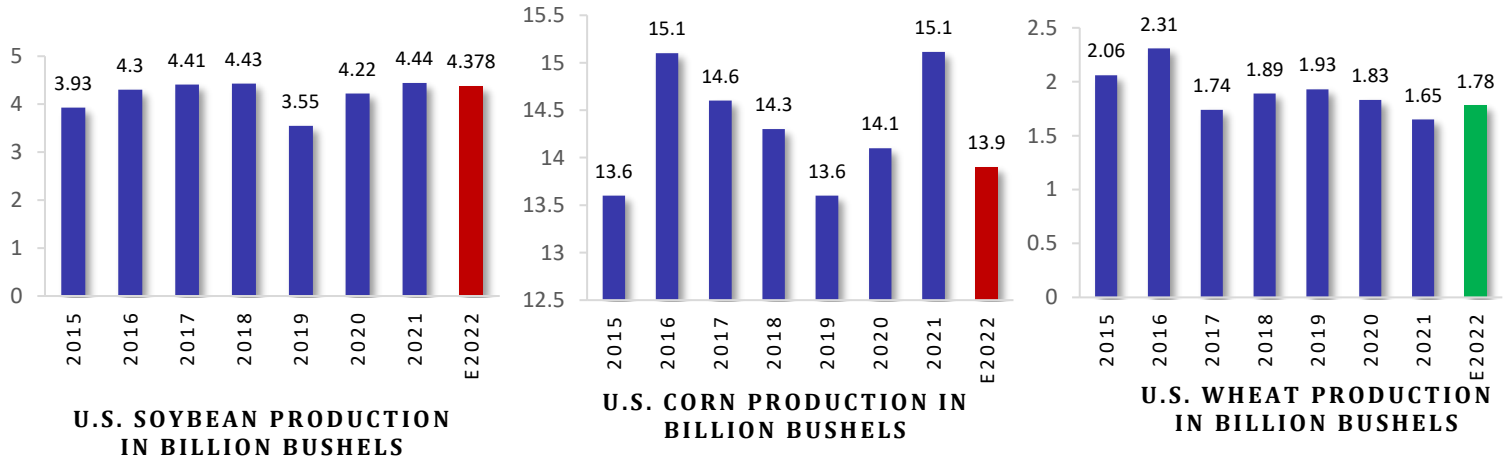


Source: Department of Agriculture, Land Reform & Rural Development

Grains & Crop Snapshot (continued...)

Fig 25: U.S. Field Crop Production Forecasts

The high commodity price inflation in 2022 has had a direct impact on food producers input costs globally and any signs of improvement in USA drought conditions will be favorable to the food producers. A drawback in current drought conditions could support a deflation of current commodity prices if plantings and harvests increase which will benefit the local SAFEX market and local South African food producers. As can be seen in the graph below, due to import/export parity, local yellow maize prices closely trace the Chicago corn prices when converted into Rands. Therefore, what happens in U.S. is just as important as what happens in the local commodities market. Due to the Drought in USA, South Africa has been exporting more corn which is why the SAFEX yellow maize and



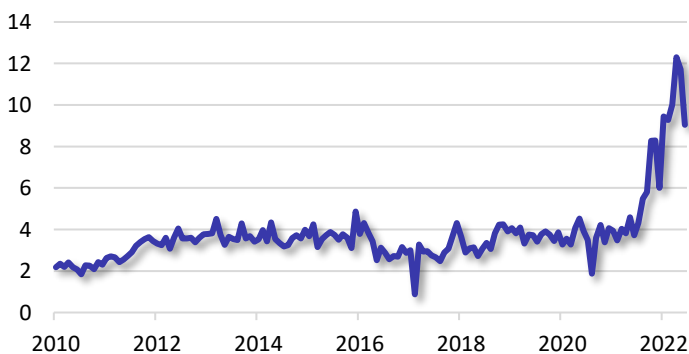
Source: United States Department of Agriculture (USDA)
 For conversion purposes: 1 metric ton of corn = 39.368 bushels; 1 metric ton of wheat/soybean = 36.7437 bushels;



Fertilizer Status
 Supply chain disruptions to negatively impact Fertilizer availability globally

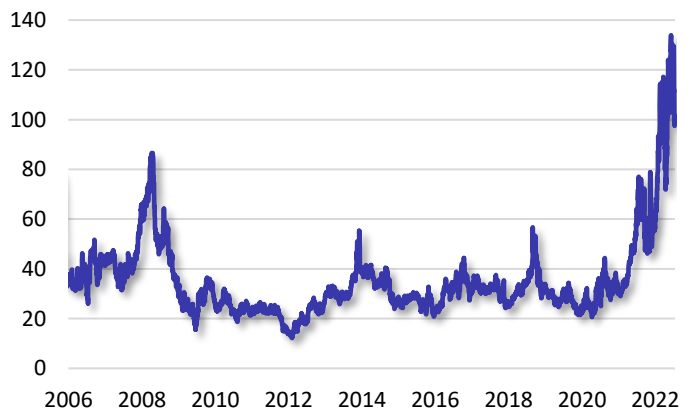
Natural gas is a major component in the production of fertilizer and a result of higher natural gas prices (132% increase since January 2022) fertilizer prices are also being forced higher. Approximately 20% of fertilizer supply comes from Russia and Belarus due to the minerals originating from those countries. There have been pressures on the price and supply of fertilizer that goes into the agricultural process. The sanctions on Russia, disruptions in the Black Sea trading routes essentially means that this 20% of fertilizer supply has been halted according to World Bank. China has also suspended its fertilizer exports to safeguard its own requirements which raises further concerns for the food security globally. Current agricultural production levels and yields are only possible due to fertilizers which provide the necessary nutrients. The four major staple foods wheat, rice, corn and soybeans all use fertilizers and make up 75% of global carbohydrate intake. Our current food and agricultural commodities have priced in fertilizers from 1 year to 6 months ago, however, the current fertilizer will only be felt in the coming harvests and leading into food prices in 2023. According to SARS import data, the price per kilogram of fertilizer chemicals has increased by 123.4% since 2020 (Figure 26 Estimated fertilizer cost From January 2022 until July 2022 there has also been an average 28% decrease in the volumes of fertilizer imported (Figure 28 Fertilizer Imports in the) which begs to question if our local agricultural harvest yields will be impacted as a result.

Fig 26: Estimated Fertilizer Cost per KG



Source: SARS & Afrifocus calculations

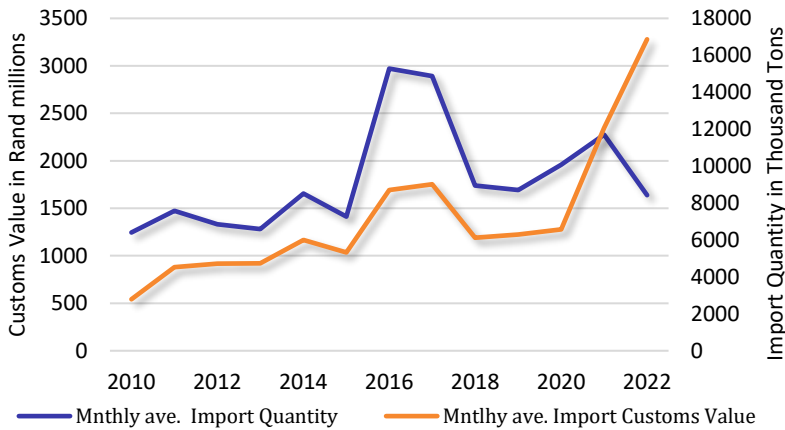
Fig 27: Natural Gas Prices (converted into ZAR)



Source: Refinitiv Eikon

Grains & Crop Snapshot (continued...)

Fig 28: SA Fertilizer Imports



Source: SARS; Based on SARS Imports on Tariff Codes 3101-3105 (Fertilizer Chemicals)

Fig 29: SA Fertilizer Chemical Import by Origin

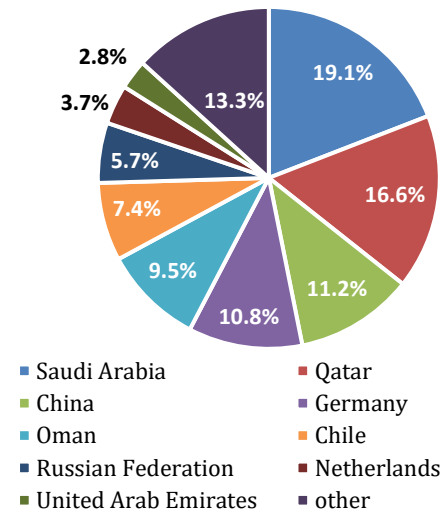


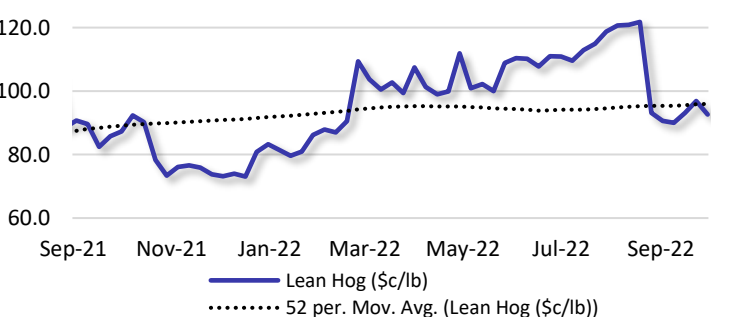
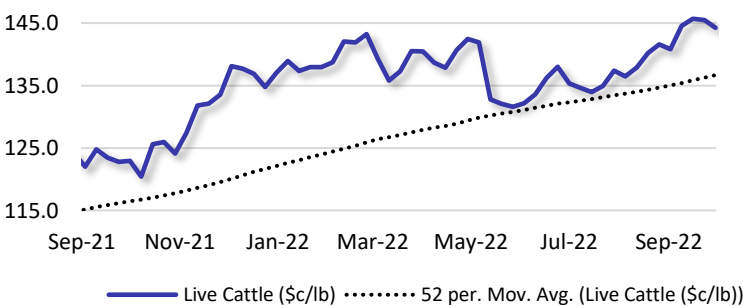
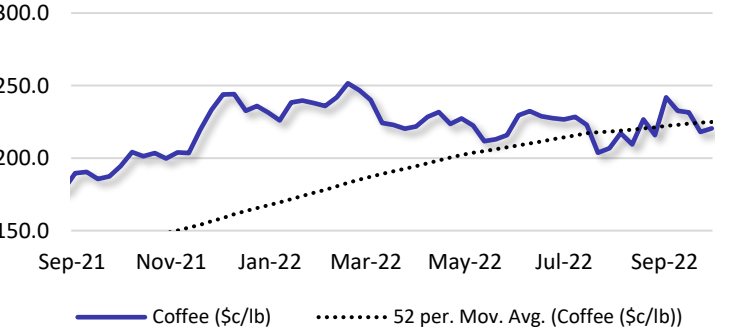
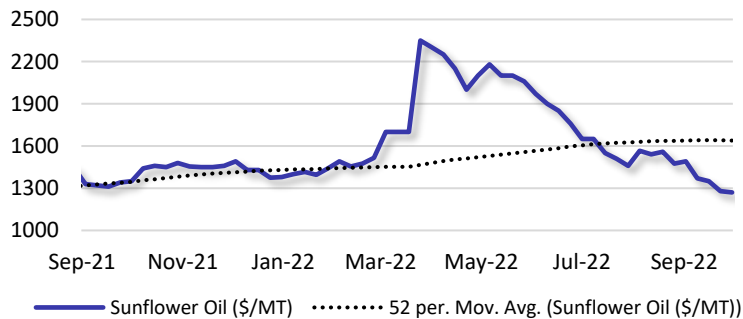
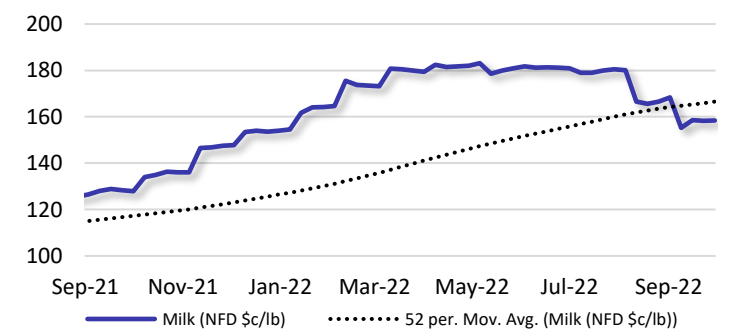
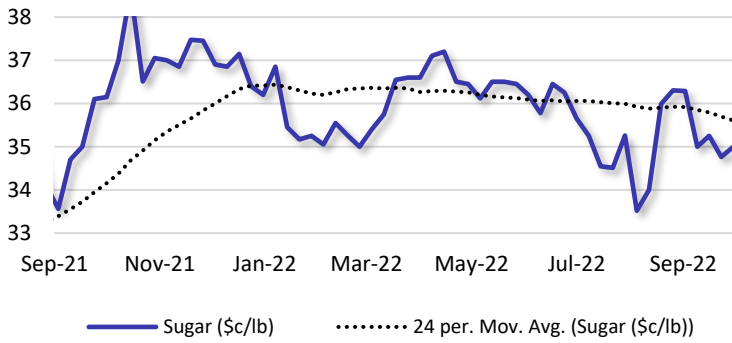
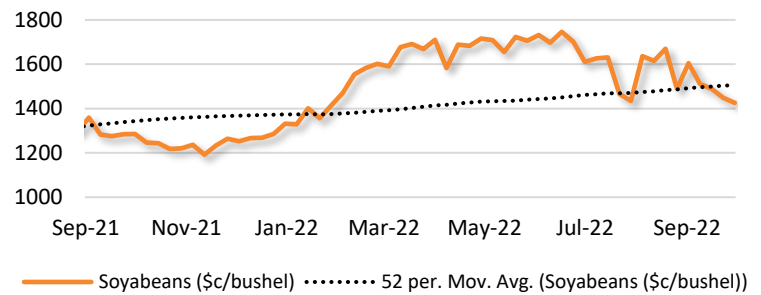
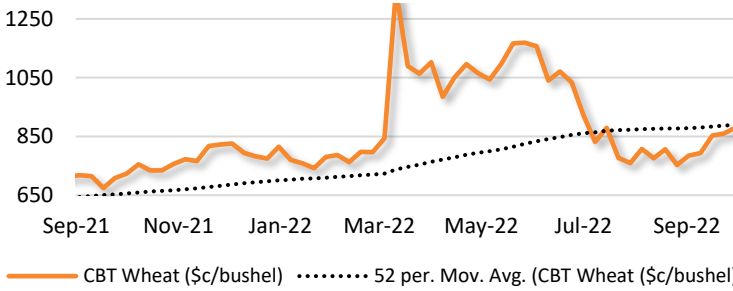
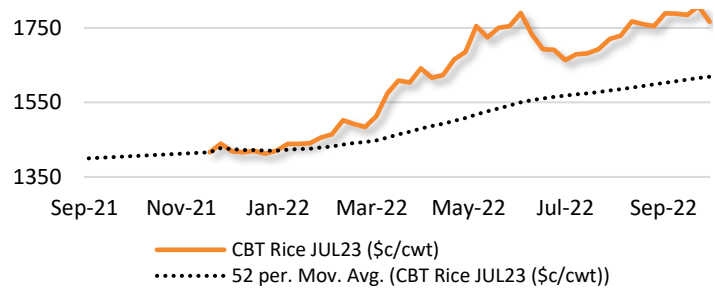
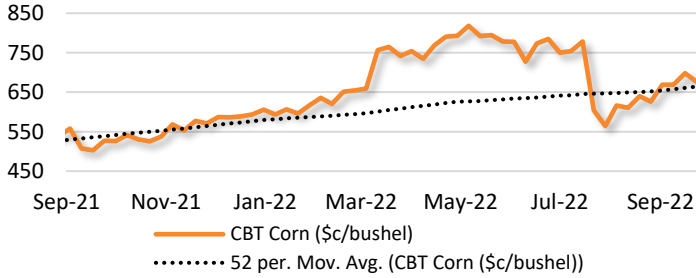
Table 2: Agricultural and Livestock Commodities Forecast

Livestock	Latest Price %		Q3/22 %		Q4/22 %		Q1/23 %		Q2/23
Beef	19.64	-0.2%	19.60	-0.9%	19.42	-1.0%	19.23	-0.9%	19.05
Live Cattle	143.0500	2.2%	146.1335	1.2%	147.8950	1.2%	149.6854	1.2%	151.5047
Lean Hogs	89.3750	6.9%	95.5714	3.2%	98.6274	3.2%	101.7853	3.2%	105.0451
Poultry	8.05	-0.9%	7.98	-1.6%	7.85	-1.7%	7.72	-1.8%	7.58
Feeder Cattle	175.3750	3.5%	181.5538	1.9%	185.0103	1.9%	188.5202	1.9%	192.1014
Eggs US	3.60	-13.6%	3.11	7.7%	3.35	7.8%	3.61	8.0%	3.90
Eggs CH	4,582.00	122.8%	4,941.01	-42.6%	5,114.75	16.2%	5,295.17	14.4%	5,481.31
Salmon	82.58	6.9%	88.28	6.1%	93.65	6.1%	99.34	6.1%	105.38
Agricultural	Latest Price %		Q3/22 %		Q4/22 %		Q1/23 %		Q2/23
Soybeans	1,414.75	3.1%	1,458.66	2.3%	1,492.02	2.3%	1,526.25	2.3%	1,561.18
Wheat	901.55	0.8%	909.05	3.6%	942.03	3.6%	976.25	-48.8%	1,011.68
Lumber	432.80	-5.0%	411.34	-5.4%	388.98	-5.4%	367.79	-5.4%	347.78
Palm Oil	3,363.00	16.2%	3,583.20	-9.3%	3,436.75	-9.8%	3,296.27	-10.4%	3,161.40
Cheese	1.9570	1.7%	1.9898	1.8%	2.0261	1.8%	2.0632	1.8%	2.1009
Milk	19.84	2.0%	20.23	1.8%	20.60	1.8%	20.98	1.8%	21.36
Rubber	134.30	-2.3%	131.23	-1.6%	129.19	-1.5%	127.19	-1.5%	125.22
Orange Juice	188.30	1.1%	190.40	3.5%	197.03	3.5%	203.89	3.5%	210.97
Coffee	228.70	-0.8%	226.84	2.9%	233.41	2.9%	240.18	2.9%	247.15
Canola	839.90	-5.0%	797.99	-2.5%	777.77	-2.5%	758.12	-2.5%	738.96
Oat	381.8364	-1.6%	375.6837	-5.4%	355.2208	-5.5%	335.8307	-5.4%	317.5531
Cotton	87.71	3.7%	90.95	-3.7%	87.54	-3.7%	84.26	-3.8%	81.09
Tea	2.87	8.7%	3.12	2.2%	3.19	2.2%	3.26	2.1%	3.33
Wool	1,279.00	-0.7%	1,269.54	-0.7%	1,260.20	-0.7%	1,250.86	-0.7%	1,241.53
Rice	17.3900	1.4%	17.6376	1.6%	17.9137	1.6%	18.1950	1.6%	18.4816
Cocoa	2,282.00	-6.8%	2,195.09	-4.2%	2,144.31	-4.3%	2,094.88	-4.4%	2,046.57
Sugar	18.29	-1.9%	17.94	-1.9%	17.60	-1.9%	17.27	-1.9%	16.95
Sunflower Oil	1,265.00	-1.7%	1,243.08	-2.1%	1,216.66	-2.1%	1,190.88	-2.1%	1,165.73
Butter	7,283.00	8.6%	7,392.83	10.5%	7,538.55	9.7%	7,687.18	9.0%	7,838.70
Potatoes	21.00	5.3%	22.11	5.3%	23.28	5.2%	24.50	5.3%	25.80
Rapeseed Oil	607.25	-3.4%	586.36	-3.4%	566.64	-3.4%	547.59	-3.4%	529.21
Corn	674.0314	3.1%	695.0353	3.2%	717.0647	3.2%	739.7677	3.2%	763.2791

Source: Trading Economics; values as at 26 September 2022

Soft Commodities Snapshot

Date	CBT Corn (\$/bushel)	CBT Rice JUL23 (\$/cwt)	CBT Wheat (\$/bushel)	Soyabeans (\$/bushel)	Sugar (\$/lb)	Milk (NFD \$/lb)	Sunflower Oil (\$/MT)	Coffee (\$/lb)	Live Cattle (\$/lb)	Lean Hog (\$/lb)
29 Jul 2022	616.3	1729.0	807.8	1637.0	33.5	180.1	1565.0	217.2	136.5	120.7
26 Aug 2022	668.8	1789.0	784.8	1605.3	36.3	168.3	1490.0	242.0	140.8	90.7
Aug % chg.	8.5%	3.5%	-2.8%	-1.9%	8.3%	-6.5%	-4.8%	11.4%	3.2%	-24.9%
30 Sep 2022	677.5	1749	921.5	1364.75	34.49	157.68	1365	221.55	143.275	89.225
Sep % chg.	1.3%	-2.2%	17.4%	-15.0%	-5.0%	-6.3%	-8.4%	-8.5%	1.8%	-1.6%



Currency Snapshot

Fig 48: Rand relative to other world currencies

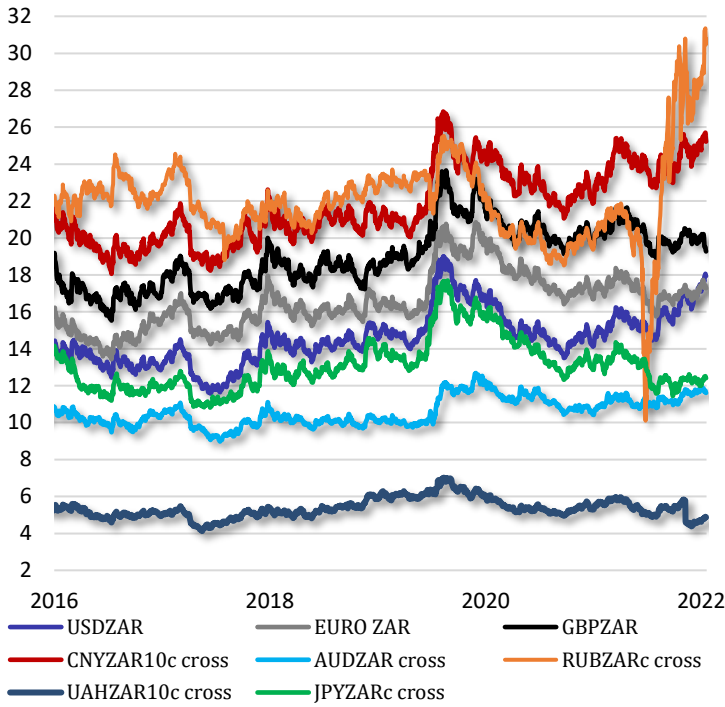
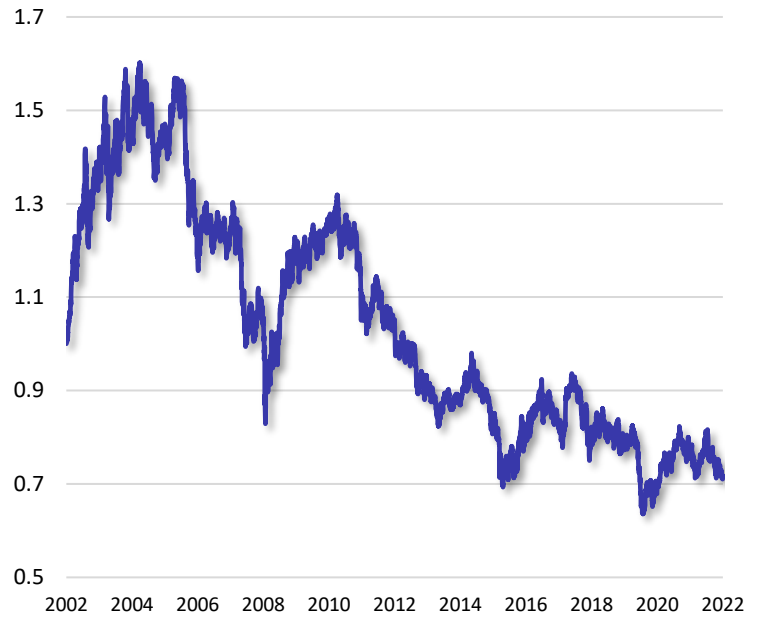


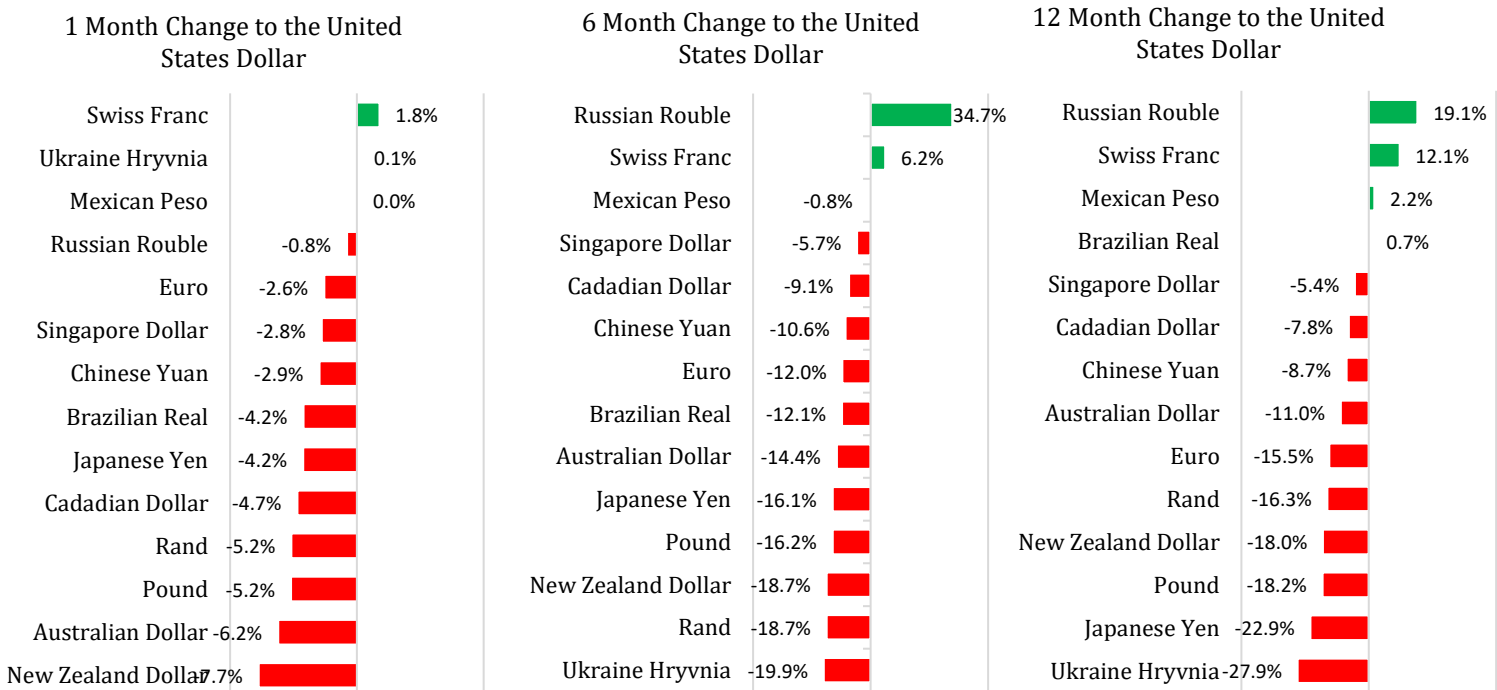
Fig 49: Rand Buying Power Index



Source: Refinitiv Eikon & Afrifocus calculations using the currency group on the left

In comparison to other major world currencies the Rand has been among the worst performing currencies over the last year and has historically been losing buying power when observing the long term trend. In comparison to the US Dollar the Rand weakened 5.2% in September, 18.7% in the recent 6 months and 18.2% for the last year. This is a huge concern for local food producers that import, as well as those food producers that use globally traded commodities in their manufacturing inputs as commodities are generally US Dollar denoted. On the other note, food producers that export their products could see favorable foreign currency income increases when converted back into local Rands. The current economic climate (political uncertainty, legislative regulations that arguably hamper the ease of doing business, and a looming electricity crisis) in South Africa has arguably not been an attractive picture to justify significant foreign investment in the country.

Fig 50: Major Global Currency Strength Changes to the United States Dollar



Source: Refinitiv Eikon

Climate Snapshot

Climate Advisory - South African Weather Service (SAWS)

The El Niño-Southern Oscillation (ENSO) is currently in a neutral state and the forecasts indicate that it will most likely remain in a neutral state for spring, with a likely change to a weak La Niña during early- and mid-summer. As we move towards the mid-summer season, ENSO starts playing an important role in our summer rainfall. As such, the increased likelihood of a weak La Niña during early- and mid-summer is expected to be favourable for abovenormal rainfall in that period.

The multi-model rainfall forecast indicates mostly above-normal rainfall for the north-eastern half of the country throughout the early-summer (OND and NDJ) and mid-summer (DJF) seasons, whereas the south-western half, which falls outside the parts which receive summer rainfall, is expected to partly receive below-normal rainfall during early-summer and above-normal rainfall during mid-summer. Above-normal minimum and maximum temperatures are expected across the country throughout the early-summer and mid-summer seasons except for parts of the north-east of South Africa which are expected to have below-normal maximum temperatures during mid-summer.

Fig 51: Recent Rainfall in South Africa

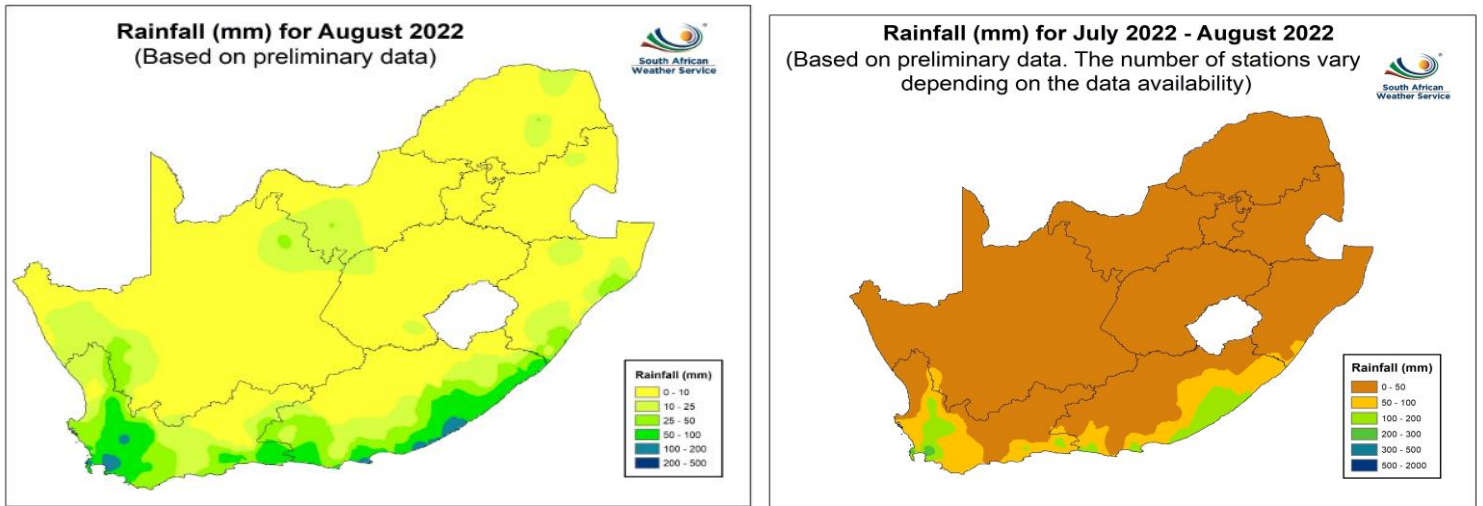
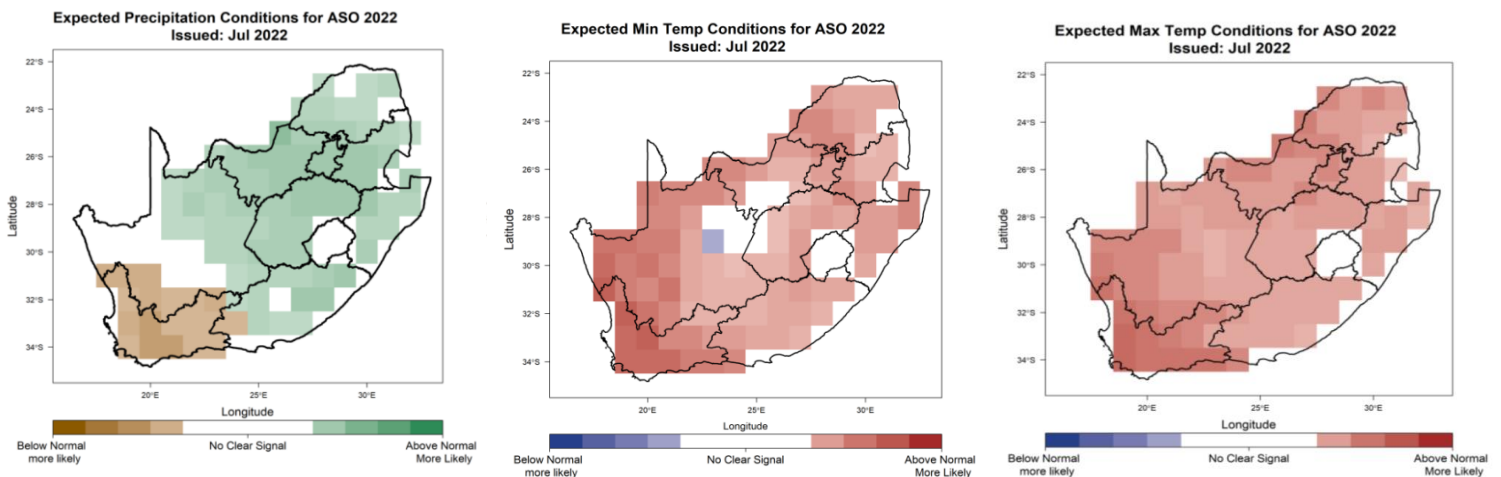


Fig 52: SA Expected Precipitation, Minimum & Maximum Temperature Conditions (Aug-Oct 2022)



Maps indicate August, September and October 2022 (left) expected precipitation conditions; August, September and October 2022 (middle) expected minimum temperature conditions and August, September and October 2022 (right) expected maximum temperature conditions.

USA Drought & Commodities

Fig 53: U.S. Corn Planting Regions

Corn for All Purposes 2021
Planted Acres by County
for Selected States

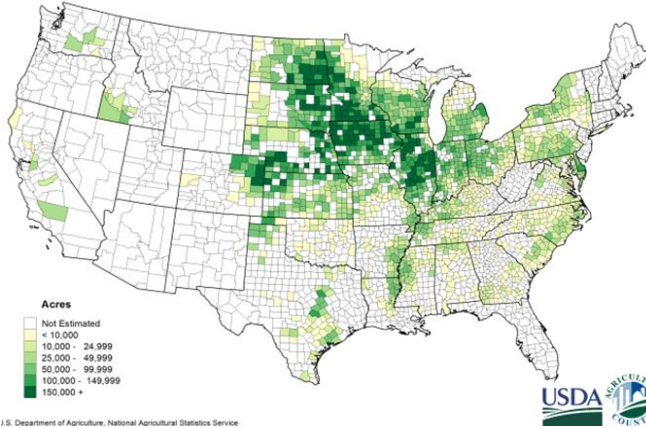
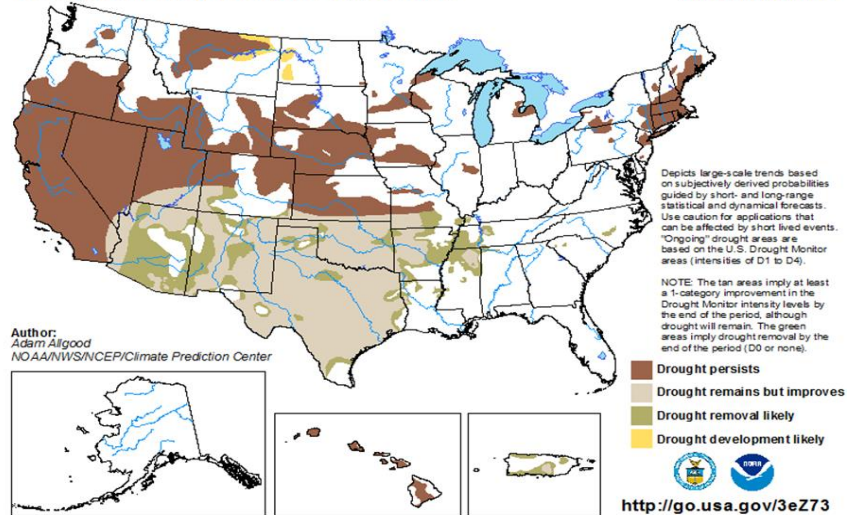


Fig 54: U.S. Drought Forecast

U.S. Seasonal Drought Outlook
Drought Tendency During the Valid Period

Valid for August 18 - November 30, 2022
Released August 18

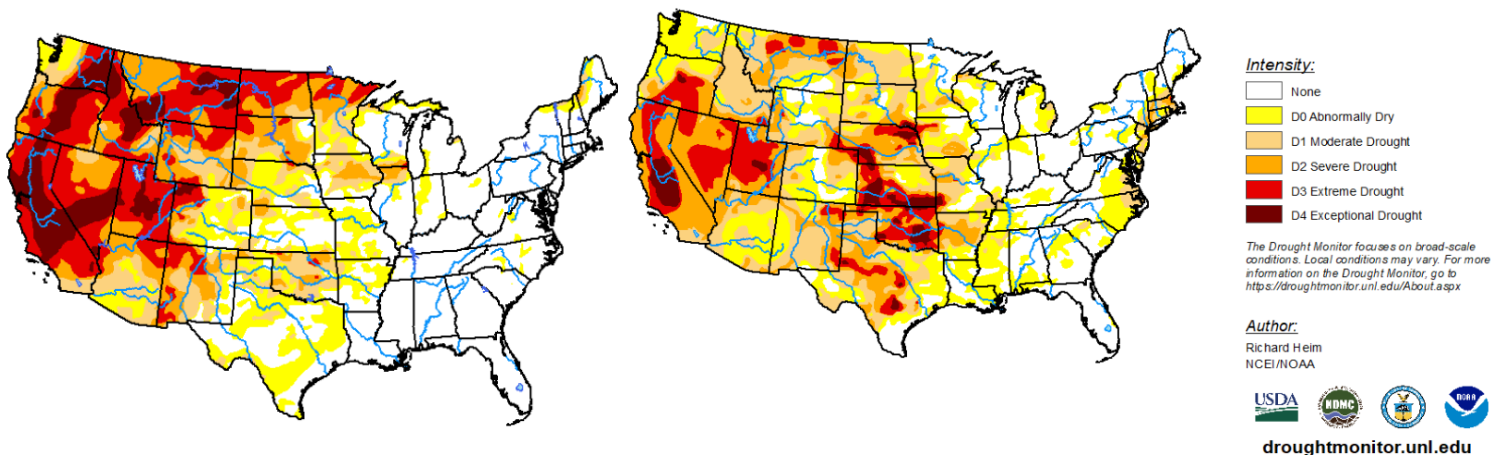


Source: <https://www.cpc.ncep.noaa.gov/>

Fig 55: U.S. Drought Monitor: Last Month vs 1 Year ago—Contiguous U.S. (CONUS)

September 28, 2021
(Released Thursday, Sep. 30, 2021)
Valid 8 a.m. EDT

September 27, 2022
(Released Thursday, Sep. 29, 2022)
Valid 8 a.m. EDT



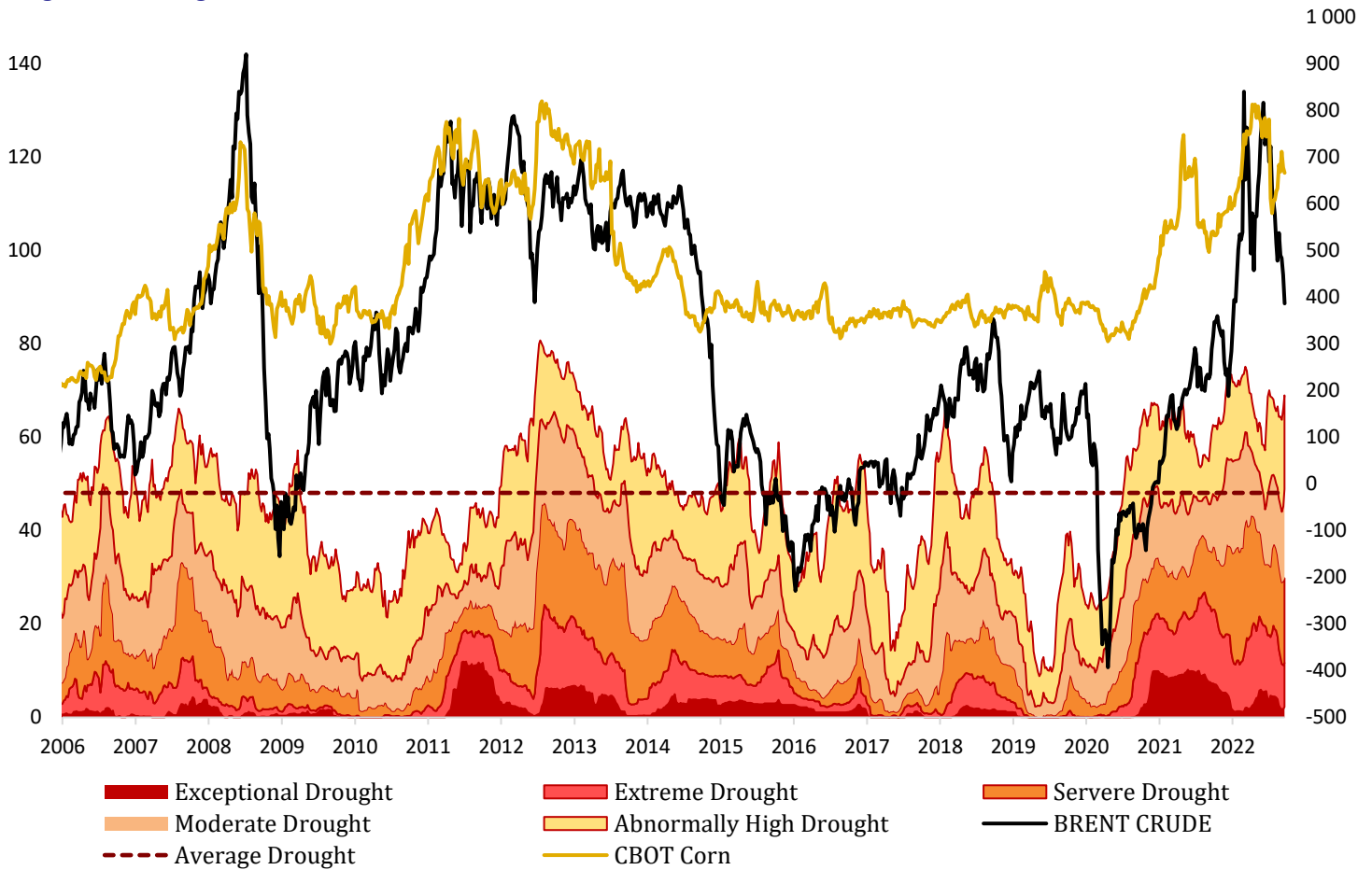
Source: <https://droughtmonitor.unl.edu/>

As can be seen in the comparable figures above, the drought conditions (while still high) have slightly improved for September 2022 compared to September 2021 in terms of severity. However, what is more concerning now is that the drought conditions are currently occurring in more of the farmable land regions in the middle to parts of U.S. (see planted areas of corn below) and is forecasted to persist until the end of November. Precipitation, temperature and rainfall all impact the quantity, location, and timing of agricultural planting. There are also impacts of crop quality and final harvest yields leading toward the end of the growing season (October/November).

With USA being the largest producer of corn worldwide (c.32%), and most standardized commodities being dollar denoted, it is vital to have a glance at the state of conditions in the USA. Drought has had a historical impact on agricultural commodity prices as well as Brent Crude Oil (due to corn being used as biofuel/ethanol in gasoline – a renewable substitute to oil). USA is currently experiencing above average drought conditions since August 2020 as seen in the graph below. It seems that the drought (coupled with the Russia and Ukraine conflict) has been driving up commodity prices throughout 2022. June, July and August are the seasonal rainfall months for USA, and due to the low precipitation in this time, we could expect a depressed total harvest leading into October and November. The USDA is forecasting harvested corn for 2022 to decline by up to 5%, soya to increase 2% and wheat to increase 8%. A decrease in crop harvest would decrease tradable supply leading into 2023 further pushing up commodity price inflation on corn.

USA Drought & Commodities

Fig 56: U.S. Drought Presence vs Commodities Prices



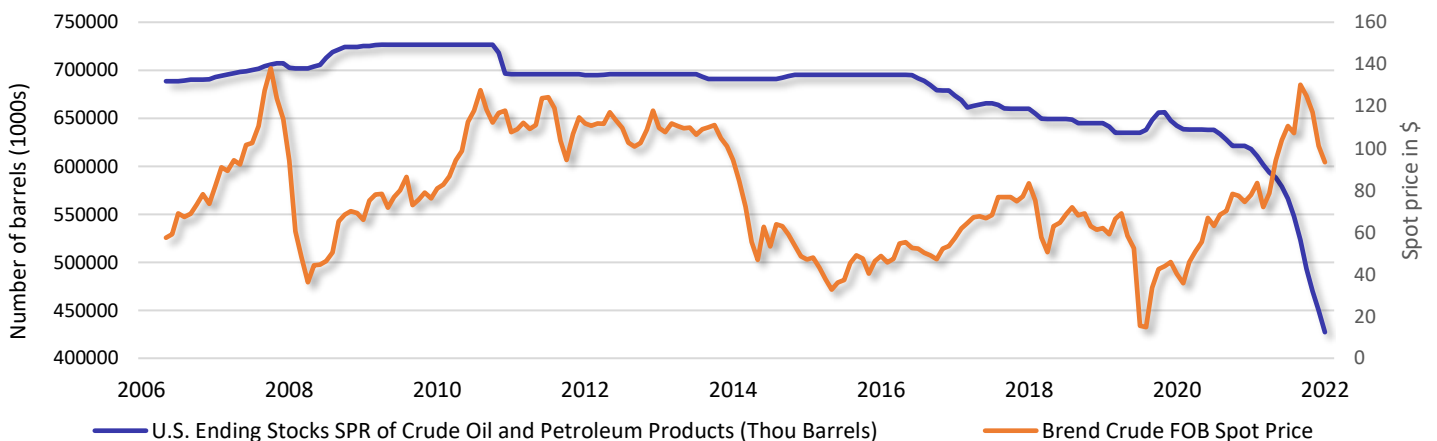
Source: www.droughtmonitor.unl.edu and Refinitiv Eikon

** Graph indicates Brent Crude (\$) and U.S. drought is linked to the left axis representing the total percentage of USA land experiencing drought (max 100); CBOT Corn in \$ are linked to the right axis.

Fig 57: U.S. Strategic Petroleum Reserves vs Brent Crude Price

As a method to try an alleviate oil price inflation the US has been using oil from their Strategic Petroleum Reserves at rates never seen before and this is not sustainable long term. The Brent Crude prices could increase significantly should USA start to buy more oil again on the open market in order to provide their daily demand (approximately 19 million barrels) as well as to refill their reserves to previous levels. The Brent Crude Oil prices might have come down recently from the \$120 highs, however, this is partly due to the US reduction of buying on the open market and instead tapping into their reserves.

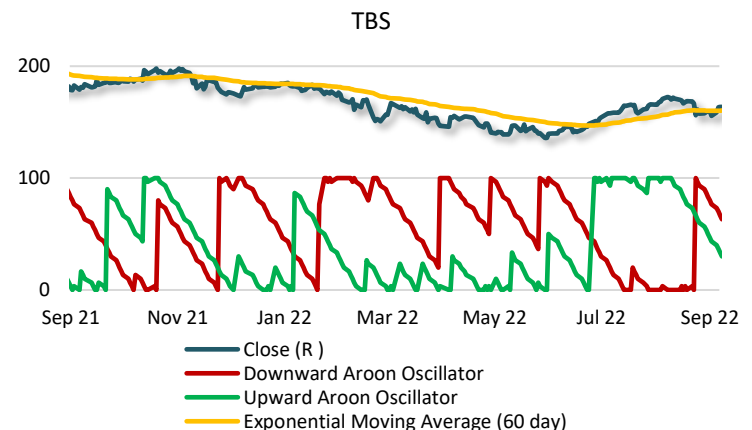
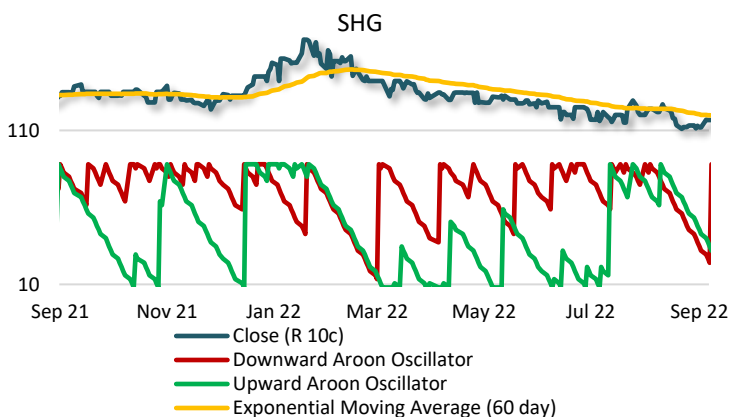
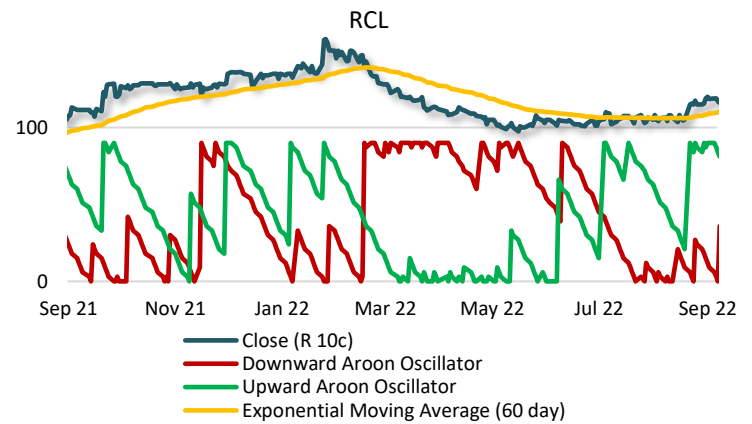
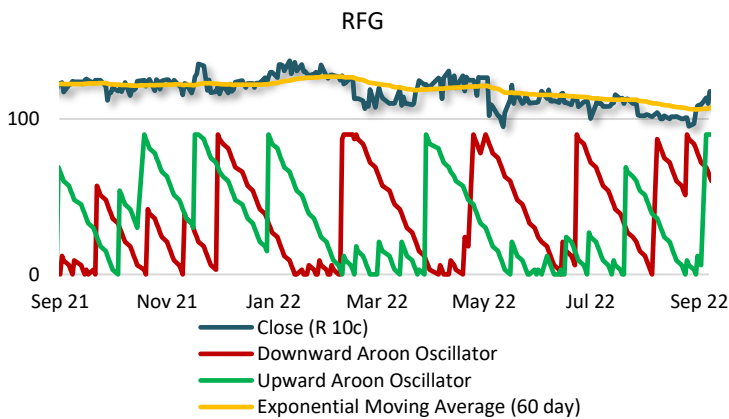
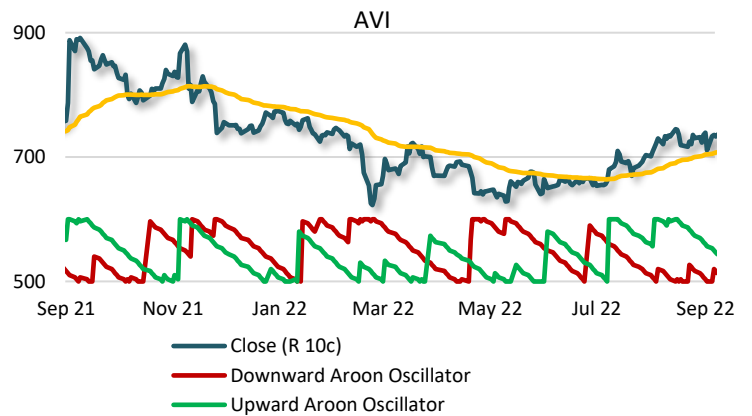
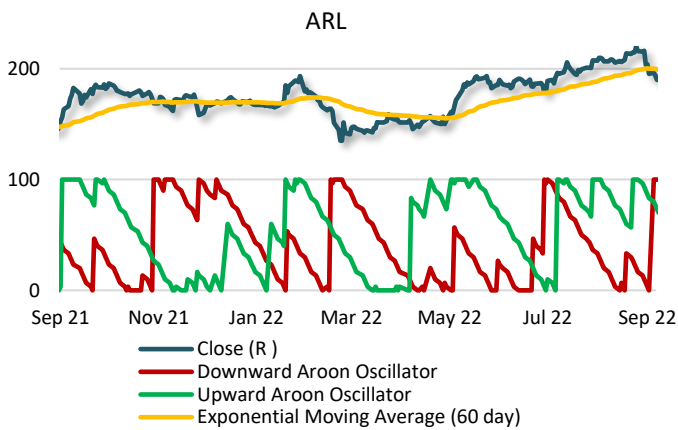
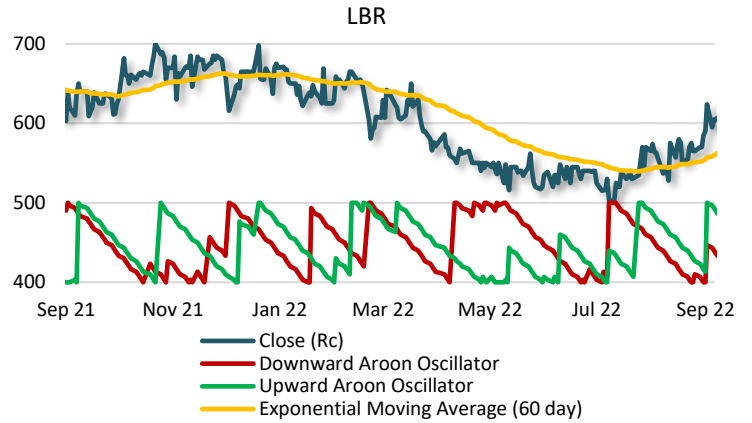
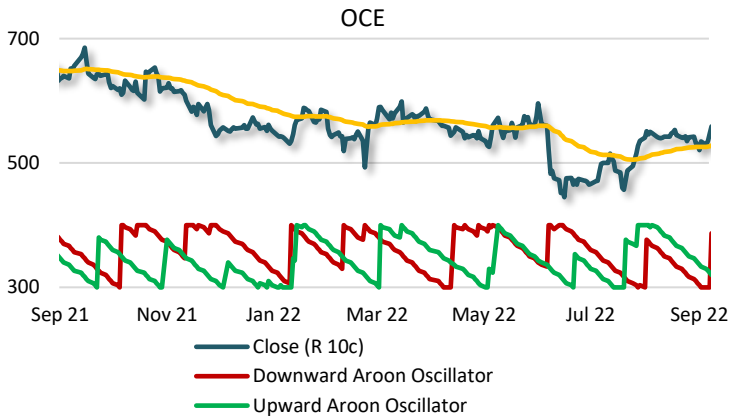
US Strategic Petroleum reserves are currently sitting at 262 million barrels below the historical average reserves prior 2021



Source: U.S. Energy Information Administration

SA Food Producers' Technical Analysis

SA Food Producers' Technical Analysis



SA Food Producers' Relative Valuations

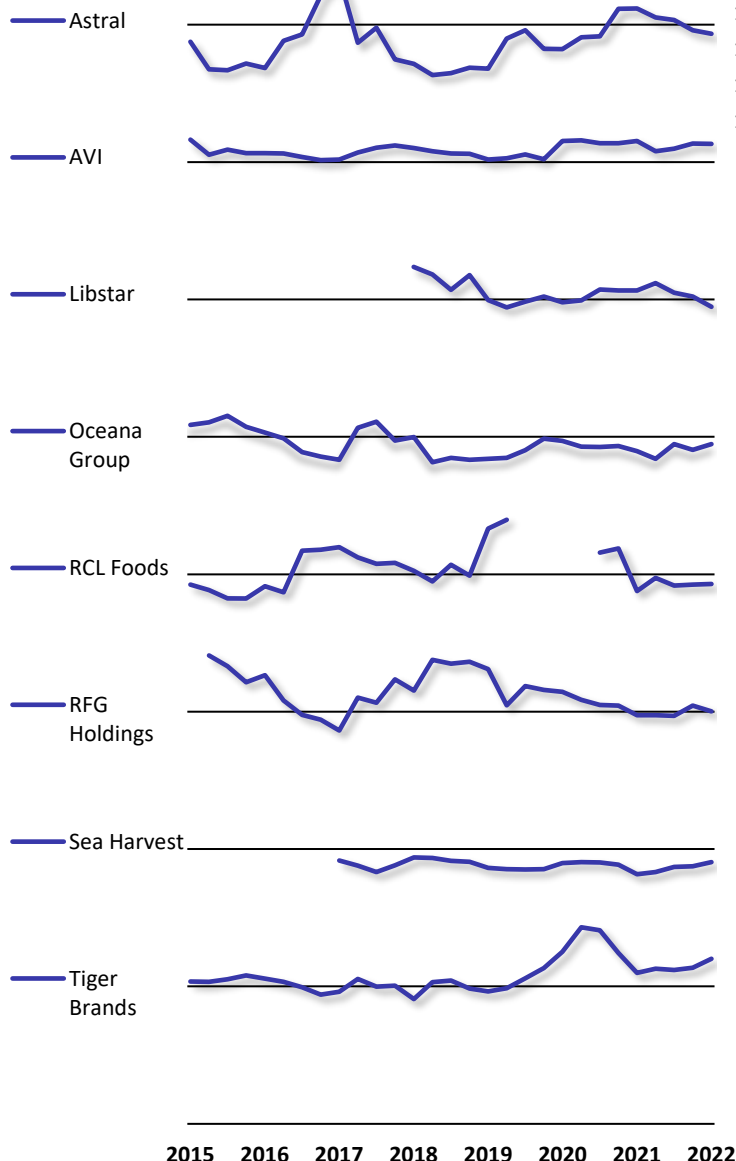
Food Producing Company	Current PE	5YR Ave PE	12Mth Fwd EPS	Current Price	Implied FV Price (PE peer ave)	Implied 1YR Price (Fwd EPS)	Possible price change if reverted to FV implied by peer average	
Astral	9.4	8.77	24.38	193.18	222.72	239.04	15.3%	upside
AVI Limited	13.7	15.51	5.64	72.80	57.59	74.35	-20.9%	downside
Libstar Holdings	9.7	14.98	0.86	6.13	6.85	11.15	11.7%	upside
Oceana Group	9.7	12.57	6.46	53.26	59.51	75.61	11.7%	upside
RCL Foods	9.3	26.71	1.33	11.06	12.89	18.29	16.5%	upside
Tongaat Holdings		26.65		4.04				suspended
RFG Holdings	10.9	18.65	1.32	11.01	10.95	19.51	-0.6%	downside
Sea Harvest Group	8.8	9.79	1.60	12.00	13.35	15.68	11.3%	upside
Tiger Brands	15.2	16.5	14.42	169.44	120.81	197.12	-28.7%	downside
Food Producer Peer Group	10.84	16.68					2.0%	upside

Source: Refinitiv Eikon & Afrifocus calculations.

Note: Fair values are based on an assumption of mean reversion. Assuming that a company P/E Ratio would revert to the peer group average while keeping EPS constant, we then imply what that FV share price should be. See the next figure showing company PE trends within the peer group compared to that peer group average.

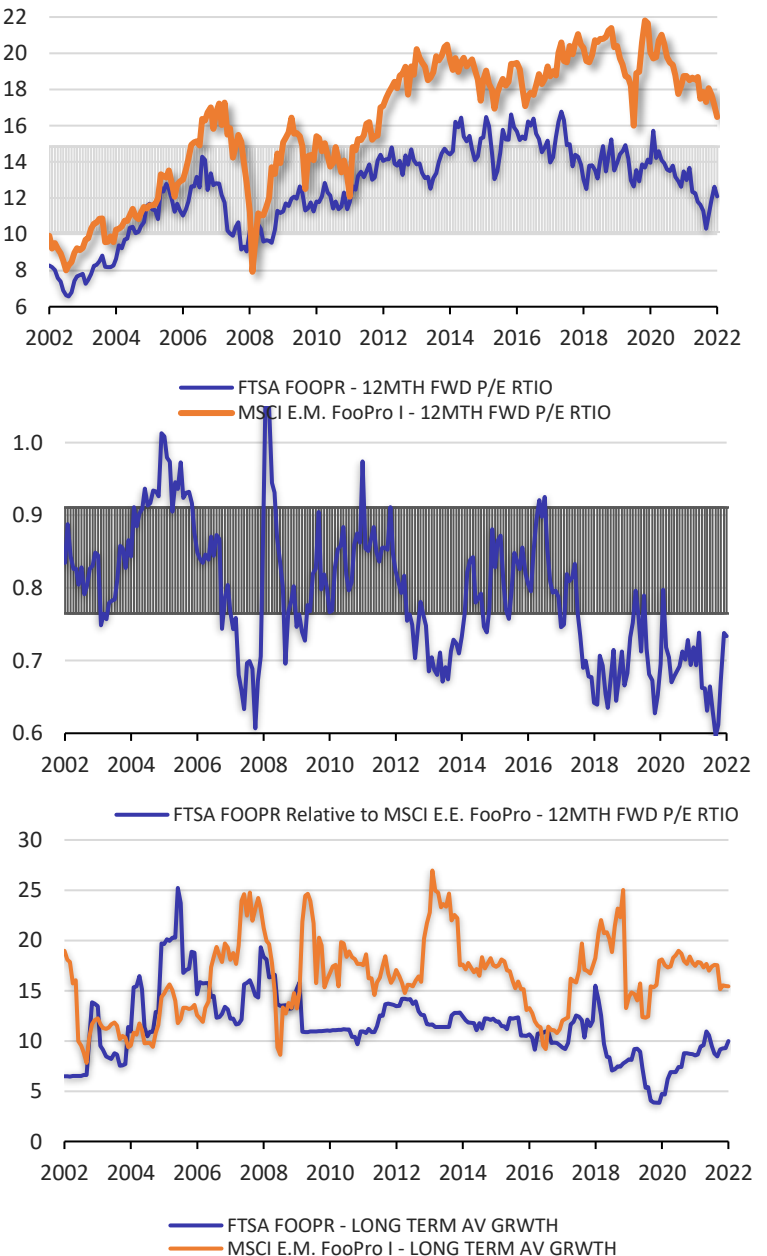
Fig 59: Current PE Relative to the Peer Group Average

The below charts indicate where each of the respective companies current PE is sitting as apposed to the peer group average PE ratio. Above the line indicates that the companies current PE is above the group average



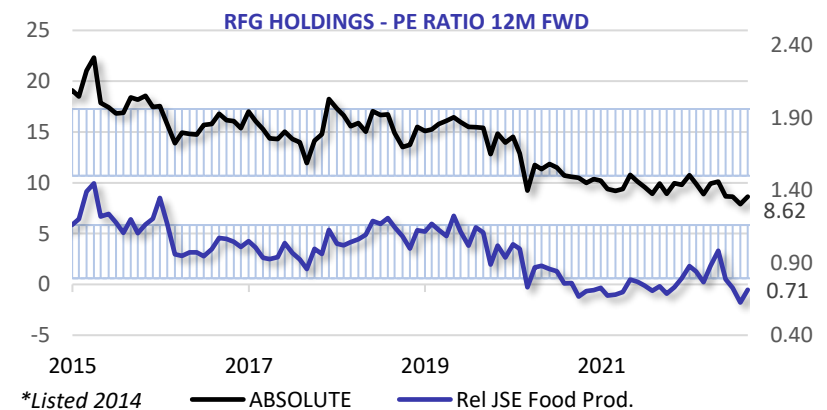
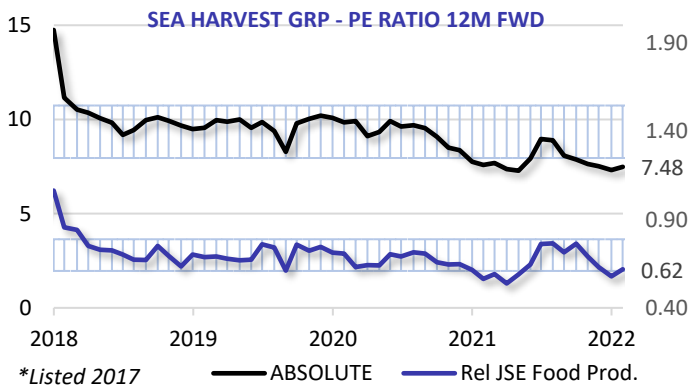
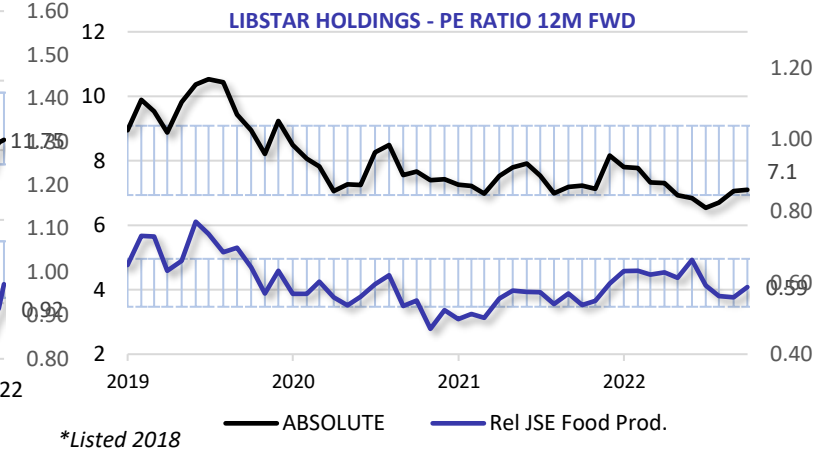
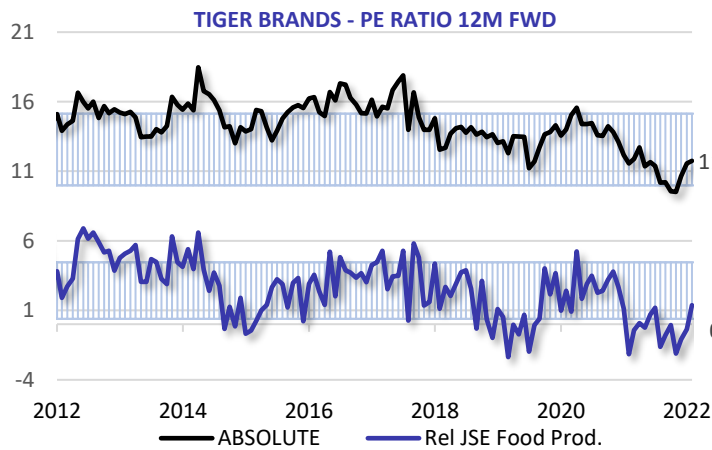
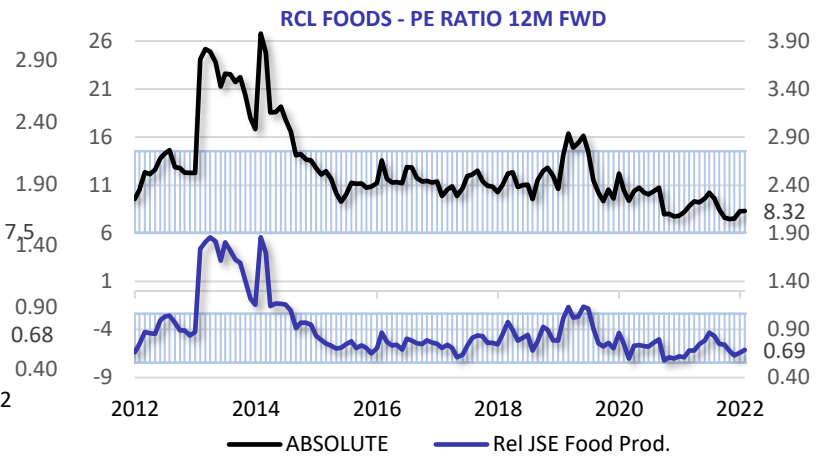
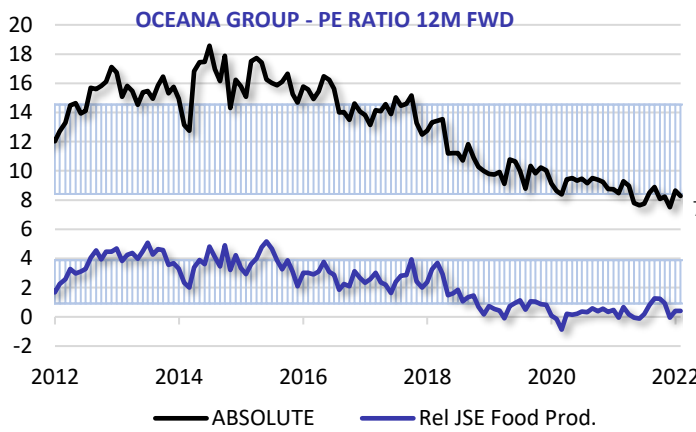
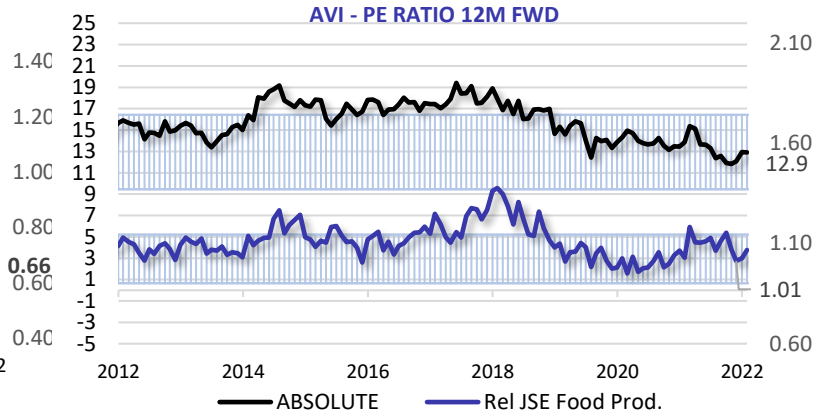
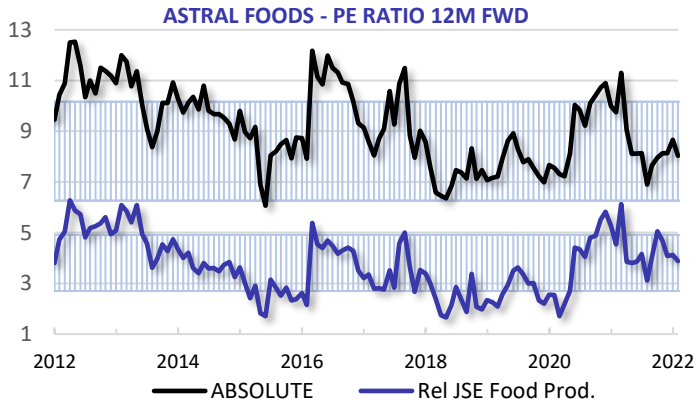
Source: Refinitiv Eikon & Afrifocus calculations

Fig 60: JSE Food Prod. vs MSCI Emerg. Markets Food Producers



*Relative PE's calculated relative to FTSE SA Food Producers Index and not the FTSE JSE Food Producers Index.

SA Food Producers' Relative Valuations (continued...)



Source: Refinitiv Eikon & Afrifocus calculations

Research Disclosure

NOTICE TO US INVESTORS

This report was prepared, approved, published and distributed by Afrifocus Securities (Pty) Ltd. a company located outside of the United States (a “non-US Group Company”). This report is distributed in the U.S. by GREENLEYS CAPITAL MARKETS LLP, a U.S. registered broker dealer, on behalf of Afrifocus Securities (Pty) Ltd. only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”)) pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. customer in the securities described in this report must be effected through GREENLEYS CAPITAL MARKETS LLP.

Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. (“FINRA”) or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

Analyst Certification. Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. Please bear in mind that (i) Afrifocus Securities (Pty) Ltd. is the employer of the research analyst(s) responsible for the content of this report and (ii) research analysts preparing this report are resident outside the United States and are not associated persons of any US regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a US broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with US rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

Important US Regulatory Disclosures on Subject Companies. This material was produced by Analysis Afrifocus Securities (Pty) Ltd. solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient. It is distributed in the United States of America by GREENLEYS CAPITAL MARKETS LLP and elsewhere in the world by Afrifocus Securities (Pty) Ltd. or an authorized affiliate of Afrifocus Securities (Pty) Ltd.. This document does not constitute an offer of, or an invitation by or on behalf of Afrifocus Securities (Pty) Ltd. or its affiliates or any other company to any person, to buy or sell any security. The information contained herein has been obtained from published information and other sources, which Afrifocus Securities (Pty) Ltd. or its Affiliates consider to be reliable. None of Afrifocus Securities (Pty) Ltd. accepts any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document. Emerging securities markets may be subject to risks significantly higher than more established markets. In particular, the political and economic environment, company practices and market prices and volumes may be subject to significant variations. The ability to assess such risks may also be limited due to significantly lower information quantity and quality. By accepting this document, you agree to be bound by all the foregoing provisions.

GREENLEYS CAPITAL MARKETS LLP assumes responsibility for the research reports content in regards to research distributed in the U.S. GREENLEYS CAPITAL MARKETS LLP or its affiliates has notor co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, does not expect receive and does not intend to seek compensation for investment banking services from the subject company in the next 3 months. GREENLEYS CAPITAL MARKETS LLP has never owned any class of equity securities of the subject company. There are not any other actual, material conflicts of interest of GREENLEYS CAPITAL MARKETS LLP at the time of the publication of this research report. As of the publication of this report GREENLEYS CAPITAL MARKETS LLP, does not make a market in the subject securities.